IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR, IN RESPECT OF ANY OFFERING OF NOTES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO ANY U.S. PERSON.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR, IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR, IN RESPECT OF ANY OFFERING OF SECURITIES UNDER CATEGORY 2 OF REGULATION S OF THE SECURITIES ACT, TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In respect of any offering of securities under Category 2 of Regulation S of the Securities Act, in order to be eligible to view this offering circular or make an investment decision with respect to the securities, investors must not be U.S. persons (within the meaning of Regulation S under the Securities Act). This offering circular is being sent at your request and by accepting the e-mail and accessing this offering circular, you shall be deemed to have represented to the Issuers, the Guarantor, and the Arrangers and Dealers (as such terms are defined in this offering circular) that (1) the electronic mail address that you gave us and to which this e-mail has been delivered or being accessed is not located in the United States, and, in respect of any offering of securities under Category 2 of Regulation S of the Securities Act, you are not a U.S. person nor are you acting on behalf of a U.S. person and, to the extent you purchase the securities described in the attached document, you will be doing so pursuant to Regulation S under the Securities Act and (2) you consent to delivery of such offering circular and any amendments and supplements thereto by electronic transmission.

You are reminded that this offering circular has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this offering circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Dealers or any affiliate of any of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Issuers, the Guarantor, the Arrangers, the Dealers and any Agent (each as defined in this offering circular) nor any of their respective employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available on request.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR

ST Engineering

ST ENGINEERING RHQ LTD.

(incorporated with limited liability in England under the Companies Act 1985)
(Company number: 02334137)

ST ENGINEERING TREASURY PTE. LTD.

(incorporated with limited liability in Singapore)
(UEN/Company registration number: 201803324N)

S$5,000,000,000
Multicurrency Medium Term Note Programme

unconditionally and irrevocably guaranteed by

SINGAPORE TECHNOLOGIES ENGINEERING LTD

(incorporated with limited liability in Singapore)
(UEN/Company registration number: 199706274H)

Under this S$5,000,000,000 Multicurrency Medium Term Note Programme (the **Programme**), each of ST Engineering RHQ Ltd. (**STE UK-Co**), ST Engineering Treasury Pte. Ltd. (**STE SG-Co**) and any New Issuer (as defined herein) (each an **Issuer** and together, the **Issuers**), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the **Notes**) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Singapore Technologies Engineering Ltd (the **Guarantor** or **STE**).

The Programme Agreement (as defined herein) and Agency Agreement (as defined in the Conditions (as defined below)) each contains provisions enabling the Guarantor to, from time to time, nominate any Subsidiary (as defined in the Conditions) of the Guarantor as an additional issuer (a **New Issuer**) under the Programme to issue Notes. It is intended that such New Issuer shall accede to the terms of the Programme by executing, new, supplemental, amended and/or restated contractual documents, as appropriate, and thereafter shall become, and be treated as, an issuer for the purpose of the Programme.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed S$5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the dealers specified under "*Overview of the Programme*" and any additional dealer appointed under the Programme from time to time by the relevant Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Issuer** shall be to STE UK-Co, STE SG-Co or such New Issuer, as the case may be, as the issuer of the Notes under the Programme as specified in the applicable Pricing Supplement (as defined herein), and references to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see "*Risk Factors*".

Application has been made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for the listing and quotation of the Programme. Application will be made to the SGX-ST for permission to deal in and the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed on or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. There is no assurance that the application to the SGX-ST for the listing of any Notes will be approved. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the relevant Issuer, the Guarantor, the Programme or the Notes.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer. The relevant Issuer may also issue Notes which are unlisted and/or not admitted to trading on any market.

Each Tranche (as defined in the Conditions) of Notes of each Series (as defined in the Conditions) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a **Temporary Global Note**) or a permanent global note in bearer form (each a **Permanent Global Note** and, together with the Temporary Global Note, each a **Bearer Global Note**). Notes in registered form will initially be represented by a global note in registered form (each a **Registered Global Note** and together with any Bearer Global Notes, the **Global Notes** and each a **Global Note**). The Global Notes may be deposited on the relevant issue date with a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**), or with The Central Depository (Pte) Limited (**CDP**).

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See "*Form of the Notes*" for descriptions of the manner in which the Notes will be issued.

The Guarantor has been assigned an overall corporate credit rating of "Aaa" by Moody's Investors Service, Inc. (**Moody's**) and "AAA" by S&P Global Ratings, a division of The S&P Global Inc. (**S&P**). The Programme has been rated "AAA" by S&P.

Notes issued under the Programme may be rated or unrated. Where an issue of a certain series of Notes is rated, its credit rating will not necessarily be the same as the credit rating applicable to the Programme and (where applicable) such credit rating will be specified in the applicable Pricing Supplement. A credit rating is a statement of opinion and not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The relevant Issuer and the Guarantor may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Offering Circular, if appropriate, which will describe the effect of the agreement reached in relation to such Notes will be made available.

Arrangers

DBS Bank Ltd. **J.P. Morgan**

Dealers

DBS Bank Ltd.	**J.P. Morgan**	**Citigroup**
Crédit Agricole CIB	**Mizuho Securities**	**OCBC Bank**
Standard Chartered Bank		**UOB**

The date of this Offering Circular is 18 March 2020.

To the best of the knowledge of the Issuers and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuers and the Guarantor accept responsibility for the information contained in this Offering Circular accordingly.

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*", as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the applicable Pricing Supplement.

References in this Offering Circular to "Conditions" of Notes shall mean the Conditions set out in the "*Terms and Conditions of the Notes*".

Subject as provided in the applicable Pricing Supplement, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Pricing Supplement as the relevant Dealer or the Managers, as the case may be.

Copies of Pricing Supplements will be available for viewing upon prior written request at the registered office of STE and each of the Issuing and Paying Agents or (in the case of Registered Notes) the Registrar (each as defined below) (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the relevant Issuer or relevant Issuing and Paying Agent as to its holding of Notes, as the case may be, and its identity).

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference, see "*Documents Incorporated by Reference*". This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

None of DBS Bank Ltd. and J.P. Morgan (S.E.A.) Limited (together, the **Arrangers**), the Fiscal Agent, the Issuing and Paying Agent, the CDP Issuing and Paying Agent, the Calculation Agent, the CDP Calculation Agent, the Registrar, the CDP Registrar, the Transfer Agent, the CDP Transfer Agent (together, the **Agents**) or any Dealer has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers, the Agents or the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme. None of the Arrangers, the Agents or any Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuers or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme, the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantor, the Arrangers, the Agents or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes is intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuers, the Guarantor, the Arrangers, the Agents or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the credit-worthiness, of the relevant Issuer and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuers or the Guarantor, the Arrangers, the Agents or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers, the Agents and the Dealers expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or the securities laws of any state of the United States or of any other jurisdiction and may not be offered or sold in or within the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act)), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and all applicable state or local securities laws in the United States and any other jurisdiction, see "*Subscription and Sale*".

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of any offering of Notes or the accuracy or the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

This Offering Circular does not constitute an offer to sell, or the solicitation of an offer to buy, any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuers, the Guarantor, the Arrangers, the Agents or any Dealer represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Guarantor, the Arrangers, the Agents or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong and Singapore, see "*Subscription and Sale*".

None of the Arrangers, the Agents, the Dealers, the Issuers or the Guarantor makes any representation to any investor in any Notes regarding the legality of its investment under any applicable laws. Any investor in any Notes should be able to bear the economic risk of an investment in such Notes for an indefinite period of time.

All references in this document to **U.S. dollars**, **U.S.$** and $ refer to United States dollars and to **Singapore dollars** and **S$** refer to Singapore dollars. In addition, all references to **Sterling** and **£** refer to pounds sterling and to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

References in this document to the **Group** shall mean the Guarantor and its consolidated subsidiaries.

IMPORTANT – EEA AND UK RETAIL INVESTORS

If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**) or in the United Kingdom (the **UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the **PRIIPs Regulation)** for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE/TARGET MARKET

The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

NOTIFICATION UNDER SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE

Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements including, without limitation, words and expressions such as **expect**, **believe**, **plan**, **intend**, **estimate**, **project**, **anticipate**, **may**, **will**, **would**, **could** or similar words or statements, in particular, in the section entitled "*Description of the Issuers and the Group*" in this Offering Circular in relation to future events, the Issuers, the Guarantor, the Group, the Group's prospects, its expected financial condition, its business strategies, the future developments of the Group's operations and industry and the future development of the general domestic, regional and global economy.

These statements are based on numerous assumptions regarding the Group's present and future business strategy and the environment in which it expects to operate in the future. The Group's future results could differ materially from those expressed or implied by such forward-looking statements and although these forward-looking statements reflect its current view of future events, they are not a guarantee of future performance. In addition, the Group's future performance may be affected by various factors and risks including, without limitation, those discussed in the sections entitled "*Risk Factors*" and "*Description of the Issuers and the Group*".

Should one or more of these or other risks or uncertainties materialise, or should any underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. Prospective investors should therefore not place undue reliance on any of these forward-looking statements.

In this Offering Circular, statements of, or references to, intentions of the Issuers or the Guarantor or those of any of the directors of any of them are made as at the date of this Offering Circular. Any such intentions may change in light of future developments.

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IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published audited consolidated and non-consolidated annual financial statements and, if published later, the most recently published unaudited interim consolidated financial statements of the Guarantor, if any;

(b) (in respect of each Series of Notes) the most recently published audited non-consolidated annual financial statements and, if published later, the most recently published unaudited interim non-consolidated financial statements of the relevant Issuer, if any; and

(c) all supplements or amendments to this Offering Circular circulated by the Issuers and/or the Guarantor from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Any published unaudited interim financial statements of the Issuers or the Guarantor, as the case may be, which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited or subject to review by the auditors of the Issuers or the Guarantor, as the case may be. Accordingly, there can be no assurance that, had an audit or review been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance upon them, see "*Risk Factors*".

The Issuers will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Guarantor at its registered office set out at the end of this Offering Circular.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. The relevant Issuer, the Guarantor and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplemental Offering Circular will be published.

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview. In addition, the term **Conditions** when used in this overview shall mean the Terms and Conditions of the Notes.

Issuers:	ST Engineering RHQ Ltd. ST Engineering Treasury Pte. Ltd. Subsidiaries of the Guarantor may become issuers under the Programme by executing an issuer accession letter and a supplemental agency agreement
Guarantor:	Singapore Technologies Engineering Ltd
Description:	Multicurrency Medium Term Note Programme
Arrangers:	DBS Bank Ltd. J.P. Morgan (S.E.A.) Limited
Dealers:	DBS Bank Ltd. J.P. Morgan (S.E.A.) Limited Citigroup Global Markets Singapore Pte. Ltd. Crédit Agricole Corporate and Investment Bank, Singapore Branch Mizuho Securities Asia Limited Oversea-Chinese Banking Corporation Limited Standard Chartered Bank (Singapore) Limited United Overseas Bank Limited and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time, see "*Subscription and Sale*", including the following restrictions applicable at the date of this Offering Circular. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the UK Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Fiscal Agent:	The Bank of New York Mellon, London Branch
Issuing and Paying Agent and Calculation Agent for Notes to be cleared through Euroclear and Clearstream, Luxembourg:	The Bank of New York Mellon, London Branch
Registrar and Transfer Agent for Registered Notes to be cleared through Euroclear and Clearstream, Luxembourg:	The Bank of New York Mellon SA/NV, Luxembourg Branch
CDP Issuing and Paying Agent, CDP Calculation Agent, CDP Registrar and CDP Transfer Agent for Notes to be cleared through CDP:	The Bank of New York Mellon, Singapore Branch
Programme Size:	Up to S$5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Guarantee:	The Notes will be unconditionally and irrevocably guaranteed by the Guarantor in accordance with the Conditions.
Distribution:	The Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	The Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer(s).

Maturities:	The Notes will have such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
Issue Price:	The Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form (**Bearer Notes**) or in registered form (**Registered Notes**) as described in "*Form of the Notes*". Bearer Notes will not be exchangeable for Registered Notes and *vice versa*.
Fixed Rate Notes:	Fixed interest will be payable on Fixed Rate Notes on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer(s).
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer(s). The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer(s) for each Series of Floating Rate Notes.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer(s) may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer(s).

Dual Currency Notes: Payments (whether in respect of principal, interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer(s) may agree.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption upon Maturity: Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount on the maturity date shown on its face.

Option Redemption: If so provided in the relevant Pricing Supplement, the Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the relevant Issuer and/or the Noteholders.

Redemption for Tax Reasons: The Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if the Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or (if the Guarantee was called) the Guarantor would be unable for reasons outside its control to procure payment by the relevant Issuer, and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws, regulations, rulings or other administrative proceedings (including a decision by a court of competent jurisdiction) of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws, regulations, rulings or other administrative proceedings (including a decision by a court of competent jurisdiction) which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the relevant Issuer or the Guarantor, as the case may be, taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Interest Periods and Interest Rates:	The length of the interest periods and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the applicable Pricing Supplement.
Denomination of Notes:	The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*– Certain Restrictions – Notes having a maturity of less than one year*" above.
Taxation:	All payments in respect of any Notes will be made without any withholding or deduction for or on account of any present or future taxes, duties, assessments or government charges of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction as provided in Condition 7, unless the withholding or deduction of taxes is required by law. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of any Notes in the absence of the withholding or deduction.
Events of Default (including Cross Default):	The Notes will contain events of default (including a cross default provision) as further described in Condition 9.
Status of the Notes and the Guarantee:	The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the relevant Issuer and rank *pari passu* and without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding. The Notes will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee will constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank *pari passu* and without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

Credit Rating:	The Guarantor has been assigned an overall corporate credit rating of "Aaa" by Moody's and "AAA" by S&P. The Programme has been rated "AAA" by S&P. Notes issued under the Programme may be rated or unrated. Where an issue of certain series of Notes is rated, its credit rating will not necessarily be the same as the credit rating applicable to the Programme and (where applicable) such credit rating will be specified in the applicable Pricing Supplement. A credit rating is a statement of opinion and not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning credit rating agency.
Listing and admission to trading:	Application has been made to the SGX-ST for the listing and quotation of the Programme. Application will be made to the SGX-ST for permission to deal in and the listing and quotation of any Notes that may be issued pursuant to the Programme and which are agreed on or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. There is no assurance that the application to the SGX-ST will be approved. The Notes may also be listed or admitted to trading on or by such other or further stock exchange(s) and/or competent listing authorities as may be agreed between the relevant Issuer and the relevant Dealer(s) and specified in the applicable Pricing Supplement. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies). For so long as any Notes issued by STE UK-Co and by any foreign incorporated New Issuer are listed on the SGX-ST and the rules of the SGX-ST so require, STE UK-Co and any such New Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. An announcement of such exchange will be made by or on behalf of STE UK-Co and any such New Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Clearing Systems:	Euroclear, Clearstream, Luxembourg, CDP, and/or any other clearing system as specified in the applicable Pricing Supplement, see "*Form of the Notes*".

Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, either English law or Singapore law, as specified in the applicable Pricing Supplement.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 1/2. TEFRA C/TEFRA D/TEFRA not applicable, as specified in the applicable Pricing Supplement.

RISK FACTORS

Each of the Issuers and the Guarantor believes that the following factors may affect its ability to fulfil its respective obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Issuers nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the Issuers and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuers or the Guarantor may not be able to pay interest, principal or other amounts on or in connection with any Notes for other reasons which may not be considered significant risks by the Issuers and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. The Issuers and the Guarantor do not represent that the risks described below of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Risk factors relating to the Group's business

Changes in the political and economic climate of the countries in which the Group operates may expose the Group to financial and other risks.

The Group has business activities in some countries that suffer from political, social and economic instability. Such countries may be subject to high inflation, volatile exchange rates, weak bankruptcy and creditor protection laws, and may be subject to limitations on investments, on the export and import of assets and on the movement of capital. Because of such political, social and economic instability, the Group's activity in those countries may be adversely affected in a way that is material to the Group's business, results of operations, financial condition and prospects.

In addition, global markets experienced significant volatility in recent years and growth in major economies slowed moderately toward their longer-term growth rates. On 29 March 2017, the United Kingdom issued a formal notification of its intention to withdraw from the European Union and withdrew from the European Union on 31 January 2020 under the terms of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the **Withdrawal Agreement**). Following the United Kingdom's departure from the European Union, there will be a "transition period" ending 31 December 2020 during which almost all European Union law will continue to apply to the United Kingdom as if it is a Member State of the European Union, with limited exceptions. The Withdrawal Agreement allows for this "transition period" to be extended by one or two years if both the European Union and the United Kingdom agree to such extension before 1 July 2020, but the United Kingdom government is currently legislating to require the transition period to end on 31 December 2020 without the possibility to extend further. In that scenario, among other things, the trading relationship between the United Kingdom and the European Union will be governed by whatever agreement the two parties can reach in the course of 2020. On that short timetable, the United Kingdom and the European Union are likely to focus on ensuring tariff-free trade but it is unclear whether there would be any formal regulatory alignment between the United Kingdom and the European Union rules after 1 January 2021. In the unlikely event that the United Kingdom leaves the European Union without any form of agreement or arrangement, so called "hard Brexit", the United Kingdom will be separated from the European Union from a regulatory perspective upon the expiry of the "transition period" and lose the benefits and obligations of European Union membership. Until there is further clarity on how the future relationship between the United Kingdom and the European Union will be governed after the "transition period", it is not possible to determine the impact that the withdrawal process may have on the wider global financial markets or the business of the Group.

In addition, global trade tensions and increasing protectionism have adversely impacted the world's economy. Trade friction remains elevated among the largest trading partners in the world, with potential negative impact on global growth. Growth and financial performance in emerging markets, Asia and trade-exposed economies such as Singapore are particularly vulnerable to disruptions to global trade flows, capital flows, business investments and global supply chains in the event of an escalation in trade tensions or a protracted slowdown. There is less fiscal and monetary policy space for policymakers in developed economies to respond to the next slowdown as compared to the last global shock. This could potentially result in a more prolonged recession if the global economy experiences another negative growth shock. Geopolitics also continues to be an area of concern, including ongoing threats of terrorism worldwide, instability in the Middle East and tensions in the Korean peninsula. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity, restrict the ability of key market participants to operate in certain financial markets or restrict the Group's access to capital.

The Group is also subject to the risk of political and legislative/regulatory changes in the countries in which it operates which could restrict its commercial flexibility and planned business strategies.

The Minister for Finance (Incorporated) owns a special share in the Guarantor and if it were to divest its special share or convert it into an ordinary share, it may have an impact on the Group's performance.

The Minister for Finance (Incorporated) (**MOF Inc**) owns one special share in the Guarantor. The special share enjoys all the rights attached to ordinary shares in the Guarantor but, in addition, no resolution shall be passed by the Guarantor, either in general meeting or by its Board of Directors, on certain matters specified in the Guarantor's Articles of Association without the prior approval of MOF Inc. In the event that MOF Inc divests its special share, converts the special share into an ordinary share or there is any significant deterioration in the relationship with the Singapore government, there could be an impact on the Group's performance.

Failure in information and technology systems may affect the business, results of operations, financial condition and prospects of the Group.

The information and technology systems of the Group are designed to carry out the business operations as efficiently as possible. Any failure or breakdown in these systems could interrupt its normal business operations and result in a significant slowdown in operational and management efficiency for the duration of such failure or breakdown. Any prolonged failure or breakdown could significantly impact the ability of the Group to offer services to its customers, which could have a material adverse effect on its business, results of operations, financial condition and prospects. Given the pervasive nature of cybersecurity risks, and the reliance of the Group on its information and technology systems, failure to adequately manage cybersecurity risk and update and review processes may leave the Group vulnerable to cyber-attacks, which may cripple operations and have an adverse impact on its business, results of operations, financial condition, prospects and reputation and expose the Group to litigation.

In addition, the Group is reliant on third-party vendors to supply and maintain part of its information technology. In the event that any of such third-party vendors that the Group engages to provide support and upgrades with respect to components of its information technology ceases operations or becomes otherwise unable or unwilling to meet its needs, there can be no assurance that the Group would be able to replace such vendor promptly or on commercially reasonable terms. Delay or failure in finding a suitable replacement could adversely affect its business, financial condition, results of operations and prospects.

There is no assurance that the credit ratings given to Guarantor and/or the Programme will be maintained or that the credit ratings will not be reviewed, downgraded, suspended or withdrawn in the future.

As of 6 March 2020 (the **Latest Practicable Date**), the Guarantor has been assigned an overall corporate credit rating of "Aaa" by Moody's and "AAA" by S&P. In addition, the Programme has been rated "AAA" by S&P. The credit ratings assigned by Moody's and S&P are based on the views of Moody's and S&P only.

Credit ratings are subject to revision, downgrades, suspension or withdrawal at any time by the assigning rating agency. Rating agencies may also revise or replace entirely the methodology applied to derive credit ratings. No assurances can be given that a credit rating will remain for any period of time or that a credit rating will not be reviewed, downgraded, suspended or withdrawn as a result of future events or judgment on the part of the relevant rating agency. Any rating changes may impact the Group's ability to obtain financing or increase its financing costs and may have a negative impact on the market value of the Notes.

Unfavourable fluctuations in exchange rates could affect the Group's business, operating results of operations, financial condition and prospects.

As a result of the Group's substantial international sales, fluctuations in the exchange rate of the Singapore dollar, which is the Group's reporting currency, against other currencies (most notably, the U.S. dollar and euro) may have a significant impact on the Group's revenues and operating results. In particular, because the Group's U.S. dollar revenues are higher than the costs incurred in those currencies, a change in the value of the U.S. dollar and/or euro may affect the Group's margins in Singapore dollar terms.

In addition, because the Group incurs costs in Singapore dollars with respect to activities that generate U.S. dollars and/or euro, an increase in the value of the Singapore dollar compared to the U.S. dollar and/or euro would also negatively affect the Group's results.

In order to mitigate the foreign currency risk exposure under contracts which are denominated in currencies other than the functional currency of the entity performing the operation, the Group enters into forward currency transactions and swaps pursuant to its hedging policy. The Group's hedging policy, however, may not adequately cover the Group's exposure to exchange rate fluctuations. There can be no assurance that future fluctuations in exchange rates will not adversely affect the Group's business, results of operations, financial condition and prospects.

Rises in interest rates may have an adverse effect on the results of operations of the Group.

The Group has incurred debt at floating interest rates. The interest cost to be borne for the Group's floating interest rate debts will be subject to fluctuations in interest rates. Although the Group has entered into some hedging transactions to partially mitigate the risk of interest rate fluctuations, its hedging policy may not adequately cover the Group's exposure to interest rate fluctuations. As a result, the Group's operations or financial condition could be adversely affected by interest rate fluctuations.

In addition, interest rate hedging transactions can limit gains and increase costs. Interest rate hedging activities may not have the desired beneficial impact on the operations or financial condition of the Group. Interest rate hedging could fail to protect the Group or adversely affect the Group because among others:

- the party owing money in the hedging transaction may default on its obligation to pay;

- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs the Group ability to sell or assign its side of the hedging transaction; and
- the value of the derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Such changes, although unrealised, would reduce the net asset value of the Group if they are due to downward adjustments.

Interest rate hedging activities may involve risks and transaction costs, which may reduce overall returns.

Increases in oil prices may negatively affect the Group's business, results of operations, its financial condition and prospects.

Oil price fluctuations affect the Group's customers in the aviation and shipping industries. Fluctuations in the price of oil and other fuels reduce customers' revenues and increase their costs of operations which, in turn, reduces their spending on maintenance, repair and overhaul (**MRO**) services and other services provided by the Group. This may negatively affect the Group's business, results of operations, financial condition and prospects.

Failure to comply with the Special Security Agreements entered into by members of the Group in the United States may result in the loss of United States defence contracts.

Some of the Group's operations in the United States have facility security clearance from the United States' Department of Defense to enable them to undertake military contracts. Special Security Agreements are entered into with the United States' Department of Defense by some members of the Group to work on classified programs in the United States. Failure to comply with such Special Security Agreements may result in some of the Group's operations in the United States not being able to undertake United States defence contracts and may have an adverse effect on the Group's business, results of operations, financial condition and prospects.

Terrorist attacks, other acts of violence or war, pandemics and geological occurrences may affect the business, results of operations, financial condition and prospects of the Group.

Terrorist attacks over the last few years have resulted in substantial and continuing economic volatility and social unrest globally. Further developments stemming from these events or other similar events could cause more volatility. The direct and indirect consequences of any of these terrorist attacks or armed conflicts are unpredictable, and the Group may not be able to foresee events that could have an adverse effect on the results of its business operations.

An increase in the frequency, severity or geographic reach of terrorist acts could destabilise the jurisdictions in which the Group operates. Any additional significant military or other response by the United States and/or its allies or any further terrorist activities could also adversely affect the international financial markets and economies in which the Group operates and may adversely affect the operations, revenues and profitability of the Group.

Endemic or pandemic outbreaks of infectious diseases or any other serious public health concerns could adversely impact the Group's business, results of operations and financial condition. In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in Wuhan, China and the World Health Organisation has declared the outbreak a pandemic on 12 March 2020. Travel restrictions have also been imposed by various countries, including the travel ban by the United States on all foreign nationals who had visited, *inter alia*, China, Iran, certain European countries and the United Kingdom. Such an outbreak, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the global economy and the Group's business activities and could thereby adversely impact its operations and revenues. There can be no assurance that any precautionary measures taken against infectious diseases will be effective or that there will be no further restrictions on travel as a result of the coronavirus. At this point, the extent to which the coronavirus may impact the Group's results is uncertain.

Some of the regions in which the Group operates are subject to the risk of earthquakes, hurricanes and tsunamis. A significant earthquake or other destructive geological occurrence in any densely populated area could severely disrupt the economy of the region and have an adverse effect on the business, results of operations, financial condition and prospects of the Group.

If the Group fails to complete and manage acquisitions successfully, its business, results of operations, financial condition and prospects could be adversely affected.

In the past, the Group has acquired assets and businesses which operate in the same sectors as the Group in order to expand its operations. As part of its business strategy, the Group may acquire assets or businesses, or enter into joint ventures or strategic partnerships. There is no certainty that the Group will be able to acquire assets or businesses, or enter into joint ventures or strategic partnerships on favourable terms. There is also a risk that not all material risks in connection with any such acquisition or the establishment of a joint venture or strategic partnership will be identified in the due diligence process and that such risks will or could not be sufficiently taken into account in the decision to acquire an asset or business and in the sale and purchase agreement, or the decision to enter into a joint venture and the joint venture agreement. These risks could materialise only after such acquisition has been completed or a joint venture or strategic partnership has been entered into, and may not be covered by the warranties and indemnities in the sale and purchase agreement or the joint venture agreement and/or by insurance policies, and may result in delays, increases in costs and expenses, disputes and/or proceedings, or other adverse consequences for the Group. Any of these factors could have an adverse effect on the Group's business, results of operations, financial condition and prospects.

In addition, there is no assurance that it will be able to obtain the necessary authorisations and approvals to execute such acquisitions. There is also no assurance that any acquired company will be successfully integrated into the Group, existing customer relationships and revenue levels will be maintained or synergies and economies of scale will be achieved.

Failure to achieve the expected synergies or other benefits or an increase in the integration costs may have an adverse impact on the Group's business, results of operations, financial condition and prospects.

The Group's operating results and financial performance may be adversely affected by lack of, or delays in the award of, new long-term contracts or cancellation of contracts.

The long-term sustainability of the Group's economic and financial performance depends on the Group's ability to service its existing contracts and to win new long-term contracts. The Group's contracts may be completed or expire, or they may be altered or terminated. The Group may be unable to replace these contracts with new contracts of comparable size or in a timely manner. The award of new contracts is subject to competition and is affected by factors outside of the Group's control such as governmental spending decisions and administrative procedures. Any failure to secure or any delay in securing a consistent number of long-term contracts or any interruption to or termination of existing contracts may cause an insufficient workload that would adversely affect the Group's business, results of operations, financial condition and prospects.

The Group depends on the recruitment and retention of qualified personnel and any failure to attract and retain such personnel could affect the Group's business, results of operations, financial condition and prospects.

The Group relies on senior management and other key employees to generate business, maintain good customer relations and identify new opportunities. Competition for personnel is intense and the Group may not be successful in attracting or retaining qualified personnel. In addition, certain personnel may be required to receive security clearance and substantial training in order to work on certain programmes or perform certain tasks. The loss of key employees, the Group's inability to attract new, qualified (in particular highly skilled engineers) or adequately trained employees, or the delay in hiring key personnel could affect the Group's business, results of operations, financial condition and prospects.

The Group's business is dependent on the price, quality, availability and timely delivery of certain components from suppliers.

The Group's business is affected by the price, quality, availability and timely delivery of the component parts that it uses to manufacture its products and the services with which it is supplied by various service providers. The Group's business, therefore, could be adversely impacted by factors affecting its suppliers (such as the destruction of suppliers' facilities or their distribution infrastructure, a work stoppage or a strike by suppliers' employees or the failure of suppliers to provide materials of the requisite quality), or by increased costs of such components and/or services.

The Group's business is dependent on the contractors and independent third party service providers that it engages.

The Group engages contractors and independent third party service providers in connection with its business. There is no assurance that the services rendered by any contractors or independent service providers engaged by the Group will always be satisfactory or match the level of quality expected by the Group or required by the relevant contractual arrangements, or that such contractual relationships will not be breached or terminated. Furthermore, there can be no assurance that the Group's contractors and service providers will always perform to contractual specifications or that such providers will continue their contractual relationships with the Group under commercially reasonable terms, if at all, and the Group may be unable to source adequate replacement services in a timely or cost-efficient manner.

There is also a risk that the Group's major contractors and service providers may experience financial or other difficulties which may affect their ability to discharge their obligations, thus delaying the completion of their work in connection with the Group's ordinary business or development projects and may result in additional costs for the Group. The timely performance of these contractors and service providers may also be affected by natural and human factors, such as natural disasters, calamities, outbreak of wars and strikes, which are beyond the control of the Group. Any of these factors could adversely affect the business, financial condition or results of operations of the Group.

Certain of the Group's customers depend on government spending. Reductions in government spending could adversely affect the Group's business, results of operations, financial condition and prospects.

A substantial portion of the Group's revenues are generated from customers consisting of governments, public institutions and companies that rely on government spending to purchase the Group's products and services. The Group expects that defence spending, in particular, by these customers will continue to make up a significant portion of its revenue. In times of financial crisis, governments in some countries may increase spending to stimulate their respective economies and soften the impact of the financial turmoil on their nations.

However, government programmes may be cancelled, delayed or amended. Accordingly, the Group often faces uncertainties in preparing its plans and managing its resources. Terms and risk sharing agreements can also be amended. In addition, government spending programmes, even if previously approved, are generally subject to yearly review and adjustments and may therefore be cancelled at any time. Changes in political or public support for security and defence programmes may also affect related government programmes.

The Group's business, results of operations, financial condition and prospects may be materially adversely affected by these developments.

The Group's ability to borrow from banks or capital markets may be materially adversely affected by a financial crisis in a particular geographic region, industry or economic sector.

The Group's ability to borrow from banks or capital markets to meet its financial requirements is dependent on favourable market conditions. Financial crises in particular geographic regions, industries or economic sectors have, in the recent past, led, and could in the future lead, to sharp declines in the currencies, stock markets and other asset prices in those geographic regions, industries or economic sectors, in turn threatening affected companies, financial systems and economies.

In recent years, credit and financial markets worldwide have experienced periods of significant volatility, including a reduction in liquidity levels and increasing costs for credit protection. Dislocations, market shifts, increased volatility or instability in the global credit and financial markets have in recent years affected the availability of credit and at times led to an increase in the cost of financing. The Group may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding in the future. If sufficient sources of financing are not available in the future for these or other reasons, the Group may not be able to meet its financial requirements. There can be no assurance that the Group will be able to raise financing at favourable terms or at all. The Group may also be subject to solvency risks of its banks and of its counterparties in its financial investments and arrangements. This could materially and adversely affect the Group's business, results of operations, financial condition and prospects.

The Guarantor relies on its investment income, including dividends and distributions from its subsidiaries, associated companies and joint ventures and proceeds from divestments, to meet its obligations, including obligations under the Guarantee.

The Guarantor is a holding company incorporated for the purpose of holding investments, both in Singapore and abroad, which are generally made through joint ventures and direct equity. The Issuers may rely on funding and credit support from the Guarantor and the Guarantor will rely on its investment income, including dividends and distributions from its subsidiaries, associated companies and joint ventures and proceeds from divestments, to meet their respective obligations, including obligations under the Notes and the Guarantee. The ability of the Guarantor's subsidiaries, associated companies and joint ventures to pay dividends and other distributions and, to the extent that the Guarantor relies on dividends and distributions to meet its obligations, the ability of the Guarantor to make payments, are subject to applicable laws and restrictions (contractual or otherwise) on the payment of dividends and distributions contained in the relevant financing and other agreements of such companies.

If there is a decrease in the dividends and distributions paid to the Guarantor by its subsidiaries, associated companies and joint ventures, it may adversely affect the Guarantor's business, results of operations, financial condition and prospects.

Changes in governmental policies, legislation and regulations or the failure to comply with existing legislation and regulations may adversely affect the Group's results.

The Group operates in highly regulated business sectors. In order to sell certain products and services, the Group and its suppliers must be approved by government agencies in the countries in which the Group does business.

Authorisations and licenses obtained by the companies within the Group may be cancelled or more stringent requirements may become applicable, which may reduce revenues or increase the costs of the Group.

In addition, the interpretation of laws in the jurisdictions in which the Group operates may be subject to policy changes, such as those which reflect domestic policy changes. Further, as legal systems in such jurisdictions develop, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may require additional expenses or may have a material adverse effect on the Group's business, results of operations, financial conditions and prospects.

The commercial aerospace industry is also highly regulated. The Civil Aviation Authority of Singapore is the principal regulator in Singapore, the European Aviation Safety Agency is the principal regulator in Europe and the Federal Aviation Administration is the principal regulator in the United States. Those authorities establish requirements and grant licences for maintenance, repair and overhaul of airframe, engines and components.

Should the Group fail to comply with applicable legislation and regulations or to obtain the necessary licenses, this may adversely affect the business, results of operations, financial condition and prospects of the Group.

The Group's business segments are dependent on certain principal customers and the loss of, or a significant reduction in, purchases by or contracts with such customers could adversely affect the Group.

The Group's business segments are dependent on certain principal customers. The loss of any significant customer could have an adverse effect on the Group's business. The Group's customers, including those with links to governments, often undertake reviews of suppliers with a view to reducing costs. Since certain businesses within the Group depend on certain key customers, the loss of any one of such customers or a significant reduction in demand from some of its customers could have a material adverse effect on its business, results of operations, financial condition and prospects.

In addition, delays in payment by major customers of the Group for products and/or services already supplied to such customers, or any fault in contract execution (including as a result of delays or breaches by the Group's customers), may negatively affect the Group's business, results of operations, financial condition and prospects.

The Group's operating and financial performance may be adversely affected as a consequence of breaches in its contractual commitments.

The timely and satisfactory execution of the Group's contractual commitments depends upon numerous factors, including the Group's ability to develop the technologies necessary to provide, directly or through third parties, the products and services required by its customers.

The failure by the Group to deliver, in a timely fashion or at all, the products and services it is obliged to deliver, or any fault in contract execution (including as a result of delays or breaches by the Group's suppliers), may lead to higher costs or penalties or the calling on performance bonds. This may negatively affect the Group's operating and financial performance.

The Group's business segments derive significant revenue from medium and long-term contracts and programmes. Differences between estimated costs and actual costs may affect the Group's operating results, as may disputes over the performance of such contracts.

The Group's business activities depend to a large extent upon medium and long-term contracts and programmes. Under many of the Group's medium and long-term contracts, revenues to be paid by the customer are typically established based on an estimate of costs made when the contract is awarded. Differences between the estimated costs and actual costs can have a substantial negative effect on the Group's business, financial condition, results of operations and prospects. These differences may arise from a number of factors including production delays, cost overruns and other items. Cost overruns may continue to occur in the future.

Any write-down of intangible amounts may adversely affect the Group's business, results of operations, financial condition and prospects.

The Group's balance sheet includes significant amounts recorded as intangible assets. Assets of indefinite life are subject to an "impairment test" at least once a year. Equally, for items subject to amortisation, the impairment tests are carried out whenever there are indications that there may have been a loss in value. These evaluations are based on estimates of future cash flows and applicable discount rates. Any significant discrepancies between the estimates and actual developments may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's profitability may be affected by changes in tax regimes.

The Group's operations in various countries are subject to different tax regimes. Changes in local tax regulations may adversely affect the Group's profitability.

The Group is not insured against all risks that it faces and losses or claims exceeding the insurance coverage that is maintained, or which are not covered by its insurance, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group maintains insurance coverage that its management deems prudent and customary for the businesses in which it operates and to the extent insurance is available on reasonable terms. The Group has insurance coverage to protect its assets and employees with insurance limits which its management believes are adequate, including insurance to cover a number of operating hazards, protection and indemnity insurance, directors' and officers' liability insurance, terrorism risk insurance, product liability and general liability insurance. There are, however, certain types of losses (such as those from wars or acts of God) that generally are not insured against, either because such insurance is not available or not economically viable. The occurrence of a significant event or adverse claim in excess of the insurance coverage that the Group maintains, or that is not covered by the Group's insurance, could result in the Group having to pay compensation or damages and/or incur loss of revenue and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, any accident, failure, incident or liability, even if fully insured, could negatively affect the Group's reputation among its customers and the public, thereby making it more difficult for the Group to compete effectively and could significantly impact the cost and availability of adequate insurance in the future.

Changes in environmental regulations and liabilities associated with existing or new regulations could require increased capital expenditures and lead to losses.

The Group is subject to numerous national, regional and local environmental laws and regulations concerning, among others, emissions into the environment, discharges to surface and subsurface water, the disposal and treatment of waste materials and noise pollution. Pursuant to such laws and regulations, for certain activities, the Group requires and must obtain authorisation and licenses. The Group cannot anticipate whether, and to what extent, environmental regulations may become stricter over time, nor can the Group give any assurance that the cost of future compliance with existing environmental regulations will not increase. Substantial increases in environmental compliance costs could adversely affect the Group's business, results of operations, financial condition and prospects. Those costs and any fines which could be imposed may materially adversely affect the Group's business, results of operations, financial condition and prospects.

If the Group fails to protect, or incurs significant costs in defending, its intellectual property and other proprietary rights, its business, results of operations, financial condition and prospects could be adversely affected.

The Group's success depends, in part, on its ability to protect its intellectual property and other proprietary rights. The Group relies primarily on patents, trademarks, copyrights, trade secrets and unfair competition laws, as well as license agreements and other contractual provisions, to protect its intellectual property and other proprietary rights. However, patent applications may be rejected and in any event patent protection does not prevent competitors from developing equivalent or superior products without violating the Group's intellectual property rights. Moreover, the Group's intellectual property rights may be challenged by third parties and should the Group not prevail, it may be required to give or obtain licenses, cease the production of a product, transfer the intellectual property rights or may be liable for significant damages.

If the Group fails to protect its intellectual property and other proprietary rights, then its business, results of operations, financial condition and prospects could be adversely affected.

Restrictions on the export of the Group's products and other regulations could adversely affect the Group's business and its prospects.

The Group designs and manufactures many defence products considered to be of national strategic interest.

The export of such products outside the Group's domestic markets is subject to licensing and export controls. To the extent that exports include technologies obtained from other countries, the Group may also be adversely affected by export control regulations from those countries. Failure to comply with these regulations and requirements could result in contract modifications or termination and the imposition of penalties and fines, which could negatively affect the Group's business and its prospects.

Authorisations can be revoked and general export controls may change in response to international conflicts or other political or geopolitical factors. Reduced access to military export markets could have an adverse effect on the Group's business and its prospects.

Several of the Group's business segments operate in mature industries characterised by rapid technological innovation and which are experiencing heightened competition and industry consolidation. The Group may experience pricing pressure as a result.

The industries in which the Group is active are characterised by rapid technological innovation, keen global competition, consolidation through mergers, joint ventures and alliances and limited access to markets with local dominant players. It is incumbent on the Group to offer a range of products that accords with the markets in which the Group operates. In the event of technological advances to which the Group is not a party and there being a significant shift in the character of the market's demand, or if the products which the Group sells are or become technologically obsolete, this could have a significant and material adverse effect on the Group's future financial performance and condition.

The Group is subject to significant competition in each of the four business sectors in which it operates. With respect to certain products and programmes, the Group competes with one or more companies, many of which are multinational companies with substantial resources and capital.

The Group has continuously placed emphasis on product and service development through external and in-house research and development efforts as unless the Group is able to succeed in such research and development efforts to produce technologically superior products and maintain a competitive cost structure, it will not be able to compete effectively on a global scale, which would adversely affect the Group's business, results of operations, financial condition and prospects. Investments in research and development activities for the development of products and technologies are subject to considerable uncertainty, given that such costs may not be recovered should the research prove incapable of industrial application or otherwise unfeasible. While the Group seeks to develop new products and services in existing and new markets, new technologies may not be developed or implemented according to anticipated schedules or may not achieve commercial acceptance in the markets. Any failure to develop and implement technologies in a timely manner could delay the implementation of new services, reduce the quality and functionality of the Group's services, increase its operational costs, reduce its actual and potential market share and hinder it from realising its revenue streams. The failure of a technology to achieve commercial acceptance could result in additional capital expenditure or a reduction in profitability due to the recognition of the impairment of assets.

The Group is subject to business cycle volatility which could affect the Group's results.

The cyclical nature of some of the markets in which the Group operates is an inherent sensitivity. For example, defence budgets are determined, in part, by the cyclical nature of countries' defence requirements. Business cycles bring volatility to the earnings in different business sectors. The Group will continue to be subject to global economic and political trends which may adversely affect its results.

If members of the Group experience labour union problems, the Group's profitability could be negatively affected.

Some of the Group's employees are members of trade unions. Although the Group believes it enjoys good relations with its employees, there can be no assurance that relations with its employees will not be disrupted as a result of future disputes. In the event of such a dispute, the Group's profitability could be negatively affected.

The Guarantor has a controlling shareholder.

The Guarantor is a subsidiary of Temasek Holdings (Private) Limited (**Temasek**). Temasek is a Singapore government-linked diversified portfolio investor with businesses in, among other areas, telecommunications, real estate, financial services, transportation and industrials. Consequently, Temasek's strategic goals may not be aligned with those of the Group.

Where a member of the Group is a minority shareholder, there is no guarantee that majority shareholders will not act in a manner which is detrimental to the interest of the Group and the Group's performance may be impaired.

Various members of the Group are involved in consortia, exercising varying and evolving degrees of control within the consortia, joint ventures and entities in which such members hold non-controlling equity holdings. While the Group seeks to participate only in joint ventures in which its interests are aligned to those of its partners, the risk of disagreement is inherent in any jointly controlled entity, and particularly in those entities that require unanimous consent of all members with regard to major decisions and those that specify limited exit rights. Where a member of the Group is a minority shareholder, there is no guarantee that majority shareholders will not act in a manner which is detrimental to the interest of the Group and the Group's performance may be impaired in the event majority shareholders act in such a manner.

The Group may be involved in legal and other proceedings arising from its operations from time to time.

The Group may be involved from time to time in disputes with various parties such as its agents, suppliers, purchasers and other partners involved in its operations. These disputes may lead to legal and other proceedings, and may cause the Group to incur additional costs and delays. In addition, the Group, its employees, agents and/or its affiliates may be subject to administrative proceedings and unfavourable orders, directives or decrees by regulatory bodies (including but not limited to environmental, planning and workplace health and safety regulators) in the course of their operations which could adversely affect the Group's reputation and its business, results of operations, financial condition and prospects.

There can be no assurance the Group will succeed in defending the claims made against it by counterparties in any legal and/or other proceedings. Should an award or judgment be made against the Group, there can be no assurance that the Group's insurance coverage will cover or will be sufficient to cover all payments that the Group may be ordered to make as a result of such legal and other proceedings and accordingly, the Group's business, results of operations, financial condition and prospects may be materially and adversely affected.

Occupational health and safety is a key risk area in the Group's operations.

The Group is subject to legislation concerning the health and safety of its employees and contractors. It will incur compliance costs and any failure in the Group's compliance with the health and safety regimes to which it is subject may result in the Group being subject to fines, damages and criminal or civil sanctions. In addition, actual or alleged violation arising under any health and safety laws may cause interruptions to the Group's business, results of operations, financial condition and prospects and adversely affect the Group's reputation.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in the light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement to this Offering Circular;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features:

Notes linked to or referencing "benchmarks"

Interest rates and indices which are deemed to be "benchmarks", (including LIBOR, EURIBOR, SIBOR and SOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union (**EU**) (which, for these purposes, includes the United Kingdom). Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

In addition, as the SOR methodology relies on USD LIBOR in its computation, the likely discontinuation of LIBOR after the end of 2021 will impact the future sustainability of SOR. On 30 August 2019, the Monetary Authority of Singapore announced that it has established a steering committee to oversee an industry-wide interest rate benchmark transition from the SOR to the Singapore Overnight Rate Average.

It is not possible to predict with certainty whether, and to what extent, LIBOR, EURIBOR, SIBOR or SOR will continue to be supported going forwards. This may cause the benchmarks to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that the relevant Reference Rate and/or any page on which the relevant Reference Rate may be published (or any other successor service) becomes unavailable or a Benchmark Event (as defined in the Conditions) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Conditions), with or without the application of an adjustment spread and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by the Independent Adviser (to be appointed by the relevant Issuer in accordance with the Conditions) or, in certain circumstances, by the relevant Issuer (acting in good faith and in a commercially reasonable manner). An adjustment spread, if applied, could be positive or negative and would be applied with a view to reducing or eliminating, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant Reference Rate. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Reference Rate (including with the application of an adjustment spread) will still result in any Notes linked to or referencing a Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the relevant Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser, and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms and the possible application of the benchmark replacement provisions of the Notes in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Notes subject to optional redemption by the relevant Issuer

Subject to the Conditions, the relevant Issuer may have the option to redeem Notes at any time or upon the occurrence of certain events, including changes in tax laws or regulations.

Any optional redemption feature of the Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem such Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly Paid Notes

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market in and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing for the relevant Issuer. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than the prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally.

Set out below is a brief description of certain risks relating to the Notes generally:

Modification and waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

In respect of each particular Series of Notes, the Conditions provide that Agents, the relevant Issuer and the Guarantor may agree, without the consent of the Noteholders, Receiptholders or Couponholders to:

(i) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons, the Deed of Guarantee, the Deeds of Covenant or the Agency Agreement which could not reasonably be expected to be prejudicial to the interests of the Noteholders; or

(ii) any modification of any of the provisions of the Notes, the Receipts, the Coupons, the Deed of Guarantee, the Deeds of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to cure any ambiguity or correct a manifest error or an error which is proven, or to comply with mandatory provisions of the law or is required by Euroclear, Clearstream, Luxembourg, CDP and/or any other clearing system in which the Notes may be held.

Any determinations as to prejudice with respect to the interests of the Noteholders shall be made by the Issuer and the Guarantor, and none of the Agents shall have any responsibility or liability whatsoever with respect to such determination.

Change of law

The Conditions are based on English law or, as the case may be, Singapore law (as specified in the applicable Pricing Supplement), in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or, as the case may be, Singapore law, or administrative practice after the date of this Offering Circular.

Bearer Notes where denominations involve integral multiples: definitive Bearer Notes

In relation to any issue of Bearer Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Bearer Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Application of Singapore insolvency and related laws to the Issuers and the Guarantor may result in a material adverse effect on the Noteholders

There can be no assurance that the Issuers or the Guarantor will not become bankrupt or insolvent or the subject of judicial management, schemes of arrangement, winding-up or liquidation orders or other insolvency-related proceedings or procedures. In the event of an insolvency or near insolvency of the relevant Issuer or the Guarantor, the application of certain provisions of Singapore insolvency and related laws may have a material adverse effect on the Noteholders. Without being exhaustive, below are some matters that could have a material adverse effect on the Noteholders.

Where the relevant Issuer or the Guarantor is insolvent or close to insolvent and undergoes certain insolvency procedures, there may be a moratorium against actions and proceedings which may apply in the case of judicial management, schemes of arrangement and/or winding-up in relation to the relevant Issuer or the Guarantor (as the case may be). It may also be possible that if a company related to the Issuers or the Guarantor proposes a creditor scheme of arrangement and obtains an order for a moratorium, the relevant Issuer or the Guarantor (as the case may be) may also seek a moratorium even if the relevant Issuer or the Guarantor (as the case may be) is not in itself proposing a scheme of arrangement. These moratoriums can be lifted with court permission and in the case of judicial management, additionally with the permission of the judicial manager. Accordingly, if for instance there is any need for the Agents to bring an action against the relevant Issuer or the Guarantor (as the case may be), the need to obtain court permission may result in delays in being able to bring or continue legal proceedings that may be necessary in the process of recovery.

Further, Noteholders may be made subject to a binding scheme of arrangement where the majority in number representing 75% in value of creditors and the court approve such scheme. In respect of company-initiated creditor schemes of arrangement, amendments to the Companies Act, Chapter 50 of Singapore in 2017 have introduced cram-down provisions for where there is a dissenting class of creditors. The court may notwithstanding a single class of dissenting creditors approve a scheme provided an overall majority in number representing 75% in value of the creditors meant to be bound by the scheme have agreed to it and provided that the scheme does not unfairly discriminate and is fair and equitable to each dissenting class and the court is of the view that it is appropriate to approve the scheme. In such scenarios, Noteholders may be bound by a scheme of arrangement to which they may have dissented.

Further to the amendments that took effect on 23 May 2017 (some of which have been highlighted above), the Insolvency, Restructuring and Dissolution Bill (the **IRD Bill** or as passed, the **IRD Act**) was passed in Parliament on 1 October 2018, but is not yet in force. The IRD Act includes a prohibition against terminating, amending or claiming an accelerated payment or forfeiture of the term under any agreement (including a security agreement) with a company that commences certain insolvency or rescue proceedings, by reason only that the proceedings are commenced or that the company is insolvent. The extent to which the provisions in the IRD Act will impact this Programme (if at all) will depend on the extent to which the Notes will be exempted from the application of such provisions. While the relevant authorities have indicated that bonds will generally be exempted from the prohibition described above, the relevant details are not yet available and there is no certainty as to whether or the extent to which the transactions contemplated under this Programme will fall within such exemptions.

The Notes may be represented by Global Notes, and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or CDP (each of Euroclear, Clearstream, Luxembourg and CDP, a **Clearing System**). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive the Notes in definitive form. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes, the relevant Issuer, failing which the Guarantor, will discharge its payment obligations under the Notes by making payments to or to the order of the relevant Clearing System(s) for distribution to their account holders.

A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. Neither the relevant Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

The Notes and the Guarantee are not secured

The Notes of all Series constitute direct, unconditional and unsecured obligations of the relevant Issuer and rank *pari passu* without any preference among themselves (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding. Subject to the Conditions, the payment obligations of the Guarantor under the Guarantee constitute direct, unconditional and unsecured obligations of the Guarantor and rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

Accordingly, on a winding-up of the relevant Issuer and/or the Guarantor at any time prior to maturity of any Notes, the Noteholders will not have recourse to any specific assets of the relevant Issuer, the Guarantor or their respective subsidiaries and/or associated companies (if any) as security for outstanding payment or other obligations under the Notes owed to the Noteholders, and there can be no assurance that there would be sufficient value in the assets of the relevant Issuer and/or the Guarantor, after meeting all claims ranking ahead of the Notes, to discharge all outstanding payment and other obligations under the Notes owed to the Noteholders.

The Guarantee provided by the Guarantor will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability

The guarantee given by the Guarantor provides holders of Notes with a direct claim against the Guarantor with regards to the relevant Issuer's obligations under the Notes issued by it. Enforcement of the Guarantee would be subject to certain generally available defences. Local laws and defences may vary, and may include those that relate to corporate benefit (*ultra vires*), fraudulent conveyance or transfer (*action pauliana*), voidable preference, financial assistance, corporate purpose, liability in tort, subordination and capital maintenance or similar laws and concepts. They may also include regulations or defences which affect the rights of creditors generally.

If a court were to find the Guarantee given by the Guarantor, or a portion thereof, void or unenforceable as a result of such local laws or defence, or to the extent that agreed limitations on guarantees apply, holders would cease to have any claim against the Guarantor and would be creditors solely of the relevant Issuer and, if payment had already been made under the Guarantee, the court could require that the recipient return the payment to the Guarantor.

Singapore Taxation

The Notes to be issued from time to time under the Programme, during the period from the date of this Offering Circular to 31 December 2023 are intended to be "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore (**ITA**), subject to the fulfilment of certain conditions more particularly described in the section "*Taxation – Singapore Taxation*".

However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

Risks relating to non-exclusive jurisdiction

Under the Conditions, each of the Issuer and the Guarantor irrevocably agrees for the benefit of the Noteholders, Receiptholders and Couponholders, that (i) if the Notes are specified to be governed by English law in the applicable Pricing Supplement, the courts of England are to have non-exclusive jurisdiction to settle any Disputes (as defined in the Conditions) and accordingly submits to the non-exclusive jurisdiction of the courts of England; and (ii) if the Notes are specified to be governed by Singapore law in the applicable Pricing Supplement, the courts of Singapore are to have non-exclusive jurisdiction to settle any Disputes and accordingly submits to the non-exclusive jurisdiction of the courts of Singapore. This may give rise to uncertainty for the Noteholders as the Issuer and the Guarantor may bring proceedings outside England or, as the case may be, Singapore.

In addition, in the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in multiple jurisdictions. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of an investor's rights. The rights of the Noteholders under the Notes will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that any investor will be able to effectively enforce an investor's rights in such complex multiple bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of the different jurisdictions may be materially different from, or be in conflict with, each other and those with which Noteholders may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect an investor's ability to enforce his/her rights under the Notes in the relevant jurisdictions or limit any amounts that any investor may receive.

Risks related to the market generally.

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

Exchange rate risks and exchange controls

The relevant Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more credit rating agencies may assign credit ratings to the Notes. The credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is a statement of opinion and not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal by the assigning rating agency at any time.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks relating to unaudited, unreviewed interim financial statements deemed incorporated by reference.

Any published unaudited, unreviewed interim financial statements of the Issuers or of the Guarantor (whether prepared on a consolidated or a non-consolidated basis) which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited or subject to a review by the auditors of the relevant Issuer, or as the case may be, the Guarantor. Accordingly, there can be no assurance that, had an audit or a review been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance on them.

FORM OF THE NOTES

The Notes of each Series will be issued in either bearer form, with or without interest coupons and talons for further coupons if appropriate attached, or registered form, without interest coupons attached, in each case as specified in the applicable Pricing Supplement. Notes (whether in bearer or registered form) will be issued outside the United States in offshore transactions in reliance on Regulation S under the Securities Act (**Regulation S**).

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Pricing Supplement, a permanent global note (a **Permanent Global Note**) which, in either case, will be delivered on or prior to the original issue date of the relevant Tranche to The Central Depository (Pte) Limited (**CDP**) or a common depositary (the **Common Depositary**) for, Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**).

Whilst any Bearer Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of Notes prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and/or CDP and (in the case of a Temporary Global Note delivered to a Common Depositary for Euroclear and Clearstream, Luxembourg) Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Issuing and Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg and/or CDP against presentation or surrender (as the case may be) of the Permanent Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means:

(a) in the case of Notes cleared through Euroclear and Clearstream, Luxembourg:

(i) an Event of Default (as defined in Condition 9) has occurred and is continuing;

(ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system is available; or

(iii) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form; and

(b) in the case of Notes cleared through CDP, that:

(i) an Event of Default (as defined in Condition 9) has occurred and is continuing;

(ii) CDP has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business and no alternative clearing system is available; or

(iii) CDP has notified the relevant Issuer that it is unable or unwilling to act as depository for the Notes and to continue performing its duties set out in the relevant Depository Agreement, and no alternative clearing system is available. Depository Agreement means the application form dated 18 March 2020 and signed by STE UK-Co and the application form dated 18 March 2020 and signed by STE SG-Co, and, in respect of each New Issuer, such application form to be executed by such New Issuer, in each case accepted by CDP, together with the terms and conditions for the provision of depository services by CDP referred to therein.

The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, CDP and/or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Issuing and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (a)(iii) above, the relevant Issuer may also give notice to the Issuing and Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Issuing and Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than 365 days and on all receipts, interest coupons and talons relating to such Bearer Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts, interest coupons, or talons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Bearer Notes, receipts, interest coupons, or talons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or CDP, as the case may be.

Direct Rights in respect of Bearer Global Notes cleared through CDP

Where a Bearer Global Note is cleared through CDP, if an Event of Default as provided in the Conditions has occurred and is continuing, any holder of a Note may state in a notice given to the CDP Issuing and Paying Agent and the Issuer (the **default notice**) that an Event of Default has occurred and is continuing.

Following the giving of the default notice, the holder of the Notes represented by the Bearer Global Note cleared through CDP may (subject as provided below) elect that direct rights (**Direct Rights**) under the provisions of the relevant CDP Deed of Covenant (as defined in the Conditions) shall come into effect in respect of a nominal amount of Notes up to the aggregate nominal amount in respect of which such default notice has been given. Such election shall be made by notice to the CDP Issuing and Paying Agent and presentation of the Bearer Global Note to or to the order of the CDP Issuing and Paying Agent for reduction of the nominal amount of Notes represented by the Bearer Global Note by such amount as may be stated in such notice and by endorsement of the appropriate schedule to the Bearer Global Note of the nominal amount of Notes in respect of which Direct Rights have arisen under the relevant CDP Deed of Covenant. Upon each such notice being given, the Bearer Global Note shall become void to the extent of the nominal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect. No such election may however be made on or before the Bearer Note Exchange Date unless the holder elects in such notice that the exchange for such Notes shall no longer take place.

Registered Notes

Each Tranche of Registered Notes will initially be represented by a global note in registered form (a **Registered Global Note** and, together with the Bearer Global Notes, each a **Global Note**). Registered Global Notes will be deposited with a common depositary for, and registered in the name of a nominee of a common depositary for, Euroclear and Clearstream, Luxembourg or CDP or its nominee, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 5.5) as the registered holder of the Registered Global Notes. None of the relevant Issuer, (where relevant) the Guarantor, any Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising, investigating, monitoring or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5.5) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means:

(a) in the case of Notes cleared through Euroclear and Clearstream, Luxembourg:

   (i) an Event of Default (as defined in Condition 9) has occurred and is continuing;

   (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system is available; or

   (iii) the relevant Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form; and

(b) in the case of Notes cleared through CDP, that:

   (i) an Event of Default (as defined in Condition 9) has occurred and is continuing;

   (ii) CDP has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or the relevant clearing system has announced an intention permanently to cease business and no alternative clearing system is available; or

   (iii) CDP has notified the relevant Issuer that it is unable or unwilling to act as depository for the Notes and to continue performing its duties set out in the relevant Depository Agreement, and no alternative clearing system is available.

The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, CDP or Euroclear and/or Clearstream, Luxembourg, or as the case may be, a nominee for the Common Depositary acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (a)(iii) above, the relevant Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear, Clearstream, Luxembourg and CDP, in each case to the extent applicable.

Direct Rights in respect of Registered Global Notes cleared through CDP

Where a Registered Global Note is cleared through CDP, if an Event of Default as provided in the Conditions has occurred and is continuing, any holder of a Note may state in a default notice given to the CDP Issuing and Paying Agent and the Issuer that an Event of Default has occurred and is continuing.

Following the giving of the default notice, the holder of the Notes represented by the Registered Global Note cleared through CDP may (subject as provided below) elect that Direct Rights under the provisions of the relevant CDP Deed of Covenant shall come into effect in respect of a nominal amount of Notes up to the aggregate nominal amount in respect of which such default notice has been given. Such election shall be made by notice to the CDP Issuing and Paying Agent and presentation of the Registered Global Note to or to the order of the CDP Issuing and Paying Agent for reduction of the nominal amount of Notes represented by the Registered Global Note by such amount as may be stated in such notice and by entry by or on behalf of the Registrar in the Register of the nominal amount of Notes in respect of which Direct Rights have arisen under the relevant CDP Deed of Covenant. Upon each such notice being given, the Registered Global Note shall become void to the extent of the nominal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect. No such election may however be made on or before the Registered Note Exchange Date unless the holder elects in such notice that the exchange for such Notes shall no longer take place.

General

Pursuant to the Agency Agreement, the Issuing and Paying Agent or the CDP Issuing and Paying Agent, as the case may be, shall arrange for, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche to be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which, in the case of Notes offered under Category 2 of Regulation S of the Securities Act, shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg or CDP, each person (other than Euroclear and/or Clearstream, Luxembourg or CDP or its nominee) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg or CDP as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg or CDP as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save, in the case of Notes not cleared through CDP, for manifest error) shall be treated by the relevant Issuer, (where relevant) the Guarantor, (in the case of Registered Global Notes) the Registrar and all other agents of the relevant Issuer as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest and, in the case of Notes cleared through CDP, premium redemption, purchase and/or any other amounts which accrue or are otherwise payable by the relevant Issuer through CDP, on such nominal amount of such Notes, for which purposes the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the relevant Issuer, (where relevant) the Guarantor and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or CDP shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

APPLICABLE PRICING SUPPLEMENT FOR NOTES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS –** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA or** in the United Kingdom (the **UK**)). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**) where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Regulation (EU) 2017/1129 (the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]

[**MiFID II product governance/target market –** [*appropriate target market legend to be included*]]

[**Notification under Section 309B(1) of the Securities and Futures Act, Chapter 289 of Singapore** – The Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][1]

[Date]

[ST ENGINEERING RHQ LTD.]/[ST ENGINEERING TREASURY PTE. LTD.]

Legal entity identifier (LEI): [●]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
unconditionally and irrevocably guaranteed by
Singapore Technologies Engineering Ltd
under the S$5,000,000,000
Multicurrency Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Offering Circular dated 18 March 2020 [and the supplemental Offering Circular dated [*date*]] ([together,] the **Offering Circular**). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[1] For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date:*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Offering Circular dated [*original date*]. This document is the Pricing Supplement for the Notes described herein and must be read in conjunction with the Offering Circular dated [*current date*], save in respect of the Conditions which are extracted from the Offering Circular dated [*original date*] and are attached hereto. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circulars dated [*current date*] and [*original date*].]

[*The following language applies if the Notes are intended to be "qualifying debt securities" (as defined in the Income Tax Act, Chapter 134 of Singapore):*

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the **ITA**) shall not apply if such person acquires such Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1.	(a)	Issuer:	[ST Engineering RHQ Ltd./ST Engineering Treasury Pte. Ltd.]
	(b)	Guarantor:	Singapore Technologies Engineering Ltd
2.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]
	(c)	[Date on which the Notes will be consolidated and form a single Series:	[The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/the date that is 40 days after the Issue Date/ exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [*date*]/Not Applicable]]
3.	Specified Currency or Currencies:		[●]

4. Aggregate Nominal Amount:	
(a) Series:	[●]
(b) Tranche:	[●]
5. [(a)] Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
(b) [Private banking rebates:	[Yes/Not Applicable] [*insert figures or estimates*]]
6. (a) Specified Denominations:	[●] *(Note – in the case of Bearer Notes, where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:* *"€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000.")* *(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)*
(b) Calculation Amount:	[●] *(If only one Specified Denomination, insert the Specified Denomination.* *If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date:	[●]
(b) Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date:	[*Fixed rate – specify date*/ *Floating rate* – Interest Payment Date falling in or nearest to *[specify month and year]*]

9.	Interest Basis:	[[●] per cent. Fixed Rate] [[*specify Reference Rate*] +/– [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11.	Change of Interest Basis or Redemption/Payment Basis:	*[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	(a) Status of the Notes:	Senior
	(b) Status of the Guarantee:	[Senior/Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate(s) of Interest:	[●] per cent. per annum [payable [annually/ semi-annually/quarterly/other *(specify)*] in arrear]
	(b) Interest Payment Date(s):	[●] in each year up to and including the Maturity Date]/[*specify other*] *(N.B. This will need to be amended in the case of long or short coupons)*
	(c) Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[●] per Calculation Amount
	(d) Broken Amount(s): (*Applicable to Notes in definitive form.*)	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]

	(e)	Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or *[specify other]*]
	(f)	[Determination Date(s):	[●] in each year *(N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA). Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration)*]
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
15.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*[specify other]*]
	(c)	Additional Business Centre(s):	[[●]/Not Applicable]
	(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/[*specify other*]]
	(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if The Bank of New York Mellon, London Branch or, as the case may be, The Bank of New York Mellon, Singapore Branch is not appointed as the calculation agent):	[●] (the **Calculation Agent**)
	(f)	Screen Rate Determination:	
		• Reference Rate:	[●] *(Either LIBOR, EURIBOR, SIBOR, SOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*

	• Interest Determination Date(s):	[●] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Singapore dollar, Hong Kong dollar or euro LIBOR), first day of each Interest Period if Sterling LIBOR or Singapore dollar or Hong Kong dollar LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR or second business day prior to start of interest period if SIBOR or SOR*)
	• Relevant Screen Page:	[●] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(g)	ISDA Determination:	
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
(h)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
(i)	Reference Banks:	[●]
(j)	Margin(s):	[+/-] [●] per cent. per annum
(k)	Minimum Rate of Interest:	[●] per cent. per annum
(l)	Maximum Rate of Interest:	[●] per cent. per annum
(m)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) *Other*] *(See Condition 4.2 for alternatives)*

	(n)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
16.	Zero Coupon Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Accrual Yield:	[●] per cent. per annum
	(b)	Reference Price:	[●]
	(c)	Any other formula/basis of determining amount payable:	[●]
	(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 6.5(c) and 6.9 apply/*specify other*] *(Consider applicable day count fraction if not U.S. dollar denominated)*
17.	Index Linked Interest Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Index/Formula:	*[give or annex details]*
	(b)	Calculation Agent:	*[give name]*
	(c)	Party responsible for calculating the Rate of Interest and Interest Amount (if The Bank of New York Mellon, London Branch or, as the case may be, The Bank of New York Mellon, Singapore Branch is not appointed as the calculation agent):	[●] (the **Calculation Agent**)
	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible, impracticable or otherwise disrupted:	*[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
	(e)	Specified Period(s)/Specified Interest Payment Dates:	[●]

(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ *specify other*]
(g)	Additional Business Centre(s):	[●]
(h)	Minimum Rate of Interest:	[●] per cent. per annum
(i)	Maximum Rate of Interest:	[●] per cent. per annum
(j)	Day Count Fraction:	[●]

18. Dual Currency Interest Note Provisions — [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a)	Rate of Exchange/method of calculating Rate of Exchange:	*[give or annex details]*
(b)	Party, if any, responsible for calculating the principal and/or interest due (if The Bank of New York Mellon, London Branch or, as the case may be, The Bank of New York Mellon, Singapore Branch is not appointed as the calculation agent):	[●] (the **Calculation Agent**)
(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	*[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
(d)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

19. Issuer Call: — [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a)	Optional Redemption Date(s)	[●]
(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]

	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[●]
	(ii) Maximum Redemption Amount:	[●]
	(d) Notice period (if other than as set out in the Conditions):	[●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent)*
20.	Investor Put:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Optional Redemption Date(s)	[●]
	(b) Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*/see Appendix]
	(c) Notice period (if other than as set out in the Conditions):	[●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent)*
21.	Final Redemption Amount:	[[●] per Calculation Amount/*specify other*/see Appendix]
22.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6.5):	[[●] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes only upon an Exchange Event] [Temporary Global Note exchangeable for definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for definitive Notes only upon an Exchange Event]] [Registered Notes: Registered Global Note ([U.S.$][●] nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/CDP] exchangeable for definitive Registered Notes only upon an Exchange Event] (*Specified Denomination construction substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.*)
24.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/*give details*] *(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 15(c) and 17(g) relate)*
25.	Talons for future Coupons to be attached to definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
26.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]

27.	Details relating to Instalment Notes:	
	(a) Instalment Amount(s):	[Not Applicable/*give details*]
	(b) Instalment Date(s):	[Not Applicable/*give details*]
28.	Other terms or special conditions:	[Not Applicable/*give details*]
29.	Governing law:	[English/Singapore] law

OTHER INFORMATION

30.	Listing:	[The Singapore Exchange Securities Trading Limited/(*specify*)/Not Applicable]
31.	Ratings:	[The Notes to be issued [[have been]/[are expected to be]] rated [●] by [●].
32.	Operational Information:	
	(i) ISIN:	[●]
	(ii) Common Code:	[●]
	(iii) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg:	[The Central Depository (Pte) Limited/Not Applicable/ *give name(s) and number(s)*]
	(iv) Delivery:	Delivery [against/free of] payment
	(v) Names and addresses of additional Paying Agent(s) (if any):	[●]
33.	Distribution	
	(i) Method of distribution:	[Syndicated/Non-syndicated]
	(ii) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(iii) Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
	(iv) If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]

(v)	U.S. Selling Restrictions:	Reg. S Compliance Category 1/2; [TEFRA D/TEFRA C/TEFRA not applicable]
(vi)	Additional selling restrictions:	[Not Applicable/*give details*]
(vii)	Prohibition of Sales to EEA and UK Retail Investors:	[Applicable/Not Applicable] (*If Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)

[**USE OF PROCEEDS**

[To include if the use of proceeds is different from that set out in the Offering Circular.]]

LISTING APPLICATION

This Pricing Supplement comprises the final terms required for issue and admission to trading on [the Singapore Exchange Securities Trading Limited] of the Notes described herein pursuant to the S$5,000,000,000 Multicurrency Medium Term Note Programme of ST Engineering RHQ Ltd. and ST Engineering Treasury Pte. Ltd.

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of [**ST Engineering RHQ Ltd./ST Engineering Treasury Pte. Ltd.**]:	Signed on behalf of **Singapore Technologies Engineering Ltd**:
By:	By: ....
Duly authorised	*Duly authorised*

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below), each Definitive Bearer Note (as defined below) and each Definitive Registered Note (as defined below), but, in the case of Definitive Bearer Notes and Definitive Registered Notes, only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer, the Guarantor and the relevant Dealer at the time of issue but, if not so permitted and agreed, such Definitive Bearer Note or Definitive Registered Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Pricing Supplement for Notes" for a description of the content of Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by ST Engineering RHQ Ltd. (**STE UK-Co**) or ST Engineering Treasury Pte Ltd (**STE SG-Co**) (each an **Issuer** and, together with the New Issuers (as defined below), the **Issuers**) (as specified in the applicable Pricing Supplement) pursuant to the Agency Agreement (as defined below). The Guarantor (as defined below) may, from time to time, nominate any of its Subsidiaries (as defined below) as an additional issuer to issue Notes pursuant to the Programme (each, a **New Issuer**). It is intended that such New Issuer shall accede to the terms of the Programme by executing new, supplemental, amended and/or restated contractual documents, as appropriate, and shall become and be treated as an "Issuer" for the purpose of the Programme. The parties agree that, in the case of any New Issuer, the term **Issuer** or **Issuers** as used herein shall only apply from the time of accession of such New Issuer to the Programme.

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;

(b) any Global Note in bearer form (each a **Bearer Global Note**);

(c) any Global Note in registered form (each a **Registered Global Note**);

(d) any definitive Notes in bearer form (**Definitive Bearer Notes** and, together with Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Global Note in bearer form; and

(e) any definitive Notes in registered form (**Definitive Registered Notes** and, together with Registered Global Notes, the **Registered Notes**) issued in exchange for a Global Note in registered form.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) are issued pursuant to an Agency Agreement (as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 18 March 2020 and made between STE UK-Co and STE SG-Co as issuers, Singapore Technologies Engineering Ltd as guarantor (the **Guarantor**), The Bank of New York Mellon, London Branch as fiscal agent (the **Fiscal Agent**, which expression shall include any successor fiscal agent), issuing and paying agent (the **Issuing and Paying Agent**, which expression shall include any successor issuing and paying agent), and calculation agent (the **Calculation Agent**, which expression shall include any additional or successor calculation agents) and the other paying agents named therein (together with the Fiscal Agent and the Issuing and Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the **Registrar**, which expression shall include any successor registrar) and transfer agent and the other transfer agents named therein (the **Transfer Agents**, which expression shall include any additional or successor transfer agents), and The Bank of New York Mellon, Singapore Branch as the issuing and paying agent, registrar, transfer agent and calculation agent in Singapore solely for the purposes of and in connection with Notes cleared or to be cleared through The Central Depository (Pte) Limited (**CDP**) (respectively, the **CDP Issuing and Paying Agent**, the **CDP Registrar,** the **CDP Transfer Agent** and the **CDP Calculation Agent**, which expressions shall include any successor CDP issuing and paying agent, CDP registrar, CDP transfer agent and CDP calculation agent in Singapore). The Fiscal Agent, the Issuing and Paying Agent, the CDP Issuing and Paying Agent, the Registrar, the CDP Registrar, the Transfer Agent, the CDP Transfer Agent, the Calculation Agent and the CDP Calculation Agent for the time being (if any) are being together referred to as the **Agents**.

For the purposes of these Terms and Conditions (the **Conditions**), all references:

(i) to the **Issuing and Paying Agent** shall, with respect to a Series of Notes cleared or to be cleared through CDP, be deemed to be a reference to the CDP Issuing and Paying Agent;

(ii) to the **Registrar** shall, with respect to a Series of Notes cleared or to be cleared through CDP, be deemed to be a reference to the CDP Registrar;

(iii) to the **Transfer Agent** shall, with respect to a Series of Notes cleared or to be cleared through CDP, be deemed to be a reference to the CDP Transfer Agent;

(iv) to the **Calculation Agent** shall, with respect to a Series of Notes cleared or to be cleared through CDP, be deemed to be a reference to the CDP Calculation Agent; and

(v) to the **Issuer** shall be to the relevant Issuer of the Notes as specified in the applicable Pricing Supplement,

and all such references shall be construed accordingly.

Interest-bearing Definitive Bearer Notes have interest coupons (**Coupons**) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes and Registered Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in the Pricing Supplement attached to or endorsed on this Note which supplement these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

The payment of all amounts due in respect of Notes will be guaranteed by the Guarantor pursuant to a deed of guarantee (the **Deed of Guarantee**) dated 18 March 2020 and executed by the Guarantor. The Deed of Guarantee is governed by, and shall be construed in accordance with, English law.

Any reference to the **Noteholders** or **holders** in relation to any Notes shall mean, in the case of Bearer Notes, the holders of the Notes and, in the case of Registered Notes, the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, (unless this is a Zero Coupon Note) Interest Commencement Dates, the date of the first payment of interest thereon and/or Issue Prices.

Where the Notes are cleared through Euroclear (as defined below) and/or Clearstream, Luxembourg (as defined below), the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant dated 18 March 2020 executed by (where the relevant Issuer is STE UK-Co) STE UK-Co or (where the relevant Issuer is STE SG-Co) STE SG-Co, or (where the relevant Issuer is a New Issuer) such deed of covenant to be executed by the New Issuer, as the case may be, in relation to the Notes (together, and each as amended, supplemented and/or restated from time to time, the **Deeds of Covenant**). The Deeds of Covenant are governed by, and shall be construed in accordance with, English law.

Where the Notes are cleared through CDP, the Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the CDP Deed of Covenant dated 18 March 2020 executed by (where the relevant Issuer is STE UK-Co) STE UK-Co or (where the relevant Issuer is STE SG-Co) STE SG-Co, or (where the relevant Issuer is a New Issuer) such CDP deed of covenant to be executed by the New Issuer, as the case may be, in relation to the Notes (together, and each as amended, supplemented and/or restated from time to time, the **CDP Deeds of Covenant**). The CDP Deeds of Covenant are governed by, and shall be construed in accordance with, Singapore law.

Copies of the Agency Agreement, the Deed of Guarantee, the Deeds of Covenant and the CDP Deeds of Covenant are available for inspection upon prior written request and satisfactory proof of holding during normal business hours at the specified office of each of the Issuing and Paying Agents and the Registrar. Copies of the applicable Pricing Supplement are available for viewing upon prior written request at the registered office of the Guarantor and each of the Issuing and Paying Agents or (in the case of Registered Notes) the Registrar, provided that Noteholders must produce evidence satisfactory to the Guarantor and the relevant Issuing and Paying Agent or (in the case of Registered Notes) the Registrar as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the applicable Deed of Covenant, the applicable CDP Deed of Covenant and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are issued either in bearer form or in registered form, as specified in the applicable Pricing Supplement and, in the case of Definitive Bearer Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass on registration of transfers in the register which is kept by the Registrar in accordance with the Agency Agreement. The Issuer, the Guarantor, the Paying Agents, the Transfer Agents (in the case of Registered Notes), and the Registrar (in the case of Registered Notes) will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream**, **Luxembourg**) and/or CDP, each person (other than Euroclear, Clearstream, Luxembourg or CDP) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or CDP as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or CDP as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Fiscal Agent, the Paying Agents, the Transfer Agents (in the case of Registered Notes), and the Registrar (in the case of Registered Notes) as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor, the Paying Agents, the Transfer Agents (in the case of Registered Notes), and the Registrar (in the case of Registered Notes) as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or CDP as the case may be. References to Euroclear, Clearstream, Luxembourg and CDP shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Guarantor and the Fiscal Agent.

2. TRANSFER OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear, Clearstream, Luxembourg or CDP, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Definitive Registered Notes of the same Series or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear, Clearstream, Luxembourg or CDP, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee of a common depository for Euroclear, Clearstream, Luxembourg or CDP shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of Euroclear, Clearstream, Luxembourg or CDP (as the case may be) or to a successor of Euroclear, Clearstream, Luxembourg or CDP (as the case may be) or such successor's nominee.

2.2 Transfers of Definitive Registered Notes

Subject as provided in Condition 2.3 and Condition 2.5 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer:

(a) the holder or holders must:

   (i) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and

   (ii) complete and deposit such other certifications as may be required by the Registrar or the relevant Transfer Agent, as the case may be; and

(b) the Registrar or the relevant Transfer Agent, as the case may be, must be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 9 to the Agency Agreement). Subject as provided above, the Registrar or the relevant Transfer Agent, as the case may be, will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or the relevant Transfer Agent, as the case may be, is located) of the relevant request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office, to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 6, the Issuer shall not be required to register or procure registration of the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer shall require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 Closed periods

No Noteholder may require the transfer of a Registered Note to be registered during the period of (i) 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before (and including) any date on which Notes may be called for redemption by the Issuer pursuant to Condition 6.3 and (iii) 15 days ending on (and including) any Interest Payment Date.

2.6 Exchanges and transfers of Registered Notes generally

Holders of Definitive Registered Notes may exchange such Notes for interests in a Registered Global Note of the same type at any time.

3. STATUS OF THE NOTES AND THE GUARANTEE IN RESPECT OF THE NOTES

3.1 Status of the Notes

The Notes and any related Receipts and Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3.2 Status of the Guarantee

The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Notes has been unconditionally and irrevocably guaranteed by the Guarantor in the Deed of Guarantee (the **Guarantee**). The obligations of the Guarantor under the Guarantee are contained in the Deed of Guarantee.

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank *pari passu* and without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

4. INTEREST

4.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions:

Fixed Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding; and

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

(a) if "**Actual/Actual** (**ICMA**)" is specified in the applicable Pricing Supplement:

 (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

(c) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant Interest Payment Date divided by 365.

As used in the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

4.2 Interest on Floating Rate Notes

(a) ***Interest Payment Dates***

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (2) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Singapore, London and each Additional Business Centre (other than TARGET2 System (as defined below)) specified in the applicable Pricing Supplement;

(b) if TARGET2 System is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

(c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively); or (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) ***Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined and may be reset in the manner specified in the applicable Pricing Supplement.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as calculation agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (i), Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being LIBOR or EURIBOR:

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(iii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being the Singapore dollar interbank offer rate (**SIBOR**) or the Singapore dollar swap offer rate (**SOR**):

(A) Each Floating Rate Note where the Reference Rate is specified as being SIBOR (in which case such Note will be a **SIBOR Note**) or SOR (in which case such Note will be a **Swap Rate Note**) bears interest at a floating rate determined by reference to SIBOR or, as the case may be, SOR as specified in the applicable Pricing Supplement.

(B) The Rate of Interest payable from time to time in respect of each Floating Rate Note under this Condition 4.2(b)(iii) will be determined by the Calculation Agent on the basis of the following provisions:

(i) in the case of Floating Rate Notes which are SIBOR Notes:

(aa) the Calculation Agent will, at or about the Specified Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSIRFIX1 page under the caption "ABS SIBOR FIX – SIBOR AND SWAP OFFER RATES – RATES AT 11:00 HRS SINGAPORE TIME" and the column headed "SGD SIBOR" (or such other Relevant Screen Page) plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any);

(bb) if no such rate appears on Reuters Screen ABSIRFIX1 Page (or such other Relevant Screen Page) or if Reuters Screen ABSIRFIX1 Page (or such other Relevant Screen Page) is unavailable for any reason, the Calculation Agent will determine the Rate of Interest for such Interest Period as being the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page under the column headed "SGD SIBOR" (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page as may be provided hereon) and as adjusted by the Spread (if any);

(cc) if on any Interest Determination Date the Calculation Agent is unable to determine the Rate of Interest under paragraphs (aa) and (bb) above, the Issuer (or an independent advisor appointed by it) will request the Reference Banks to provide the rate at which deposits in Singapore dollars are offered by it at approximately the Specified Time on the Interest Determination Date to prime banks in the Singapore inter-bank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate nominal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of such offered quotations notified to the Calculation Agent, plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), as determined by the Calculation Agent;

(dd) if on any Interest Determination Date two but not all the Reference Banks provide the Issuer (or the independent advisor appointed by it) with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (cc) above on the basis of the quotations of those Reference Banks providing such quotations plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any); and

(ee) if on any Interest Determination Date one only or none of the Reference Banks provides the Issuer (or the independent advisor appointed by it) with such quotations, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Issuer (or the independent advisor appointed by it) at or about the Specified Time on such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate nominal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate or if on such Interest Determination Date one only or none of the Reference Banks provides the Issuer (or the independent advisor appointed by it) with such quotation, the rate per annum which the Calculation Agent determines to be arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks to the Issuer (or the independent advisor appointed by it) at or about the Specified Time on such Interest Determination Date and notified to the Calculation Agent plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period).

(ii) in the case of Floating Rate Notes which are Swap Rate Notes:

(aa) the Calculation Agent will, at or about the Specified Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period as being the rate which appears on the Reuters Screen ABSFIX1 Page under the caption "SGD SOR rates as of 11:00 hrs London Time" under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Specified Time on such Interest Determination Date and for a period equal to the duration of such Interest Period plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any);

(bb) if on any Interest Determination Date, no such rate is quoted on Reuters Screen ABSFIX1 Page (or such other replacement page as aforesaid) or Reuters Screen ABSFIX1 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Calculation Agent will determine the Rate of Interest for such Interest Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest four decimal places)) for a period equal to the duration of such Interest Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as the Issuer (or the independent advisor appointed by it) may select plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any);

(cc) if on any Interest Determination Date the Calculation Agent is otherwise unable to determine the Rate of Interest under paragraphs (aa) and (bb) above, the Rate of Interest shall be determined by the Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Issuer (or the independent advisor appointed by it) at or about the Specified Time on such Interest Determination Date and notified to the Calculation Agent as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding an amount equal to the aggregate nominal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate, or if on such Interest Determination Date, one only or none of the Reference Banks provides the Issuer (or the independent advisor appointed by it) with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest four decimal places) of the prime lending rates for Singapore Dollars quoted by the Reference Banks to the Issuer (or the independent advisor appointed by it) at or about the Specified Time on such Interest Determination Date and notified to the Calculation Agent plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any); and

(dd) if paragraph (cc) above applies and fewer than two Reference Banks are quoting the rate as being their cost of funding or quoting the prime lending rates for Singapore Dollars on such Interest Determination Date, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.

(C) On the last day of each Interest Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.

(iv) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR, EURIBOR, SIBOR or SOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

As used in the Conditions:

Reference Banks means, in the case of a determination of LIBOR, the principal London offices of four major banks in the London interbank market and, in the case of a determination of EURIBOR, the principal Euro-zone offices of four major banks in the Euro-zone interbank market and, in the case of a determination of the SIBOR or the SOR, the principal Singapore offices of each of the three major banks in the Singapore interbank market, in each case selected by the Issuer (or the independent advisor appointed by it) or as specified in the applicable Pricing Supplement;

Reference Rate means the rate specified in the applicable Pricing Supplement;

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate; and

Specified Time means in the case of a determination of SIBOR, 11.00 a.m. (Singapore time) and in the case of a determination of SOR, 11.00 a.m. (London time).

(c) ***Minimum Rate of Interest and/or Maximum Rate of Interest***

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2(b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of Condition 4.2(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) ***Determination of Rate of Interest and calculation of Interest Amounts***

The Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Calculation Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

(i) if "**Actual/Actual (ISDA**)" or "**Actual/Actual**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2\text{-}Y_1)] + [30 \times (M_2\text{-}M_1)] + (D_2\text{-}D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2\text{-}Y_1)] + [30 \times (M_2\text{-}M_1)] + (D_2\text{-}D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "**30E/360** (**ISDA**)" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2-Y_1)] + [30 \times (M_2-M_1)] + (D_2-D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) ***Linear Interpolation***

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Issuer (or the independent advisor appointed by it) shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) ***Notification of Rate of Interest and Interest Amounts***

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor, the Issuing and Paying Agent and the Fiscal Agent as soon as possible after its determination but in no event later than the fourth business day thereafter. If so required by the Issuer, the Calculation Agent will cause the Rate of Interest, the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to Noteholders in accordance with Condition 13 after its determination. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified by the Calculation Agent to the Issuer, the Guarantor, the Issuing and Paying Agent, the Fiscal Agent, and, if so required by the Issuer, to the Noteholders in accordance with Condition 13.

For the purposes of this paragraph, the expression **business day** means:

(i) (in the case of Notes denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets are open for general business in Singapore; and

(ii) (in the case of Notes denominated in a currency other than Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets are open for business in Singapore and the principal financial centre for that currency.

(g) ***Failure to determine or calculate Rate of Interest or Interest Amount***

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Calculation Agent defaults in its obligation to calculate any Interest Amount in accordance with Condition 4.2(b)(i), Condition 4.2(b)(ii) or Condition 4.2(b)(iii) above (as the case may be) or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with Condition 4.2(d) and Condition 4.2(e) above, the Issuer will appoint another bank with an office in the relevant financial centre to act as such in its place. In doing so, such bank appointed by the Issuer shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, such bank shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances. In the event that the Issuer fails to appoint another bank with an office in the relevant financial centre to determine such Rate of Interest or Interest Amount by the end of the relevant Interest Period, the Notes will, for the relevant Interest Period, bear interest at the rate in effect for the last preceding Interest Period to which Condition 4.2(d) above shall have applied and the Issuing and Paying Agent will determine the relevant Interest Amount.

(h) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Fiscal Agent, the Transfer Agents (if applicable), the Registrar (if applicable), the Issuing and Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of fraud, wilful default or gross negligence) no liability to the Issuer, the Guarantor, the Noteholders, Receiptholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 Other Reference Rates, Index Linked Interest Notes, Partly Paid Notes etc.

In the case of Notes where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR, EURIBOR, SIBOR or SOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

The rate or amount of interest payable in respect of Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that (a) where such Notes are Index Linked Interest Notes the provisions of Condition 4.2 shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes were references to Index Linked Interest Notes, and (b) where the Notes are Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

In the case of Index Linked Interest Notes, the Calculation Agent will notify the Paying Agents of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

4.4 Benchmark discontinuation

In addition, notwithstanding the provisions above in this Condition 4, if a Benchmark Event occurs in relation to a Reference Rate when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(a) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith and in a commercially reasonable manner and in consultation with the Issuer), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (or such other date as may be agreed with the Calculation Agent) (the **IA Determination Cut-off Date**), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(b) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(c) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, such Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 4.4; *provided*, however, that if sub-paragraph (b) applies and the Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant IA Determination Cut-off Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest (if any))) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (c) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 4.4;

(d) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 4.4. Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Agents (if required); and

(e) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and any related Adjustment Spread, give notice thereof to the Fiscal Agent, the Issuing and Paying Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any related Adjustment Spread and any consequential changes made to these Conditions.

For the purposes of this Condition 4.4:

Adjustment Spread means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body;

(b) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(c) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (in each case acting in good faith and in a commercially reasonable manner) to be appropriate.

Alternative Reference Rate means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Reference Rate.

Benchmark Event means:

(a) the relevant Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;

(b) a public statement by the administrator of the relevant Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate), unless such cessation is reasonably expected by the Issuer to not occur prior to the Maturity Date;

(c) a public statement by the supervisor of the administrator of the relevant Reference Rate, that the relevant Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued, unless such discontinuation is reasonably expected by the Issuer to not occur prior to the Maturity Date;

(d) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which the relevant Reference Rate will be prohibited from being used either generally, or in respect of the Notes, and in each case within the following six months, unless such prohibition is reasonably expected by the Issuer to not occur prior to the Maturity Date;

(e) it has become unlawful for any Issuing and Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the relevant Reference Rate; or

(f) the making of a public statement by the supervisor of the administrator of the relevant Reference Rate announcing that such Reference Rate is no longer representative or may no longer be used.

Independent Adviser means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense.

Relevant Nominating Body means, in respect of a Reference Rate:

(a) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or

(b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof.

Successor Rate means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

4.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Issuing and Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

5.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal and any other amounts payable upon redemption in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction, including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island, and Northern Mariana Islands)). Payment may not be made by a transfer of funds into an account maintained by the payee in the United States or mailed to an address in the United States unless the payee is a person who may satisfy the requirements of Section 165(j)(3)(A), (B) or (C) of the Code and the regulations thereunder, or a financial institution as a step in the clearance of funds and such payment is promptly credited to an account maintained outside the United States for such financial institution or for persons for which the financial institution has collected such payment.

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) and save as provided in Condition 5.4 should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

5.3 Payments in respect of Bearer Global Notes

Payments of principal, other amounts payable upon redemption and interest (if any) in respect of Bearer Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. Payment may not be made by a transfer of funds into an account maintained by the payee in the United States or mailed to an address in the United States unless the payee is a person who may satisfy the requirements of Section 165(j)(3)(A), (B) or (C) and the regulations thereunder, or a financial institution as a step in the clearance of funds and such payment is promptly credited to an account maintained outside the United States for such financial institution or for persons for which the financial institution has collected such payment. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg or CDP, as applicable.

5.4 Specific provisions in relation to payments in respect of certain types of Bearer Notes

Payments of instalments of principal (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

5.5 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, where (A) the Registered Notes are cleared through Euroclear and Clearstream, Luxembourg, at the close of business on the Clearing System Business Day before the due date for such payments, where **Clearing System Business Day** means a weekday (Monday to Friday, inclusive) except 25 December and 1 January and (B) the Registered Notes are cleared through CDP, on such date as may be prescribed by CDP, and (ii) where in definitive form, at the close of business on the fifteenth day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non resident of Japan, shall be a non resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, where (A) the Registered Notes are cleared through Euroclear and Clearstream, Luxembourg, at the close of business on the Clearing System Business Day before the due date for such payments and (B) the Registered Notes are cleared through CDP, on such date as may be prescribed by CDP, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

None of the Issuer, the Guarantor or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

5.6 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or CDP as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or CDP, as the case may be, for his share of each payment so made by the Issuer or the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

5.7 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, Payment Day means any day which (subject to Condition 8) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, the relevant place of presentation;

(ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Pricing Supplement;

(iii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Pricing Supplement, a day on which the TARGET2 System is open; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.8 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.5); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.

6. REDEMPTION AND PURCHASE

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

6.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or (if the Guarantee was called) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer, and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws, regulations, rulings or other administrative proceedings (including a decision by a court of competent jurisdiction) of a Tax Jurisdiction (as defined in Condition 7) or any change in the application or official interpretation of such laws, regulations, rulings or other administrative proceedings (including a decision by a court of competent jurisdiction) which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer (or the Guarantor, as the case may be) shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer or of the Guarantor, as the case may be, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent tax or legal advisers of recognised standing to the effect that the

Issuer or the Guarantor, as the case may be, has or will become obliged to pay such additional amounts as a result of such change or amendment. The Fiscal Agent shall be entitled without further enquiry and without liability to any Noteholder, Receiptholder or Couponholder or any other person to rely on such certificate and opinion and it shall be conclusive evidence of the satisfaction of the conditions precedent set out in this Condition 6.2. Each such certificate and opinion shall be conclusive and binding on Noteholders, Receiptholders and Couponholders.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, at its option, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13; and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Fiscal Agent and, in the case of a redemption of Registered Notes, the Registrar,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Definitive Bearer Notes or Definitive Registered Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by Definitive Bearer Notes or Definitive Registered Notes, and in accordance with the rules of Euroclear, Clearstream, Luxembourg and/or CDP (as applicable), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by Notes in definitive form, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 at least five days prior to the Selection Date.

6.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than 15 nor more than 30 days' notice, the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Registered Notes may be redeemed under this Condition 6.4 in any multiple of their lowest Specified Denomination. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Pricing Supplement.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg and CDP, deliver, at the specified office of any Paying Agent (in the case of Definitive Bearer Notes) or the Registrar (in the case of Definitive Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar, falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is a Definitive Bearer Note, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or CDP, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or CDP (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or CDP or any common depositary for them to the Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and CDP from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or CDP given by a holder of any Note pursuant to this Condition 6.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.4 and instead to declare such Note forthwith due and payable pursuant to Condition 9.

6.5 Early Redemption Amounts

For the purpose of Condition 6.2 and Condition 9, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1+AY)^y$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

6.6 Specific redemption provisions applicable to certain types of Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 6.2, Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

6.7 Purchases

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes (provided that, in the case of Definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) in any manner and at any price in the open market or otherwise. All such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) for cancellation.

For the purposes of these Conditions:

Subsidiary means any company:

(a) of which the Guarantor controls the composition of the board of directors;

(b) of which the Guarantor controls more than half of the voting power; or

(c) which is a Subsidiary of a Subsidiary of the Guarantor.

6.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.7 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Issuing and Paying Agent or, in the case of Registered Notes, the Registrar, and cannot be reissued or resold. Subject as provided in Condition 8, the obligations of the Issuer and the Guarantor in respect of such cancelled Notes shall be discharged.

6.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13.

7. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or the Guarantor, as the case may be, will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) presented for payment in any Tax Jurisdiction;

(b) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.7).

As used herein:

(i) **Tax Jurisdiction** means the jurisdiction of incorporation of the Issuer or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Issuer) or Singapore or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Guarantor) or in either case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which payments made by the Issuer or the Guarantor, as the case may be, of principal and interest on the Notes become generally subject; and

(ii) **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issuing and Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

No Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, Guarantor, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

8. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 therefor).

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 or any Talon which would be void pursuant to Condition 5.2.

9. EVENTS OF DEFAULT

9.1 Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing with respect to any Note:

(a) default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest;

(b) the Issuer or the Guarantor fails to perform or comply with any of its other obligations under the Conditions or the Guarantee and (except in any case where the failure is incapable of remedy, in which case no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 60 days next following the service by a Noteholder on the Issuer or the Guarantor (as the case may be) of notice requiring the same to be remedied;

(c) (i) any Indebtedness for Borrowed Money or any Acceptance Credit (each as defined below) of the Issuer or the Guarantor becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or the Guarantor fails to make any payment in respect of any Indebtedness for Borrowed Money or any Acceptance Credit on the due date for payment after giving effect to the applicable grace period; or (iii) default is made by the Issuer or the Guarantor in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money or any Acceptance Credit of any other person, provided that no event falling within sub-paragraphs (i) to (iii) above shall constitute an Event of Default unless (A) in respect of Indebtedness for Borrowed Money, the relevant Indebtedness for Borrowed Money either alone or when aggregated with other Indebtedness for Borrowed Money relative to all (if any) other such events which have occurred and are continuing shall amount to at least U.S.$100,000,000 (or its equivalent in any other currency); or (B) in respect of an Acceptance Credit, the relative Acceptance Credit either alone or when aggregated with other Acceptance Credits relative to all (if any) other such events which have occurred and are continuing shall amount to at least U.S.$100,000,000 (or its equivalent in any other currency);

(d) any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or the Guarantor, save for the purposes of reorganisation, reconstruction, amalgamation, merger or consolidation on terms previously approved by an Extraordinary Resolution;

(e) the Issuer or the Guarantor (i) ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation, reconstruction, amalgamation, merger or consolidation on terms previously approved by an Extraordinary Resolution, or (ii) stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent;

(f) (i) proceedings are initiated against the Issuer or the Guarantor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or the Guarantor or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of any of them, and (ii) in any case (other than the appointment of an administrator) is not discharged or stayed within 30 days;

(g) the Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation (other than a reorganisation, winding up or liquidation under or in connection with a scheme of arrangement, amalgamation or reconstruction not involving bankruptcy or insolvency) or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors);

(h) the Issuer ceases to be a Subsidiary of the Guarantor;

(i) the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect;

(j) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, (ii) to ensure that those obligations are valid, legally binding and enforceable, and (iii) to make the Notes admissible in evidence in the courts of England or Singapore (as the case may be), is not taken fulfilled or done; or

(k) any event occurs which, under the laws of any relevant jurisdiction, has an analogous effect to any of the events referred to in sub-paragraphs (d) to (g) of this Condition,

then any holder of a Note may, by written notice to the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purposes of this Condition:

Acceptance Credit means any liability under or in respect of any acceptance or acceptance credit, including, without limitation, any trade credit; and

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money excluding, for the avoidance of doubt, an Acceptance Credit.

10. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or the Issuing and Paying Agent (in the case of Bearer Notes, Receipts or Coupons), or as the case may be, the Registrar (in the case of Registered Notes), upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer, the Fiscal Agent or the Registrar may require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS AND REGISTRAR

The names of the initial Paying Agents and the Registrar are set out above.

The Issuer is entitled to vary or terminate the appointment of the Registrar or any Paying Agent and/or appoint additional or other Paying Agents, Registrar or Transfer Agents and/or approve any change in the specified office through which any Paying Agent and/or Registrar and/or Transfer Agent acts, provided that:

(a) there will at all times be a Fiscal Agent and a Registrar;

(b) so long as there are outstanding Notes cleared through CDP, there will at all times be a CDP Issuing and Paying Agent, a CDP Registrar and a CDP Transfer Agent;

(c) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority or entity, there will at all times be a Paying Agent, which may be the Fiscal Agent, and a Transfer Agent, which may be the Registrar, with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority or entity; and

(d) so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that any of the Global Notes are exchanged for Notes in definitive form, there will at all times be a Paying Agent in Singapore. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include material information with respect to the delivery of the Definitive Notes, including details of the Paying Agent in Singapore.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.6. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its corporate trust business to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

13. NOTICES

All notices regarding Bearer Notes will be deemed to be validly given if (a) published in a leading English language daily newspaper of general circulation in Asia, which is expected to be the Wall Street Journal Asia and (b) for so long as the Bearer Notes are listed on the SGX-ST and the rules of the SGX-ST so require, published on the website of the SGX-ST at http://www.sgx.com. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or on the date of publication of such notice on the website of the SGX-ST.

All notices regarding the Registered Notes will be deemed to be validly given if (a) sent by mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and (b) for so long as the Registered Notes are listed on the SGX-ST and the rules of the SGX-ST so require, published on the website of the SGX-ST at http://www.sgx.com and such notice shall be deemed to have been given on the date of publication of such notice on the website of the SGX-ST. In addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of (i) Euroclear, Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing, the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg for communication by them (or by the Issuing and Paying Agent, on behalf of them) to the holders of the Notes, (ii) CDP, be substituted for such publication in such newspaper(s) or such mailing, (A) (subject to the agreement of CDP) the delivery of the relevant notice to CDP for communication by them to the holders of the Notes, (B) the delivery of the relevant notice to the persons shown in the records maintained by the CDP no earlier than three Business Days preceding the date of despatch of such notice as holding interests in the relevant Global Notes, or (C) for so long as the Notes are listed on the SGX-ST, the publication of the relevant notice on the website of the SGX-ST at http://www.sgx.com, and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on (x) the day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or CDP, as the case may be, and/or (y) the day after the date of the despatch of such notice to the persons shown in the records maintained by CDP, and/or (z) the date of publication of such notice on the website of the SGX-ST.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent or the Registrar through Euroclear, Clearstream, Luxembourg and/or CDP, in each case in such manner as the Fiscal Agent, the Registrar, Euroclear, Clearstream, Luxembourg and/or CDP as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS AND MODIFICATION

14.1 The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons, the Deed of Guarantee or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or the Guarantor and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or Deed of Guarantee (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, varying the method of calculating the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than two-thirds of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than two-thirds in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of the holders of not less than two-thirds in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders in the manner of (i), (ii) or (iii) above shall be binding on all the Noteholders and all relevant Couponholders, whether or not they are present at the meeting, signed the resolution in writing or gave consent by way of electronic consents (as the case may be).

14.2 The Agents, the Issuer and the Guarantor may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons, the Deed of Guarantee, the Deeds of Covenant or the Agency Agreement which could not reasonably be expected to be prejudicial to the interests of the Noteholders; or

(b) any modification of any of the provisions of the Notes, the Receipts, the Coupons, the Deed of Guarantee, the Deeds of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to cure any ambiguity or correct a manifest error or an error which is proven, or to comply with mandatory provisions of the law or is required by Euroclear, Clearstream, Luxembourg, CDP and/or any other clearing system in which the Notes may be held.

Any determinations as to prejudice with respect to the interests of the Noteholders shall be made by the Issuer and the Guarantor, and none of the Agents shall have any responsibility or liability whatsoever with respect to such determination.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 as soon as practicable thereafter.

15. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT

No person shall have any right to enforce any term or condition of this Note under:

(a) if the Notes are specified to be governed by English law in the applicable Pricing Supplement, the Contracts (Rights of Third Parties) Act 1999; or

(b) if the Notes are specified to be governed by Singapore law in the applicable Pricing Supplement, the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore,

but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing law

The Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Notes, the Receipts and the Coupons are governed by and shall be construed in accordance with:

(a) if the Notes are specified to be governed by English law in the applicable Pricing Supplement, English law; or

(b) if the Notes are specified to be governed by Singapore law in the applicable Pricing Supplement, Singapore law.

17.2 Submission to jurisdiction

Each of the Issuer and the Guarantor irrevocably agrees for the benefit of the Noteholders, the Receiptholders and the Couponholders, that:

(a) if the Notes are specified to be governed by English law in the applicable Pricing Supplement, the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons (a **Dispute**) and accordingly submits to the non-exclusive jurisdiction of the courts of England; or

(b) if the Notes are specified to be governed by Singapore law in the applicable Pricing Supplement, the courts of Singapore are to have non-exclusive jurisdiction to settle any Disputes and accordingly submits to the non-exclusive jurisdiction of the courts of Singapore,

Each of the Issuer and the Guarantor waives any objection to the courts of England (in the case of Notes specified to be governed by English law in the applicable Pricing Supplement) and the courts of Singapore (in the case of Notes specified to be governed by Singapore law in the applicable Pricing Supplement) on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

To the extent allowed by law, the Noteholders, the Receiptholders and the Couponholders may in respect of any Dispute or Disputes, take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and the Coupons) against the Issuer or the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

17.3 Appointment of process agent

If the Notes are specified to be governed by English law in the applicable Pricing Supplement, each of the Issuer (unless the Issuer is STE UK-Co) and the Guarantor appoints ST Engineering RHQ Ltd. at its registered office at 6002 Taylors End, Stansted Airport, Stansted, Essex, CM24 1RL as its agent for service of process, and undertakes that, in the event of ST Engineering RHQ Ltd. ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings.

If the Notes are specified to be governed by Singapore law in the applicable Pricing Supplement, each Issuer which is not incorporated in Singapore appoints Singapore Technologies Engineering Ltd at its registered office at 1 Ang Mo Kio Electronics Park Road, #07-01 ST Engineering Hub, Singapore 567710 as its agent for service of process, and undertakes that, in the event of Singapore Technologies Engineering Ltd ceasing so to act or ceasing to be registered in Singapore, it will appoint another person as its agent for service of process in Singapore in respect of any Proceedings.

Nothing in this Condition 17.3 shall affect the right to serve proceedings in any other manner permitted by law.

17.4 Waiver of immunity

The Issuer and the Guarantor hereby irrevocably and unconditionally waive with respect to the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

USE OF PROCEEDS

Unless otherwise specified in the applicable Pricing Supplement, the net proceeds of each issue of Notes under the Programme will be lent by the relevant Issuer to the Guarantor or the Group for the purpose of funding new capital expenditures, acquisitions, general corporate purposes and/or refinancing existing borrowings.

FINANCIAL SUMMARY OF THE GROUP

A summary of the consolidated income statement of the Group for the financial years ended 31 December 2019, 2018 and 2017 are set out as follows:

Consolidated Income Statement

	For Financial Year Ended 31 December		
	2019(1)	**2018(1/2)**	**2017(2)**
	S$'000	**S$'000**	**S$'000**
Revenue	**7,868,276**	**6,697,928**	**6,521,063**
Cost of sales	(6,232,814)	(5,292,389)	(5,208,278)
Gross profit	**1,635,462**	**1,405,539**	**1,312,785**
Distribution and selling expenses	(263,990)	(200,180)	(169,488)
Administrative expenses	(583,600)	(509,874)	(474,045)
Other operating expenses	(133,883)	(125,227)	(126,404)
Earnings before interest and tax	**653,989**	**570,258**	**542,848**
EBITDA(3)	**1,022,241**	**814,303**	**759,807**
Other income	44,393	55,391	39,944
Other expenses	(5,496)	(20,405)	(1,278)
Other income, net	38,897	34,986	38,666
Finance income	14,290	22,357	38,650
Finance costs	(50,915)	(55,909)	(57,682)
Finance costs, net	(36,625)	(33,552)	(19,032)
Share of results of associates and joint ventures, net of tax	38,983	49,056	49,332
Profit before taxation	**695,244**	**620,748**	**611,814**
Taxation	(102,570)	(104,326)	(85,721)
Profit after taxation	**592,674**	**516,422**	**526,093**
Attributable to:			
Shareholders of the Company	577,945	494,241	502,632
Non-controlling interests	14,729	22,181	23,461
	592,674	**516,422**	**526,093**

Notes:

(1) Source: Financial results of the Group announced on 11 March 2020 for the financial year ended 31 December 2019

(2) Source: Annual Report of the Group for the financial year ended 31 December 2018

(3) EBITDA is defined as earnings before interest, tax, depreciation and amortisation

A summary of the consolidated balance sheet of the Group as at 31 December 2019, 2018 and 2017 are set out as follows:

Consolidated Balance Sheet

	As at 31 December		
	2019[1]	2018[1/2]	2017[2]
	S$'000	S$'000	S$'000
ASSETS			
Non-current assets			
Property, plant and equipment	1,805,034	1,742,742	1,719,396
Right-of-use assets	483,975	–	–
Associates and joint ventures	453,419	455,703	448,387
Investments	16,178	16,392	360,346
Intangible assets	1,980,215	1,151,238	1,087,412
Long-term trade receivables	1,668	1,172	–
Deferred tax assets	111,595	72,136	74,028
Amounts due from related parties	4,806	4,806	4,806
Advances and other receivables	11,849	20,074	20,406
Derivative financial instruments	13,351	11,483	33,082
Employee benefits	–	–	243
	4,882,090	3,475,746	3,748,106

	As at 31 December		
	2019[1]	2018[1/2]	2017[2]
	S$'000	S$'000	S$'000
Current Assets			
Contract assets	1,246,207	1,070,396	939,073
Inventories	1,311,858	1,183,510	1,082,356
Trade receivables	1,245,881	1,137,816	940,725
Amounts due from related parties	35,661	35,392	28,271
Advances and other receivables	345,744	253,961	286,524
Short-term investments	604	422	357
Bank balances and other liquid funds	453,230	415,780	999,003
	4,639,185	4,097,277	4,276,309
TOTAL ASSETS	**9,521,275**	**7,573,023**	**8,024,415**
EQUITY AND LIABILITIES			
Current Liabilities			
Contract liabilities	1,043,215	1,324,093	1,258,247
Deposits from customers	9,291	4,219	5,809
Trade payables and accruals	2,012,897	1,829,758	1,599,739

	As at 31 December		
	2019[1]	2018[1/2]	2017[2]
	S$'000	S$'000	S$'000
Amounts due to related parties	70,007	85,445	104,042
Provisions	233,459	212,935	260,146
Provision for taxation	195,059	163,232	134,686
Borrowings	1,868,812	225,416	221,642
Deferred income	2,403	3,761	630
Employee benefits	11,265	2,401	2,491
	5,446,408	3,851,260	3,587,432
NET CURRENT (LIABILITIES)/ASSETS	**(807,223)**	**246,017**	**688,877**
Non-current liabilities			
Contract liabilities	422,992	495,453	521,787
Trade payables and accruals	57,983	80,345	131,843
Provisions	16,994	–	–
Amounts due to related parties	–	–	17
Deferred tax liabilities	174,732	170,726	205,200
Borrowings	468,895	270,363	894,422
Deferred income	34,309	42,405	69,156
Employee benefits	380,061	108,016	102,669
Derivative financial instrument	27,900	19,842	15,553
	1,583,866	1,187,150	1,940,647
TOTAL LIABILITIES	**7,030,274**	**5,038,410**	**5,528,079**
NET ASSETS	**2,491,001**	**2,534,613**	**2,496,336**
Share capital and reserves			
Share capital	895,926	895,926	895,926
Treasury shares	(26,731)	(9,030)	(22,870)
Capital reserves	112,563	118,174	119,782
Other reserves	(149,445)	(72,054)	(67,480)
Retained earnings	1,389,966	1,313,361	1,289,653
Equity attributable to owners of the Company	**2,222,279**	**2,246,377**	**2,215,011**
Non-controlling interests	268,722	288,236	281,325
	2,491,001	2,534,613	2,496,336
TOTAL EQUITY AND LIABILITIES	**9,521,275**	**7,573,023**	**8,024,415**

Notes:

(1) Source: Financial results of the Group announced on 11 March 2020 for the financial year ended 31 December 2019

(2) Source: Annual Report of the Group for the financial year ended 31 December 2018

DESCRIPTION OF THE ISSUERS AND THE GROUP

Overview

STE UK-Co and STE SG-Co are wholly-owned subsidiaries of the Guarantor. The Guarantor ranks among the largest companies listed on the SGX-ST in terms of market capitalisation, with a market capitalisation of approximately S$13.0 billion as at the Latest Practicable Date. The principal activity of STE UK-Co relates to investment holding and the principal activities of STE SG-Co relate to the provision of financial and treasury services to the Group.

The Group is a technology, defence and engineering group specialising in the aerospace, electronics, land systems and marine sectors. It uses its capabilities across a number of sectors to develop products and services for customers across industries in over 100 countries. The Group's customers include commercial customers, defence and other governmental agencies. The Group has a global network of over 100 subsidiaries and associated companies in more than 20 countries and 40 cities in Asia, the U.S., Europe and the Middle East. The Group has a workforce of approximately 23,000 employees worldwide.

The Group's aerospace sector (**Aerospace sector**) operates a global network of facilities and affiliates in the U.S., Asia Pacific and Europe, providing a wide range of aviation services and products that includes airframe, component and engine maintenance, repair and overhaul (**MRO**) services, engines nacelles production, aviation materials and asset management services, aircraft interior solutions and air charter services. The Group's Aerospace sector has in-house engineering patents and capabilities, allowing it to provide end-to-end cabin reconfiguration solutions. The Group's aerospace business also includes freighter conversion facilities and know-how. It offers solutions for both Airbus and Boeing platforms using original equipment manufacturer (**OEM**) engineering data.

The Group's electronics sector (**Electronics sector**) serves both defence and commercial customers. It designs, develops and integrates electronics and communications systems across multiple industries. It is an information communication technologies (**ICT**) provider and offers smart city solutions such as smart security, environment and mobility solutions for Singapore's Smart Nation initiatives, an example of which is the Punggol Digital District. It specialises in the design, development and delivery of ICT products, solutions and services which addresses the needs of smart cities for connectivity, mobility and security. Its technological and engineering expertise straddles business domains in rail and road engineering, satellite communications, public safety and security, cybersecurity, artificial intelligence, training and simulation, and managed services.

The Group's land systems sector (**Land Systems sector**) provides integrated land systems and security solutions that meet the operational requirements for defence, homeland security and commercial applications. It designs, manufactures and distributes armoured, autonomous and specialty vehicles, munitions and weapons, soldier systems, robotics and unmanned systems.

The Group's Marine sector (**Marine sector)** provides shipbuilding, ship repair and ship conversion, naval operations and integrated logistics solution services as well as engineering services for a variety of commercial and naval vessels. It provides a range of services including basic design, detailed and production engineering, construction, systems installation and integration, testing and commissioning, integrated engineering and through-life support analysis.

Unless otherwise stated herein, figures provided in this section "*Description of the Issuers and the Guarantor*" are as at the Latest Practicable Date.

History

In 1967, Chartered Industries of Singapore Pte Ltd (**CIS**) was formed as a pioneer indigenous defence company making ordnance for the Singapore Armed Forces (**SAF**). Its shares were then held by MOF Inc. In 1975, MOF Inc.'s shares in CIS were transferred to Sheng-Li Holding Co Pte Ltd (**Sheng-Li**, now known as Singapore Technologies Holdings Pte Ltd), which was established as the holding company for companies with defence interests. Subsequently, other defence-related companies were also transferred from MOF Inc to Sheng-Li. These companies included Singapore Electronics & Engineering (Private) Limited (**ST Electronics**) (renamed ST Engineering Electronics Ltd), Singapore Automotive Engineering (Private) Limited (renamed Singapore Technologies Automotive Ltd (**ST Automotive**), which was subsequently restructured under Singapore Technologies Kinetics Ltd (renamed ST Engineering Land Systems Ltd)), and Singapore Shipbuilding & Engineering (Private) Limited (**ST Marine**) (renamed ST Engineering Marine Ltd). Singapore Aircraft Industries Pte Ltd (**ST Aerospace**) (renamed ST Engineering Aerospace Ltd) was incorporated in 1981 as the holding company for the Aerospace sector. ST Aerospace, ST Electronics, ST Automotive and ST Marine were each listed on the SGX-ST between 1990 and 1991. In 1997 the Guarantor was incorporated in Singapore under a scheme of arrangement pursuant to which the four publicly listed companies: ST Aerospace, ST Electronics, ST Marine and ST Automotive were each delisted and amalgamated under the Guarantor, which was listed on the main board of the SGX-ST on 8 December 1997. The amalgamation provided the Group with synergies across four sectors and allowed it to compete more effectively in the global marketplace.

In the 53 years since the formation of CIS as a precursor of the Group, the Group has grown not only in engineering for its defence business, but has also ventured into many areas of engineering for commercial, defence and other governmental agencies and expanded its operations internationally. Temasek is currently the major shareholder of the Guarantor.

Competitive Strengths of the Group

The Group believes that it possesses a number of competitive strengths which enable it to execute its business strategy. These competitive strengths include the following:

Resilient Financial Performance across Economic Cycles

The Group's financial performance has been resilient across economic cycles including during major global economic downturns. For instance, the Group's revenue grew by 3.8% despite the global financial crisis in 2009 and the Group has enjoyed a stable revenue and earnings profile since incorporation. The Group's revenue and profit attributable to shareholders (**net profit**) since 2008 are illustrated in the table below:

	For financial year ended 31 December (S$ million)											
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Revenue	5,345	5,548	5,984	5,991	6,380	6,633	6,539	6,335	6,684	6,521	6,698	7,868
Net Profit	474	444	491	528	576	581	532	529	485	503	494	578

The Group's stable revenue and earnings profile is a reflection of the nature of its end market exposure to both the defence and commercial sectors. The Group believes that its ability to conduct business in the defence and commercial markets provides a strategic advantage. It is able to undertake defence and security-related work which is less sensitive to macro-economic cycles, capitalise on the rise in global defence spending and, at the same time, pursue more opportunities in the commercial sector during economic upturns which have huge potential for technology applications. In addition to its defence business which represents a significant portion of its revenues, its participation in the commercial aerospace industry provides for MRO services which stretch over the entire operational life of aviation assets.

The Group believes that its ability to build long-term and trusted relationships with customers and its growing reputation for its reliability in the global marketplace have helped it secure major and/or multi-year contracts.

The Group is able to achieve high revenue visibility from its strong order book[1]. The total announced new contract value for 2019 was approximately S$8.0 billion. The Group's year end order book for 2017, 2018 and 2019 was S$13.4 billion, S$13.2 billion and S$15.3 billion respectively. The Group's order book as at the end of 2019 was approximately 1.9 times the Group's total revenue for 2019, which provides revenue visibility for the next two to three years. S$5.9 billion of the year end order book in 2019 is expected to be delivered in 2020.

Strategic Importance to Singapore

The Group believes that the proper functioning of its business is strategic to the defence and security of Singapore. The Group enjoys strong business relationships with organisations that are strategic to Singapore's security, such as the Ministry of Defence, Singapore (**MINDEF**).

The Group also provides integrated solutions to other Singapore governmental agencies including the Singapore Police Force, the Singapore Civil Defence Force, Land Transport Authority, Maritime Port Authority of Singapore, Civil Aviation Authority of Singapore, JTC Corporation and Port of Singapore Authority.

The Guarantor is a subsidiary of Temasek, an investment company headquartered in Singapore with a diversified investment portfolio. Temasek holds 52.05%[2] of the shares in the Guarantor. Temasek is wholly-owned by the Singapore government through MOF Inc, a body corporate constituted under the Minister for Finance (Incorporation) Act, Chapter 183 of Singapore.

MOF Inc owns one special share in the Guarantor. The special share enjoys all the rights attached to the ordinary shares in the Guarantor, but no resolution on certain matters shall be passed by the Guarantor, either in general meeting or by its Board of Directors without the prior approval of MOF Inc as specified in the Guarantor's Constitution. Such certain matters include any matter in the opinion of MOF Inc that affects or may affect the security interests of the Republic of Singapore.

Diversified Business and Low Concentration Risk

The Group's business is diverse with low concentration risk. The Group believes that its diversity in business, industries, geographic operations and customer base affords it higher resilience to market downturns that may occur in any one particular industry, geography and customer base. The diversity of its business portfolio comprising the four business sectors (Aerospace, Electronics, Land Systems and Marine) helps to balance demand volatility which may occur in relation to such businesses. The Group believes that its strategy to have operations located in different parts of the world (namely Asia, Europe and the U.S.) will limit its dependence on a specific country's economy. Revenue by location of operations for the year ended 31 December 2019 was 64.5%, 26.6%, 7.8% and 1.1% for Asia, U.S., Europe and other countries respectively.

Notes:

1 The term order book, as used in this paragraph, means the amount of transaction price allocated to the remaining performance obligations in contracts with customers.

2 As at 2 March 2020 and includes deemed interests held through subsidiaries and associated companies.

The Group's diversified global customer base ensures that it does not have to rely on a small number of customers. Revenue by location of customers for the year ended 31 December 2019 was 54.7%, 20.9%, 17.5% and 6.9% for Asia, U.S., Europe, and other countries respectively.

The Group's entry into both defence and commercial contracts provides further diversification to the customers mix. Defence customers accounted for S$2.3 billion or 29.1% of total revenue for 2019 while commercial customers accounted for S$5.6 billion or 70.9% of total revenue for 2019.

Strong Research and Development Capabilities

Two-thirds of the Group's workforce comprises engineering and technical talents who underpin the Group's technology, defence and engineering capabilities and form the bedrock of its innovation journey. The Group engages in partnership arrangements, seeks customer-funded research and development projects where appropriate and forms innovations with partner agencies. Some of these innovations can be applied to both defence and commercial uses.

The Group has set up strategy technology centres that serve as Centres of Excellence for the development of data analytics and cybersecurity technologies that will differentiate its next generation of products and solutions. The Group has also formed a future technology centre that works closely with its businesses to identify and incubate emerging technologies.

The Group partners with universities such as Singapore University of Technology and Design, Nanyang Technological University and national research institutions to tap into their specialisation and research resources, translate deep technologies into application implementation and share intellectual properties and know-how.

Strategy

In March 2018, the Group shared its five-year plan for 2018 to 2022, a set of near-term targets to help achieve its goal of becoming a global technology, defence and engineering powerhouse. The Group plans on continuing to grow and strengthen its core businesses as well as pursuing new opportunities, especially in its international defence business and smart city business. The Group will continue to invest its resources to strengthen its key assets and capabilities, its people and culture, its global marketing and customer network, its cutting-edge technology and innovations and its financial performance.

Strengthen Core Businesses

The Group will continue to stay focused on its core businesses, growing the defence-related and engineering businesses with which it is familiar and in which it has successfully built strong industry platforms, namely the Aerospace, Electronics, Land Systems and Marine sectors. The Group will also continue to take advantage of the synergies between its four business sectors and dual-use technologies to develop new capabilities and services.

The Group is committed to growing its strategic lines of business that can contribute profitable revenue streams and sharpen its competitive edge.

Pursue Growth Opportunities

The Group intends to continue in its expansion outside Singapore by strengthening its presence in key international markets. For instance, to succeed in the international defence business, the Group intends to transition from a Singapore-based production model to one that is more collaborative to its customers in other markets. The Group plans to pursue options such as the localisation of manufacturing or support operations in other international markets, entry into joint venture agreements, licensing and technology transfer, as well as local capability investments.

Besides the U.S., the Group intends to expand into other prospective markets such as the Middle East, Latin America and the United Kingdom in relation to its defence business.

The Group also intends to focus on its smart city business. Within its smart city business, the Group has focused on three verticals, being Smart Mobility, Smart Security and Smart Environment. These verticals are underpinned by enabling technologies and capabilities in cybersecurity, data analytics, digital connectivity, internet of things (**IoT**), satellite communications, robotics and autonomous systems.

Building Global Success

The Group targets to achieve two-thirds of its five-year growth revenue from outside Singapore. To achieve this, the Group has adopted "ST Engineering" as its master-brand and has moved away from a portfolio of corporate brands in order to enhance its brand impact and cross-selling of its integrated solutions, facilitate deeper stakeholder engagement, and to attract and retain talent. In addition, the Group also intends to strengthen collaborations with its industry partners to capture new growth internationally or co-create new solutions to deliver greater value to its customers.

Technology and Innovation

Technology and innovation will continue to be a key differentiator in its business, and the Group will continue with its two-pronged approach of (i) growing its own capabilities and intellectual property rights, and (ii) seeking out new and complementary technologies, products and services.

The Group intends to harness new technologies to expand the engineering capabilities it offers its customers. For instance, the Group's corporate venture capital unit has made four investments in promising technology start-ups with strong capabilities in data analytics, cybersecurity for rail transportation and autonomous vehicles, as well as in transportation technology.

Net Profit and Revenues by Business Sector

The net profit and revenue for each of the Group's business sectors for the financial years ended 31 December 2019, 2018 and 2017 are set out as follows:

	Net Profit (S$000)			**Revenue (S$000)**		
	For financial year ended 31 December					
Business Sector	**2019**	**2018**	**2017 (Restated)**	**2019**	**2018**	**2017 (Restated)**
Aerospace	**268,896**	244,627	244,840	**3,450,442**	2,646,992	2,534,923
Electronics	**190,733**	186,491	168,772	**2,281,663**	2,143,415	2,010,985
Land Systems	**77,310**	52,860	87,420	**1,428,480**	1,282,022	1,243,511
Marine	**51,542**	45,201	27,049	**647,128**	574,084	637,444
Others	**(10,536)**	(34,938)	(25,449)	**60,563**	51,415	94,200
Total	**577,945**	494,241	502,632	**7,868,276**	6,697,928	6,521,063

Organisation and Structure of the Group

The abridged organisation structure of the Group as at 31 December 2019 is as follows:

Significant Subsidiaries	Country of incorporation	Equity Interest (%)
ST Engineering Aerospace Ltd	Singapore	100
Elbe Flugzeugwerke GmbH	Germany	55
ST Engineering Aerospace Aircraft Maintenance Pte. Ltd. (formerly known as ST Aerospace Engineering Pte Ltd)	Singapore	100
ST Engineering Aerospace Engines Pte. Ltd. (formerly known as ST Aerospace Engines Pte Ltd)	Singapore	100
ST Engineering Aerospace Services Company Pte. Ltd. (formerly known as ST Aerospace Services Co Pte. Ltd.)	Singapore	80
ST Engineering Electronics Ltd	Singapore	100
ST Electronics (Info-Comm Systems) Pte. Ltd.	Singapore	100
ST Engineering Land Systems Ltd	Singapore	100
ST Engineering Marine Ltd	Singapore	100
ST Engineering North America, Inc. (formerly known as Vision Technologies Systems, Inc.)	U.S.	100
Middle River Aerostructure Systems, LLC (formerly known as MRA Systems, LLC)	U.S.	100
ST Engineering RHQ Ltd (formerly known as Singapore Technologies Engineering (Europe) Ltd)	United Kingdom	100
ST Engineering iDirect (Europe) NV (formerly known as Newtec Group NV)	Belgium	100
ST Engineering Treasury Pte. Ltd.	Singapore	100

Business Sectors

Aerospace

The Aerospace sector began operations in 1975. It is one of the world's leading airframe MRO service providers and was voted the Overall MRO of the Year at the 2018 Aviation 100 MRO Global Awards in 2018. It remained the top-ranked global airframe MRO service provider for the eighth time in a row in the biennial survey conducted by Aviation Week Network. It is one of the largest independent third-party airframe MRO service providers in the world in terms of airframe maintenance man-hours, which stood at 13 million recorded in 2018. Its global customer base includes major airlines, leading freight carriers and military forces such as the Republic of Singapore Air Force. Through three business groups, namely Aircraft Maintenance and Modification (**AMM**), Component/Engine Repair and Overhaul (**CERO**) and Engineering and Materials Services (**EMS**), the Aerospace sector provides support services for commercial and military aircraft, including airframe, engine and component MRO, engineering design and technical services, aviation materials, management services, aircraft design engineering services, engines nacelles production and passenger-to-freighter conversions (**PTFs**), among other services and products.

Aircraft Maintenance Modification (AMM)

AMM serves commercial and military fleets worldwide through its specialist subsidiaries and associate companies.

The Aerospace sector provides light and heavy maintenance, transit/turnaround servicing and checks, structural repair and modification work, service bulletin/airworthiness directive compliance and modifications, full-scale modernisation, cabin reconfiguration and green harvesting services which extend to a broad range of airlines and airfreight operators.

In the defence arena, AMM is an authorised maintenance centre for a wide range of fighters, transport and trainer aircraft as well as helicopters. Its military MRO capabilities range from depot-level maintenance, aircraft structural modification and upgrades, installation and rewiring of avionics and electrical systems to flight line operation for both fixed wing and rotary wing aircraft.

To align with its technical capabilities and service offerings, as well as complement its core MRO and PTF aircraft conversion businesses, the Aerospace sector seeks to grow its portfolio of mid to end-of-life aircraft assets. As at December 2019, it has a total fleet of 11 aircraft under its aircraft leasing business, all of which are on lease to operators.

Component/Engine Repair and Overhaul (CERO)

The Aerospace sector provides aircraft component/engine repair and overhaul services. Its core capabilities consist of the maintenance and upgrade of avionics (including flight computers, electrical, radar/communications, instruments and displays) and mechanical components (including heli-dynamics, landing gears, aerostructures, hydraulics, pneumatics and propellers) for both military and commercial aircraft.

Its engine support capabilities include engine repair and overhaul, engine component and accessory repair, engine fleet management, on-wing and off-wing maintenance, asset management, "maintenance-by-the-hour" (**MBH**^{TM}) programme support, engine wash, engine partdown and engine leasing. The Aerospace sector's facilities in Singapore and China have an annual capacity of more than 300 engines, allowing it to offer total engine support with a full spectrum of services in close partnership with the engine OEMs for a wide range of commercial aircraft engines. As at the end of 2019, the Aerospace sector has overhauled and repaired more than 10,000 engines.

The Aerospace sector also provides a wide range of aircraft component management and support services, which include its in-house trademarked MBH^{TM} programme. It also provides material supply programme support, warehouse and material management, aircraft-on-ground spares and service support, aircraft parts trading, aircraft operating leases and OEM representation (under which the Aerospace sector is certified by the OEM to perform certain MRO work and has access to OEM components and parts).

Engineering and Material Services (EMS)

The Group's engineering and development capability includes composite panel and engine nacelle design and manufacturing, PTF conversions, cabin interior design and manufacturing and unmanned aerial systems under its EMS business.

Engine Nacelle Design and Manufacturing

The Group acquired a 100% ownership in MRA Systems, LLC (**MRAS**) on 18 April 2019, an OEM of engine nacelle systems for both narrowbody and widebody aircraft based in Baltimore, Maryland, U.S. MRAS has two principal business lines: (i) design, development, production and sale of nacelles, thrust reversers and aerostructures and (ii) spare part sales. With the inclusion of MRAS in the Group, ST Engineering has boosted its network of facilities in the U.S. to support regional and global customers in nacelle design and manufacturing.

PTF Conversions

The Aerospace sector began its first PTF conversion of a 727 aircraft into a cargo freighter in 1992. The Group has since built up its capabilities for a wide range of aircraft platforms which include the 727-200, 757-200, 767-300 Boeing Converted Freighter, DC10/MD11, Airbus A300, A310, A330-200/A330-300 and A320/A321 aircraft. It has a track record of over 400 freighter conversions of Airbus and Boeing aircraft and is the only provider in the world offering both Airbus and Boeing conversions through its own supplemental type certificate developed using original OEM engineering data. In December 2019, it secured an order for two A321 converted freighters from BBAM Aircraft Leasing & Management, a global leader in aircraft lease management.

Composite Panel, Cabin Interior Design and Manufacturing

The Aerospace sector provides a range of integrated cabin interior solutions which includes turnkey cabin interior reconfigurations for commercial and VIP aircraft, product development such as seating solutions and various cabin products, such as aircraft monuments, bullet-proof cockpit doors, overhead components, crew rest compartments and a diverse range of customised aeronautical products.

The Aerospace sector's subsidiary, Elbe Flugzeugwerke, is Airbus' appointed OEM for the development and manufacture of fibre-reinforced composite components for structures and interiors of the entire Airbus family. As a first-tier supplier for composite passenger and cargo floor panels for all Airbus aircraft, it designs and manufactures a wide range of lightweight aircraft cabin interiors, including passenger and cargo floor panels, heated floor panels, cargo compartment linings, class dividers and housings. In 2019, the Aerospace sector attained the European Aviation Safety Agency certification for a cabin interior modification and refurbishment programme that it carried out for an Asian airline customer on an A320, where it fitted the aircraft with its own in-house designed economy class seat, SPACElite I. In the same year, it launched the SPACElite II, the second generation of its proprietary aircraft seat design which was honoured with the Singapore Red Dot Design Concept Award. The Aerospace sector also develops aircraft monuments, bullet-proof cockpit doors, overhead compartments, crew rest compartments and a diverse range of customised aeronautical products.

Unmanned Aerial Systems

The Aerospace sector has invested in the development of unmanned aerial systems, one of which is Drone Network (**DroNet**), an end-to-end system solution that uses advanced unmanned technologies such as drones to carry out specific tasks or services. Harnessing the power of networking, video analytics and data sharing, DroNet is able to provide solutions for autonomous applications, including perimeter security, asset inspection and lightweight deliveries. Optimised for operating in the urban environment, DroNet is highly scalable and readily customisable with the use of drones capable of swappable payloads. In 2019, it secured its first contract for DroNet to be applied in security and surveillance missions as an end-to-end solution. Trials were successfully conducted with potential customers to apply DroNet in areas such as building inspection and environmental monitoring.

Electronics

The Electronics sector, which established operations in 1969, delivers its core capabilities in the following business segments: (i) satellite communications, (ii) earth observation, (iii) mobility,

(iv) public safety and security, (v) IoT, (vi) smart digital building, (vii) training and simulation, (viii) cybersecurity, and (ix) defence.

Satellite communications

As a leading satellite communications manufacturer and solutions provider, the Electronics sector provides advanced connectivity to global customers, satellite operators, service providers and network operators and helps such parties differentiate their services and expand their business. Its comprehensive suite of satellite communication solutions is marketed under the iDirect, Newtec and Agilis signature brands. It powers many of the world's satellite networks that keep people and businesses connected across land, sea and air. By offering seamless connectivity for voice, video and data in diverse and challenging environments, its satcom solutions also help to grow economies, support education initiatives, raise productivity, save lives and enable smart cities.

In 2019, the Electronics sector acquired Newtec Group NV, now renamed as ST Engineering iDirect (Europe) NV, an established Belgium-based satcom provider and Glowlink Communications Technology, a U.S.-based provider of advanced satcom anti-jamming technology. The combination of these companies and their capabilities with that of the U.S.-based iDirect satcom business will enable the sector to create a highly differentiated global satcom business group.

Earth Observation

The Electronics sector is one of the leading satellite manufacturers in Asia, with full manufacturing and assembly capabilities dedicated for satellite production. Its suite of solutions includes satellite design, manufacturing and integration to managing satellite launch and ground operations, as well as geospatial imageries provision and analytics services. The sector launched TeLEOS-1, Singapore's First Commercial Earth Observation Satellite into Near Equatorial Orbit (NEqO), in end 2015. The next generation Earth Observation Satellite, TeLEOS-2 is in development and is planned for launch in 2022.

Mobility

As a trusted leading solutions provider of rail electronics solutions and Intelligent Transport Systems (**ITS**), the Electronics sector leverages artificial intelligence, smart analytics and emerging technologies to equip governments and organisations around the globe with innovative solutions that enhance operations and optimise transport networks through digitisation, and provide more convenient and safer travel experiences for commuters. It has completed over 200 projects in over 45 cities worldwide.

Rail Mobility

The Electronics sector's range of intelligent rail and transportation systems cover smart metro control centres, automatic fare collection systems, passenger information systems, command, control and communications systems, platform screen doors and enterprise asset management systems.

Road Mobility

With limited land to meet the increasing demand of urbanisation, municipals worldwide have been leveraging the benefits of ITS, artificial intelligence, autonomous solutions, simulations and emerging technologies to optimise city infrastructure and transport efficiency. ITS is an urban transport management system, which integrates various technologies such as artificial intelligence, data and video analytics, expert system, automated incident detection and traffic simulation to optimise traffic management, operational efficiency, transport planning and service delivery to commuters. The Electronics sector provides a complete suite of field-proven road solutions and consultancy services that have consistently met the mobility needs of cities around the globe.

Public Safety and Security

Threats from unpredictable intrusions, illegal activities and attacks to critical infrastructure have intensified in recent years. Public safety agencies need to constantly stay ahead of potential incidents and collaborate effectively across multiple parties. The Electronics sector's seamless, smart solutions and secure communications have enabled optimised operations and efficient responses to emergencies and incidents in more than 100 cities.

IoT

The need for cities to enhance their liveability and sustainability through seamless connectivity that is empowered by IoT and smart technologies has become more prevalent than ever in present days. With over 15 million nodes deployed globally, the Electronics sector's IoT solutions have enabled cities to optimise their operational efficiency and deliver quality services seamlessly. It has helped cities manage multiple municipal services and applications on a common platform, which leverages best-of-breed technology and standards, to enable data exchange and smart analytics and provide urban planners better insights for predictive actions.

Smart Digital Building

The Electronics sector's smart digital building solutions help city planners and building facility managers to better manage their assets by focusing on the areas of energy efficiency and optimisation (Sustainability), people and asset protection (Security) and human resource management and optimisation (Services). Its solutions include, among others, smart lighting, building access control systems, intrusion detection systems, smart parking and open digital platform to enhance seamless management of buildings enabling city planners and facility managers to achieve proactive, safe and secure built environment.

Training and Simulation

The Electronics sector harnesses technology to help customers learn better and achieve their goals faster, smarter and safer. For close to 40 years, it has developed cutting-edge simulation systems with immersive technologies that elevate the performance of individuals and teams while ensuring training safety and efficiency. From the science centre, to gardens and in schools, its edutainment solutions deliver impactful, inspiring and experiential learning. Drawing from the expertise of its multidisciplinary teams and in-depth technical know-how, the Electronics sector trains and advises its customers in the defence, aerospace, maritime and transport sectors.

Cybersecurity

With digital technology and highly connected economies come new vulnerabilities from a proliferation of threats. New cybersecurity architectures are required to strengthen network resilience. Backed with indigenous capabilities and deep domain expertise, the Electronics sector offers a full suite of solutions from cyber-secure products and cryptography services to digital authentication, supervisory control and data acquisition systems protection, including audit and compliance. It also specialises in the design and building of security operation centres (**SOCs**) for government agencies and commercial enterprises and it holds a track record of having delivered 15 SOCs for its customers.

Defence

As a pioneer and leader in defence electronics solutions, the Electronics sector leverages its deep technological expertise to advance defence products, solutions and systems that meet mission-critical needs. It helps its customers scale in the areas of Command, Control, Communications and Computers, Intelligence, Surveillance and Reconnaissance (C4ISR). With its state-of-the-art warfare solutions and realistic training and simulation systems, the Electronics sector enhances operational capabilities by enabling situational awareness, faster combat response and stronger force multiplier impact.

Land Systems

The Land Systems sector delivers advanced, customised land systems and security solutions to meet the stringent operational requirements of its customers in over 40 countries. It offers smart mobility and robotics solutions for various applications across industries including manufacturing, logistics, hospitality, airport, defence and security.

The Land Systems sector comprises three main business groups: (i) Defence Business, (ii) Robotics and Autonomous Systems and (iii) Commercial Business and Specialty Vehicles.

Defence Business

For over 50 years, ST Engineering has built up deep defence engineering capabilities to offer a suite of proven platforms, weapons, ammunition and defence solutions for a modern armed force.

The Land Systems sector competes internationally and is a world-leading provider of 40mm solutions.

Mobility solutions for Defence and Security

The Land Systems sector has vast experience in the design and production of armoured vehicles. It offers a range of mobility platforms in the movement of warfighters. Its products and solutions are seen in deployments in actual duty and in various parts of the world that meet armed forces' requirements for mobility, lethality, protection and connectivity.

The Hunter Armoured Fighting Vehicle (**AFV**) is the latest in the Land Systems sector's lineage of locally developed AFVs. In June 2019, the Hunter AFV was delivered to the Singapore Army. The Hunter is a digitalised land combat vehicle designed to offer the same level of situation awareness as the cockpit of a fighter jet and is hailed as a centrepiece of the next-generation armoured fighting vehicle in its class. Another significant feature in the AFV is its drive-by-wire capability which lays the foundation for future development of unmanned and autonomous military vehicles. The AFV received the top defence technology prize in Singapore in 2019.

Weapons and Ammunition

The Land Systems sector's capabilities in weapons and ammunition cover the large, medium and small calibre categories and include howitzers, grenade launchers, machine guns and supporting ammunition.

The range of large calibre solutions extend from advanced mortar systems like the low recoil 120mm Super Rapid Advanced Motor System, to field howitzers like the 155mm FH2000, PRIMUS 155mm 39 Calibre Self Propelled Howitzer, and PEGASUS 155mm 39 Calibre Light Weight Howitzer.

In the area of medium calibre weapons, it is a leader in 40mm payload and delivery systems which overcome a spectrum of challenges, ranging from engagements in urban settings to battles without fire support, with a family of 40mm munitions from low and high velocity rounds to less than lethal rounds. Its total 40mm solutions have been adopted by many armed forces as they are battle proven and fully meet warfighters' needs across diverse operations. For small calibre weapons, it produces rounds for the 5.56mm SAR21 assault rifle, 5.56mm ULTIMAX 100 light machine gun, 7.62mm GPMG general purpose machine gun, 12.7mm CIS 50MG machine gun and 9mm Compact Personal Weapon to meet the requirements of diverse operations.

Robotics and Autonomous Systems

The robotics and autonomous systems business was set up in 2018 to drive innovation and growth in the target segments of transportation, hospitality, healthcare and logistics where customers can leverage autonomous mobile robots and automation technologies as enablers for higher productivity.

ST Engineering has established itself as a leading developer in the autonomous bus segment and has completed Singapore's first on-demand autonomous shuttle public trial, marking a significant milestone since the on-road testing of the autonomous vehicles began in June 2018. The successful public trial ran for three months in 2019.

The Land Systems sector has a portfolio of autonomous bus platforms. The autonomous STROBO bus is an intelligent mobility solution that is equipped with multi-sensor technology that includes incorporating a global navigation satellite system and localisation sensors for precise positioning and navigation, quick charging technology that supports operations at any time, the Light Detection And Ranging system which provides all-round object detection and response within 100 meters and infrastructure communication. The autonomous vehicle management system optimises navigation and safety, allowing it to operate in complex urban traffic environments such as Global Positioning System deprived areas and tunnels as well as under rainy conditions.

Another offering under the STROBO portfolio is a suite of logistics automation systems for complete turnkey solutions that can be customised to meet the needs of warehousing, manufacturing, sea and airport operations. Leveraging on the Land Systems sector's artificial intelligence and robotics autonomous capabilities, the STROBO's fully autonomous material-handling equipment and unmanned guided vehicles are ideal for routine and repetitive material handling tasks.

The Land Systems sector received its first contract in 2019 to supply 80 automated guided vehicles (**AGVs**) to Singapore's container port operator, PSA Corporation (**PSA**), and integrate the AGVs into the operations of PSA's next generation port in Tuas which will commence port operations in phases from 2021. The AGV is fully automated and can travel at a top speed of 25km/h and is powered by an eco-efficient electric power system which results in low levels of emission and noise.

In the U.S., ST Engineering is a leading provider of the STROBO Aethon autonomous mobile robots (**AMRs**) for material transportation and delivery in industrial, healthcare, hospitality and other commercial environments. There are more than 1000 STROBO Aethon AMRs deployed worldwide, including to more than 150 hospitals. In Singapore, STROBO Aethon AMRs have been deployed in several hotels, hospitals and industrial customers to streamline their operations.

The Land Systems sector continues to look out for opportunities to bring its expertise and capabilities to other cities seeking sustainable and scalable mass transportation solutions.

Commercial Business and Specialty Vehicles

In Singapore, the Land Systems sector works closely to support the Land Transport Authority of Singapore's (**LTA**) efforts to replace Singapore's ageing bus fleet with cleaner and more efficient buses. It commenced delivery of 111 Euro 6 diesel standard two-door double-decker buses awarded in 2019 with the final bus scheduled to be delivered in 2020. In addition, it is on schedule to deliver 20 single-decker electric buses which were progressively delivered in 2019, with the final delivery in mid-2020. The Land Systems sector also completed the first proof-of-concept diesel-to-electric conversion of a single-decker bus in November 2019 and is ready to support LTA to test the conversion of mid-life diesel buses to all-electric systems. In 2019, it was also awarded the tender by LTA to deliver 50 three-door double-decker buses following positive feedback from commuters during trials held from March 2017 to January 2019.

In the U.S., the Land Systems sector under the brands of Hackney and Kidron, manufactures specialised truck bodies and trailers for major fleet and truck leasing operators, food and beverage distributors, as well as municipal authorities. These include multi-temperature beverage trucks, dry freight vans and trailers, emergency response and recovery vehicles and specialised application trucks. It is also a premium manufacturer of road construction and maintenance equipment in the U.S., operating under the LeeBoy brand.

Marine

The Marine sector of ST Engineering was first incorporated in 1968. It provides turnkey and sustainable solutions to a worldwide clientele in the marine, offshore and environmental engineering industries. In shipbuilding, it has proven capabilities from conception to detailed design, construction, on-board system installation and integration, commissioning to through-life support. The Marine sector has also established a track record in high engineering content repair and conversion services. Its deep engineering expertise in large-scale engineering serves the increasing global demand for innovative green solutions in water, wastewater, solid waste and renewable energy. The Marine sector has a worldwide customer base spanning America, Europe, Asia and the Gulf States and a strong track record in both commercial and naval applications.

The Marine sector's operations in the U.S. are based in Pascagoula, Mississippi. It is a leader in the design and construction of medium-sized ships in the U.S. It also designs, builds and repairs a wide variety of ocean-going vessels such as the Littoral Mission Vessels, patrol vessels, oil recovery vessels, oil cargo vessels, Heavy Fire Vessels, Liquified Natural Gas Articulated Tug and Barge, ferries, logistic support vessels, auxiliaries, and research and survey vessels.

Major contracts have been entered into with various customers including navies such as the Republic of Singapore Navy and U.S. Department of the Navy, Crowley Maritime Corporation, Virginia Department of Transportation and Quality Liquefied Natural Gas Transport.

Shipbuilding Design Expertise and Smart Solutions

The Marine sector's in-house design expertise has enabled it to develop customised designs for vastly different classes of ships equipped with smart systems. Highly automated production processes also allow it to increase precision and efficiency and raise the quality of vessels it delivers. By integrating technological advancements in process automation with shipbuilding expertise, it has developed solutions such as the NERVA Ship Management System which offers smart ship management for vessels, with centralised control and monitoring of platform sensors and systems.

The Marine sector entered into one of the Group's biggest defence contracts with the U.S. Department of the Navy for the design of one unit of polar security cutter (**PSC**). The PSC is envisaged to be the first U.S. Coast Guard heavy icebreaker to be constructed in the last four decades. The contract came with an option for two more units. The Group intends to continue pursuing naval shipbuilding opportunities with customers in the Middle East, North Africa and Latin America.

Ship and Rig Repair, Ship Conversion Solutions

For the commercial segment, the Marine sector focuses on customised conversions with high engineering content and repair on many classes of vessels such as dredgers, offshore, livestock and specialised subsea support vessels requiring specialist services. Its strength is in deep conversion, personalised customer services and short turnaround time. The Group has ship repair operations in Singapore, in particular, in Benoi and Tuas, and also in Pascagoula, Mississippi, the U.S., for the upgrade and repair of drilling rigs, military, para-military and commercial ships and marine and industrial engineering work.

Environmental Engineering

Expanding the Marine sector core competencies in large scale engineering, the Marine sector also provides a comprehensive suite of environmental engineering solutions in water, wastewater, solid waste and renewable energy. In 2017, a joint venture formed with Tuas Power was awarded the contract to design, build, own and operate Singapore's fifth desalination plant, the Jurong Island Desalination Plant (**JIDP**), where innovative water and wastewater treatment technologies will be used to sanitise and recycle wastewater into reusable high grade potable or industrial water. JIDP is expected to be operational in the second half of 2020.

Insurance

The Group maintains insurance coverage that its management deems prudent and customary for the businesses which it operates and to the extent insurance is available on reasonable terms. The Group has insurance coverage to protect its assets and employees with insured limits which its management believes are adequate, including insurance to cover a number of operating hazards, protection and indemnity insurance, directors' and officers' liability insurance, terrorism risk insurance, product liability and general liability insurance. There are, however, certain types of losses (such as those from wars or acts of God) that generally are not insured against, either because insurance is not available or not economically viable. The occurrence of a significant event or adverse claim in excess of the insurance coverage that the Group maintains, or that is not covered by the Group's insurance, could result in the Group having to pay compensation or damages and/or incur loss of revenue and could have a material adverse effect on the Group's financial condition and results of operations.

In addition, any accident, failure, incident or liability, even if fully insured, could negatively affect the Group's reputation among its customers and the public, thereby making it more difficult for the Group to compete effectively, and could significantly impact the cost and availability of adequate insurance in the future.

Environmental Matters and Compliance

The operations of the Group are subject to regulatory requirements and potential liabilities arising under applicable environmental laws and regulations.

The Guarantor believes that each member of the Group is in compliance in all material respects with applicable environmental regulations in Singapore and the other jurisdictions in which it operates. As at the Latest Practicable Date, no environmental incident involving the Group has occurred and the Guarantor is not aware of any environmental proceedings or investigations to which any member of the Group is, or might become, a party, which would have a material adverse effect on the operations of the Group.

Sustainability

The Group is committed to sustainability and incorporates environmental, social and governance principles in developing the Group's business strategies and managing its operations. The Group continues to advance its sustainable practices towards long-term value creation for all its stakeholders. The Group has been reporting its sustainability efforts since 1997 and since 2014, the Group's sustainability report, which is integrated with its annual report, has been prepared in accordance with the Global Reporting Initiative Standard. In 2019, the Group deepened its sustainability commitment by identifying United Nations sustainable development goals where the Group has material contributions to. Other key sustainability highlights for the Group's operations in 2019 are as follows:

- the Group increased the use of green energy from the installation of 17 solar roofs and such usage resulted in the equivalent of about 890 cars taken off the road per year;
- the Group undertook paper reduction initiatives and such reduction resulted in the equivalent of about 600 pine trees saved over its 2015 base year;
- the Group achieved a 39% reduction in greenhouse gas emission intensity over its 2010 base year;
- the Group achieved S$23.2 million of realised productivity savings by operations;
- the Group conducted 151 workplace safety and health activities to promote work safety culture;
- the Group conducted 28 hours of training and development per employee on average for its workforce in Singapore and North America;
- all new suppliers are engaged on the Group's Vendor Code of Conduct which defines the basic requirements of behaviour and practices that the Group requires from its vendors concerning their responsibilities towards their stakeholders and the environment;
- the Group contributed total of S$3.8 million to communities in Singapore and North America; and
- the Group's employees in Singapore and North America spent a total of 9,833 hours volunteering.

It continues to strengthen its role as an effective enabler of a sustainable world by using its technology and engineering solutions to solve real-world problems and to mitigate the impact of urbanisation. As a responsible manufacturer of military technology and hardware, it fully complies with all Singapore laws and regulations on defence products, observes all United Nations Sanctions and abides by all treaty obligations to which Singapore is a signatory. The Group is not in the business of designing, producing, and selling of anti-personnel mines, cluster munitions, white phosphorous munitions or any related key components.

Intellectual Property

It is the practice of the Group to protect its intellectual property by obtaining appropriate registrations where it makes economic and business sense to do so. The Group owns more than 700 granted patents across its four business sectors and various registered trademarks, trade secrets and knowhow which are not filed because they are defence related.

Legal Proceedings

No member of the Group is a party to any litigation, arbitration or administrative proceedings which the Guarantor believes would, individually or taken as a whole, have a material adverse effect on the business, financial condition or results of operations of the Group, and, so far as the Guarantor is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

Board of Directors of the Guarantor

The board of directors of the Guarantor is as follows:

Mr Kwa Chong Seng
Chairman
Non-Executive Independent Director

Mr Kwa Chong Seng is Chairman of the Guarantor. He has more than 40 years' experience in the petroleum industry, having served as Chairman and Managing Director of ExxonMobil Asia Pacific Pte. Ltd. before retiring in 2011. Mr Kwa is a board member of Singapore Exchange Limited, the Public Service Commission, Singapore, SeaTown Holdings Pte. Ltd. and Defence Science & Technology Agency (DSTA). Mr Kwa also sits on the Advisory Committee of Dymon Asia Capital Ltd. He graduated from the former University of Singapore with a Mechanical Engineering degree and is a Fellow of the Academy of Engineering Singapore.

Mr Vincent Chong Sy Feng
President and Chief Executive Officer
Executive and Non-Independent Director

Mr Vincent Chong Sy Feng is the President and Chief Executive Officer (**President & CEO**) of the Guarantor. Mr Chong had a 20-year global career in the petroleum industry holding a variety of technical, operations and senior management positions from refining and supply, product marketing, to strategic planning. He is a board member of, among others, JTC Corporation, Experia Events Pte. Ltd., SPTel Pte. Ltd. and is also a member of the Ministry of Trade and Industry's International Advisory Panel for Advanced Manufacturing & Engineering. Mr Chong graduated with First Class Honours in Mechanical Engineering from NUS. He has also attended executive leadership programmes at the Thunderbird School of Global Management and Columbia Business School.

Dr Beh Swan Gin
Non-Executive and Independent Director

Dr Beh Swan Gin is Chairman of the Singapore Economic Development Board and was the Permanent Secretary of the Ministry of Law from 1 July 2012 to 30 November 2014. Dr Beh is a board member of EDBI Pte Ltd, Enterprise Singapore, Human Capital Leadership Institute Pte Ltd and Temasek Foundation Connects CLG Limited. Dr Beh graduated from NUS with a M.B.B.S and is a Sloan Fellow with a Master of Science in Management from Stanford University's Graduate School of Business. Dr Beh completed the Advanced Management Program at the Harvard Business School in 2012.

Mr Joseph Leong Weng Keong
Non-Executive and Non-Independent Director

Mr Joseph Leong Weng Keong is Permanent Secretary (Defence Development), Second Permanent Secretary (Communications and Information) and Second Permanent Secretary (Cybersecurity). Mr Leong is a board member of, among others, the Defence Science & Technology Agency, DSO National Laboratories and Civil Service College. In addition, Mr Leong holds a Bachelor of Arts (Engineering) and Master of Arts from the University of Cambridge, UK, as well as a Master of Business Administration from the Massachusetts Institute of Technology, USA.

Mr Lim Ah Doo
Non-Executive and Independent Director

Mr Lim Ah Doo was formerly the President and subsequently the non-executive Vice Chairman of RGE Pte Ltd. He is a board member of Olam International Limited, GP Industries Ltd, U Mobile Sdn Bhd, GDS Holdings Limited, STT GDC Pte. Ltd, STT Global Data Centres India Private Limited and Virtus HoldCo Limited. Mr Lim graduated with an honours degree in Engineering from the Queen Mary College, University of London and a Masters in Business Administration from the Cranfield School of Management.

Mr Lim Chin Hu
Non-Executive and Independent Director

Mr Lim Chin Hu has over 30 years of experience in the info-communications industry. He is a board member of Kulicke & Soffa Inc, Singapore Exchange Limited, Citibank Singapore Limited and Heliconia Capital Management Pte Ltd. Mr Lim holds a Bachelor of Science from La Trobe University, Melbourne, Australia and is a Fellow of the Singapore Institute of Directors.

Mr Lim Sim Seng
Non-Executive and Independent Director

Mr Lim Sim Seng is currently the Group Head of Consumer Banking Group & Wealth Management of DBS Bank Ltd. (**DBS**) and Chairman of DBS Vickers Securities Holdings Pte Ltd. Mr Lim is a board member of Singapore Land Authority, DBS Securities (Japan) Company Limited, DBS Vickers Securities Holdings Pte Ltd and Nikko Asset Management Co., Ltd. He serves as the Singapore's High Commissioner (Non Resident) to the Federal Republic of Nigeria. He was a Japanese Government Monbusho scholar and graduated with a Bachelor in Business Administration from Yokohama National University, Japan.

Lieutenant-General Ong Su Kiat Melvyn
Non-Executive and Non-Independent Director

Lieutenant-General (**LG**) Ong Su Kiat Melvyn is the Chief of Defence Force in MINDEF. LG Ong is currently a board member of JTC Corporation. He holds a Bachelor of Science (Economics) (Honours) and a Master of Science (Development Studies) from the London School of Economics and Political Science.

Mr Quek Gim Pew
Non-Executive and Non-Independent Director

Mr Quek Gim Pew is the Chief Defence Scientist of MINDEF and was previously the Chief Executive Officer of DSO National Laboratories (**DSO**). Mr Quek is a board member of ATREC Pte Ltd, Governing Board for the Centre for Quantum Technologies and Temasek Defence Systems Institute Management Board (NUS), DSO, the Agency for Science, Technology & Research Board, SMRT Trains Ltd and DSTA. Mr Quek holds a Bachelor of Engineering (First Class Honours) (Electrical Engineering) from NUS and a Master of Science (Distinction) in Electrical Engineering from the Naval Postgraduate School, USA. He is a Fellow of The Academy of Engineering Singapore.

Mr Quek See Tiat
Non-Executive and Independent Director

Mr Quek See Tiat is the President of the Council for Estate Agencies. Prior to this, he was Chairman of the Building and Construction Authority, Singapore until 31 March 2016. He spent 31 years in PricewaterhouseCoopers Singapore and retired as Deputy Chairman in 2012.

Mr Quek is a board member of, among others, Singapore Press Holdings Ltd, Temasek Foundation Connects CLG Limited and the Monetary Authority of Singapore. Mr Quek holds a Bachelor of Science (Economics) (Honours) from the London School of Economics and Political Science and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Ms Song Su-Min
Non-Executive and Independent Director

Ms Song Su-Min is a Partner of Allen and Gledhill LLP. Ms Song specialises in single and multijurisdictional mergers and acquisitions, domestic and international joint ventures and corporate restructuring and advises generally on corporate and commercial law. She is ranked in Corporate M&A by Chambers Asia-Pacific and is noted for her work in other publications such as The Legal 500 Asia Pacific and IFLR1000. Ms Song obtained her law degree from the University of Kent at Canterbury and was admitted to the Singapore Bar in 1997 and the Bar of England and Wales, Middle Temple in 1996.

Colonel Xu Youfeng
Non-Executive and Non-Independent Alternate Director

Colonel Xu Youfeng is an alternate director to LG Ong Su Kiat Melvyn. Colonel Xu has held various command and staff positions in MINDEF since 2001. Colonel Xu holds a Master of Science with Distinction in Optics and Photonics, (Science) from the Imperial College of Science, Technology & Medicine, University of London, UK.

Audit Committee

The duties of the Audit Committee (**AC**) include the following: (i) ensuring the integrity of the financial statements and all announcements relating to financial performance, (ii) reviewing all interested person transactions, (iii) reviewing the whistle-blowing framework and all significant whistle-blowing cases, (iv) reviewing at least annually the adequacy and effectiveness of internal controls and risk management systems, (v) reviewing the assurance from the President & CEO and the Chief Financial Officer on the financial records and financial statements, (vi) making recommendations to the Board on the appointment, removal, remuneration and the terms of engagement of the external auditors, (vii) reviewing the adequacy, effectiveness, independence, scope and results of both the external and internal audit functions, and (viii) reviewing the level of non-audit services.

The AC ensures that the internal auditor has direct and unrestricted access to the Chairman of the Board and the AC. The AC reviews the appointment, remuneration and resignation of the Head of Internal Audit.

The AC held 6 meetings during the financial year ended 31 December 2019. During the year, the AC also met with the external auditors and with the internal auditors without the presence of Management.

Employees

The following table sets out the average number of Group employees for each of the last three calendar years.

	For the year of		
	2019	**2018**	**2017**
Average number of employees	22,494	21,418	21,541

Labour Relations

The Group believes that its relationship with its employees is good. Certain employees of the Group are unionised in countries including Singapore, the U.S., Europe and China. No work stoppages or other labour disruptions have occurred or are threatened.

TAXATION

Singapore Taxation

*The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Inland Revenue Authority of Singapore (**IRAS**) and the Monetary Authority of Singapore (**MAS**) in force as at the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Notes are advised to consult their own tax advisors as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that neither the Issuers, the Guarantor, the Arrangers nor any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of the Notes.*

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 22 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax rate of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, as the Programme as a whole is jointly arranged by DBS Bank Ltd. and J.P. Morgan (S.E.A.) Limited, each of which is a Financial Sector Incentive (Capital Market) Company or a Financial Sector Incentive (Standard Tier) Company (as defined in the ITA) at such time, any tranche of the Notes (**Relevant Notes**) issued as debt securities under the Programme during the period from the date of this Offering Circular to 31 December 2023 would be qualifying debt securities (**QDS**) for the purposes of the ITA, to which the following treatment shall apply:

(a) subject to certain conditions having been fulfilled (including the submission by the relevant Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities in respect of the Relevant Notes within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require and the inclusion by the relevant Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the **Qualifying Income**) from the Relevant Notes paid by the relevant Issuer and derived by a holder who is not resident in Singapore and who does not have any permanent establishment in Singapore is exempt from Singapore tax. Non-residents who have permanent establishments in Singapore also have the benefit of this exemption, provided that they do not acquire the Relevant Notes using any funds from Singapore operations. **Funds from Singapore operations** means, in relation to a person, the funds and profits of that person's operations through a permanent establishment in Singapore;

(b) subject to certain conditions having been fulfilled (including the submission by the relevant Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities in respect of the Relevant Notes within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require), Qualifying Income from the Relevant Notes paid by the relevant Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(c) subject to:

    (i) the relevant Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

    (ii) the submission by the relevant Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities in respect of the Relevant Notes within such period as the MAS may specify and such other particulars in connection with the Relevant Notes as the MAS may require,

    payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by the relevant Issuer.

Notwithstanding the foregoing:

(a) if during the primary launch of any tranche of the Relevant Notes, the Relevant Notes of such tranche are issued to fewer than four persons and 50 per cent. or more of the issue of such Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the relevant Issuer, such Relevant Notes would not qualify as QDS; and

(b) even though a particular tranche of the Relevant Notes are QDS, if, at any time during the tenure of such tranche of the Relevant Notes, 50 per cent. or more of such Relevant Notes which are outstanding at any time during the life of their issue are beneficially held or funded, directly or indirectly, by any related party(ies) of the relevant Issuer, Qualifying Income derived from such Relevant Notes held by:

    (i) any related party of the relevant Issuer, or

    (ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the relevant Issuer,

    shall not be eligible for the tax exemption or concessionary rate of tax described above.

The term **related party** in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms break cost, prepayment fee and redemption premium are defined in the ITA as follows:

break cost, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

prepayment fee, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

redemption premium, in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to break cost, prepayment fee and redemption premium in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Relevant Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Notwithstanding that the Issuer is permitted to make payments of interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) under the Relevant Notes without deduction or withholding of tax under Section 45 or Section 45A of the ITA, any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Relevant Notes is not exempt from tax is required under the ITA to include such income in a return of income made under the ITA.

Capital Gains

Any gains in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable in Singapore as such gains are considered revenue in nature.

Holders of the Notes who apply or who are required to apply the Singapore Financial Reporting Standard (**FRS**) 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 (**SFRS(I) 9**) (as the case may be) may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). Please see the section below entitled "*Adoption of FRS 39, FRS 109 and SFRS(I) 9 for Singapore Income Tax Purposes*".

Adoption of FRS 39, FRS 109 and SFRS(I) 9 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and "opt-out" provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition & Measurement".

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled "Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments".

Holders of the Notes who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

United Kingdom Taxation

The following is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs' practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Singapore Exchange Securities Trading Limited (SGX-ST) is a recognised stock exchange. The Notes will satisfy this requirement if they are officially listed on the Main Board or Bond Market of the SGX-ST in Singapore in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the SGX-ST. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of United Kingdom tax.

Payments of interest on Notes may be made without deduction of or withholding on account of United Kingdom tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Singapore and the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, as the case may be, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

CLEARING AND SETTLEMENT

CLEARING AND SETTLEMENT UNDER THE DEPOSITORY SYSTEM

In respect of Notes which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities (**Depository System**) maintained by CDP. Notes that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Notes which are accepted for clearance by CDP, the entire issue of the Notes is to be held by CDP in the form of a Global Note or a Global Certificate for persons holding the Notes in securities accounts with CDP (**Depositors**). Delivery and transfer of Notes between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors.

Settlement of over-the-counter trades in the Notes through the Depository System may be effected through securities sub-accounts held with corporate depositors (**Depository Agents**). Depositors holding the Notes in direct securities accounts with CDP, and who wish to trade Notes through the Depository System, must transfer the Notes to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between the Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Notes in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuers, the Guarantor, the CDP Issuing and Paying Agent or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

CLEARANCE AND SETTLEMENT UNDER EUROCLEAR AND/OR CLEARSTREAM, LUXEMBOURG

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfer. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective participants to settle trades with one another. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to other financial institutions, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

A participant's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective participants, and have no record of, or relationship with, persons holding any interests through their respective participants. Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the relevant Paying Agent, to the cash accounts of the relevant Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 18 March 2020, agreed with the Issuers and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under *"Form of the Notes"* and *"Terms and Conditions of the Notes"*. In the Programme Agreement, the Issuers (failing which the Guarantor) have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The Arrangers, the Dealers or any of their respective affiliates may have performed certain banking and advisory services for the Issuers, the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuers, the Guarantor and/or their respective affiliates in the ordinary course of business of the Issuers, the Guarantor or their respective affiliates, as the case may be. The relevant Issuer and/or the Guarantor may from time to time agree with the relevant Dealer(s) that the relevant Issuer or the Guarantor, as the case may be, may pay certain third parties (including, without limitation, rebates to private banks as specified in the relevant Pricing Supplement).

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuers, the Guarantor, or their respective subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuers, the Guarantor or their respective subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, subscribers, holders or sellers of Notes. Notes issued under the Programme may be purchased or subscribed by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or, if Category 2 is specified in the applicable Pricing Supplement, to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from or in certain transactions not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

If Category 2 is specified in the applicable Pricing Supplement, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 903 of Regulation S of the Securities Act. Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Fiscal Agent the completion of the distribution of the Notes of such Tranche. On the basis of such certification or certifications, the Fiscal Agent has agreed to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice to substantially the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the Securities Act), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold into or within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the lead manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act (the Regulation S). Terms used above have the meanings given to them by Regulation S."

If Category 1 is specified in the applicable Pricing Supplement, the Notes are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Prohibition of sales to EEA and UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA or in the United Kingdom. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

   (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

   (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

   (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", in relation to each Relevant State of the EEA and the United Kingdom (each a **Relevant State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(A) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(B) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(C) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(D) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (B) to (D) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression **an offer of Notes to the public** in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

- the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the **SFO**) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may such Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor and any other Dealer shall have any responsibility therefor.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Dealers or any affiliate of any of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

None of the Issuers, the Guarantor and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the relevant Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

Authorisation

The establishment of the Programme, the issue of Notes under the Programme and the giving of the Guarantee have been duly authorised by a resolution of the Board of Directors of STE dated 21 February 2020.

The establishment of the Programme and the issue of Notes under the Programme have been duly authorised by a resolution of the Board of Directors of STE UK-Co dated 21 February 2020 and by a resolution of the Board of Directors of STE SG-Co dated 21 February 2020.

Listing of Notes

Application has been made to the SGX-ST for the listing and quotation of the Programme. Application will be made to the SGX-ST for permission to deal in and the listing and quotation of any Notes which are agreed on or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. There is no assurance that the application to the SGX-ST for the listing of any Notes will be approved. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the relevant Issuer, the Guarantor, the Programme or the Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will trade on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies).

For so long as any Notes issued by STE UK-Co and by any foreign incorporated New Issuer are listed on the SGX-ST and the rules of the SGX-ST so require, STE UK-Co and any such New Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. An announcement of such exchange will be made by or on behalf of STE UK-Co and any such New Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

The relevant Pricing Supplement in respect of any Series will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed.

Documents Available

Copies of the following documents will, when published, be available for inspection from the registered office of the Issuers and from the specified offices of the Issuing and Paying Agent:

(a) the constitutional documents of the Issuers and the constitutional documents of the Guarantor (available at the Issuers' registered office only);

(b) the most recently published audited unconsolidated annual financial statements of each of STE, STE UK-Co and STE SG-Co (if published) and the most recently published unaudited interim financial statements (if any) of each of STE, STE UK-Co and STE SG-Co, together with any audit or review reports prepared in connection therewith;

(c) the most recently published audited consolidated annual financial statements of STE (if published) and the most recently published unaudited interim financial statements (if any) of STE, together with any audit or review reports prepared in connection therewith;

(d) the Programme Agreement, the Agency Agreement, the Deed of Guarantee, the Deeds of Covenant and the CDP Deeds of Covenant;

(e) a copy of this Offering Circular; and

(f) any future offering circulars, prospectuses, information memoranda, supplements, Pricing Supplements (save that Pricing Supplements will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the relevant Issuer or the Issuing and Paying Agent as to its holding of the Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. In addition, the relevant Issuer may also apply to have the Notes accepted for clearance through CDP. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of the Group since 31 December 2019 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2019.

Litigation

Neither the Issuers, the Guarantor nor any Material Subsidiary is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers or the Guarantor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuers, the Guarantor or the Group.

Auditors

The auditors of the Guarantor for the financial years ended 31 December 2018 and 2019 are KPMG LLP, independent auditors, who have audited STE's accounts, without qualification, in accordance with Singapore Financial Reporting Standards (International) (**SFRS(I)s**) for each of the financial years ended on 31 December 2018 and 2019. From 1 January 2020, the auditors of STE are PricewaterhouseCoopers Singapore Pte. Ltd. The auditors of the Guarantor have no material interest in the Guarantor or the Group.

The reports of the auditors of the Guarantor are included or incorporated in the form and context in which they are included or incorporated, with the consent of the auditors who have authorised the contents of that part of this Offering Circular.

Dealers transacting with the Issuer and the Guarantor

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuers, the Guarantor and their affiliates in the ordinary course of business.

FINANCIAL STATEMENTS

CONTENTS

The financial statements set out herein are the consolidated financial statements of the Group.

Financial Statements for the Year Ended 31 December 2019

Financial Statements for the Year Ended 31 December 2018

Singapore Technologies Engineering Ltd
and its Subsidiaries

Company Registration No: 199706274H

Financial Statements
Together with Directors' Statement and Auditors' Report
31 December 2019

Singapore Technologies Engineering Ltd and its Subsidiaries

General Information

Directors

Kwa Chong Seng	(Chairman)
Vincent Chong Sy Feng	
Dr Beh Swan Gin	
Joseph Leong Weng Keong	(Appointed on 7 June 2019)
Lim Ah Doo	
Lim Chin Hu	
Lim Sim Seng	
LG Ong Su Kiat Melvyn	
Quek Gim Pew	
Quek See Tiat	
Song Su-Min	
COL Xu Youfeng	(Alternate Director to LG Ong Su Kiat Melvyn)

Secretary

Ng Kwee Lian (Karen)

Registered Office

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

Auditors

KPMG LLP
(Partner: Quek Shu Ping)

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(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 and of the Company for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 18 to 127 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 2019, and changes in equity, financial performance and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Kwa Chong Seng	(Chairman)
Vincent Chong Sy Feng	
Dr Beh Swan Gin	
Joseph Leong Weng Keong	(Appointed on 7 June 2019)
Lim Ah Doo	
Lim Chin Hu	
Lim Sim Seng	
LG Ong Su Kiat Melvyn	
Quek Gim Pew	
Quek See Tiat	
Song Su-Min	
COL Xu Youfeng	(Alternate Director to LG Ong Su Kiat Melvyn)

Arrangements to enable directors to acquire shares or debentures

Except for the Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010) and Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010) (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.

(Currency - Singapore dollars unless otherwise stated)

Directors' interests

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or awards of the Company or of related corporations either at the beginning of the financial year or date of appointment if later, or at the end of the financial year.

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year in shares, debentures, warrants, share options and awards in the Company and its related corporations were as follows:

		Holdings in the name of the director, spouse or infant children	
The Company		**1 January 2019 or date of appointment if later**	**31 December 2019**
Ordinary Shares			
Kwa Chong Seng		1,027,300*1	1,084,700*1
Vincent Chong Sy Feng		1,568,084	1,736,259
Lim Ah Doo		60,000	72,400*2
Lim Chin Hu		20,000*3	44,400*3
Lim Sim Seng		35,600*3	48,400*3
Quek See Tiat		45,400	57,900
Song Su-Min		–	2,000
Conditional Award of Shares under PSP2010 for performance period 2016 to 2018			
Vincent Chong Sy Feng	(70,000 shares)	0 to 119,000#1	–#2
Conditional Award of Shares under PSP2010 for performance period 2017 to 2019			
Vincent Chong Sy Feng	(258,800 shares)	0 to 439,960#1	0 to 439,960#1
Conditional Award of Shares under PSP2010 for performance period 2018 to 2020			
Vincent Chong Sy Feng	(428,600 shares)	0 to 728,620#1	0 to 728,620#1
Conditional Award of Shares under PSP2010 for performance period 2019 to 2021			
Vincent Chong Sy Feng	(469,385 shares)	–	0 to 797,954#1

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

		Holdings in the name of the director, spouse or infant children	
		1 January 2019 or date of appointment if later	**31 December 2019**
The Company			
Unvested restricted shares to be delivered after 2015			
Vincent Chong Sy Feng	(64,676 shares)	16,169#3	–
Unvested restricted shares to be delivered after 2017			
Vincent Chong Sy Feng	(82,264 shares)	61,698#3	41,132#3
Award of restricted shares to be delivered after 2018			
Vincent Chong Sy Feng		180,800#4	–
Unvested restricted shares to be delivered after 2018			
Vincent Chong Sy Feng	(180,800 shares)	–	135,600#3
Award of restricted shares to be delivered after 2019			
Vincent Chong Sy Feng		–	219,234#4
Related Corporations			
Ascendas Funds Management (S) Limited ***Unit holdings in Ascendas Real Estate Investment Trust***			
Quek See Tiat		34,000	40,000
Ascendas Hospitality Fund Management Pte. Ltd. ***Unit holdings in Ascendas Hospitality Trust***			
Lim Chin Hu		198,000*3	–

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2019 or date of appointment if later	**31 December 2019**
Related Corporations		
Ascott Residence Trust Management Limited		
Unit holdings in Ascott Residence Trust		
Lim Chin Hu	N.A.	117,541*3
Quek See Tiat	N.A.	31,000
Astrea V Pte. Ltd.		
Class B 5.75% Secured Fixed Rate Bonds		
Kwa Chong Seng	N.A.	US$200,000*3
CapitaLand Commercial Trust Management Limited		
Unit holdings in CapitaLand Commercial Trust		
Quek See Tiat	N.A.	94,500
CapitaLand Limited		
Ordinary Shares		
Quek See Tiat	N.A.	13,000
Song Su-Min	N.A.	25,000
Fullerton Fund Management Company Ltd		
Fullerton SGD Income Fund – Class A		
Lim Chin Hu	N.A.	S$453,613*3
Quek See Tiat	N.A.	S$1,833,085
Mapletree Commercial Trust Management Ltd.		
Unit holdings in Mapletree Commercial Trust		
Lim Chin Hu	–	30,500*3
Mapletree Industrial Trust Management Ltd.		
Unit holdings in Mapletree Industrial Trust		
Lim Chin Hu	121	10,121*4

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2019 or date of appointment if later	**31 December 2019**
Related Corporations		
Mapletree Logistics Trust Management Ltd. ***Unit holdings in Mapletree Logistics Trust***		
Lim Ah Doo	185,000	185,000
Lim Chin Hu	–	2,200*3
Olam International Limited ***Ordinary Shares***		
Kwa Chong Seng	609,279*5	609,279*5
Combined S$350m 5.5% Perpetual Capital Securities		
Lim Chin Hu	S$250,000*3	S$250,000*3
SIA Engineering Company Limited ***Ordinary Shares***		
Lim Chin Hu	–	15,000*3
Singapore Telecommunications Limited ***Ordinary Shares***		
Kwa Chong Seng	26,466	–
Lim Chin Hu	–	33,000*3
Quek Gim Pew	3,120	3,120
Quek See Tiat	680	680
Song Su-Min	190	190
StarHub Ltd ***Ordinary Shares***		
Quek See Tiat	5,000	5,000
Song Su-Min	140,600	140,600

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2019 or date of appointment if later	**31 December 2019**
Related Corporations		
Temasek Financial (I) Limited ***T2028 USD 10-year Temasek Bond 3.625% coupon due August 2028***		
Lim Chin Hu	US$250,000*3	US$250,000*3
Temasek Financial (IV) Private Limited ***T2023 SGD Temasek Bond S$500m 2.70% coupon due October 2023***		
Quek Gim Pew	S$14,000	S$14,000
Quek See Tiat	S$7,000	S$7,000

*1 Includes interest in 300,000 shares in Singapore Technologies Engineering Ltd, held in trust by a trustee company on behalf of the director.

*2 Includes interest in 60,000 shares in Singapore Technologies Engineering Ltd, held in trust by a trustee company on behalf of the director.

*3 Held in trust by a trustee company on behalf of the director.

*4 Includes interest in 10,000 unit holdings in Mapletree Industrial Trust Management Ltd, held in trust by a trustee company on behalf of the director.

*5 Includes interest in 189,279 shares in Olam International Limited, held in trust by a trustee company on behalf of the director.

#1 A minimum threshold performance over a 3-year period is required for any performance shares to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

#2 For this period, Mr Vincent Chong Sy Feng was awarded 86,240 shares based on partial achievement of targets set. The balance of the conditional award covering the period from 2016 to 2018 has thus lapsed.

#3 Balance of unvested restricted shares to be released according to the stipulated vesting periods.

#4 Restricted shares will vest annually over four years, subjected to the recipients continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

There was no change in any of above-mentioned directors' interest in the Company between the end of the financial year and 21 January 2020.

Share Plans

The Executive Resource and Compensation Committee (ERCC) is responsible for administering the ST Engineering Share Plans.

The ERCC members are Mr Kwa Chong Seng (Chairman), Mr Lim Sim Seng and Mr Lim Chin Hu.

As at 31 December 2019, no participants have been granted options and/or have received shares under the ST Engineering Share Plans which, in aggregate, represent 5% or more of the total number of new shares available under the ST Engineering Share Plans.

The aggregate number of new shares issued pursuant to the RSP2010 and PSP2010 did not exceed 8% of the issued share capital of the Company.

Except as disclosed below, there were no shares awarded by the Company to any person to take up unissued shares of the Company.

(a) ***PSP2010 (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). Awards of performance shares are granted conditional on performance targets set based on the ST Engineering Group corporate objectives.

Pursuant to the PSP, the ERCC has decided to grant awards on an annual basis, conditional on targets set for a performance period, currently prescribed to be a 3-year performance period. The performance shares will only be released to the recipient at the end of the performance qualifying period. A specified number of performance shares shall be released by the ERCC to the recipient and the actual number of performance shares will depend on the achievement of set targets over the respective performance period. A minimum threshold performance is required for any performance share to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

The performance measures used in PSP grants are Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added); and Earnings Per Share (EPS) Growth against pre-determined targets. In addition to the PSP performance targets being met, final award for PSP is conditional upon satisfactory performance of the recipient.

(Currency - Singapore dollars unless otherwise stated)

Share Plans (continued)

(a) ***PSP2010 (PSP)*** (continued)

The awards granted under the PSP2010 are as follows:

Participant	Conditional awards granted during the financial year under review	Awards released during the financial year under review	Aggregate conditional awards granted since commencement to end of financial year under review	Aggregate awards released since commencement to end of financial year under review	Aggregate conditional awards not released as at end of financial year under review
PSP2010					
Director of the Company					
Vincent Chong Sy Feng	0 to 797,954	86,240	0 to 2,299,734	150,500	0 to 1,966,534
Group Executives(including Vincent Chong Sy Feng)	0 to 3,222,785	2,041,497	0 to 25,000,108	5,959,328	0 to 8,323,215

(b) ***RSP2010 (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.

Pursuant to the RSP, the ERCC has decided to grant shares on an annual basis, and released equally to the recipient over four consecutive years.

Since 2011, the awards granted under the ST Engineering RSP2010 to the Non-Executive Directors (other than those from the public sector) are outright shares with no performance and vesting conditions but with a Moratorium on selling. These shares will form up to 30% of their total compensation with the remaining 70% payable in cash.

The awards granted under the RSP2010 are as follows:

Participant	Awards granted during the financial year under review	Awards released during the financial year under review	Aggregate conditional awards/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
RSP2010					
Directors of the Company					
Kwa Chong Seng	57,400	57,400	284,700	284,700	–
Vincent Chong Sy Feng	219,234	81,935	0 to 2,024,985	1,555,759	395,966
Lim Ah Doo	12,400	12,400	42,400	42,400	–
Lim Chin Hu	4,400	4,400	4,400	4,400	–
Lim Sim Seng	12,800	12,800	48,400	48,400	–
Quek See Tiat	12,500	12,500	57,900	57,900	–
Song Su-Min	2,000	2,000	2,000	2,000	–
Non-Executive Directors of the Company and its subsidiaries (including current and former directors)	101,500	101,500	1,304,600	1,304,600	–
Group Executives (including Vincent Chong Sy Feng)	6,492,986	5,104,494	0 to 71,176,687	30,181,833	13,308,887

(Currency - Singapore dollars unless otherwise stated)

Audit Committee

The Audit Committee comprises three independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the Audit Committee at the date of this report are as follows:

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

The Audit Committee carried out its functions in accordance with Section 201B of the Singapore Companies Act, Chapter 50, the SGX 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 statutory 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 and 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 the appointment of PricewaterhouseCoopers LLP as external auditor of the Company in place of the retiring auditors, KPMG LLP, at the forthcoming Annual General Meeting of the Company on 23 April 2020.

The Company has complied with Rules 712 and 715 of the SGX Listing Manual in relation to the engagement of its auditors.

Auditors

The retiring auditors, KPMG LLP, will not be seeking re-appointment. PricewaterhouseCoopers LLP has expressed its willingness to accept appointment as auditors.

On behalf of the Board of Directors

Kwa Chong Seng Director	**Vincent Chong Sy Feng** Director

Singapore
21 February 2020

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

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Fax +65 6225 0984
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Independent auditors' report

Members of the Company
Singapore Technologies Engineering Ltd

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Singapore Technologies Engineering Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the consolidated statement of changes in equity, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 127.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2019, and changes in equity, financial performance and cash flows of the Group for the year ended on that date.

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. 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.

THE KEY AUDIT MATTER	HOW WAS THE MATTER ADDRESSED IN OUR AUDIT
Acquisition of businesses	
During the year the Group completed two significant business acquisitions in the United States and Belgium, requiring the purchase price to be allocated to the fair value of the identifiable assets (including intangible assets) acquired and liabilities assumed. Total intangible assets acquired from these two businesses was S$877 million, which includes goodwill on acquisition of S$311 million. There is judgement and inherent uncertainty involved in estimating the fair value of each identifiable asset acquired and liability assumed.	Our procedures included, among others: • We reviewed the purchase price allocation (PPA) prepared by management by comparing the methodologies and key assumptions used in deriving the allocated values of the components of the purchase price to generally accepted market practices and market data; • We considered the objectivity, independence and competency of external specialists, and the scope of their engagement; and • We assessed the adequacy of disclosures in describing the areas of judgement in estimating the uncertainty on the amounts recognised. **Findings:** We found that the PPA exercises have been performed in accordance with SFRS(I) 3 *Business Combinations*. Material intangible assets acquired in the business combination, including the identification of previously non-recorded intangible assets, has been appropriately identified. We found the key assumptions applied in the PPA exercises in arriving at the fair values of the assets acquired and liabilities assumed to be within a reasonable range of our expectations, and the valuation methods used, including the key inputs, are in line with generally accepted market practices and within the range of market data. We found the disclosures of these acquisitions to be appropriate.

<table>
<tr><th>THE KEY AUDIT MATTER</th><th>HOW WAS THE MATTER ADDRESSED IN OUR AUDIT</th></tr>
<tr><td colspan="2">Impairment of non-financial assets, including goodwill and other intangible assets</td></tr>
<tr><td>Goodwill and intangible assets form 21% of the Group's total assets.

The Group uses the discounted cash flow (DCF) technique to determine the recoverable amounts of each cash-generating unit (CGU).

There is a risk of impairment of a certain CGU in the United States which is operating in a challenging business environment. This increases the level of judgement and estimation uncertainties within management's cash flow forecast.</td><td>Our procedures included, among others:

• We evaluated the identification of CGUs within the Group against the requirements of the accounting standards.

• We reviewed the basis and methodology adopted to arrive at the recoverable amounts of the CGUs.

• We assessed the key assumptions used in the cash flow projections, namely sales growth rates, earnings before interest, depreciation and amortisation (EBIDA) growth rates, discount rates, terminal growth rates by comparing the Group's assumptions to externally derived data where available.

• We reviewed the historical accuracy of the Group's estimates in the previous periods, identified and analysed changes in the assumptions from prior periods, focusing particularly on those CGUs operating in challenging business environment.

• We have also assessed the adequacy of related disclosures in Note C3 to the financial statements.

Findings:

We found that the assumptions and resulting estimates used in the DCF projections for all the CGUs were within acceptable range.

There was a CGU in the United States with growth estimates that exceeded historical performance as it includes potential growth opportunities the CGU is pursuing. In this instance, we have re-computed the recoverable amount using reduced growth estimates and we agree with management that no impairment charge is required for this CGU.

Overall, the results of our evaluation of the Group's impairment charge are consistent with management's assessment.

We found the Group's disclosure provides sufficient details on the sensitivity of the impairment assessment to variations in key assumptions.</td></tr>
</table>

THE KEY AUDIT MATTER	HOW WAS THE MATTER ADDRESSED IN OUR AUDIT
Revenue recognition	
In accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, the analysis of whether the contracts comprise one or more performance obligations, determination of whether variable consideration are allocated to one or more performance obligations, and whether the performance obligations are satisfied over time or at a point in time are areas requiring critical judgement and estimates by the Group. The Group's three largest revenue streams are derived from the sale of goods, rendering of services and long-term contract revenues. Some of these revenue streams have contracts that are accounted for based on the stage of completion of performance obligations of each individual contract. The amount of revenue and profit recognised is dependent on management's assessment on the stage of completion of each performance obligation and the forecast cost profile of each long-term contract. As long-term contracts can extend over multiple years, changes in conditions and circumstances over time can result in changes in the nature or extent of project cost incurred. Judgement is applied in determining each performance obligation within a contract and in forecasting the costs to be incurred, the overall margins of these performance obligations and assessment of the stage of completion of each performance obligation. Such estimates are inherently judgemental.	Our procedures included, amongst others: • We reviewed the contractual terms and work status of the customer contracts and verified that revenue is recognised according to the stage of completion of each performance obligation. • We tested the controls designed and applied by the Group to ensure that the estimates used in assessing revenue and costs are appropriate. The controls tested include, amongst others, controls over the preparation and authorisation of project evaluation, approval of revenue calculated and project budgets, and accuracy and completeness over manpower and labour rates computed. • We selected a sample of contracts for testing based on a number of qualitative and quantitative factors, such as contracts with significant deterioration in margin, those contracts with variations, claims and other factors which indicated that a greater level of judgement is required in the estimates developed for current and forecast contract performance. • For each selected contract, we assessed the appropriateness of estimates used in the forecasts and whether the estimates showed any evidence of management bias. • We evaluated the revenue recognition policies of the Group for the different revenue streams to ensure revenue is recognised appropriately. **Findings:** We found the basis over identification of performance obligations and the revenue recognised based on the stage of completion of each performance obligation to be fair.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for Shareholding Statistics which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' 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 Shareholding Statistics, 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.

Auditors' 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 auditors' 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 controls.

- Obtain an understanding of internal controls 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 auditors' report unless the law or regulations preclude 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 auditors' report is Quek Shu Ping.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
21 February 2020

Contents

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Income Statement for the year ended 31 December 2019

(Currency - Singapore dollars)

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	B2	7,868,276	6,697,928
Cost of sales		(6,232,814)	(5,292,389)
Gross profit		1,635,462	1,405,539
Distribution and selling expenses		(263,990)	(200,180)
Administrative expenses		(583,600)	(509,874)
Other operating expenses		(133,883)	(125,227)
Earnings before interest and tax	B3	653,989	570,258
Other income		44,393	55,391
Other expenses		(5,496)	(20,405)
Other income, net	B4	38,897	34,986
Finance income		14,290	22,357
Finance costs		(50,915)	(55,909)
Finance costs, net	E2	(36,625)	(33,552)
Share of results of associates and joint ventures, net of tax		38,983	49,056
Profit before taxation		695,244	620,748
Taxation	B6	(102,570)	(104,326)
Profit after taxation		592,674	516,422
Attributable to:			
Shareholders of the Company		577,945	494,241
Non-controlling interests	F3	14,729	22,181
		592,674	516,422
Earnings per share (cents)	B5		
Basic		18.53	15.85
Diluted		18.42	15.76

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

(Currency - Singapore dollars)

	Note	Group 2019 $'000	2018 $'000
Profit after taxation		592,674	516,422
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan remeasurements		(46,150)	201
Net fair value changes on equity investments at FVOCI		182	80
		(45,968)	281
Items that are or may be reclassified subsequently to profit or loss:			
Debt investments at FVOCI – reclassified to income statement		–	(2,343)
Net fair value changes of cash flow hedges reclassified to income statement		3,680	2
Effective portion of changes in fair value of cash flow hedges		(34,897)	(35,110)
Share of net fair value changes on cash flow hedges of joint ventures		(5,379)	505
Foreign currency translation differences		(48,333)	302
Share of foreign currency translation differences of associates and joint ventures		(7,371)	(213)
Reserves released on disposal of subsidiaries and a joint venture		2,722	13,714
		(89,578)	(23,143)
Other comprehensive loss for the year, net of tax		(135,546)	(22,862)
Total comprehensive income for the year, net of tax		457,128	493,560
Total comprehensive income attributable to:			
Shareholders of the Company		459,759	482,888
Non-controlling interests	F3	(2,631)	10,672
		457,128	493,560

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Balance Sheet as at 31 December 2019

(Currency - Singapore dollars)

	Note	Group 2019 $'000	Group 2018 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	C1	1,805,034	1,742,742
Right-of-use assets	C2	483,975	–
Associates and joint ventures	F4	453,419	455,703
Investments	E3	16,178	16,392
Intangible assets	C3	1,980,215	1,151,238
Long-term trade receivables		1,668	1,172
Deferred tax assets	B6	111,595	72,136
Amounts due from related parties	C4	4,806	4,806
Advances and other receivables	C7	11,849	20,074
Derivative financial instruments	C16	13,351	11,483
		4,882,090	3,475,746
Current assets			
Contract assets	C13	1,246,207	1,070,396
Inventories	C5	1,311,858	1,183,510
Trade receivables	C6	1,245,881	1,137,816
Amounts due from related parties	C4	35,661	35,392
Advances and other receivables	C7	345,744	253,961
Short-term investments	E3	604	422
Bank balances and other liquid funds	C8	453,230	415,780
		4,639,185	4,097,277
Total assets		9,521,275	7,573,023
EQUITY AND LIABILITIES			
Current liabilities			
Contract liabilities	C13	1,043,215	1,324,093
Deposits from customers		9,291	4,219
Trade payables and accruals	C9	2,012,897	1,829,758
Amounts due to related parties	C10	70,007	85,445
Provisions	C11	233,459	212,935
Provision for taxation		195,059	163,232
Borrowings	E4	1,868,812	225,416
Deferred income	C12	2,403	3,761
Employee benefits	D3	11,265	2,401
		5,446,408	3,851,260
Net current (liabilities)/assets		(807,223)	246,017

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Balance Sheet as at 31 December 2019

(Currency - Singapore dollars)

	Note	Group 2019 $'000	Group 2018 $'000
Non-current liabilities			
Contract liabilities	C13	422,992	495,453
Trade payables and accruals	C9	57,983	80,345
Provisions	C11	16,994	–
Deferred tax liabilities	B6	174,732	170,726
Borrowings	E4	468,895	270,363
Deferred income	C12	34,309	42,405
Employee benefits	D3	380,061	108,016
Derivative financial instruments	C16	27,900	19,842
		1,583,866	1,187,150
Total liabilities		7,030,274	5,038,410
Net assets		2,491,001	2,534,613
Share capital and reserves			
Share capital	E6	895,926	895,926
Treasury shares	E7	(26,731)	(9,030)
Capital reserves	E8	112,563	118,174
Other reserves	E9	(149,445)	(72,054)
Retained earnings		1,389,966	1,313,361
Equity attributable to owners of the Company		2,222,279	2,246,377
Non-controlling interests	F3	268,722	288,236
		2,491,001	2,534,613
Total equity and liabilities		9,521,275	7,573,023

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

(Currency - Singapore dollars)

Group	Note	Share capital $'000	Treasury shares $'000	Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2019		895,926	(9,030)	118,174	(72,054)	1,313,361	2,246,377	288,236	2,534,613
Total comprehensive income for the year									
Profit after taxation		–	–	–	–	577,945	577,945	14,729	592,674
Other comprehensive income									
Equity investments at FVOCI – net change in fair value		–	–	–	182	–	182	–	182
Reclassified to income statement									
– Net fair value changes on cash flow hedges		–	–	–	(1,371)	–	(1,371)	5,051	3,680
Effective portion of changes in fair value of cash flow hedges		–	–	–	(29,476)	–	(29,476)	(5,421)	(34,897)
Share of net fair value changes on cash flow hedges of joint ventures		–	–	–	(5,379)	–	(5,379)	–	(5,379)
Foreign currency translation differences		–	–	–	(43,951)	–	(43,951)	(4,382)	(48,333)
Share of foreign currency translation differences of associates and joint ventures		–	–	–	(7,371)	–	(7,371)	–	(7,371)
Reserves released on disposal of subsidiaries and a joint venture		–	–	–	2,231	–	2,231	491	2,722
Defined benefit plan remeasurements		–	–	–	–	(33,051)	(33,051)	(13,099)	(46,150)
Other comprehensive loss for the year, net of tax		–	–	–	(85,135)	(33,051)	(118,186)	(17,360)	(135,546)
Total comprehensive income for the year, net of tax		–	–	–	(85,135)	544,894	459,759	(2,631)	457,128
Hedging gains and losses and costs of hedging transferred to the cost of inventory		–	–	–	3,700	–	3,700	(47)	3,653
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		–	–	–	–	–	–	4,263	4,263
Return of capital contribution by non-controlling interests		–	–	–	–	–	–	(8,652)	(8,652)
Cost of share-based payment		–	–	–	24,279	–	24,279	75	24,354
Purchase of treasury shares	E7	–	(43,768)	–	–	–	(43,768)	–	(43,768)
Treasury shares reissued pursuant to share plans		–	26,067	(5,611)	(20,368)	–	88	(88)	–
Dividends paid	E10	–	–	–	–	(468,156)	(468,156)	–	(468,156)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(12,247)	(12,247)
Total contributions by and distributions to owners of the Company		–	(17,701)	(5,611)	3,911	(468,156)	(487,557)	(16,649)	(504,206)
Changes in ownership interests in a subsidiary									
Disposal of subsidiary		–	–	–	–	–	–	(187)	(187)
Total transactions with owners of the Company		–	(17,701)	(5,611)	3,911	(468,156)	(487,557)	(16,836)	(504,393)
Transfer from retained earnings to statutory reserve		–	–	–	133	(133)	–	–	–
Balance at 31 December 2019		895,926	(26,731)	112,563	(149,445)	1,389,966	2,222,279	268,722	2,491,001

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

(Currency - Singapore dollars)

Group	Note	Share capital $'000	Treasury shares $'000	Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018		895,926	(22,870)	119,782	(67,480)	1,286,056	2,211,414	280,716	2,492,130
Total comprehensive income for the year									
Profit after taxation		–	–	–	–	494,241	494,241	22,181	516,422
Other comprehensive income									
Equity investments at FVOCI – net change in fair value		–	–	–	52	28	80	–	80
Reclassified to income statement									
– Debt investments at FVOCI		–	–	–	(2,343)	–	(2,343)	–	(2,343)
– Net fair value changes on cash flow hedges		–	–	–	2	–	2	–	2
Effective portion of changes in fair value of cash flow hedges		–	–	–	(25,294)	–	(25,294)	(9,816)	(35,110)
Share of net fair value changes on cash flow hedges of joint ventures		–	–	–	505	–	505	–	505
Foreign currency translation differences		–	–	–	2,030	–	2,030	(1,728)	302
Share of foreign currency translation differences of associates and joint ventures		–	–	–	(213)	–	(213)	–	(213)
Reserves released on disposal of subsidiaries		–	–	–	13,714	–	13,714	–	13,714
Defined benefit plan remeasurements		–	–	–	–	166	166	35	201
Other comprehensive loss for the year, net of tax		–	–	–	(11,547)	194	(11,353)	(11,509)	(22,862)
Total comprehensive income for the year, net of tax		–	–	–	(11,547)	494,435	482,888	10,672	493,560
Hedging gains and losses and costs of hedging transferred to the cost of inventory		–	–	–	3,955	–	3,955	–	3,955
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		–	–	–	–	–	–	432	432
Cost of share-based payment		–	–	–	20,415	–	20,415	75	20,490
Purchase of treasury shares	E7	–	(4,354)	–	–	–	(4,354)	–	(4,354)
Treasury shares reissued pursuant to share plans		–	18,194	(1,608)	(16,523)	–	63	(64)	(1)
Dividends paid	E10	–	–	–	–	(468,004)	(468,004)	–	(468,004)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(3,595)	(3,595)
Total contributions by and distributions to owners of the Company		–	13,840	(1,608)	3,892	(468,004)	(451,880)	(3,152)	(455,032)
Transfer from retained earnings to statutory reserve		–	–	–	(874)	874	–	–	–
Balance at 31 December 2018		895,926	(9,030)	118,174	(72,054)	1,313,361	2,246,377	288,236	2,534,613

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2019

(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	
	2019	**2018**
	$'000	**$'000**
Cash flows from operating activities		
Profit before taxation	695,244	620,748
Adjustments:		
Share of results of associates and joint ventures, net of tax	(38,983)	(49,056)
Share-based payment expense	24,354	20,490
Depreciation charge	275,632	194,714
Property, plant and equipment written off	1,408	982
Amortisation of other intangible assets	92,620	49,331
Impairment of property, plant and equipment	2,786	81
Impairment of goodwill and other intangible assets	23,227	1,861
Impairment of an associate	4,000	–
Gain on disposal of property, plant and equipment	(9,029)	(2,000)
Gain on disposal of intangible assets	–	(41)
Gain on disposal of associates, net	(1,723)	(12,426)
Loss on disposal of investments, net	–	5,173
Loss on disposal of subsidiaries	925	20,081
Changes in fair value of an associate	1,978	–
Changes in fair value of financial instruments and hedged items	2,731	5,280
Interest expense	44,753	44,900
Interest income	(9,487)	(17,906)
Amortisation of deferred income	(272)	(144)
Operating profit before working capital changes	1,110,164	882,068
Changes in:		
Inventories	46,216	(60,784)
Contract assets	(34,001)	(134,319)
Trade receivables	13,174	(200,106)
Advance payments to suppliers	(48,201)	20,616
Other receivables, deposits and prepayments	(54,041)	(11,903)
Amounts due from holding company and related corporations balances	3,175	9,474
Amounts due to holding company and related corporations balances	(924)	1,677
Amounts due from associates	2,889	(431)
Amounts due from joint ventures	(36,508)	(3,777)
Contract liabilities	(374,285)	36,026
Trade payables	(10,031)	163,941
Deposits from customers	(1,504)	(1,590)
Other payables, accruals and provisions	61,226	28,604
Loans to staff and third parties	(1,219)	542
Deferred income	(1,111)	(11,459)
Foreign currency translation of foreign operations	(4,046)	(2,435)
Cash generated from operations	670,973	716,144
Interest received	9,459	22,510
Income tax paid	(90,470)	(99,161)
Net cash from operating activities	589,962	639,493

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Statement of Cash Flows for the year ended 31 December 2019

(Currency - Singapore dollars, unless otherwise stated)

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		118,172	4,097
Proceeds from disposal of associates and a joint venture and return of capital from a joint venture		6,095	27,682
Proceeds from sale and maturity of investments		–	375,098
Proceeds from unwinding of cross currency interest rate swaps		–	13,210
Proceeds from sale of intangible assets		–	64
Purchase of property, plant and equipment		(290,124)	(336,102)
Purchase of investments		–	(40,920)
Additions to other intangible assets		(104,435)	(115,408)
Dividends from associates and joint ventures		47,839	61,081
Investments in associates and joint ventures		(28,767)	(34,305)
Repayment of loan by/(loan to) a joint venture		19,661	(19,806)
Acquisition of controlling interests in subsidiaries, net of cash acquired		(1,050,121)	–
Disposal of subsidiaries, net of cash disposed		8,855	138
Net cash used in investing activities		(1,272,825)	(65,171)
Cash flows from financing activities			
Proceeds from bank loans		1,079,911	307,901
Proceeds from commercial papers		1,440,175	–
Proceeds of a loan from a joint venture		–	17,925
Proceeds from finance lease receivables		844	–
Repayment of bank loans		(1,119,271)	(247,134)
Repayment of other loans		–	(148)
Repayment of lease liabilities		(92,894)	(2,513)
Repayment of loan to a joint venture		(4,000)	(30,805)
Redemption of medium term notes		–	(681,100)
Purchase of treasury shares		(43,768)	(4,354)
Capital contribution from non-controlling interests of subsidiaries		4,263	432
Return of capital to non-controlling interests of a subsidiary		(8,652)	–
Dividends paid to shareholders of the Company		(468,156)	(468,004)
Dividends paid to non-controlling interests		(12,247)	(4,200)
Interest paid		(56,213)	(49,416)
Deposits discharged		245	9
Net cash from/(used in) financing activities		720,237	(1,161,407)
Net increase/(decrease) in cash and cash equivalents		37,374	(587,085)
Cash and cash equivalents at beginning of the year		414,400	997,614
Exchange difference on cash and cash equivalents at beginning of the year		321	3,871
Cash and cash equivalents at end of the year	C8	452,095	414,400

The accompanying notes are an integral part of the financial statements.

(Currency - Singapore dollars unless otherwise stated)

A
About this report

General

The Company is a public limited company domiciled and incorporated in Singapore. The address of the Company's registered office and principal place of business is 1 Ang Mo Kio Electronics Park Road #07-01 ST Engineering Hub, Singapore 567710.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

The consolidated financial statements of Singapore Technologies Engineering Ltd and its subsidiaries (collectively referred to as the Group) as at 31 December 2019 and for the year then ended were authorised and approved by the Board of Directors for issuance on 21 February 2020.

Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on the historical cost convention, except as otherwise described in the accounting policies below.

Accounting policies, estimates and critical accounting judgements applied to the preparation of the financial statements is disclosed together with the related accounting balance or financial statement matters discussed.

Information is only being included in the financial report to the extent it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if:

- dollar amount is significant in value
- dollar amount is significant by nature
- financial results cannot be understood without specific disclosure
- critical to allow user to understand significant changes in group businesses

The financial statements are presented in Singapore dollars (SGD) which is the Company's functional currency. All values are rounded to the nearest thousand ($'000) unless otherwise indicated.

Significant accounting policies

The accounting policies have been applied consistently by Group entities to all periods presented in these financial statements unless otherwise indicated.

(Currency - Singapore dollars unless otherwise stated)

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.

(Currency - Singapore dollars unless otherwise stated)

B
Business Performance

The highlights of the Group's financial performance during the financial year are:

- Revenue of $7.9 billion, up 17%
- Earnings before interest and tax of $654.0 million, up 15%
- Profit before tax of $695.2 million, up 12%
- Profit attributable to shareholders of $577.9 million, up 17%
- Earnings per share of 18.53 cents per share, up 17%

B1 Segment information

The principal activities of the Company are those of an investment holding company and the provision of engineering and related services.

The Group is organised on a worldwide basis into four major operating segments. Management reviews the segments' operating results regularly in order to allocate resources to the segments and to assess the segments' performance.

The principal activities of these operating segments are outlined below:

Segments	Principal activities
Aerospace	Provides a wide spectrum of aircraft maintenance, engineering and training services for both military and commercial aircraft operators. These services include airframe, component and engine maintenance, repair and overhaul, aircraft design engineering and parts manufacturing, aviation materials, asset management and pilot training.
Electronics	Specialises in the design, development and delivery of information communications technologies products, solutions and services for Smart Cities connectivity, mobility and security.
Land Systems	Delivers customised land systems, security solutions and their related through-life support for defence, homeland security and commercial applications.
Marine	Provides turnkey and sustainable defence and commercial solutions to the marine, offshore and environmental engineering industries.
Others*	Research and development, provision of engineering products and solutions, treasury, investment holding and provision of management, consultancy and other support services. ** None of these segments meets any of the quantitative thresholds for determining reportable segments in financial years 2019 and 2018.*

(Currency - Singapore dollars unless otherwise stated)

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Inter-segment pricing is based on terms negotiated between the parties which are intended to reflect competitive terms.

2019	Aerospace $'000	Electronics $'000	Land Systems $'000	Marine $'000	Others $'000	Elimination $'000	Group $'000
Revenue							
External sales	3,450,442	2,281,663	1,428,480	647,128	60,563	–	7,868,276
Inter-segment sales	4,580	28,281	29,164	23	2,305	(64,353)	–
	3,455,022	2,309,944	1,457,644	647,151	62,868	(64,353)	7,868,276
Reportable segment earnings before interest and tax	309,605	229,239	83,384	54,107	(22,346)	–	653,989
Other income	18,697	15,616	12,149	8,791	2,200	(13,060)	44,393
Other expenses	(7,439)	(25)	(4,422)	(83)	(483)	6,956	(5,496)
Finance income	14,018	4,666	1,807	3,782	76,365	(86,348)	14,290
Finance costs	(40,336)	(21,518)	(9,937)	(5,693)	(55,359)	81,928	(50,915)
Share of results of associates and joint ventures, net of tax	38,227	(1,445)	5,579	(75)	(3,303)	–	38,983
Profit before taxation	332,772	226,533	88,560	60,829	(2,926)	(10,524)	695,244
Taxation	(48,914)	(35,824)	(11,459)	(9,287)	2,914	–	(102,570)
Non-controlling interests	(14,962)	24	209	–	–	–	(14,729)
Profit attributable to shareholders	268,896	190,733	77,310	51,542	(12)	(10,524)	577,945
Other assets	4,415,722	3,052,212	1,723,451	805,296	6,030,044	(6,958,869)	9,067,856
Associates and joint ventures	253,884	73,639	82,276	2,850	40,770	–	453,419
Segment assets	4,669,606	3,125,851	1,805,727	808,146	6,070,814	(6,958,869)	9,521,275
Segment liabilities	3,781,016	2,613,255	1,458,862	803,159	3,828,754	(5,454,772)	7,030,274
Capital expenditure	293,215	123,801	43,522	8,876	20,420	698	490,532
Depreciation and amortisation	185,359	89,851	51,308	32,478	13,261	(4,005)	368,252
Impairment losses	26,013	–	4,000	–	–	–	30,013
Other non-cash expenses	954	363	91	–	–	–	1,408

(Currency - Singapore dollars unless otherwise stated)

2018	Aerospace $'000	Electronics $'000	Land Systems $'000	Marine $'000	Others $'000	Elimination $'000	Group $'000
Revenue							
External sales	2,646,992	2,143,415	1,282,022	574,084	51,415	–	6,697,928
Inter-segment sales	7,127	23,118	20,787	270	4,244	(55,546)	–
	2,654,119	2,166,533	1,302,809	574,354	55,659	(55,546)	6,697,928
Reportable segment earnings before interest and tax	268,148	220,774	59,076	44,375	(22,115)	–	570,258
Other income	30,380	15,718	12,775	6,809	1,800	(12,091)	55,391
Other expenses	(13,281)	(53)	(12,071)	(276)	(81)	5,357	(20,405)
Finance income	8,773	2,533	1,375	3,072	6,604	–	22,357
Finance costs	(14,773)	(9,375)	(6,290)	(4,275)	(21,196)	–	(55,909)
Share of results of associates and joint ventures, net of tax	40,748	(4,905)	7,396	555	5,262	–	49,056
Profit before taxation	319,995	224,692	62,261	50,260	(29,726)	(6,734)	620,748
Taxation	(54,644)	(37,419)	(8,726)	(5,059)	1,522	–	(104,326)
Non-controlling interests	(20,724)	(782)	(675)	–	–	–	(22,181)
Profit attributable to shareholders	244,627	186,491	52,860	45,201	(28,204)	(6,734)	494,241
Other assets	3,104,811	2,174,291	1,626,420	800,078	4,191,077	(4,779,357)	7,117,320
Associates and joint ventures	248,906	62,749	92,206	4,099	47,743	–	455,703
Segment assets	3,353,717	2,237,040	1,718,626	804,177	4,238,820	(4,779,357)	7,573,023
Segment liabilities	2,394,681	1,909,405	1,339,760	761,596	1,954,163	(3,321,195)	5,038,410
Capital expenditure	299,766	88,857	37,879	10,309	13,367	–	450,178
Depreciation and amortisation	113,015	56,519	37,993	29,985	6,575	(42)	244,045
(Write-back of)/impairment losses	(11)	–	1,953	–	–	–	1,942
Other non-cash expenses	847	38	43	–	54	–	982

(Currency - Singapore dollars unless otherwise stated)

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, employee benefits and deferred tax assets, are based on the location of those assets.

	Revenue		Non-current assets	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Asia	5,079,390	4,884,431	1,790,865	1,622,510
U.S.	2,091,860	1,198,872	1,663,115	921,086
Europe	612,046	540,575	1,213,482	752,059
Others	84,980	74,050	89,682	96,472
	7,868,276	6,697,928	4,757,144	3,392,127

For the year ended 31 December 2019:

- Within Europe, revenue of approximately $458,508,000 (2018: $453,695,000) were from subsidiaries located in Germany.
- Within Asia, most of the revenue were from subsidiaries located in Singapore.
- The remaining revenue from customers in Asia, Europe and Others were individually insignificant.

As at 31 December 2019:

- Within Europe, non-current assets of approximately $683,672,000 (2018: $585,913,000) 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.

(Currency - Singapore dollars unless otherwise stated)

B2 Revenue

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Aerospace $'000		Electronics $'000		Land Systems $'000		Marine $'000		Others $'000		Elimination $'000		Group $'000	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Primary geographical markets														
Asia	1,291,747	1,234,221	1,746,559	1,706,868	996,353	857,638	326,541	403,557	6,843	10,055	(64,232)	(54,628)	4,303,811	4,157,711
U.S.	780,228	631,501	218,554	178,870	382,407	360,016	209,998	111,125	54,615	43,914	(121)	(918)	1,645,681	1,324,508
Europe	1,134,494	558,029	181,262	131,707	10,424	8,378	52,323	47,115	1,077	1,624	–	–	1,379,580	746,853
Others	248,553	230,368	163,569	149,088	68,460	76,777	58,289	12,557	333	66	–	–	539,204	468,856
	3,455,022	2,654,119	2,309,944	2,166,533	1,457,644	1,302,809	647,151	574,354	62,868	55,659	(64,353)	(55,546)	7,868,276	6,697,928
Major products/ service lines														
Sale of goods	713,371	501,138	469,662	464,852	1,017,422	879,513	6,221	5,897	59,766	50,988	(4,135)	(3,305)	2,262,307	1,899,083
Service income	202,318	202,646	725,629	606,574	423,544	384,124	320,054	275,399	2,806	4,190	(39,240)	(33,774)	1,635,111	1,439,159
Contract revenue	2,539,333	1,950,335	1,114,653	1,095,107	16,678	39,172	320,876	293,058	296	481	(20,978)	(18,467)	3,970,858	3,359,686
	3,455,022	2,654,119	2,309,944	2,166,533	1,457,644	1,302,809	647,151	574,354	62,868	55,659	(64,353)	(55,546)	7,868,276	6,697,928
Timing of revenue recognition														
Transferred at a point in time	1,107,280	841,649	1,008,438	849,672	1,138,438	1,008,858	6,221	5,897	60,360	50,809	(22,702)	(15,749)	3,298,035	2,741,136
Transferred over time	2,347,742	1,812,470	1,301,506	1,316,861	319,206	293,951	640,930	568,457	2,508	4,850	(41,651)	(39,797)	4,570,241	3,956,792
	3,455,022	2,654,119	2,309,944	2,166,533	1,457,644	1,302,809	647,151	574,354	62,868	55,659	(64,353)	(55,546)	7,868,276	6,697,928

(Currency - Singapore dollars unless otherwise stated)

Revenue from contracts with customers

Revenue is measured based on the consideration specified in contracts with customers. The Group recognises revenue when it transfers control over a good or service to the customer.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

(a) Revenue from sale of goods

Revenue is recognised when goods are delivered to the customer and the criteria for acceptance have been satisfied. Where applicable, a portion of the contract consideration is received in advance from the customers and the remaining consideration is received after delivery.

(b) Revenue from services rendered

Revenue from services rendered are recognised as performance obligations are satisfied. Payments are due from customers based on the agreed billing milestones stipulated in the contracts or based on the amounts certified by the customers.

Where performance obligations are satisfied over time as work progresses, revenue is recognised progressively based on the percentage of completion method. The stage of completion is assessed by reference to assessment of work performed (output method) or the cost incurred relative to total estimated costs (input method) depending on which method commensurates with the pattern of transfer of control to the customer. The related costs are recognised in profit or loss when they are incurred, unless they relate to future performance obligations.

If the value of services rendered for the contract exceeds payments received from the customer, a contract asset is recognised and presented separately on the balance sheet. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and separately presented on the balance sheet.

(c) Revenue from long-term contracts

The Group builds specialised assets customised to customers' order for which the Group does not have an alternative use. These contracts can span several years.

(i) Contracts with enforceable right to payment

The Group has determined that for contracts where the Group has an enforceable right to payment, the customer controls all of the work-in-progress. This is because under those contracts, the assets are at the customer’s specification and the Group is entitled to reimbursement of costs incurred to date, including a reasonable margin when the contract is terminated by the customer. Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones.

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.

(Currency - Singapore dollars unless otherwise stated)

(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.

Key estimate and judgement: Revenue recognition

Significant judgement is applied in determining:

- *whether performance obligations are distinct.*

  Requires an assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and if the promise is separately identifiable from other promises in the contract.

- *the transaction price for contracts with variable consideration (e.g. bonus, liquidated damages, penalties, etc).*

  Requires an evaluation of potential risk and factors which may affect completion or delivery of the contract, in accordance with contract obligations.

- *estimated cost to complete.*

  For revenue recognised over time, the percentage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated costs for each contract. In making the estimates, management relies on the expertise of its project team and past experience of completed projects. The estimated total costs is reviewed regularly and adjusted where necessary, with the corresponding effect of the change being recognised prospectively from the date of change.

(Currency - Singapore dollars unless otherwise stated)

B3 Earnings before interest and tax

Earnings before interest and tax is arrived after charging/(crediting) the following items (excluding those disclosed in the other notes to the financial statements):

	Group	
	2019	**2018**
	$'000	**$'000**
After charging/(crediting)		
Auditors' remuneration		
- auditors of the Company	3,862	3,791
- other auditors #	1,741	1,678
Non-audit fees		
- auditors of the Company	597	698
- other auditors #	1,112	1,736
Fees paid to a firm of which a director is a member	420	711
Allowance for inventory obsolescence	76,780	56,432
Impairment loss on trade receivables and contract assets	53,473	7,405
Provision for/(write-back of) onerous contracts	16,305	(1,290)
Property, plant and equipment written off	1,408	982
Research, design and development expenses	100,605	106,069
Short-term lease expense	29,284	–
Low-value assets lease expense	2,638	–
Operating lease expense ^	–	45,713

Refers to other member firms of KPMG International

^ Previously reported under SFRS(I) 1-17

(Currency - Singapore dollars unless otherwise stated)

B4 Other income, net

	Note	Group 2019 $'000	Group 2018 $'000
Other income			
Government grants		13,180	18,577
Rental income		4,084	4,682
Gain on disposal of property, plant and equipment		9,029	2,000
Gain on disposal of subsidiaries		571	–
Gain on disposal of associates		1,723	12,750
Grant income from Wage Credit Scheme		5,910	8,549
Others		9,896	8,833
		44,393	55,391
Other expenses			
Loss on disposal of subsidiaries		(1,496)	(20,081)
Loss on disposal of an associate		–	(324)
Impairment of an associate	F4	(4,000)	–
		(5,496)	(20,405)
Other income, net, recognised in profit or loss		38,897	34,986

Recognition and measurement

(i) Government grants are recognised when the conditions associated with the grants are complied with.

Grants that compensate the Group for expenses incurred are recognised in profit or loss in the same periods in which the expenses are recognised.

Grants relating to depreciable assets are recognised in profit or loss over the estimated useful lives of the relevant assets.

(ii) Rental income from leasing facilities is accounted on a straight-line basis over the lease term.

(iii) The gain or loss on disposal of an item of property, plant and equipment, subsidiary, associate or joint venture is determined by comparing the proceeds from disposal with the carrying amount of the disposed item.

(Currency - Singapore dollars unless otherwise stated)

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	
	2019	**2018**
	'000	**'000**
Number of shares		
Issued ordinary shares at beginning of the year	3,119,794	3,115,722
Effect of performance shares and restricted shares released	5,328	3,826
Effect of treasury shares held	(5,794)	(691)
Weighted average number of ordinary shares issued during the year	3,119,328	3,118,857

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 (2018: 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	
	2019	**2018**
	'000	**'000**
Number of shares		
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	3,119,328	3,118,857
Adjustment for dilutive potential ordinary shares	18,205	17,319
Weighted average number of ordinary shares (diluted) during the year	3,137,533	3,136,176

(Currency - Singapore dollars unless otherwise stated)

B6 Taxation

(i) Tax expenses

	Group	
	2019	**2018**
	$'000	**$'000**
Current income tax		
Current year	193,893	127,422
Overprovision in respect of prior years	(9,211)	(8,461)
	184,682	118,961
Deferred income tax		
Current year	(69,565)	(12,181)
Overprovision in respect of prior years	(12,320)	(2,406)
Effect of reduction in tax rates	(227)	(48)
	(82,112)	(14,635)
	102,570	104,326

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	
	2019	**2018**
	$'000	**$'000**
Profit before taxation	695,244	620,748
Taxation at statutory tax rate of 17% (2018: 17%)	118,191	105,527
Adjustments:		
Income not subject to tax	(3,786)	(8,728)
Expenses not deductible for tax purposes	17,571	26,294
Different tax rates of other countries	7,416	2,411
Overprovision in respect of prior years	(21,531)	(10,867)
Effect of change in tax rates	(227)	(48)
Effect of results of associates and joint ventures presented net of tax	(6,627)	(8,340)
Tax incentives	(1,346)	(1,324)
Deferred tax assets not recognised	7,692	10,520
Deferred tax assets previously not recognised now utilised	(11,792)	(8,769)
Others	(2,991)	(2,350)
	102,570	104,326

(Currency - Singapore dollars unless otherwise stated)

(ii) Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Property, plant and equipment	(2,275)	(249)	95,790	111,267
Intangible assets	(13,136)	(4,293)	190,016	182,447
Allowance for doubtful debts	(1,987)	(1,721)	–	–
Allowance for inventory obsolescence	(26,869)	(20,396)	–	–
Provisions and accruals	(127,913)	(110,042)	575	–
Lease liabilities	(4,461)	–	3,710	–
Unabsorbed capital allowances and unutilised tax losses	(45,190)	(56,682)	8,377	–
Fair value of derivative financial instruments designated as cash flow hedges	(10,791)	(7,447)	838	530
Fair value of defined benefit plans	(27,013)	(13,798)	–	–
Other items	(13,777)	(9,215)	37,243	28,189
Deferred tax (assets)/liabilities	(273,412)	(223,843)	336,549	322,433
Set off of tax	161,817	151,707	(161,817)	(151,707)
Net deferred tax (assets)/liabilities	(111,595)	(72,136)	174,732	170,726

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.

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2019	**2018**
	$'000	**$'000**
Tax losses	182,254	359,059
Deductible temporary differences	30,571	8,895
Unabsorbed wear and tear allowance and investment allowance	5,456	1,306
	218,281	369,260

(c) Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2019, a deferred tax liability of $133,105,000 (2018: $121,015,000) for temporary difference of $559,899,000 (2018: $484,367,000) 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.

(Currency - Singapore dollars unless otherwise stated)

(d) Movement in deferred tax balances during the year:

	As at 1 January 2018	Recognised in profit or loss	Recognised in other comprehen-sive income	Deconsolidation of subsidiaries	Utilisation of tax losses	Exchange difference	As at 31 December 2018	Recognised in profit or loss	Recognised in other comprehen-sive income	Acquisition/ deconsolidation of subsidiaries	Utilisation of tax losses	Exchange difference	As at 31 December 2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group													
Property, plant and equipment	109,984	369	–	2	–	663	111,018	(21,603)	–	3,251	1,268	(419)	93,515
Intangible assets	180,852	399	–	(4,290)	–	1,193	178,154	(16,570)	–	15,924	423	(1,051)	176,880
Allowance for doubtful debts	(990)	(709)	–	4	–	(26)	(1,721)	(294)	–	–	–	28	(1,987)
Allowance for inventory obsolescence	(13,865)	(6,261)	–	14	–	(284)	(20,396)	(6,657)	–	(21)	–	205	(26,869)
Provisions and accruals	(121,089)	11,353	15	16	–	(337)	(110,042)	(22,750)	–	1,814	3,207	433	(127,338)
Lease liabilities	–	–	–	–	–	–	–	(758)	–	–	–	7	(751)
Unabsorbed capital allowances and unutilised tax losses	(26,844)	(27,258)	–	3	(1,924)	(659)	(56,682)	(22,321)	(64)	(1,894)	43,328	820	(36,813)
Fair value of derivative financial instruments designated as cash flow hedges	4,735	(36)	(11,535)	–	–	(81)	(6,917)	(74)	(3,132)	–	–	170	(9,953)
Fair value of defined benefit plans	(13,124)	–	(950)	–	–	276	(13,798)	(202)	(13,898)	–	–	885	(27,013)
Other items	11,513	7,508	–	(38)	–	(9)	18,974	9,117	(4,728)	(61)	–	164	23,466
	131,172	(14,635)	(12,470)	(4,289)	(1,924)	736	98,590	(82,112)	(21,822)	19,013	48,226	1,242	63,137

(Currency - Singapore dollars unless otherwise stated)

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.

Key estimate and judgement: Income taxes

The Group is subject to income taxes in Singapore and jurisdictions where it has foreign operations. Judgement is required in determining the worldwide provision for income taxes and in assessing whether deferred tax balances are recognised on the balance sheet. Changes in circumstances will alter expectations, which may impact the amount of provision for income taxes and deferred tax balances recognised.

Key estimate and judgement: Recovery of deferred tax assets

Deferred tax assets are recognised for tax losses and deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available to utilise them. Judgement and estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

(Currency - Singapore dollars unless otherwise stated)

C
Operating Assets and Liabilities

This section provides information relating to the operating assets and liabilities of the Group.

The Group maintains a strong balance sheet to support the Group's strategy to maximise returns to the shareholders through efficient use of capital, taking into consideration the Group's expenditures, growth and investment requirements.

(Currency - Singapore dollars unless otherwise stated)

C1 Property, plant and equipment

Group	Freehold and leasehold land, buildings and improvements $'000	Wharves, floating docks and boats $'000	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
Cost								
At 1 January 2019	1,353,537	314,966	1,002,294	397,087	375,395	310,713	92,077	3,846,069
Additions	36,581	–	64,966	24,279	51,240	35,219	83,184	295,469
Disposals/write-off	(3,110)	(170,660)	(33,443)	(9,230)	(10,285)	(2,883)	(60)	(229,671)
Acquisition of subsidiaries	15,831	–	117,144	2,764	1,825	–	10,530	148,094
Deconsolidation/disposal of subsidiaries	(2,938)	–	(584)	(1)	(1,304)	(6,732)	–	(11,559)
Reclassifications	10,751	546	17,965	1,958	(1,536)	–	(59,995)	(30,311)
Translation difference	(8,800)	(531)	(8,418)	(3,772)	(1,845)	(3,517)	(1,223)	(28,106)
At 31 December 2019	1,401,852	144,321	1,159,924	413,085	413,490	332,800	124,513	3,989,985
Accumulated depreciation								
At 1 January 2019	692,653	180,532	570,066	269,931	292,178	97,967	–	2,103,327
Depreciation charge/impairment losses	55,002	7,339	85,863	23,802	32,395	18,453	–	222,854
Disposals/write-off	(2,650)	(69,553)	(27,719)	(8,257)	(10,150)	(791)	–	(119,120)
Deconsolidation/disposal of subsidiaries	(1,145)	–	(333)	(1)	(1,104)	(1,936)	–	(4,519)
Reclassifications	(6,597)	–	(702)	(75)	(556)	–	–	(7,930)
Translation difference	(2,703)	(230)	(4,659)	(598)	(1,031)	(440)	–	(9,661)
At 31 December 2019	734,560	118,088	622,516	284,802	311,732	113,253	–	2,184,951
Net book value								
At 31 December 2019	667,292	26,233	537,408	128,283	101,758	219,547	124,513	1,805,034

* Others comprise transportation equipment, vehicles and satellites

(Currency - Singapore dollars unless otherwise stated)

Group	Freehold and leasehold land, buildings and improvements $'000	Wharves, floating docks and boats $'000	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
Cost								
At 1 January 2018	1,425,594	314,179	958,136	381,109	342,735	255,607	45,177	3,722,537
Additions	15,915	–	64,862	22,692	40,733	105,203	85,365	334,770
Disposals/write-off	(10,076)	(75)	(10,792)	(10,226)	(11,048)	(2,956)	(12)	(45,185)
Deconsolidation/disposal of subsidiaries	(85,054)	–	(15,715)	(771)	(5,914)	(4,088)	(668)	(112,210)
Reclassifications	2,377	–	6,168	2,838	7,622	(44,699)	(37,274)	(62,968)
Translation difference	4,781	862	(365)	1,445	1,267	1,646	(511)	9,125
At 31 December 2018	1,353,537	314,966	1,002,294	397,087	375,395	310,713	92,077	3,846,069
Accumulated depreciation								
At 1 January 2018	668,661	171,708	534,897	253,675	278,315	95,885	–	2,003,141
Depreciation charge/impairment losses	55,908	8,546	65,573	23,014	28,805	12,949	–	194,795
Disposals/write-off	(9,755)	(33)	(9,845)	(8,985)	(10,599)	(2,956)	–	(42,173)
Deconsolidation/disposal of subsidiaries	(24,873)	–	(11,637)	(363)	(5,281)	(799)	–	(42,953)
Reclassifications	6	–	(8,407)	(6)	(12)	(7,567)	–	(15,986)
Translation difference	2,706	311	(515)	2,596	950	455	–	6,503
At 31 December 2018	692,653	180,532	570,066	269,931	292,178	97,967	–	2,103,327
Net book value								
At 31 December 2018	660,884	134,434	432,228	127,156	83,217	212,746	92,077	1,742,742

* Others comprise transportation equipment, vehicles and satellites

(Currency - Singapore dollars unless otherwise stated)

Reclassifications due to changes in the use of assets:

(a) Plant and machinery with net book value amounting to $1,850,000 (2018: $47,293,000) were reclassified to inventories;

(b) Asset under construction with net book value of $915,000 (2018: Nil) were reclassified to intangibles on completion;

(c) Inventories of $4,791,000 (2018: $311,000) were reclassified to property, plant and equipment;

(d) Restoration costs and assets acquired on finance lease under SFRS(I) 1-17 in property, plant and equipment of $24,407,000 were reclassified to right-of-use assets on 1 January 2019.

There were no movements in the following amounts carried at valuation from 1 January 2018 to 31 December 2019.

Group	Valuation $'000	Accumulated depreciation $'000	Net book value $'000
At Valuation			
Freehold and leasehold land, buildings and improvements	1,919	1,919	–
Wharves, floating docks and boats	5,930	5,930	–
Plant and machinery	1,683	1,683	–
Furniture, fittings, office equipment and others *	285	285	–
Total	9,817	9,817	–

Operating lease

Included in the tables above are assets that the Group leases out, comprising aircraft and office equipment. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Movements in these assets that are subject to operating leases are presented below.

Group	Furniture, fittings, office equipment and others * $'000	Aircraft and aircraft engines $'000	Total $'000
Cost			
At 1 January 2019	837	105,203	106,040
Additions	162	32,793	32,955
Reclassifications	386	–	386
Translation difference	(8)	(1,375)	(1,383)
At 31 December 2019	1,377	136,621	137,998
Accumulated depreciation			
At 1 January 2019	197	128	325
Depreciation charge for the year	280	5,684	5,964
Translation difference	(5)	(67)	(72)
At 31 December 2019	472	5,745	6,217
Net book value			
At 31 December 2019	905	130,876	131,781

* Others comprise transportation equipment, vehicles and satellites

(Currency - Singapore dollars unless otherwise stated)

(a) Property, plant and equipment pledged as security

Property, plant and equipment of certain overseas subsidiaries of the Group with a carrying value of $89,735,000 (2018: $56,336,000) are pledged as security for bank loans.

(b) Major properties

Major land and buildings and improvements to premises are:

Location	Description	Tenure	Land area (sq. m.)	Net book value 2019 $'000	Net book value 2018 $'000
Singapore					
1 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.11.2011	20,000	45,530	51,378
3 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.12.2015	30,000	40,635	43,625
249 Jalan Boon Lay	Industrial and commercial buildings	27 years from 1.10.2001 to 31.12.2028, renewable to 10.10.2065	206,031	84,430	97,465
People's Republic of China					
No 2, Huayu Road, Huli District, Xiamen 361006, Fujian	Leasehold land for factory building	50 years from 20.11.2008	38,618	40,468	42,681
Germany					
Grenzstr. 1, Dresden	Hangar and office building	Freehold	183,970	83,762	40,333

For this purpose, freehold and leasehold land and 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.

(Currency - Singapore dollars unless otherwise stated)

Recognition and measurement

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Cost comprises expenditure that is:
- directly attributable to the acquisition of the asset;
- subsequent costs incurred to replace parts that are eligible for capitalisation; and/or
- transfers from equity on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Certain items of property, plant and equipment which were subject to a one-time valuation in 1972 are stated at valuation, net of depreciation and any impairment losses.

Disposals

Gains or losses on disposal of property, plant and equipment are included in profit or loss.

Depreciation

Depreciation of property, plant and equipment is recognised in profit and loss on a straight-line basis over their useful lives, except for freehold land which are not depreciated, and leasehold land which are depreciated over the remaining lease term. The estimated useful lives are as follows:

Item #		Useful life
Leasehold buildings and improvements	-	2 to 50 years ^
Wharves, floating docks and boats	-	10 to 23 years
Plant and machinery	-	2 to 25 years
Production tools and equipment	-	2 to 22 years
Furniture, fittings, office equipment and others *	-	2 to 12 years
Aircraft and aircraft engines	-	2 to 30 years
Satellites	-	5 years

Property, plant and equipment purchased specifically for projects are depreciated over the useful life or the duration of the project, whichever is shorter.

^ Refer to Note C1(b) Major Properties for details of the lease tenure used to approximate the useful lives of the leasehold land, buildings and improvements.

* Others comprise transportation equipment, vehicles and satellites.

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.

Key estimate and judgement: Depreciation charge

Management estimates the useful lives based on factors such as changes in the expected level of usage and technological developments. These are reassessed at each reporting date, and adjusted prospectively, where appropriate.

(Currency - Singapore dollars unless otherwise stated)

C2 Right-of-use assets

The Group leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

Group	Freehold and leasehold land, buildings and improvements $'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
Cost						
Recognition on initial application of SFRS(I) 16 at 1 January 2019	418,865	1,243	1,242	221	9,949	431,520
Additions	83,924	–	69	220	6,415	90,628
Acquisition of subsidiaries	23,349	–	–	–	2,872	26,221
Deconsolidation/disposal of subsidiaries	(937)	–	–	–	–	(937)
Modifications to contracts	(2,122)	–	–	23	(1,273)	(3,372)
Lease termination	(1,243)	–	–	–	(406)	(1,649)
Depreciation	(49,465)	(648)	(391)	(185)	(4,875)	(55,564)
Translation difference	(2,775)	–	(3)	(5)	(89)	(2,872)
At 31 December 2019	469,596	595	917	274	12,593	483,975

* Others comprise transportation equipment, vehicles and satellites

(Currency - Singapore dollars unless otherwise stated)

C3 Intangible assets

Group	Goodwill $'000	Dealer network $'000	Development expenditure $'000	Commercial and intellectual property rights $'000	Brands $'000	Licenses $'000	Technology agreement $'000	Authorised repair centre agreement $'000	Others $'000	Total $'000
Cost										
At 1 January 2019	561,003	175,890	424,526	94,901	81,775	56,319	34,474	5,859	18,808	1,453,555
Additions	–	–	93,425	3,934	–	7,076	–	–	–	104,435
Acquisition of subsidiaries	311,018	–	40,585	515,167	–	6	–	–	9,745	876,521
Deconsolidation/disposal of subsidiaries	(493)	–	–	(1,507)	–	–	–	–	–	(2,000)
Write-off	–	–	–	(75)	–	(32)	–	–	–	(107)
Translation difference	(14,631)	(5,197)	(11,344)	(7,209)	(1,095)	74	(451)	–	–	(39,853)
At 31 December 2019	856,897	170,693	547,192	605,211	80,680	63,443	34,023	5,859	28,553	2,392,551
Accumulated amortisation and impairment losses										
At 1 January 2019	43,663	36,573	83,780	70,812	15,958	13,706	15,274	4,018	18,533	302,317
Amortisation for the year *	–	7,621	43,079	24,795	1,195	2,511	2,615	989	9,815	92,620
Impairment losses +	–	–	11,876	–	–	11,351	–	–	–	23,227
Deconsolidation/disposal of subsidiaries	(161)	–	–	(1,507)	–	–	–	–	–	(1,668)
Write-off	–	–	–	(75)	–	(32)	–	–	–	(107)
Translation difference	(616)	(804)	(1,118)	(1,101)	(232)	48	(230)	–	–	(4,053)
At 31 December 2019	42,886	43,390	137,617	92,924	16,921	27,584	17,659	5,007	28,348	412,336
Net book value										
At 31 December 2019	814,011	127,303	409,575	512,287	63,759	35,859	16,364	852	205	1,980,215

(Currency - Singapore dollars unless otherwise stated)

Group	Goodwill $'000	Dealer network $'000	Development expenditure $'000	Commercial and intellectual property rights $'000	Brands $'000	Licenses $'000	Technology agreement $'000	Authorised repair centre agreement $'000	Others $'000	Total $'000
Cost										
At 1 January 2018	566,485	179,101	312,900	94,504	80,150	57,466	33,743	5,859	18,928	1,349,136
Additions	–	–	114,789	619	–	–	–	–	–	115,408
Finalisation of purchase price allocation	(4,293)	–	–	–	–	–	–	–	–	(4,293)
Deconsolidation/disposal of subsidiaries	(10,883)	–	–	(1,366)	–	(996)	–	–	–	(13,245)
Write-off	–	–	–	–	–	–	–	–	(120)	(120)
Translation difference	9,694	(3,211)	(3,163)	1,144	1,625	(151)	731	–	–	6,669
At 31 December 2018	561,003	175,890	424,526	94,901	81,775	56,319	34,474	5,859	18,808	1,453,555
Accumulated amortisation and impairment losses										
At 1 January 2018	54,293	29,278	53,355	66,751	14,519	9,898	12,386	2,678	18,566	261,724
Amortisation for the year *	–	7,621	29,531	4,586	1,189	2,400	2,589	1,339	76	49,331
Impairment losses/(write-back of impairment) +	307	–	–	62	–	1,503	–	–	(11)	1,861
Deconsolidation/disposal of subsidiaries	(10,883)	–	–	(1,366)	–	–	–	–	–	(12,249)
Write-off	–	–	–	–	–	–	–	–	(97)	(97)
Translation difference	(54)	(326)	894	779	250	(95)	299	1	(1)	1,747
At 31 December 2018	43,663	36,573	83,780	70,812	15,958	13,706	15,274	4,018	18,533	302,317
Net book value										
At 31 December 2018	517,340	139,317	340,746	24,089	65,817	42,613	19,200	1,841	275	1,151,238

* Amortisation charge of $92,620,000 (2018: $49,331,000) is recognised in the income statement as part of:
- Other operating expenses of $31,528,000 (2018: $11,755,000); and
- Cost of sales of $61,092,000 (2018: $37,576,000)

\+ During the year, the Group assessed that certain development expenditure and licenses and commercial and intellectual property rights were impaired as these intangible assets were not expected to be generating future economic benefits and impairment losses of $23,227,000 were recognised in cost of sales in the income statement. In the prior year, impairment losses of $1,565,000 were recognised in other operating expenses in the income statement on certain licenses and commercial and intellectual property rights assessed by the Group to be impaired as these intangible assets were not expected to be generating future economic benefits.

In the prior year, an impairment loss on goodwill of $307,000 was recognised in other operating expenses in the income statement as the recoverable amount of one CGU was determined to be lower than the carrying amount.

(Currency - Singapore dollars unless otherwise stated)

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>Aerospace: 5 years
Electronics: 20 years
Land Systems: 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>

(Currency - Singapore dollars unless otherwise stated)

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, B757 15-PTF, A330-200 PTF and A330-300 PTF, A350 PTF and A320/A321 PTF*. * Amortisation have been deferred for the year ended 31 December 2019 as the assets are not yet ready for management's intended use.	(i) Initially recognised at cost (ii) Subsequently, carried at cost less any accumulated amortisation and accumulated impairment losses	B757 15-PTF: 4 years A330-200 PTF and A330-300 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.

Key estimate 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 divisions and the key assumptions used in determining the recoverable amount of each CGU are as follows:

			Pre-tax discount rate		Terminal value growth rate	
Group	**2019 $'000**	**2018 $'000**	**2019 %**	**2018 %**	**2019 %**	**2018 %**
Aerospace						
Aircraft Maintenance & Modification	13,170	13,666	12.0	11.0 – 11.5	2.5	2.0 – 2.5
Component/Engine Repair & Overhaul	13,206	13,381	14.5	15.2	2.5	2.4
Engineering & Material Services	62,983	26,168	12.7	12.4	2.0	1.0
Electronics						
Communication & Sensor Systems Group	509,952	246,747	9.8 – 13.3	10.0 – 10.6	4.0 – 5.0	4.0 – 5.0
Software Systems Group	27,663	27,866	8.8 – 12.7	8.7 – 13.1	2.0 – 3.0	2.0 – 3.0
Land Systems						
Automotive	152,245	154,260	12.0 – 17.2	12.3 – 15.3	2.3 – 3.0	3.0 – 3.5
Others	34,792	35,252	10.3	10.0	3.0	3.0
	814,011	517,340				

(Currency - Singapore dollars unless otherwise stated)

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 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 value 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.

Sensitivity to changes in assumptions:

(a) Management has identified the following key assumption for which a change as set out below could cause the carrying amount to exceed the recoverable amount.

Business Divisions	Assumption	Change required for carrying amount to equal the recoverable amount 2019 %	2018 %
Others	Sales growth rate (average of next 5 years)	0.5	0.7

(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 estimate and judgement: Impairment of goodwill

Determination of potential impairment requires an estimation of the recoverable amount of the CGUs to which goodwill are allocated. Key assumptions made to the projected cash flows requiring judgement include growth rate estimates and discount rates.

(Currency - Singapore dollars unless otherwise stated)

C4 Amounts due from related parties

	Group 2019 $'000	Group 2018 $'000
Trade:		
Associates	3,360	2,509
Joint ventures	24,720	1,952
Related corporations	7,376	10,425
	35,456	14,886
Non-trade:		
Joint ventures *	4,955	25,130
Related corporations	56	182
	5,011	25,312
	40,467	40,198
Receivable:		
Within 1 year	35,661	35,392
After 1 year	4,806	4,806
	40,467	40,198

There were no significant amounts due from related parties denominated in currencies other than the respective entities' functional currencies as at 31 December 2019 and 31 December 2018.

* Included in the amounts due from joint ventures (non-trade) are:

(a) a loan of $4,806,000 (2018: $4,806,000) bearing interest at 6.38% (2018: 6.38%) per annum, which is the effective interest rate. The loan is unsecured and repayable by 2029; and

(b) a loan of $19,806,000 as at 31 December 2018, bearing effective interest rate at 3.49% per annum, was repaid during the year.

C5 Inventories

	Group 2019 $'000	Group 2018 $'000
Inventories of equipment and spares	1,311,858	1,183,510

In 2019, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to $5,447,863,000 (2018: $4,919,045,000). This includes inventories that were reclassified as contract assets and subsequently expensed in the course of fulfilling performance obligations in contracts with customers.

(Currency - Singapore dollars unless otherwise stated)

Allowances for inventory obsolescence

As at 31 December 2019, the inventories are stated after allowance for inventory obsolescence of $340,728,000 (2018: $383,486,000).

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.

Key estimate and judgement: Allowance for inventory obsolescence

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. The actual amount of inventory write-offs could be higher or lower than the allowance made.

C6 Trade receivables

	Group	
	2019	2018
	$'000	$'000
Gross receivables	1,322,767	1,170,064
Allowance for doubtful debts	(76,886)	(32,248)
Trade receivables, net	1,245,881	1,137,816

Trade receivables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $289,538,000 (2018: $231,057,000) denominated in USD
- $26,245,000 (2018: $22,092,000) denominated in Euro

Trade receivables amounting to $1,848,000 (2018: $4,319,000) are arranged to be repaid through letters of credit issued by reputable banks.

(Currency - Singapore dollars unless otherwise stated)

C7 Advances and other receivables

	Group 2019 $'000	Group 2018 $'000
Deposits	14,887	14,719
Interest receivables	789	758
Finance lease receivables	3,614	–
Other recoverables	68,470	48,963
Non-trade receivables	30,911	18,307
Advance payments to suppliers	161,840	113,665
Prepayments	67,424	67,913
Derivative financial instruments	6,035	6,565
Housing and car loans and advances to staff	2,563	2,642
Loans to third parties	1,060	503
	357,593	274,035
Receivable:		
Within 1 year	345,744	253,961
After 1 year	11,849	20,074
	357,593	274,035

The Group entered into finance lease arrangements with customers with terms ranging from 1.6 to 3.0 years and effective interest rates ranging from 2.29% to 2.74% per annum.

C8 Bank balances and other liquid funds

	Group 2019 $'000	Group 2018 $'000
Fixed deposits with financial institutions	73,738	65,532
Cash and bank balances	379,492	350,248
Bank balances and other liquid funds	453,230	415,780
Deposits pledged	(1,135)	(1,380)
Cash and cash equivalents in the statement of cash flows	452,095	414,400

Fixed deposits with financial institutions mature at varying periods within 10 months (2018: 12 months) from the financial year-end. Interest rates range from 1.2% to 3.8% (2018: 1.1% to 6.4%) per annum, which are also the effective interest rates.

Cash and bank balances of $1,135,000 (2018: $1,380,000) 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:

- $176,836,000 (2018: $60,256,000) denominated in USD
- $97,962,000 (2018: $89,470,000) denominated in Euro

(Currency - Singapore dollars unless otherwise stated)

C9 Trade payables and accruals

	Group 2019 $'000	Group 2018 $'000
Trade payables	859,102	885,441
Non-trade payables	84,131	72,494
Purchase of property, plant and equipment	5,386	41
Accrued operating expenses *	1,094,509	922,772
Accrued interest payable	376	8,064
Derivative financial instruments	27,376	21,291
	2,070,880	1,910,103
Payable:		
Within 1 year	2,012,897	1,829,758
After 1 year	57,983	80,345
	2,070,880	1,910,103

Trade payables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $114,062,000 (2018: $112,102,000) denominated in USD
- $34,636,000 (2018: $48,313,000) denominated in Euro

* Included in the accrued operating expenses is an amount of $319,060,000 (2018: $323,849,000) for the Group's obligations under its employee compensation schemes.

C10 Amounts due to related parties

	Group 2019 $'000	Group 2018 $'000
Trade:		
Associates	11,029	7,289
Joint ventures	140	252
Related corporations	1,537	3,869
	12,706	11,410
Non-trade:		
Joint ventures *	55,682	73,824
Related corporations	1,619	211
	57,301	74,035
	70,007	85,445
Payable:		
Within 1 year	70,007	85,445

(Currency - Singapore dollars unless otherwise stated)

There were no significant amounts due to related parties denominated in currencies other than the respective entities' functional currencies as at 31 December 2019 and 31 December 2018.

* Included in the amounts due to joint ventures (non-trade) is an amount of $55,682,000 (2018: $69,786,000) placed by joint ventures to a subsidiary of the Group under a cash pooling arrangement, where an effective interest of 1.46% per annum (2018: 1.36%) is charged on the outstanding balance.

C11 Provisions

Movements in provisions are as follows:

	Warranties $'000	Onerous contracts $'000	Closure costs $'000	Restoration costs $'000	Total $'000
Group					
2019					
At 1 January 2019	171,315	39,070	2,550	–	212,935
Reclassification	–	–	–	20,004	20,004
Charged to profit or loss	19,343	16,305	–	378	36,026
Additions	–	–	–	292	292
Acquisition of subsidiaries	9,250	23,577	–	–	32,827
Provision utilised	(23,475)	(25,927)	(1,140)	–	(50,542)
Translation difference	(287)	(703)	(71)	(28)	(1,089)
At 31 December 2019	176,146	52,322	1,339	20,646	250,453

On 1 January 2019, the Group reclassified $20,004,000 of provision for restoration costs from trade payables and accruals.

(Currency - Singapore dollars unless otherwise stated)

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(i) Warranties

The warranty provision represents the best estimate of the Group's contractual obligations at the reporting date.

Under the terms of the revenue contracts with key customers, the Group is obligated to make good, by repair or replacement, engineering or manufacturing defects that become apparent within the warranty period from the date of sale. The warranty obligation varies from 60 days to 15 years. The Group's experience of the proportion of its products sold that requires repair or replacement differs from year to year as every contract is customised to the specification of the customers.

The estimation of the provision for warranty expenses is based on the Group's past claim experience over the duration of the warranty period and the industry average in relation to warranty exposures and represents the best estimates of the costs expected to incur per dollar of sales.

The warranty provision made as at 31 December 2019 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.

Key estimate and judgement: Provision for warranty

The provision for warranty is based on estimates from known and expected warranty work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

Key estimate and judgement: Provision for onerous contracts

The Group conducts a critical review of all its long-term contracts regularly. Allowance is made where necessary to account for onerous contracts and significant judgement is used to estimate the total cost to complete.

(Currency - Singapore dollars unless otherwise stated)

C12 Deferred income

	Group 2019 $'000	Group 2018 $'000
Government grants	34,888	37,466
Deferred rents	1,824	8,700
	36,712	46,166
Recognise:		
Within 1 year	2,403	3,761
After 1 year	34,309	42,405
	36,712	46,166

Government grants relate mainly to grants received to subsidise the cost of capital assets.

On 1 January 2019, on adoption of SFRS(I) 16, $6,713,000 of deferred rent for long-term leases were reclassified to right-of-use assets.

C13 Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

	Group 2019 $'000	Group 2018 $'000
Contract assets	1,246,207	1,070,396
Contract liabilities	(1,466,207)	(1,819,546)

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (included in trade receivables), unbilled receivables (contract assets), and customer advances (contract liabilities) on the balance sheet.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. If the value of services rendered exceeds payments received from the customer, a contract asset is recognised and presented separately. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

The contract liabilities primarily relate to advance consideration received from customers for contract revenue. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and presented separately.

These assets and liabilities are reported on the balance sheet on a contract by contract basis at each reporting date.

(Currency - Singapore dollars unless otherwise stated)

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Group			
	Contract assets		Contract liabilities	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	734,615	530,126
Increase due to cash received, excluding amounts recognised as revenue during the year	–	–	(591,263)	(591,971)
Contract assets recognised	902,185	774,994	–	–
Contract assets reclassified to trade receivables	(669,757)	(610,114)	–	–
Changes in measurement of progress	(262)	4,804	–	–

Transaction price allocated to the remaining performance obligations

The aggregate amount of transaction price allocated to the remaining performance obligations as at 31 December 2019 is $15,319,082,000 and the Group expects to recognise $5,867,193,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2020 with the remaining $9,451,889,000 in 2021 and beyond.

As at 31 December 2018, the aggregate amount of transaction price allocated to the remaining performance obligations was $13,183,505,000 and the Group expected to recognise $4,944,523,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2019 with the remaining $8,238,982,000 in 2020 and beyond.

Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amount presented above.

Key estimate and judgement: Contract balances

Significant 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.

(Currency - Singapore dollars unless otherwise stated)

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, bank loans and overdrafts, finance leases and hire purchase contracts, investments, cash and short-term deposits.

All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors' resolutions, with banking mandates, which define the permitted financial instruments and facilities limits. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation. The purpose of engaging in treasury transactions is solely for hedging. The Group's treasury mandates allow only foreign exchange spot, forward or non-deliverable forward, foreign exchange swap, cross currency swap, purchase of foreign exchange call, put or collar option, forward rate agreement, interest rate swap, purchase of interest rate cap, floor or collar option. These instruments are generic in nature with no embedded or leverage features and any deviation from these instruments would require specific approval from the Board of Directors.

The policies for managing each of these risks are broadly summarised below:

Interest rate risk

As at reporting date, the interest rate profile of the interest-bearing financial instruments is:

	Group	
	2019	**2018**
	$'000	**$'000**
Fixed rate instruments		
Financial assets	82,158	90,144
Financial liabilities	(840,378)	(250,835)
	(758,220)	(160,691)
Variable rate instruments		
Financial liabilities	(1,552,971)	(314,654)
	(1,552,971)	(314,654)

(Currency - Singapore dollars unless otherwise stated)

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, commercial papers and lease liabilities (2018: bank loans 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 $7.8 million (2018: $1.6 million).

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 Euro, and manages its exposure through forward currency contracts and embedded derivatives.

The Group’s centralised Treasury Unit monitors the current and projected foreign currency cash flows within the Group and aims to reduce the exposure of the net position by transacting with the banks where appropriate.

No foreign exchange sensitivity analysis was disclosed as a reasonable change in the exchange rates would not result in any significant impact on the Group’s results.

Market risk

The Group has strategic investments in quoted and unquoted equity shares. The market value of these investments will fluctuate with market conditions.

No sensitivity analysis was disclosed as a reasonable change in the market value of these investments would not result in any significant impact on the Group's results.

Liquidity risk

To manage liquidity risk, the Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

The table below analyses the maturity profile of the Group’s financial liabilities based on the contractual undiscounted cash flows including estimated interest payments and excluding impact of netting arrangements.

(Currency - Singapore dollars unless otherwise stated)

Group	Contractual cash flow $'000	Within 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000
2019				
Bank loans	(492,798)	(360,295)	(34,326)	(98,177)
Commercial papers	(1,440,175)	(1,440,175)	–	–
Lease liabilities	(567,420)	(65,836)	(159,544)	(342,040)
Trade and other payables	(2,113,511)	(2,055,528)	(57,572)	(411)
Derivative financial instruments:				
• Gross-settled forward currency contracts				
- payments	(1,055,031)	(612,682)	(442,349)	–
- receipts	1,044,018	599,405	444,613	–
• Net-settled interest rate swaps	(7,690)	(2,151)	(5,503)	(36)
Financial guarantees	(106,052)	(23,125)	(22,220)	(60,707)
2018				
Bank loans	(499,291)	(231,435)	(230,210)	(37,646)
Lease liabilities	(24,825)	(1,181)	(4,488)	(19,156)
Trade and other payables	(1,974,257)	(1,893,912)	(75,058)	(5,287)
Derivative financial instruments:				
• Gross-settled forward currency contracts				
- payments	(1,191,268)	(601,037)	(590,231)	–
- receipts	1,178,865	592,641	586,224	–
• Net-settled interest rate swaps	2,231	1,479	752	–
Financial guarantees	(87,921)	(2,384)	(19,239)	(66,298)

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.

(Currency - Singapore dollars unless otherwise stated)

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	
	2019	**2018**
	$'000	**$'000**
Investments	16,782	16,814
Derivative financial instruments, non-current	13,351	11,483
Contract assets	1,246,207	1,070,396
Trade receivables	1,247,549	1,138,988
Amounts due from related parties	40,467	40,198
Advances and other receivables	128,329	92,457
Bank balances and other liquids funds	453,230	415,780
	3,145,915	2,786,116

Impairment losses on financial assets and contract assets recognised in profit or loss are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Trade receivables	50,750	1,612
Contract balances arising from contracts with customers	2,723	5,793
	53,473	7,405

(Currency - Singapore dollars unless otherwise stated)

Exposure to credit risk

As at 31 December 2019, 31% (2018: 26%) 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	
	2019	**2018**
	$'000	**$'000**
Aerospace	956,963	780,856
Electronics	1,178,797	1,040,822
Land Systems	231,774	269,770
Marine	118,246	108,768
Others	7,976	9,168
	2,493,756	2,209,384

A summary of the Group's exposures to credit risk for trade receivables and contract assets is as follows:

	2019		**2018**	
	Not credit impaired $'000	**Credit impaired $'000**	**Not credit impaired $'000**	**Credit impaired $'000**
Group				
Receivables measured at lifetime ECL:				
Trade receivables and contract assets	2,493,756	97,749	2,209,384	38,986
Loss allowance	–	(97,749)	–	(38,986)
Total	2,493,756	–	2,209,384	–

(Currency - Singapore dollars unless otherwise stated)

Expected credit loss assessment

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 as there is no applicable credit ratings (or equivalent).

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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for customers:

	Group			
	Weighted average loss rate %	Gross carrying amount $'000	Impairment loss allowance $'000	Credit Impaired
2019				
Not past due	1.02	2,239,608	(22,908)	No
1 – 90 days	1.18	207,191	(2,441)	No
91 – 180 days	3.00	41,929	(1,259)	No
181 – 360 days	22.58	34,360	(7,758)	No
> 360 days	92.64	68,417	(63,383)	Yes
		2,591,505	(97,749)	
2018				
Not past due	0.55	1,807,360	(9,860)	No
1 – 90 days	0.57	338,958	(1,927)	No
91 – 180 days	2.07	64,920	(1,347)	No
181 – 360 days	31.81	10,902	(3,468)	No
> 360 days	85.34	26,230	(22,384)	Yes
		2,248,370	(38,986)	

Loss rates are based on actual credit loss experience over the past four years adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

(Currency - Singapore dollars unless otherwise stated)

Movements in allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year were as follows:

	Group lifetime ECL	
	2019	**2018**
	$'000	**$'000**
At 1 January	38,986	47,766
Impairment loss recognised	53,473	7,405
Amounts written off	(8,066)	(4,594)
Acquisition of subsidiaries	12,142	–
Disposal of subsidiaries	(8)	(11,048)
Translation differences	1,222	(543)
At 31 December	97,749	38,986

Bank balances and other liquid funds

Bank balances and other liquid funds are placed with financial institutions, which mainly have long-term rating of A3 by Moody's or A- by Standard & Poor's or the equivalent by a reputable credit rating agency. Impairment on bank balances and other liquid funds has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances and other liquid funds to have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on bank balances and other liquid funds is insignificant.

Other financial assets

Other financial assets comprise amounts due from related parties and other receivables, which are mostly short-term in nature. Impairment on other financial assets has been measured on the 12-month expected loss basis and reflects the short maturities of exposures. The Group considers its other financial assets to have low credit risk and the amount of the allowance on other financial assets is insignificant.

Recognition and measurement

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost, contract assets (as defined in SFRS(I)15), debt investments at FVOCI and financial guarantee contracts, but not for equity investments.

Loss allowances of the Group are measured using either the simplified or general approach.

The Group applies the simplified approach to provide for ECLs for all trade receivables (including lease receivables) and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

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

(Currency - Singapore dollars unless otherwise stated)

- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track record, current macroeconomics situation as well as general industry trend.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or payment remains outstanding for more than a reasonable range of past due days;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the balance sheets

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Key estimate and judgement: Impairment of financial assets and contract assets

Impairment of financial assets and contract assets are estimated based on historical loss experience for assets with similar credit risk characteristics. The estimated ECL is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

(Currency - Singapore dollars unless otherwise stated)

C15 Classification and fair value of financial instruments

	Carrying amount						Fair value			
Group	Amortised cost $'000	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	FVOCI – equity instruments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2019										
Financial assets measured at fair value										
Investments	–	–	–	16,782	–	16,782	604	6,741	9,437	16,782
Associates	–	23,328	–	–	–	23,328	–	17,481	5,847	23,328
Derivative financial instruments	–	7,591	11,795	–	–	19,386	–	19,386	–	19,386
	–	30,919	11,795	16,782	–	59,496	604	43,608	15,284	59,496
Financial assets not measured at fair value										
Trade receivables	1,247,549	–	–	–	–	1,247,549				
Amounts due from related parties	40,467	–	–	–	–	40,467				
Advances and other receivables	122,294	–	–	–	–	122,294				
Bank balances and other liquid funds	453,230	–	–	–	–	453,230				
	1,863,540	–	–	–	–	1,863,540				
Financial liabilities measured at fair value										
Derivative financial instruments	–	(3,067)	(52,209)	–	–	(55,276)	–	(55,276)	–	(55,276)
Financial liabilities not measured at fair value										
Creditors and accruals	–	–	–	–	(2,043,504)	(2,043,504)				
Amounts due to related parties	–	–	–	–	(70,007)	(70,007)				
Borrowings	–	–	–	–	(2,337,707)	(2,337,707)				
	–	–	–	–	(4,451,218)	(4,451,218)				

(Currency - Singapore dollars unless otherwise stated)

	Carrying amount						Fair value			
Group	Amortised cost $'000	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	FVOCI – equity instruments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2018										
Financial assets measured at fair value										
Investments	–	–	–	16,814	–	16,814	422	16,392	–	16,814
Associates	–	23,698	–	–	–	23,698	–	23,698	–	23,698
Derivative financial instruments	–	5,728	12,320	–	–	18,048	–	18,048	–	18,048
	–	29,426	12,320	16,814	–	58,560	422	58,138	–	58,560
Financial assets not measured at fair value										
Trade receivables	1,138,988	–	–	–	–	1,138,988				
Amounts due from related parties	40,198	–	–	–	–	40,198				
Advances and other receivables	85,892	–	–	–	–	85,892				
Bank balances and other liquid funds	415,780	–	–	–	–	415,780				
	1,680,858	–	–	–	–	1,680,858				
Financial liabilities measured at fair value										
Derivative financial instruments	–	(3,057)	(38,076)	–	–	(41,133)	–	(41,133)	–	(41,133)
Financial liabilities not measured at fair value										
Creditors and accruals	–	–	–	–	(1,888,812)	(1,888,812)				
Amounts due to related parties	–	–	–	–	(85,445)	(85,445)				
Borrowings	–	–	–	–	(495,779)	(495,779)				
	–	–	–	–	(2,470,036)	(2,470,036)				

(Currency - Singapore dollars unless otherwise stated)

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	
	2019 $'000	2018 $'000
Associate		
Opening balance	–	–
Transfer from Level 2	7,825	–
Total unrealised losses recognised in profit or loss, finance costs	(1,978)	–
Closing balance	5,847	–
Equity instruments (unquoted)		
Opening balance	–	12
Transfer from Level 2	9,437	–
Total gain:		
- recognised in other comprehensive income	–	(12)
Closing balance	9,437	–
	15,284	–

Recognition and measurement

(a) Non-derivative financial assets and liabilities

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

(Currency - Singapore dollars unless otherwise stated)

Financial assets	Classification	Subsequent measurement
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.
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.

(Currency - Singapore dollars unless otherwise stated)

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 expire.

(b) Fair value

The Group has an established approach with respect to the measurement of fair values.

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table shows the levels of fair value hierarchy and the respective valuation technique used in measuring the fair values, as well as significant unobservable inputs:

	Types of financial instruments	Valuation method
Level 1	**FVOCI** - Equity investments (quoted)	Determined by reference to their quoted bid prices for these investments as at reporting date.
Level 2	**FVOCI** - Equity investments (unquoted)	Determined by reference to the most recent purchase price.
	Derivatives - Forward currency contracts - Interest rate swaps - Embedded derivatives	Determined based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
	FVTPL - Investment in associates	Determined by reference to the most recent purchase price.
Level 3	**FVOCI** - Equity investment (unquoted)	Determined based on latest funding round.
	FVTPL - Investment in associate	Determined based on valuation performed using adjusted market multiples. The market multiples used is 7.9. Changing one or more of the inputs to reasonable alternative assumptions is not expected to have a material impact on the changes in fair value.

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 2019, other than a transfer from Level 2 to Level 3, there were no other transfers between the different levels of fair value hierarchy. There were no transfers between the different levels of fair value hierarchy in 2018.

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.

(Currency - Singapore dollars unless otherwise stated)

C16 Derivative financial instruments

Cash flow hedges

At 31 December 2019, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

	Maturity		
	Within 1 year	**Between 1 to 5 years**	**More than 5 years**
2019			
Foreign currency risk			
Nominal amount of forward exchange contracts (in thousands of SGD)	325,796	211,924	–
- Average EUR:USD forward contract rate	1.2039	1.1752	–
- Average EUR:SGD forward contract rate	1.6639	1.6752	–
- Average THB:SGD forward contract rate	0.0441	–	–
Nominal amount of embedded derivatives (in thousands of SGD)	99,680	147,862	–
- Average EUR:SGD	1.6405	1.6494	–
- Average USD:SGD	1.3766	1.3808	–
- Average GBP:SGD	1.8005	1.8222	–
Interest rate risk			
Nominal amount of interest rate swaps	134,810	–	195,475
- Average fixed interest rate	1.6325	–	2.6731
2018			
Foreign currency risk			
Nominal amount of forward exchange contracts (in thousands of SGD)	493,801	237,406	–
- Average USD:SGD forward contract rate	1.3539	–	–
- Average EUR:SGD forward contract rate	1.6536	1.6645	–
- Average EUR:USD forward contract rate	1.2049	1.2251	–
Nominal amount of embedded derivatives (in thousands of SGD)	69,832	250,421	–
- Average USD:SGD	1.3794	1.3801	–
- Average EUR:SGD	1.6573	1.6452	–
- Average GBP:SGD	1.7934	1.8144	–
Interest rate risk			
Nominal amount of interest rate swaps	–	163,914	–
- Average fixed interest rate	–	1.6273	–

(Currency - Singapore dollars unless otherwise stated)

The amounts at the reporting date relating to items designated as hedged items were as follows:

	Change in value used for calculating hedge ineffectiveness $'000	Cash flow hedge reserve $'000
2019		
Foreign currency risk		
Sales	(12,300)	(8,370)
Receivables	129	(330)
Purchases	(8,844)	(5,938)
Payables	(566)	(268)
Embedded derivatives	(1,029)	(13,156)
Interest rate risk		
Variable rate borrowings	(9,832)	(7,001)
2018		
Foreign currency risk		
Sales	(19,837)	6,090
Receivables	(481)	(458)
Purchases	(4,884)	(1,277)
Payables	170	(20)
Embedded derivatives	(8,207)	(12,127)
Interest rate risk		
Variable rate borrowings	794	2,831

There are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied.

(Currency - Singapore dollars unless otherwise stated)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2019				During the year 2019					
	Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the statement of financial position where the hedging instrument is included	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
Foreign currency risk										
Forward exchange contracts	537,720	3,136	(21,180)	Derivative financial instruments, advances and other receivables and trade payables and accruals	(21,581)	1,071	Cost of sales / Finance costs, net	3,700	(1,371)	Revenue / Cost of sales / Operating expenses / Finance costs, net
Embedded derivatives	247,542	–	(13,489)		(1,029)	–	–	–	–	–
Interest rate risk										
Interest rate swaps	330,285	12	(7,560)	Derivative financial instruments	(9,832)	–	–	–	–	–

(Currency - Singapore dollars unless otherwise stated)

	2018				During the year 2018					
	Nominal amount $'000	**Assets $'000**	**Liabilities $'000**	**Line item in the statement of financial position where the hedging instrument is included**	**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**
Foreign currency risk										
Forward exchange contracts	731,206	3,766	(20,734)	Derivative financial instruments, advances and other receivables and trade payables and accruals	(25,032)	(201)	Cost of sales / Finance costs, net	3,955	2	Revenue / Cost of sales / Operating expenses / Finance costs, net
Embedded derivatives	320,253	156	(11,427)		(8,207)	–	–	–	–	–
Interest rate risk										
Interest rate swaps	163,914	2,854	–	Derivative financial instruments	794	–	–	–	–	–

(Currency - Singapore dollars unless otherwise stated)

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:

	Hedging reserve 2019 $'000	Hedging reserve 2018 $'000
Balance at 1 January	(424)	20,408
Change in fair value:		
Foreign currency risk	(22,610)	(33,239)
Interest rate risk	(9,832)	794
Equity accounted joint ventures	(5,379)	505
Amount reclassified to profit or loss:		
Foreign currency risk	(1,371)	2
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	3,700	3,955
Tax movements on reserves during the year	2,966	7,151
Balance at 31 December	(32,950)	(424)

Derivative financial instruments and hedge accounting

The Group early adopted the amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7. The related disclosures for the comparative period are made under SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 before the amendments.

The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into. Attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair values.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss.

Designation of hedges

At inception or upon reassessment of the hedge arrangement, the Group documents the relationship between hedging instrument and hedged item, and the methods that will be used to measure the effectiveness of the hedged relationship, as well as risk management policies and strategies in undertaking various hedged transactions.

The Group also documents its assessment, both at inception and on an ongoing basis, the economic relationship between hedging instruments and hedged item, including whether derivatives designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of the hedged item.

(Currency - Singapore dollars unless otherwise stated)

	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.

(Currency - Singapore dollars unless otherwise stated)

D
Employee Benefits

The Group uses the following programs to reward and recognise employees and key executives, including key management personnel.

- Economic Value Added (EVA)-based Incentive Scheme
- Defined contribution plans
- Employee benefits
- Share plans

The Group believes that these programs reinforce the value of ownership and incentivise and drive performance both individually and collectively to maximise returns to the shareholders.

D1 Economic Value Added (EVA)-based Incentive Scheme

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.

Key estimate and judgement: EVA-based Incentive Scheme (EBIS)

Estimates of the Group’s obligations arising from the EBIS at the reporting date may be affected by future events, which cannot be predicated with any certainty. The assumptions and estimates are made based on management’s knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates. Negative EVA will result in a clawback of EVA bonus accumulated in previous years.

(Currency - Singapore dollars unless otherwise stated)

D2 Personnel expenses

	Group 2019 $'000	Group 2018 $'000
Wages and salaries	1,843,879	1,617,337
Contributions to defined contribution plans	192,178	174,852
Defined benefit plan expenses	21,800	8,140
Share-based payments	23,925	20,038
Other personnel expenses	224,022	195,720
	2,305,804	2,016,087

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 Employee benefits

	Group 2019 $'000	Group 2018 $'000
Net defined benefit liabilities	377,987	106,041
Liability for staff benefits	13,339	4,376
Total employee benefit liabilities	391,326	110,417
Non-current	380,061	108,016
Current	11,265	2,401
	391,326	110,417

(Currency - Singapore dollars unless otherwise stated)

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 2019 $'000	Defined benefit obligation 2018 $'000	Fair value of plan assets 2019 $'000	Fair value of plan assets 2018 $'000	Net defined benefit liability/(asset) 2019 $'000	Net defined benefit liability/(asset) 2018 $'000
Balance at 1 January	113,361	107,874	(7,320)	(7,603)	106,041	100,271
Included in profit or loss						
Current service cost	12,809	6,522	–	–	12,809	6,522
Interest cost/(income)	15,130	2,044	(7,646)	(117)	7,484	1,927
Administrative expenses	243	–	1,264	(243)	1,507	(243)
Translation difference	–	(591)	–	525	–	(66)
	28,182	7,975	(6,382)	165	21,800	8,140
Included in OCI						
Remeasurement loss/(gain):						
● Actuarial loss/(gain) arising from:						
- demographic assumptions	16,504	143	–	–	16,504	143
- financial assumptions	74,847	424	(43)	35	74,804	459
- experience assumptions	720	146	(143)	–	577	146
● Return on plan assets excluding interest income	–	–	(27,110)	(13)	(27,110)	(13)
	92,071	713	(27,296)	22	64,775	735
Others						
Contributions paid by the employer	1,331	1,181	(26,420)	–	(25,089)	1,181
Contributions paid by the employee	51	–	(51)	–	–	–
Benefits paid	(15,875)	(2,271)	13,714	226	(2,161)	(2,045)
Acquisition of subsidiaries	505,988	–	(286,688)	–	219,300	–
Translation difference	(10,265)	(2,111)	3,586	(130)	(6,679)	(2,241)
Balance at 31 December	714,844	113,361	(336,857)	(7,320)	377,987	106,041

The expenses are recognised in the following line items in profit or loss:

	Group 2019 $'000	Group 2018 $'000
Cost of sales	19,960	8,393
Administrative expenses	1,610	(243)
Other operating expenses	16	–
Finance cost, net	214	(10)
Defined benefit obligation expenses	21,800	8,140

The fair value of plan assets in each category are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Equity securities	135,201	214
Government bonds	30,314	433
Corporate bonds	108,642	–
Derivatives	208	67
Cash/money markets	4,183	–
Property occupied by the Group	40,777	–
Funds managed by a trustee	2,234	1,990
Funds with insurance companies	15,298	4,616
Fair value of plan assets	336,857	7,320

All equity securities and government bonds have quoted prices in active markets. All government bonds have an average rating of A+.

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	
	2019	**2018**
	%	**%**
Discount rate	2.3	1.9
Future salary growth	3.2	2.8
Future pension growth	2.5	1.6

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			
	2019		**2018**	
	Germany	**U.S.**	**Germany**	**U.S.**
Longevity at age 65 for current pensioners:				
Males	20.3	19.6	20.2	–
Females	23.8	21.6	23.7	–
Longevity at age 65 for current members aged 45:				
Males	23.1	20.1	23.0	–
Females	26.0	22.4	25.9	–

(Currency - Singapore dollars unless otherwise stated)

At 31 December 2019, the weighted average duration of the defined benefit obligation was 24.2 years (2018: 17.8 years) for the subsidiaries in Germany and 13.1 years (2018: Nil) 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.

	2019		2018	
Group	**Increase $'000**	**Decrease $'000**	**Increase $'000**	**Decrease $'000**
Discount rate (0.5% movement)	(51,601)	58,782	(8,453)	9,690
Future salary growth (0.25% movement)	2,148	(2,060)	200	(183)
Future pension growth (0.25% movement)	2,350	(2,246)	880	(847)
Future mortality (10% movement)	(16,316)	21,499	–	1,253

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

Movement in the number of shares under the PSP and RSP are as follows:

	Group			
	2019		2018	
	PSP2010	**RSP2010**	**PSP2010**	**RSP2010**
Outstanding awards				
Balance at 1 January	4,818,034	12,501,287	5,007,919	10,412,458
Granted	2,280,194	6,594,486	1,724,540	7,299,438
Lapsed	(160,722)	(580,892)	(261,901)	(654,122)
Released	(2,041,497)	(5,205,994)	(842,788)	(4,550,187)
Cancelled	–	–	(809,736)	(6,300)
Balance at 31 December	4,896,009	13,308,887	4,818,034	12,501,287

These shares were awarded by reissuance of treasury shares.

(Currency - Singapore dollars unless otherwise stated)

Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010) and Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010)

	Group			
	PSP Year of grant		**RSP Year of grant**	
	2019	**2018**	**2019**	**2018**
Volatility of the Company's shares (%)	13.37	18.17	13.37	18.17
Risk-free rate (%)	1.92	1.99	1.91 – 1.93	1.73 – 2.03
Share price ($)	3.75	3.59	3.75	3.59
Cost of equity (%)	7.0	7.3	N.A.	N.A.
Dividend yield	(--Management's forecast in line with dividend policy--)		(--Management's forecast in line with dividend policy--)	

The fair value of the performance and restricted shares is determined on grant date using the Monte Carlo simulation model.

During the current year, the Group met the pre-determined target performance level and hence, 2,041,497 performance shares were awarded in respect of the grant made in 2016 under PSP2010.

Recognition and measurement

The Group operates a number of share-based payment plans. A description of each type of share-based payment arrangement that existed at any time during the period is described in the Directors' Statement.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(Currency - Singapore dollars unless otherwise stated)

E
Capital Structure and Financing

This section provides information relating to the Group's capital structure and how they affect the Group's financial position and performance, and how the risks are managed.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy financial metrics in order to support its business and maximise shareholder value. Capital consists of total shareholders' funds and gross debts.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic and financial market conditions. The Group may adjust the dividend payout to shareholders, buy back or issue new shares to optimise capital structure within the Group.

E1 Capital management

The Group is currently in a net debt position after the issuance of commercial papers during the year. The Group 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 other than those imposed by local regulatory bodies.

	Group	
	2019	**2018**
	$'000	**$'000**
Gross debt		
Bank loans	477,409	481,060
Commercial papers	1,436,140	–
Lease liabilities *	424,158	–
Capitalised lease obligations *	–	14,719
Present value of operating leases *	–	243,359
Financial guarantees	106,052	87,921
	2,443,759	827,059

(Currency - Singapore dollars unless otherwise stated)

	Group	
	2019 **$'000**	**2018** **$'000**
Shareholders' funds		
Share capital	895,926	895,926
Treasury shares	(26,731)	(9,030)
Capital and other reserves	(36,882)	46,120
Retained earnings	1,389,966	1,313,361
	2,222,279	2,246,377
Non-controlling interests	268,722	288,236
	2,491,001	2,534,613
Gross debt/equity ratio	1.0	0.3
Cash and cash equivalents	452,095	414,400
Gross debt (excluding bank overdrafts)	(2,443,759)	(827,059)
Net debt position	(1,991,664)	(412,659)

* Lease liability relates to obligations for lease payments recognised on adoption of SFRS(I) 16. Previously under SFRS(I) 1-17, the Group presented capitalised lease obligations for finance leases and present value of operating leases as part of gross debt.

E2 Finance costs, net

	Group	
	2019 **$'000**	**2018** **$'000**
Finance income		
Interest income		
- bank deposits	4,620	8,809
- staff loans	7	9
- finance lease	160	107
- bonds	–	6,834
- contracts with customers	–	495
- others	4,700	1,652
Exchange gain, net	3,350	3,895
Fair value changes of financial instruments		
- gain on forward currency contract designated as hedging instrument	118	359
- gain on ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges	3	8
Fair value changes of hedged items	1,332	189
	14,290	22,357

(Currency - Singapore dollars unless otherwise stated)

	Group 2019 $'000	Group 2018 $'000
Finance costs		
Interest expense		
- bank loans and overdrafts	(18,988)	(7,754)
- bonds and commercial papers	(8,902)	(31,891)
- lease liabilities	(12,481)	(1,210)
- contracts with customers	(1,579)	(1,550)
- others	(2,803)	(2,495)
Loss on disposal of investments	–	(5,173)
Net change in fair value of cash flow hedges reclassified from equity on occurrence of forecast transactions	(1,343)	(570)
Fair value changes of financial instruments		
- loss on fair value changes of forward currency contract and cross currency interest rate swaps not designated as hedging instrument	(2,841)	(5,266)
Fair value changes of investment in an associate	(1,978)	–
	(50,915)	(55,909)
Finance costs, net, recognised in profit or loss	(36,625)	(33,552)

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 or impairment losses recognised on investments, 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.

(Currency - Singapore dollars unless otherwise stated)

E3 Investments

	Group 2019 $'000	Group 2018 $'000
Equity shares, at FVOCI		
- quoted	604	422
- unquoted	16,178	16,392
Total investments, net of impairment losses	16,782	16,814
Represented by:		
Short-term investments	604	422
Long-term investments	16,178	16,392
	16,782	16,814

E4 Borrowings

	Note	Group Non-current $'000	Group Current $'000	Group Total $'000
31 December 2019				
Bank loans	(a)	106,389	371,020	477,409
Commercial papers	(b)	–	1,436,140	1,436,140
Lease liabilities	(c)	362,506	61,652	424,158
		468,895	1,868,812	2,337,707
31 December 2018				
Bank loans	(a)	256,105	224,955	481,060
Lease liabilities	(c)	14,258	461	14,719
		270,363	225,416	495,779

(a) Bank loans

	Currency	Effective interest rate %	Maturity	Group 2019 $'000	Group 2018 $'000
Bank loans	SGD	1.50	2020	350,000	80,000
	USD	5.01	2020 – 2023	14,827	299,394
	RMB	4.35 – 4.75	2020 – 2021	17,302	21,106
	EUR	0.47 – 1.59	2025 – 2029	95,280	80,560
				477,409	481,060
- Unsecured				408,313	400,253
- Secured				69,096	80,807
				477,409	481,060

There are bank loans which are secured by assets as follows:

<u>Secured by</u>		<u>Loan amount ($)</u>
Certain property, plant and equipment of subsidiaries	-	$35,388,000 (2018: $62,573,000)
Subsidiary's land use right	-	$33,708,000 (2018: $18,234,000)

As at 31 December 2018, bank loans denominated in currencies other than the respective entities' functional currency was $81,960,000, denominated in USD.

(Currency - Singapore dollars unless otherwise stated)

(b) Commercial papers

	Group 2019 $'000	Group 2018 $'000
Principal	1,440,175	–
Unamortised interest	(3,687)	–
Unamortised costs	(348)	–
	1,436,140	–

On 26 August 2019, the Group set up a US$1.5 billion U.S. Commercial Paper Programme. Under this programme, the Group may issue short-term unsecured promissory notes to eligible investors in reliance on available exemptions under the United States Securities Act of 1933. At 31 December 2019, the Group had outstanding notes with par value of US$1,068,300,000 issued at interest rates ranging from 1.74% to 2.13%, which mature within 3 months from the financial reporting date. The notes are unconditionally and irrevocably guaranteed by the Company.

(c) Lease liabilities

The Group leases many assets including real estate leases, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

	Group 2019 $'000
Maturity analysis – contractual undiscounted cash flows	
Within 1 year	65,836
Between 1 and 5 years	159,544
After 5 years	342,040
Total undiscounted lease liabilities at 31 December	567,420
Lease liabilities included in the balance sheet at 31 December	424,158
Repayable:	
Within 1 year	61,652
After 1 year	362,506
	424,158

(i) Real estate leases

The Group leases land and buildings for its office space, hangar and production facilities. The leases of office space typically run for a period of 5 to 30 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

The Group sub-leases some of its properties under operating and finance leases.

(Currency - Singapore dollars unless otherwise stated)

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.

Group	**Lease liabilities recognised (discounted) $'000**	**Potential future lease payments not included in lease liabilities (discounted) $'000**
Office buildings	26,388	48,231

(ii) Other leases

The Group leases vehicles and equipment, with lease terms of three to five years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group monitors the use of these vehicles and equipment, and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets.

The Group also leases IT equipment and machinery with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(Currency - Singapore dollars unless otherwise stated)

Comparative information under SFRS(I) 1-17

A subsidiary leases certain land, buildings and equipment from a foreign Airport Authority under a finance lease arrangement until 31 October 2041, with an option to terminate the lease at any time with a 36-month written notice. The leased assets are pledged as collateral against the lease.

The obligations under the finance leases to be paid by the subsidiaries are as follows:

Group	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000	Total $'000
2018				
Minimum lease payment	1,181	4,488	19,156	24,825
Interest	(720)	(2,727)	(6,659)	(10,106)
Present value of payment	461	1,761	12,497	14,719

	2018 $'000
Repayable:	
Within 1 year	461
After 1 year	14,258
	14,719

Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

(Currency - Singapore dollars unless otherwise stated)

Reconciliation of movements of liabilities and assets to cash flows arising from financing activities

	Liabilities			Assets	
	Borrowings $'000	Trade payables and accruals $'000	Amounts due to related parties $'000	Deposits pledged $'000	Total $'000
Balance at 1 January 2019	495,779	1,910,103	85,445	(1,380)	2,489,947
Adjustment on initial application of SFRS(I) 16	389,515	–	–	–	389,515
Changes from financing cash flows					
Proceeds from bank loans	1,079,911	–	–	–	1,079,911
Proceeds from commercial papers	1,440,175	–	–	–	1,440,175
Repayment of bank loans	(1,119,271)	–	–	–	(1,119,271)
Repayment of lease liabilities	(92,894)	–	–	–	(92,894)
Repayment of loan to a joint venture	–	–	(4,000)	–	(4,000)
Interest paid	(25,315)	(30,898)	–	–	(56,213)
Deposit discharged	–	–	–	245	245
Total changes from financing cash flows	1,282,606	(30,898)	(4,000)	245	1,247,953
Changes arising from obtaining or losing control of subsidiaries or other businesses	53,130	111,187	–	–	164,317
The effect of changes in foreign exchange rates	5,679	(5,387)	–	–	292
Change in fair value	–	6,085	–	–	6,085
Liability-related other changes					
Working capital changes	(1,707)	57,332	(12,350)	–	43,275
New leases	91,322	–	–	–	91,322
Interest expense	21,383	22,458	912	–	44,753
Total liability-related other changes	110,998	79,790	(11,438)	–	179,350
Balance at 31 December 2019	2,337,707	2,070,880	70,007	(1,135)	4,477,459

(Currency - Singapore dollars unless otherwise stated)

	Liabilities			Assets	
	Borrowings $'000	Trade payables and accruals $'000	Amounts due to related parties $'000	Deposits pledged $'000	Total $'000
Balance at 1 January 2018	1,116,064	1,731,582	104,059	(1,389)	2,950,316
Changes from financing cash flows					
Proceeds from bank loans	307,901	–	–	–	307,901
Proceeds of a loan from a joint venture	–	–	17,925	–	17,925
Repayment of bank loans	(247,134)	–	–	–	(247,134)
Repayment of other loans	(148)	–	–	–	(148)
Repayment of lease liabilities	(2,513)	–	–	–	(2,513)
Repayment of loan to a joint venture	–	–	(30,805)	–	(30,805)
Redemption of medium term notes	(681,100)	–	–	–	(681,100)
Interest paid	–	(49,416)	–	–	(49,416)
Deposit discharged	–	–	–	9	9
Total changes from financing cash flows	(622,994)	(49,416)	(12,880)	9	(685,281)
Changes arising from obtaining or losing control of subsidiaries or other businesses	(13,326)	(45,345)	–	–	(58,671)
The effect of changes in foreign exchange rates	14,714	1,595	8	–	16,317
Change in fair value	–	11,174	–	–	11,174
Liability-related other changes					
Working capital changes	573	216,814	(6,195)	–	211,192
Interest expense	748	43,699	453	–	44,900
Total liability-related other changes	1,321	260,513	(5,742)	–	256,092
Balance at 31 December 2018	495,779	1,910,103	85,445	(1,380)	2,489,947

(Currency - Singapore dollars unless otherwise stated)

E5 Commitments and contingent liabilities

(i) Capital commitments

	Group 2019 $'000	Group 2018 $'000
Capital expenditure contracted but not provided in the financial statements	62,670	98,976

(ii) Leases – As lessee

As at 31 December 2019, the Group had certain non-cancellable future minimum lease payments for short-term leases or leases for low-value assets amounting to $3,110,000.

Comparative information under SFRS(I) 1-17

Future minimum lease payments under non-cancellable operating asset leases are as follows:

	Group 2018 $'000
Third parties	
Within 1 year	56,588
Between 1 and 5 years	119,768
After 5 years	172,039
	348,395
Related parties	
Within 1 year	5,972
Between 1 and 5 years	15,426
After 5 years	21,079
	42,477

The Group has several operating lease agreements for leasehold land and buildings, office premises and computers. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing.

None of the operating leases is subject to contingent rent arrangements.

(iii) Leases – As lessor

The Group has entered into non-cancellable operating leases on its aircraft, aircraft engines and certain property, plant and equipment. The lease terms range from 1 to 15 years.

(Currency - Singapore dollars unless otherwise stated)

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group 2019 $'000
Less than 1 year	10,758
1 to 2 years	6,509
2 to 3 years	5,556
3 to 4 years	5,510
4 to 5 years	3,088
More than 5 years	9,725
Total undiscounted lease payments	41,146

Comparative information under SFRS(I) 1-17

The future lease payment receivables under non-cancellable operating leases are as follows:

	2018 $'000
Within 1 year	8,751
Between 1 and 5 years	13,727
After 5 years	7,639
	30,117

(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.

Recognition and measurement

Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately and the impact of changes is disclosed in G2.

Policy under SFRS(I) 16 (applicable from 1 January 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(Currency - Singapore dollars unless otherwise stated)

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of 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.

The Group presents right-of-use assets that do not meet the definition of investment property separately in the balance sheet and lease liabilities in 'Borrowings' in the balance sheet.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16 except for the classification of the sub-lease entered during current reporting period that resulted in a finance lease classification.

Leases - Policy applicable before 1 January 2019

As a lessee

<u>Finance lease</u>

The Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

(Currency - Singapore dollars unless otherwise stated)

Operating lease

Assets held under other leases are classified as operating leases and were not recognised in the Group's balance sheet. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from operating leases and sub-leased property was recognised as 'other income' on a straight-line basis over the term of the lease. Rental income from sub-leased property was recognised as 'other income'.

E6 Share capital

	Company	
	2019	**2018**
	$'000	**$'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.

(Currency - Singapore dollars unless otherwise stated)

E7 Treasury shares

	Company 2019 $'000	Company 2018 $'000
At beginning of the year	(9,030)	(22,870)
Purchased during the year	(43,768)	(4,354)
Reissue of treasury shares pursuant to share plans	26,067	18,194
At end of the year	(26,731)	(9,030)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the year, the Company purchased 11,300,000 (2018: 1,321,400) of its ordinary shares by way of on-market purchases. The shares, held as treasury shares, were included as deduction against shareholders' equity. 7,247,491 (2018: 5,392,975) treasury shares, at a cost of $26,067,000 (2018: $18,194,000), 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 reserve are:

(a) an amount of $115,948,000 (2018: $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 financial year ended 31 December 1997; and

(b) an amount of $3,385,000 (2018: $2,226,000) relating to realised loss (2018: realised gain) on re-issuance of treasury shares under share-based payment arrangements as at 31 December 2019.

(Currency - Singapore dollars unless otherwise stated)

E9 Other reserves

Group	2019 $'000	2018 $'000
Foreign currency translation reserve	(194,076)	(142,980)
Statutory reserve	1,323	1,190
Fair value reserve	(32,703)	(359)
Share-based payment reserve	79,175	75,264
Premium paid on acquisition of non-controlling interests	(3,164)	(5,169)
	(149,445)	(72,054)

Fair value reserve movement arising from other comprehensive income comprises of:

	2019 $'000	2018 $'000
Net fair value changes on financial assets:		
- Net fair value changes during the year for FVOCI equity instruments	182	124
- Reclassification adjustment to profit or loss on disposal of financial assets in finance costs, net	–	(2,343)
- Reclassification to retained earnings on realisation	–	(28)
	182	(2,247)

Foreign currency translation reserve movement arising from other comprehensive income comprises of:

Foreign currency translation differences arising from:

	2019 $'000	2018 $'000
- Translation of loans forming part of net investments in foreign entities	(4,926)	(1,180)
- Translation of foreign currency loans used as hedging instruments for effective net investment hedges	–	(7,254)
- Share of translation difference of associates and joint ventures	(7,371)	(213)
- Reserves released on disposal of subsidiaries and a joint venture	246	12,394
- Translation of foreign entities	(39,045)	10,464
	(51,096)	14,211

(Currency - Singapore dollars unless otherwise stated)

Type of reserve	Nature
Foreign currency translation reserve	Comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities.
Statutory reserve	Statutory reserve comprise transfers from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries and joint ventures operate, principally in the People's Republic of China where the subsidiaries and joint ventures are required to make appropriation to a Statutory Reserve Fund and Enterprise Expansion Fund. The laws of the countries restrict the distribution and use of these statutory reserves.
Fair value reserve	Fair value reserve comprises the cumulative fair value changes of financial instruments at FVOCI and the effective portion of hedging instruments, until they are disposed or impaired.
Share-based payment reserve	Represents the cumulative value of services received for the issuance of the options and shares under the share plans of the Company issued to employees and non-executive directors.
Premium paid on acquisition of non-controlling interests	Difference between the consideration paid on acquisition of non-controlling interests and the carrying value of the proportionate share of the net assets acquired.

E10 Dividends

	Company	
	2019	**2018**
	$'000	**$'000**
Final dividend paid in respect of the previous financial year of 10.0 cents (2018: 10.0 cents) per share	312,164	312,036
Interim dividend paid in respect of the current financial year of 5.0 cents (2018: 5.0 cents) per share	155,992	155,968
	468,156	468,004

The Directors propose a final dividend of 10.0 cents (2018: 10.0 cents) per share amounting to $312.2 million (2018: $312.2 million) in respect of the financial year ended 31 December 2019.

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.

(Currency - Singapore dollars unless otherwise stated)

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 2019/2018	**F5**	Related party information
F3	Non-controlling interests in subsidiaries	**F6**	Parent entity disclosures

F1 Subsidiaries

Details of the significant subsidiaries of the Group are as follows:

	Country of incorporation	**Effective equity interest held by the Group**	
		2019 %	**2018** %
ST Engineering Aerospace Ltd.	Singapore	100	100
Elbe Flugzeugwerke GmbH [z]	Germany	55	55
ST Engineering Aerospace Aircraft Maintenance Pte. Ltd. (formerly known as ST Aerospace Engineering Pte Ltd)	Singapore	100	100
ST Engineering Aerospace Engines Pte. Ltd. (formerly known as ST Aerospace Engines Pte Ltd)	Singapore	100	100
ST Engineering Aerospace Services Company Pte. Ltd. (formerly known as ST Aerospace Services Co Pte. Ltd.)	Singapore	80	80
ST Engineering Electronics Ltd.	Singapore	100	100
ST Electronics (Info-Comm Systems) Pte. Ltd.	Singapore	100	100
ST Engineering Land Systems Ltd.	Singapore	100	100
ST Engineering Marine Ltd.	Singapore	100	100
ST Engineering North America, Inc. (formerly known as Vision Technologies Systems, Inc.) [#]	U.S.	100	100
Middle River Aerostructure Systems, LLC (formerly known as MRA Systems, LLC)	U.S.	100	–
ST Engineering RHQ Ltd. (formerly known as Singapore Technologies Engineering (Europe) Ltd)	United Kingdom	100	100
ST Engineering iDirect (Europe) NV (formerly known as Newtec Group NV) ^	Belgium	100	–
ST Engineering Treasury Pte. Ltd.	Singapore	100	100

[#] Not required to be audited under the law in the country of incorporation.
[z] Audited by member firms of KPMG International for consolidation purposes.
^ Audited by Ernst & Young LLP

All significant subsidiaries that are required to be audited under the law in the country of incorporation are audited by KPMG LLP, Singapore and other member firms of KPMG International, except as indicated above.

(Currency - Singapore dollars unless otherwise stated)

F2 Acquisition and disposal of controlling interests in subsidiaries in 2019/2018

Acquisition of controlling interest in subsidiaries in 2019

(i) Acquisition of controlling interests in MRA Systems, LLC, subsequently renamed to Middle River Aerostructure Systems, LLC (MRAS)

On 18 April 2019, the Group acquired 100% of MRAS for a net cash consideration of $689 million. MRAS specialises in production of engine nacelle systems and thrust reversers, along with complex aerostructures for applications on commercial and military aircraft.

MRAS contributed revenue of $728,601,000 and net profit of $45,854,000 to the Group for the period from 18 April 2019 to 31 December 2019.

(ii) Acquisition of controlling interests in Glowlink Communications Technology, Inc (Glowlink)

On 17 September 2019, the Group acquired 100% of Glowlink for a net cash consideration of $26 million. Glowlink provides innovative, affordable, and easy to use products aimed at improving the integrity of satellite communications, and mitigating interferences to enhance the quality of satellite signals received.

Glowlink contributed revenue of $3,706,000 and net loss of $825,000, after transaction costs, to the Group for the period from 17 September 2019 to 31 December 2019.

(iii) Acquisition of controlling interests in Newtec Group NV, subsequently renamed to ST Engineering iDirect (Europe) NV (iDirect Europe)

On 1 October 2019, the Group acquired 100% of iDirect Europe for a net cash consideration of $335 million. iDirect Europe specialises in designing, developing and manufacturing equipment and technologies for satellite communications.

iDirect Europe contributed revenue of $35,717,000 and incurred net loss of $5,045,000 to the Group, after transaction costs, for the period from 1 October 2019 to 31 December 2019.

Had the above businesses been consolidated from 1 January 2019, consolidated revenue and net profit for the year ended 31 December 2019 would have been $8,271,702,000 and $614,922,000 respectively.

(Currency - Singapore dollars unless otherwise stated)

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 $'000
Property, plant and equipment	148,094
Right-of-use assets	26,221
Intangible assets	565,503
Joint venture	851
Deferred tax assets	1,072
Contract assets	145,550
Inventories	181,022
Trade receivables	128,237
Advances and other receivables	10,045
Bank balances and other liquid funds	33,756
Contract liabilities	(16,393)
Trade payables and accruals	(113,271)
Provisions	(32,827)
Provision for taxation	(3,810)
Borrowings	(54,076)
Employee benefits	(227,030)
Deferred tax liabilities	(20,085)
Total identifiable net assets	772,859
Goodwill arising on consolidation	311,018
Total purchase consideration	1,083,877
Cash outflow on acquisition:	
Cash consideration paid	1,083,877
Less: cash acquired	(33,756)
Net cash outflow on acquisition	1,050,121

The goodwill recognised on the acquisitions of MRAS, Glowlink and iDirect Europe represent the synergies that the acquisition is expected to bring to the Group's businesses and products. Management assessed that the goodwill is allocated to two CGUs within the Group, amounting to $311,018,000, based on the expected future economic benefits to be realised by these entities through the combination of their businesses. $37,998,000 of goodwill recognised is expected to be deductible for tax purposes.

The Group incurred acquisition-related cost of $16,475,000 on legal fees and due diligence cost, of which $5,340,000 have been included in administrative expenses in the Group's income statement. $11,135,000 have been expensed in administrative expenses in the prior year.

(Currency - Singapore dollars unless otherwise stated)

De-consolidation and disposal of controlling interests in subsidiaries in 2019

During the year, the Group dissolved VT Dimensions, Inc., VT Systems International, LLC, VT Systems Participacoes Ltda. and completed the liquidation of Kinetics Link Services Sdn. Bhd. (collectively Dissolved Entities) as part of an effort to streamline its organisation structure.

In July 2019, the Group divested its 51% equity interest in GFM Electronics S.A. de C.V. (GFME) and in November 2019, the Group completed the divestment of Aviation Training Academy Australia Pty Ltd and ST Aerospace Academy (Australia) Pty Ltd (collectively ATAA).

The disposed subsidiaries contributed loss before tax of $417,000 and no revenue for the period from 1 January 2019 to the respective dates of disposal.

The financial effects arising from the de-consolidation and disposal of subsidiaries are as follows:

	GFME $'000	ATAA $'000	Dissolved Entities $'000	Total $'000
Property, plant and equipment	7	7,033	–	7,040
Right-of-use assets	–	937	–	937
Intangible assets	–	332	–	332
Trade receivables	354	57	–	411
Advances and other receivables	–	1,818	47	1,865
Bank balances and other liquid funds	–	227	–	227
Trade payables and accruals	(979)	(1,010)	(16)	(2,005)
Provision for taxation	–	(373)	–	(373)
Borrowings	–	(946)	–	(946)
Net assets disposed	(618)	8,075	31	7,488
Realisation of reserves	81	1,901	233	2,215
De-consolidation of non-controlling interest	304	–	–	304
Gain/(loss) on disposal	233	(894)	(264)	(925)
Sales consideration	–	9,082	–	9,082
Less: bank balances and other liquid funds in subsidiaries disposed	–	(227)	–	(227)
Net cash inflow on disposal	–	8,855	–	8,855

(Currency - Singapore dollars unless otherwise stated)

De-consolidation and disposal of controlling interests in subsidiaries in 2018

In February 2018, the Group dissolved Dalfort Aerospace LP and Dalfort Aerospace GP, Inc (collectively Dalfort) as part of an effort to streamline its organisation structure.

In April 2018, the Group, together with the non-controlling shareholder, filed a bankruptcy petition to the People's Court of Dantu District in Zhenjiang, Jiangsu for its two subsidiaries, Jiangsu Huatong Kinetics Co., Ltd and Jiangsu Huaran Kinetics Co., Ltd (collectively JHK). The Group derecognised the related assets, liabilities and non-controlling interest of JHK after the Court approved the bankruptcy petition in May 2018.

In the prior year, the Group completed its divestment of LeeBoy India Construction Equipment Private Limited (LBI) and Aviation Academy of America, Inc. and VT Aviation Services, Inc. (collectively AAA) in October 2018 and December 2018 respectively.

The disposed subsidiaries contributed revenue of $11,492,000 and loss before tax of $5,937,000 for the period from 1 January 2018 to the respective dates of disposal.

The financial effects arising from the de-consolidation and disposal of subsidiaries are as follows:

	Dalfort $'000	JHK $'000	LBI $'000	AAA $'000	Total $'000
Property, plant and equipment	–	64,187	1,357	3,713	69,257
Intangible assets	–	–	–	996	996
Inventories	–	2,497	6,062	–	8,559
Trade receivables	–	–	2,850	–	2,850
Advances and other receivables	–	727	4,789	669	6,185
Bank balances and other liquid funds	–	2,622	317	3	2,942
Trade payables and accruals	–	(39,850)	(4,964)	(531)	(45,345)
Provisions	–	(186)	(477)	–	(663)
Borrowings	–	(13,326)	–	–	(13,326)
Deferred income	–	(15,148)	–	–	(15,148)
Contract liabilities	–	(1,519)	(20)	–	(1,539)
Deferred tax liabilities	–	(4)	–	–	(4)
Net assets disposed	–	–	9,914	4,850	14,764
Realisation of reserves	4,752	–	3,065	955	8,772
Loss on disposal	(4,752)	–	(11,543)	(3,786)	(20,081)
Sales consideration	–	–	1,436	2,019	3,455
Less: bank balances and other liquid funds in subsidiaries disposed	–	(2,622)	(317)	(3)	(2,942)
Consideration receivable as at 31 December 2018	–	–	(375)	–	(375)
Net cash (outflow)/inflow on disposal	–	(2,622)	744	2,016	138

(Currency - Singapore dollars unless otherwise stated)

F3 Non-controlling interests in subsidiaries

The following table summarises the information relating to each of the Group's subsidiaries with material non-controlling interests (NCI), based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences from the Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by NCI.

Name of subsidiary	ST Engineering Aerospace Services Company Pte. Ltd.	Eco-Services, LLC	ST Aerospace Technologies (Xiamen) Company Ltd	Elbe Flugzeuwerke GmbH	Other individually immaterial subsidiaries	Intra-group elimination	Total
2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
NCI percentage	**20%**	**49.9%**	**20%**	**45%**			
Principal place of business/ Country of incorporation	**Singapore**	**U.S.**	**China**	**Germany**			
Revenue	277,653	23,649	230,232	526,125			
Profit after taxation	30,005	2,404	8,019	16,312			
Other comprehensive income/(loss)	1,275	(2,287)	(1,689)	(36,852)			
Total comprehensive income/(loss)	31,280	117	6,330	(20,540)			
Attributable to NCI:							
- Profit/(loss)	6,001	1,200	1,604	7,340	(940)	(476)	14,729
- Other comprehensive income/(loss)	255	(1,141)	(338)	(16,583)	446	1	(17,360)
- **Total comprehensive income/(loss)**	6,256	59	1,266	(9,243)	(494)	(475)	(2,631)
Non-current assets	91,963	20,674	50,399	659,691			
Current assets	245,333	18,966	132,892	262,879			
Non-current liabilities	(48,041)	(769)	(9,578)	(391,236)			
Current liabilities	(108,778)	(2,669)	(114,940)	(136,842)			
Net assets	180,477	36,202	58,773	394,492			
Net assets attributable to NCI	36,095	18,065	11,755	177,521	24,423	863	268,722
Cash flows from/(used in) operating activities	32,664	29,635	(2,835)	37,981			
Cash flows used in investing activities	(3,061)	(20,457)	(834)	(60,177)			
Cash flows from/(used in) financing activities *	6,893	(3,873)	(4,055)	16,268			
Net increase/(decrease) in cash and cash equivalents	36,496	5,305	(7,724)	(5,928)			
* including dividends to NCI	(10,600)	(1,112)	–	–			

(Currency - Singapore dollars unless otherwise stated)

Name of subsidiary	ST Engineering Aerospace Services Company Pte. Ltd.	Eco-Services, LLC	Elbe Flugzeuwerke GmbH	STELOP Pte. Ltd.	Other individually immaterial subsidiaries	Intra-group elimination	Total
2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
NCI percentage	**20%**	**49.9%**	**45%**	**49.95%**			
Principal place of business/ Country of incorporation	**Singapore**	**U.S.**	**Germany**	**Singapore**			
Revenue	261,838	22,448	480,806	46,983			
Profit after taxation	30,660	2,233	26,272	1,721			
Other comprehensive (loss)/income	(226)	1,176	(26,177)	–			
Total comprehensive income	30,434	3,409	95	1,721			
Attributable to NCI:							
- Profit/(loss)	6,132	1,114	11,822	858	2,733	(478)	22,181
- Other comprehensive (loss)/income	(45)	587	(11,780)	–	(270)	(1)	(11,509)
- **Total comprehensive income/(loss)**	6,087	1,701	42	858	2,463	(479)	10,672
Non-current assets	52,018	21,530	571,589	2,394			
Current assets	233,439	36,610	264,608	47,893			
Non-current liabilities	(7,016)	–	(297,484)	(1,258)			
Current liabilities	(99,185)	(2,488)	(123,683)	(35,853)			
Net assets	179,256	55,652	415,030	13,176			
Net assets attributable to NCI	35,851	27,770	186,764	6,581	25,375	5,895	288,236
Cash flows from/(used in) operating activities	15,841	4,060	21,782	(630)			
Cash flows used in investing activities	(3,117)	(1,560)	(62,054)	(240)			
Cash flows (used in)/from financing activities *	(18,843)	(2,862)	34,610	(1,226)			
Net decrease in cash and cash equivalents	(6,119)	(362)	(5,662)	(2,096)			
* including dividends to NCI	(1,342)	(953)	–	–			

(Currency - Singapore dollars unless otherwise stated)

F4 Associates and joint ventures

	Group	
	2019	**2018**
	$'000	**$'000**
Unquoted shares, at fair value	23,328	23,610
Unquoted shares, at cost	355,878	336,682
Goodwill on acquisition written off, net	38	38
Share of net assets acquired	355,916	336,720
Impairment in associates	(4,000)	(865)
Share of post-acquisition reserves	78,175	96,238
	430,091	432,093
	453,419	455,703
Represented by:		
Interest in associates	318,415	327,960
Interest in joint ventures	135,004	127,743
	453,419	455,703

During the year,

(i) the Group sold its entire 22.8% interest in WizVision Pte. Ltd. for a cash consideration of $648,000 and a gain on disposal of $648,000 was recognised.

(ii) the Group sold its entire 49% interest in Takata CPI Singapore Pte Ltd for a cash consideration of $5,338,000 and a gain on disposal of $1,035,000 was recognised.

(iii) the Group received cash proceeds of $109,000 on the liquidation of Fortis Marine Solutions Pte. Ltd. and the carrying amount of $69,000 was de-recognised. Consequently, a gain on disposal of $40,000 was recognised.

(iv) impairment loss of $4,000,000 mainly relates to the shortfall between the carrying amount of the costs of investment and the recoverable amount of an investment in associate.

In the prior year,

(i) the Group sold its entire 25% interest in Airbus Helicopters Southeast Asia Private Limited for a cash consideration of $14,246,000 and a gain on disposal of $8,984,000 was recognised.

(ii) the Group partially sold 5% of its interest in ST Aerospace (Guangzhou) Aviation Services Company Limited for a cash consideration of $9,234,000 and a gain on disposal of $3,766,000 was recognised.

(Currency - Singapore dollars unless otherwise stated)

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 2019 %	2018 %
Associates				
Shanghai Technologies Aerospace Company Limited #	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 #	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 #	Rental of taxis and the provision of charge card facilities	Singapore	46.5	46.5
Experia Events Pte. Ltd.	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. #	Leasing of engines	Singapore	50	50
Keystone Holdings (Global) Pte. Ltd.	Investment holding	Singapore	50	50
SPTel Pte. Ltd. (formerly known as SP Telecommunications Pte Ltd)	Running, operation, management and supply of telecommunications systems	Singapore	51	51

Not audited by KPMG LLP, Singapore and other member firms of KPMG International.

All significant associates and joint ventures that are required to be audited under the law in the country of incorporation are audited by KPMG LLP, Singapore and other member firms of KPMG International, except as indicated above.

(Currency - Singapore dollars unless otherwise stated)

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 2019	Shanghai Technologies Aerospace Company Limited $'000	ST Aerospace (Guangzhou) Aviation Services Company Limited $'000	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
Percentage of interest	49%	44%	24.5%	49%	46.5%	33%		
Revenue	90,581	70,700	40,329	339,928	115,748	9,088		
Profit/(loss) after taxation	7,643	7,336	12,527	41,108	14,332	(10,010)		
Other comprehensive loss	(4,746)	(3,043)	(722)	(1,326)	–	–		
Total comprehensive income/(loss)	2,897	4,293	11,805	39,782	14,332	(10,010)		
Attributable to NCI	–	–	–	–	176	–		
Attributable to investee's shareholders	2,897	4,293	11,805	39,782	14,156	(10,010)		
Non-current assets	79,281	110,790	29,096	35,908	148,668	49,522		
Current assets	65,348	32,379	32,207	188,426	69,067	49,150		
Non-current liabilities	–	(15,059)	(1,534)	–	(23,555)	(4,104)		
Current liabilities	(21,410)	(18,958)	(7,584)	(118,517)	(33,300)	(41,718)		
Net assets	123,219	109,152	52,185	105,817	160,880	52,850		
Attributable to NCI	–	–	–	–	1,392	–		
Attributable to investee's shareholders	123,219	109,152	52,185	105,817	159,488	52,850		
Group's interest in net assets of investee at beginning of the year	68,577	46,138	13,910	52,442	74,649	24,044	48,200	327,960
Group's share of:								
- Profit/(loss) for the year	3,745	3,228	3,069	20,143	6,583	(3,303)	(594)	32,871
- Total other comprehensive loss	(2,326)	(1,339)	(177)	(650)	–	–	(1,748)	(6,240)
Total comprehensive income/(loss)	1,419	1,889	2,892	19,493	6,583	(3,303)	(2,342)	26,631
Group's contribution during the year	–	–	–	–	–	–	13,813	13,813
Dividends received during the year	(9,619)	–	(4,017)	(20,085)	(7,068)	(3,300)	(1,900)	(45,989)
Impairment of an associate during the year	–	–	–	–	–	–	(4,000)	(4,000)
Carrying amount of interest in investee at end of the year	60,377	48,027	12,785	51,850	74,164	17,441	53,771	318,415

(Currency - Singapore dollars unless otherwise stated)

Name of associate 2018	Shanghai Technologies Aerospace Company Limited $'000	ST Aerospace (Guangzhou) Aviation Services Company Limited $'000	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
Percentage of interest	49%	44%	24.5%	49%	46.5%	33%		
Revenue	111,681	61,405	47,223	335,111	127,607	54,724		
Profit after taxation	13,317	7,114	16,171	43,259	15,224	15,945		
Other comprehensive (loss)/income	(4,578)	(3,784)	1,101	1,976	–	–		
Total comprehensive income	8,739	3,330	17,272	45,235	15,224	15,945		
Attributable to NCI	–	–	–	–	161	–		
Attributable to investee's shareholders	8,739	3,330	17,272	45,235	15,063	15,945		
Non-current assets	82,953	82,346	30,469	32,455	155,300	52,706		
Current assets	82,437	34,416	37,774	92,449	66,693	37,758		
Non-current liabilities	–	(2,719)	–	–	(25,736)	(3,841)		
Current liabilities	(25,437)	(9,184)	(11,468)	(17,879)	(34,345)	(13,763)		
Net assets	139,953	104,859	56,775	107,025	161,912	72,860		
Attributable to NCI	–	–	–	–	1,377	–		
Attributable to investee's shareholders	139,953	104,859	56,775	107,025	160,535	72,860		
Group's interest in net assets of investee at beginning of the year	64,295	49,589	13,620	53,268	90,895	18,782	25,311	315,760
Group's share of:								
- Profit for the year	6,525	3,345	3,962	21,197	7,004	5,262	43	47,338
- Total other comprehensive (loss)/income	(2,243)	(1,328)	270	968	–	–	982	(1,351)
Total comprehensive income	4,282	2,017	4,232	22,165	7,004	5,262	1,025	45,987
Group's contribution during the year	–	–	–	–	–	–	29,136	29,136
Dividends received during the year	–	–	(3,942)	(22,991)	(23,250)	–	(1,686)	(51,869)
Partial/complete disposal of associates during the year	–	(5,468)	–	–	–	–	(5,586)	(11,054)
Carrying amount of interest in investee at end of the year	68,577	46,138	13,910	52,442	74,649	24,044	48,200	327,960

(Currency - Singapore dollars unless otherwise stated)

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 2019	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	22,900	49,563	27,789		
Profit/(loss) after taxation [a]	4,042	9,446	(3,769)		
Other comprehensive loss	(1,852)	(10,662)	–		
Total comprehensive income/(loss)	2,190	(1,216)	(3,769)		
[a] Includes:					
- Depreciation and amortisation of:	11,324	19,059	6,515		
- Interest expense of:	4,358	14,595	722		
- Income tax expense of:	386	2,096	(1,557)		
Non-current assets	222,099	593,133	67,589		
Current assets [b]	19,761	34,562	67,610		
Non-current liabilities [c]	(76,776)	(433,556)	(20,952)		
Current liabilities [d]	(91,442)	(113,905)	(32,235)		
Net assets excluding goodwill	73,642	80,234	82,012		
[b] Includes cash and cash equivalents of:	15,308	16,699	56,387		
[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of:	76,776	433,556	20,952		
[d] Includes current financial liabilities (excluding trade and other payables and provisions) of:	90,867	113,905	7,527		
Group's interest in net assets of investee at beginning of the year	26,000	40,725	46,539	14,479	127,743
Share of total comprehensive income/(loss)	1,095	(608)	(1,922)	962	(473)
Group's contribution during the year	10,476	–	–	2,597	13,073
Acquisition of subsidiary	–	–	–	851	851
Disposal of joint ventures	–	–	–	(4,340)	(4,340)
Dividends received during the year	(750)	–	–	(1,100)	(1,850)
Carrying amount of interest in investee at end of the year	36,821	40,117	44,617	13,449	135,004

(Currency - Singapore dollars unless otherwise stated)

Name of joint venture 2018	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	16,825	29,289	20,075		
Profit/(loss) after taxation [a]	5,168	3,830	(10,220)		
Other comprehensive income	1,096	2,806	–		
Total comprehensive income/(loss)	6,264	6,636	(10,220)		
[a] Includes:					
- Depreciation and amortisation of:	10,303	13,249	6,148		
- Interest expense of:	2,586	8,779	–		
- Income tax expense of:	962	2,308	1,345		
Non-current assets	117,583	476,711	29,052		
Current assets [b]	8,508	15,601	79,260		
Non-current liabilities [c]	(56,892)	(360,776)	(2,712)		
Current liabilities [d]	(17,199)	(50,086)	(19,894)		
Net assets excluding goodwill	52,000	81,450	85,706		
[b] Includes cash and cash equivalents of:	6,819	13,287	73,281		
[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of:	56,892	360,776	2,712		
[d] Includes current financial liabilities (excluding trade and other payables and provisions) of:	13,866	50,086	–		
Group's interest in net assets of investee at beginning of the year	28,656	32,899	51,550	19,522	132,627
Share of total comprehensive income/(loss)	3,132	3,318	(5,011)	1,922	3,361
(Return of capital)/Group's contribution during the year	(3,761)	5,169	–	(441)	967
Dividends received during the year	(2,027)	(661)	–	(6,524)	(9,212)
Carrying amount of interest in investee at end of the year	26,000	40,725	46,539	14,479	127,743

(Currency - Singapore dollars unless otherwise stated)

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.

(iii) Acquisitions of entities under amalgamation

The Company's interests in ST Engineering Aerospace Ltd., ST Engineering Electronics Ltd., ST Engineering Land Systems Ltd., and ST Engineering Marine Ltd. (collectively referred to as the Scheme Companies) resulted from the amalgamation of the Scheme Companies pursuant to a scheme of arrangement under Section 210 of the Companies Act, Chapter 50 in 1997.

As the amalgamation of the Scheme Companies constitutes a uniting of interests, the pooling of interests method has been adopted in the preparation of the consolidated financial statements in connection with the amalgamation.

Under the pooling of interests method, the combined assets, liabilities and reserves of the pooled enterprises are recorded at their existing carrying amounts at the date of amalgamation. The excess or deficiency of amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) over the amount recorded for the share capital acquired is recorded as capital reserve.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset at FVOCI, depending on the level of influence retained.

(v) Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for by the Group using the equity method (except for those acquired by the Group’s Corporate Venture Capital Unit) and are recognised initially at cost, which includes transaction costs.

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income (OCI) from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee’s operations or has made payments on behalf of the investee.

For investments in associates acquired by the Group’s Corporate Venture Capital Unit, the Group has elected to measure its investments in associates at FVTPL in accordance with SFRS(I) 9 *Financial Instruments*.

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost, less accumulated impairment losses.

(vi) Transactions eliminated on consolidation

All significant inter-company balances and transactions are eliminated on consolidation.

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.

Key estimates and judgements: Critical 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.

F5 Related party information

Key management personnel compensation

	Group	
	2019	**2018**
	$'000	**$'000**
Short-term employee benefits	37,330	37,308
Contributions to defined contribution plans	761	778
Share-based payments	10,620	9,982
	48,711	48,068

(Currency - Singapore dollars unless otherwise stated)

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 2019 $'000	Group 2018 $'000
Associates of the Group		
Sales and services rendered	4,749	14,442
Purchases and services received	(53,142)	(41,057)
Dividend income	45,989	51,869
Joint ventures of the Group		
Sales and services rendered	25,705	26,161
Purchases and services received	(29,552)	(14,444)
Dividend income	1,850	9,212
Other related parties *		
Sales and services rendered	41,045	38,201
Purchases and services received	(31,672)	(25,581)
Rental expense	(5,641)	(6,481)
Rental income	40	44

* *Other related parties refer to subsidiaries, associates and joint ventures of the immediate holding company.*

F6 Parent entity disclosures

Balance Sheet

	Note	Company 2019 $'000	Company 2018 $'000
ASSETS			
Non-current assets			
Property, plant and equipment		28,688	18,129
Subsidiaries	(i)	1,327,608	1,328,153
Associates and joint ventures		17,657	17,657
Right-of-use assets		5,511	–
Deferred tax assets		–	365
		1,379,464	1,364,304
Current assets			
Amounts due from related parties	(ii)	58,732	46,382
Advances and other receivables		4,566	9,170
Bank balances and other liquid funds	(iii)	16,271	273,456
		79,569	329,008
Total assets		1,459,033	1,693,312

(Currency - Singapore dollars unless otherwise stated)

Balance Sheet

	Note	Company 2019 $'000	Company 2018 $'000
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables and accruals		18,817	21,337
Amounts due to related parties	(iv)	4,836	210,275
Provision for taxation		876	4,518
Borrowings		118	–
		24,647	236,130
Net current assets		54,922	92,878
Non-current liabilities			
Trade payables and accruals		6,334	8,706
Amounts due to related parties		1,003	964
Deferred tax liabilities		2,268	–
Borrowings		5,434	–
		15,039	9,670
Total liabilities		39,686	245,800
Net assets		1,419,347	1,447,512
Share capital and reserves			
Share capital		895,926	895,926
Treasury shares		(26,731)	(9,030)
Capital reserves	(v)	(3,412)	2,199
Other reserves	(vi)	68,952	65,054
Retained earnings		484,612	493,363
Equity attributable to owners of the Company		1,419,347	1,447,512
Total equity and liabilities		1,459,033	1,693,312

(i) There was capital contribution in the form of performance shares and restricted shares issued to employees of subsidiaries amounting to $109,435,000 in 2019 (2018: $109,980,000).

(ii) Included in the amounts due from related parties are unsecured interest-free loans of $15,000,000 (2018: $17,500,000) which were fully impaired.

Amounts due from related parties denominated in currencies other than the functional currency of the Company as at 31 December 2019 is $2,368,000 (2018: $3,853,000) denominated in USD.

(iii) At the reporting date, bank balances and other liquid funds include $14,171,000 (2018: $271,879,000) placed with a related corporation under a cash pooling arrangement and bears an effective interest of 1.70% per annum (2018: 1.36%). Cash and cash equivalents denominated in currencies other than the functional currency of the Company as at 31 December 2019 is $1,280,000 (2018: $193,826,000) denominated in USD.

(Currency - Singapore dollars unless otherwise stated)

(iv) Included in the amounts due to related parties are:

(a) loans of $932,000 (2018: $941,000) bearing interest at 5.03% (2018: 5.03%) per annum. The loans are unsecured and repayable in June 2020; and

(b) an amount of $199,150,000 with a related corporation in the prior year for overdrafts used for cash management purposes and which bore an effective interest of 1.94% to 2.75%.

In the prior year, amounts due to related parties denominated in currencies other than the functional currency of the Company was $857,000 denominated in USD.

(v) It relates to realised gain or loss on re-issuance of treasury shares under share-based payment arrangements.

(vi) It relates to share-based payment reserve as explained in E9.

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 2019, there were no significant concentrations of credit risk.

G
Others

G1 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 2019 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.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*

G2 Adoption of new standards and interpretations

(a) *Interest Rate Benchmark Reform* (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2019 or were designated thereafter and that are directly affected by the interest rate benchmark reform. These amendments also apply to the gain or loss recognised in OCI that existed at 1 January 2019. The details of the accounting policies are disclosed in note C16. See also note C16 for related disclosures about risks and hedge accounting.

(b) SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly the comparative information presented for 2018 is not restated - i.e. it is presented as previously reported, under SFRS(I) 1-17 and related interpretation. The details of the changes in accounting policies are disclosed below. Additionally the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under SFRS(I) INT 4. Under SFRS(I) 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease as explained in E4.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

<u>As a lessee</u>

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

(i) Leases classified as operating leases under SFRS(I) 1-17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term or leases of low value assets.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(ii) Leases previously classified as finance leases

For leases that were classified as finance leases under SFRS(I) 1-17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

<u>As a lessor</u>

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with SFRS(I) 16 from the date of initial application.

Under SFRS(I) 16, the Group is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under SFRS(I) 1-17. The Group concluded that the sub-lease is a finance lease under SFRS(I) 16.

The Group applied SFRS(I) 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

(Currency - Singapore dollars unless otherwise stated)

Impacts on financial statements

On transition to SFRS(I) 16, the Group recognised an additional $431,520,000 of right-of-use assets and $389,515,000 of lease liabilities.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019, depending on the country and lease maturity. The rates applied range from 1.6% to 4.8%.

	Group 1 January 2019 $'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	390,872
Recognition exemption for:-	
Short-term leases	(12,019)
Leases of low-value assets	(142)
Extension and termination options reasonably certain to be exercised	66,468
	445,179
Discounted using the incremental borrowing rates at 1 January 2019	389,515
Finance lease liabilities recognised as at 31 December 2018	14,719
Lease liabilities recognised at 1 January 2019	404,234

Singapore Technologies Engineering Ltd
and its Subsidiaries

Company Registration No: 199706274H

Financial Statements
Together with Directors' Statement and Auditors' Report
31 December 2018

General Information

Directors

Kwa Chong Seng	(Chairman)
Vincent Chong Sy Feng	
Quek See Tiat	
LG Ong Su Kiat Melvyn	(Appointed on 8 June 2018)
Quek Gim Pew	
Khoo Boon Hui	
Dr Beh Swan Gin	
Lim Sim Seng	
Lim Ah Doo	
Lim Chin Hu	(Appointed on 16 July 2018)
Song Su-Min	(Appointed on 16 September 2018)
COL Xu Youfeng	(Appointed alternate Director to LG Ong Su Kiat Melvyn on 8 June 2018)

Secretary

Ng Kwee Lian (Karen)

Registered Office

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

Auditors

KPMG LLP
(Partner: Quek Shu Ping)

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(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 and of the Company for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 17 to 139 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 2018, and changes in equity, financial performance and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Kwa Chong Seng	(Chairman)
Vincent Chong Sy Feng	
Quek See Tiat	
LG Ong Su Kiat Melvyn	(Appointed on 8 June 2018)
Quek Gim Pew	
Khoo Boon Hui	
Dr Beh Swan Gin	
Lim Sim Seng	
Lim Ah Doo	
Lim Chin Hu	(Appointed on 16 July 2018)
Song Su-Min	(Appointed on 16 September 2018)
COL Xu Youfeng	(Appointed alternate Director to LG Ong Su Kiat Melvyn on 8 June 2018)

Arrangements to enable directors to acquire shares or debentures

Except for the Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010) and Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010) (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.

(Currency - Singapore dollars unless otherwise stated)

Directors' interests

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or awards of the Company or of related corporations either at the beginning of the financial year or date of appointment if later, or at the end of the financial year.

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year in shares, debentures, warrants, share options and awards in the Company and its related corporations were as follows:

		Holdings in the name of the director, spouse or infant children	
		1 January 2018 or date of appointment if later	31 December 2018
The Company			
Ordinary Shares			
Kwa Chong Seng		975,600*1	1,027,300*1
Vincent Chong Sy Feng		1,467,089	1,568,084
Quek See Tiat		34,200	45,400
Khoo Boon Hui		21,700	34,800
Lim Sim Seng		18,100*2	35,600*2
Lim Ah Doo		42,600	60,000
Lim Chin Hu		20,000*2	20,000*2
Conditional Award of Shares under PSP2010 for performance period 2015 to 2017			
Vincent Chong Sy Feng	(126,000 shares)	0 to 214,200#1	–#2
Conditional Award of Shares under PSP2010 for performance period 2016 to 2018			
Vincent Chong Sy Feng	(70,000 shares)	0 to 119,000#1	0 to 119,000#1
Conditional Award of Shares under PSP2010 for performance period 2017 to 2019			
Vincent Chong Sy Feng	(258,800 shares)	0 to 439,960#1	0 to 439,960#1
Conditional Award of Shares under PSP2010 for performance period 2018 to 2020			
Vincent Chong Sy Feng	(428,600 shares)	–	0 to 728,620#1

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

		Holdings in the name of the director, spouse or infant children	
		1 January 2018 or date of appointment if later	31 December 2018
The Company			
Unvested shares under RSP2010 arising from release of Conditional Award for performance period 1 January 2015 to 31 December 2015			
Vincent Chong Sy Feng	(64,676 shares)	32,338[#3]	16,169[#3]
Conditional Award of Shares under RSP2010 for performance period 1 January 2017 to 31 December 2017			
Vincent Chong Sy Feng	(72,800 shares)	0 to 109,200[#4]	–[#5]
Unvested shares under RSP2010 arising from release of Conditional Award for performance period 1 January 2017 to 31 December 2017			
Vincent Chong Sy Feng	(82,264 shares)	–	61,698[#3]
Conditional Award of Shares under RSP2010 for performance period 1 January 2018 to 31 December 2018			
Vincent Chong Sy Feng	(180,800 shares)	–	180,800[#4]
Related Corporations			
Ascendas Funds Management (S) Limited ***Unit holdings in Ascendas Real Estate Investment Trust***			
Quek See Tiat		34,000	34,000
Ascendas Hospitality Fund Management Pte. Ltd. ***Unit holdings in Ascendas Hospitality Trust***			
Lim Chin Hu		198,000*[2]	198,000*[2]

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2018 or date of appointment if later	**31 December 2018**
Related Corporations		
Astrea IV Pte. Ltd. ***Class A-1 4.35% Secured Fixed Rate Bonds***		
Khoo Boon Hui	–	$73,000
Mapletree Industrial Trust Management Ltd. ***Unit holdings in Mapletree Industrial Trust***		
Lim Chin Hu	121	121
Mapletree Logistics Trust Management Ltd. ***Unit holdings in Mapletree Logistics Trust***		
Lim Ah Doo	185,000	185,000
Mapletree North Asia Commercial Trust Management Ltd. (formerly known as Mapletree Greater China Commercial Trust Management Ltd.) ***Unit holdings in Mapletree North Asia Commercial Trust***		
Khoo Boon Hui	300,000	300,000
Olam International Limited ***Ordinary Shares***		
Kwa Chong Seng	609,279*3	609,279*3
Combined S$350m 5.5% Perpetual Capital Securities		
Lim Chin Hu	$250,000*2	$250,000*2
Singapore Telecommunications Limited ***Ordinary Shares***		
Kwa Chong Seng	26,466	26,466
Quek See Tiat	680	680
Quek Gim Pew	3,120	3,120
Khoo Boon Hui	3,087	3,087
Song Su-Min	190	190

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2018 or date of appointment if later	**31 December 2018**
Related Corporations		
StarHub Ltd		
Ordinary Shares		
Quek See Tiat	5,000	5,000
Song Su-Min	140,600	140,600
Temasek Financial (I) Limited		
T2028 USD 10-year Temasek Bond 3.625% coupon due August 2028		
Lim Chin Hu	–	US$250,000
Temasek Financial (IV) Private Limited		
T2023 SGD Temasek Bond S$500m 2.70% coupon due October 2023		
Quek See Tiat	–	$7,000
Quek Gim Pew	–	$14,000

*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 Held in trust by a trustee company on behalf of the director.

*3 Includes interest in 189,279 shares in Olam International Limited, held in trust by a trustee company on behalf of the director.

#1 A minimum threshold performance over a 3-year period is required for any performance shares to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

#2 For this period, Mr Vincent Chong Sy Feng was awarded 64,260 shares upon partial achievement of targets set. The balance of the conditional award covering the period from 2015 to 2017 has thus lapsed.

#3 Balance of unvested restricted shares to be released according to the stipulated vesting periods.

#4 A minimum threshold performance over a 1-year period is required for any restricted shares to be released. A specified number of restricted shares to be released will depend on the extent of achievement of all performance conditions and will be delivered in phases according to the stipulated vesting periods.

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

#5 For this period, Mr Vincent Chong Sy Feng was awarded 82,264 shares upon partial achievement of targets set. The balance of the conditional award covering the period from 1 January 2017 to 31 December 2017 has thus lapsed.

There was no change in any of above-mentioned directors' interest in the Company between the end of the financial year and 21 January 2019.

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), Dr Stanley Lai (until 31 December 2018), Mr Lim Sim Seng and Mr Lim Chin Hu.

As at 31 December 2018, no participants have been granted options and/or have received shares under the ST Engineering Share Plans which, in aggregate, represent 5% or more of the total number of new shares available under the ST Engineering Share Plans.

The aggregate number of new shares issued pursuant to the RSP2010 and PSP2010 did not exceed 8% of the issued share capital of the Company.

Except as disclosed below, there were no shares awarded by the Company to any person to take up unissued shares of the Company.

(a) ***PSP2010 (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). Awards of performance shares are granted conditional on performance targets set based on the ST Engineering Group corporate objectives.

Pursuant to the PSP, the ERCC has decided to grant awards on an annual basis, conditional on targets set for a performance period, currently prescribed to be a 3-year performance period. The performance shares will only be released to the recipient at the end of the performance qualifying period. A specified number of performance shares shall be released by the ERCC to the recipient and the actual number of performance shares will depend on the achievement of set targets over the respective performance period. A minimum threshold performance is required for any performance share to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

The performance measures used in PSP grants are Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added); and Earnings Per Share (EPS) Growth against pre-determined targets. In addition to the PSP performance targets being met, final award for PSP is conditional upon satisfactory performance of the recipient.

(Currency - Singapore dollars unless otherwise stated)

Share Plans (continued)

(a) ***PSP2010 (PSP)*** (continued)

The awards granted under the PSP2010 are as follows:

Participant	Conditional awards granted during the financial year under review	Awards released during the financial year under review	Aggregate conditional awards granted since commencement to end of financial year under review	Aggregate awards released since commencement to end of financial year under review	Aggregate conditional awards not released as at end of financial year under review
PSP2010					
Director of the Company					
Vincent Chong Sy Feng	0 to 728,620	64,260	0 to 1,501,780	64,260	0 to 1,287,580
Group Executives (including Vincent Chong Sy Feng)	0 to 2,931,718	842,788	0 to 21,777,323	3,917,831	0 to 8,190,657

(b) ***RSP2010 (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.

Pursuant to the RSP, the ERCC has decided to grant time-based shares on an annual basis, and released equally to the recipient over four consecutive years.

Since 2011, the awards granted under the ST Engineering RSP2010 to the Non-Executive Directors (other than those from the public sector) are outright shares with no performance and vesting conditions but with a Moratorium on selling. These shares will form up to 30% of their total compensation with the remaining 70% payable in cash.

(Currency - Singapore dollars unless otherwise stated)

The awards granted under the RSP2010 are as follows:

Participant	Conditional awards/awards granted during the financial year under review	Awards released during the financial year under review	Aggregate conditional awards/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	Aggregate conditional awards not released as at end of financial year under review
RSP2010						
Directors of the Company						
Kwa Chong Seng	51,700	51,700	227,300	227,300	–	–
Vincent Chong Sy Feng	180,800	36,735	0 to 1,805,751	1,473,824	77,867	180,800
Quek See Tiat	11,200	11,200	45,400	45,400	–	–
Khoo Boon Hui	13,100	13,100	34,800	34,800	–	–
Lim Sim Seng	17,500	17,500	35,600	35,600	–	–
Lim Ah Doo	17,400	17,400	30,000	30,000	–	–
Non-Executive Directors of the Company and its subsidiaries (including current and former directors)	160,700	160,700	1,203,100	1,203,100	–	–
Group Executives (including Vincent Chong Sy Feng)	6,546,545	4,389,487	0 to 64,683,701	25,077,339	6,402,463	6,098,824

(Currency - Singapore dollars unless otherwise stated)

Audit Committee

The Audit Committee comprises four independent non-executive 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)
Khoo Boon Hui
Lim Ah Doo
Song Su-Min

The Audit Committee carried out its functions in accordance with Section 201B of the Singapore Companies Act, Chapter 50, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee met during the year to review the scope of the internal audit functions and the scope of work of the statutory 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 and 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 the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

The Company has compiled with Rules 712 and 715 of the SGX Listing Manual in relation to the engagement of its auditors.

Auditors

The Auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Kwa Chong Seng Director	**Vincent Chong Sy Feng** Director

Singapore
20 February 2019

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Independent auditors' report

Members of the Company
Singapore Technologies Engineering Ltd

Report on the financial statements

Opinion

We have audited the accompanying financial statements of Singapore Technologies Engineering Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the consolidated statement of changes in equity, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 139.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2018, and changes in equity, financial performance and cash flows of the Group for the year ended on that date.

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 are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. 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.

<table>
<tr><th>THE KEY AUDIT MATTER</th><th>HOW WAS THE MATTER ADDRESSED IN OUR AUDIT</th></tr>
<tr><td colspan="2">Impairment of non-financial assets, including goodwill and other intangible assets</td></tr>
<tr><td>Goodwill, intangible assets form 15% of the Group's total assets.

The Group uses the discounted cash flow technique to determine the recoverable amounts of each cash-generating unit (CGU).

There is a risk of impairment of certain CGUs in the United States which are operating in challenging business environment. This increases the level of judgement and estimation uncertainties within management's cash flow forecast.</td><td>Our procedures included, among others:

• We evaluated the identification of CGUs within the Group against the requirements of the accounting standards.

• We reviewed the basis and methodology adopted to arrive at the recoverable amounts of the CGUs.

• We assessed the key assumptions used in the cash flow projections, namely sales growth rates, earnings before interest, depreciation and amortisation (EBIDA) growth rates, discount rates, terminal growth rates by comparing the Group's assumptions to externally derived data where available.

• We reviewed the historical accuracy of the Group's estimates in the previous periods, identified and analysed changes in the assumptions from prior periods, focusing particularly on those CGUs operating in challenging business environment.

• We have also assessed the adequacy of related disclosures in Note C2 to the financial statements.

Findings:

We found that the assumptions and resulting estimates used in the discounted cash flow projections for all the CGUs were within acceptable range.

There were two CGUs in the United States with growth estimates that exceeded historical performance as it includes potential growth opportunities the CGUs are pursuing. In these instances, we have re-computed the recoverable amount using reduced growth estimates and we agree with management that no impairment charge is required for these CGUs.

Overall, the results of our evaluation of the Group's impairment charge are consistent with management's assessment.

We found the Group's disclosure provides sufficient details on the sensitivity of the impairment assessment to variations in key assumptions.</td></tr>
</table>

THE KEY AUDIT MATTER	HOW WAS THE MATTER ADDRESSED IN OUR AUDIT
Impairment of property, plant and equipment – Roll-on/Roll-off Passenger ferry (ROPAX)	
The carrying amount of a ROPAX vessel, which is chartered out on a short term operating lease, representing a significant balance within the boats and barges class of property, plant and equipment may exceed its recoverable amount. ST Engineering Marine (STEM) was awarded a contract to design and build the ROPAX vessel in 2007. The contract was subsequently terminated in 2011, resulting in STEM taking title of the vessel. Since the repossession of the vessel, management has tried to realise the value of the vessel through sale and charter. Limited market demand for such a vessel led to difficulties in selling or chartering the vessel out on a long term basis, resulting in write downs of the carrying value of the ROPAX between 2011 and 2013, to reflect its net realisable value. Since then, the ROPAX has been put to use through short term chartering arrangements. The vessel is currently under a two year charter, with an option for the lessee to purchase the vessel in the first year of lease. The Group evaluated the recoverable amount of the ROPAX using the discounted cash flow (DCF) technique across three scenarios where the ROPAX is chartered or disposed, weighted based on likelihood of outcomes to derive at a recoverable amount for the ROPAX. There are inherent uncertainties involved in estimating the recoverable amount of the ROPAX as it is dependent on the current economic conditions and whether the carrying amount can be realised through future sale or other chartering arrangements.	Our procedures included, amongst others: • We assessed the factors relevant to the likelihood of the outcome of each scenario. • We considered another possible leasing scenario that could happen and computed the recoverable amount after incorporating the additional scenario and compared it to the carrying amount of the ROPAX. • We evaluated the key assumptions used in the review, particularly charter rates by comparing to the rates used in existing lease arrangement and externally derived data where available. • We compared the discount rate used by management to our calculations based on market data. **Findings:** The results of our evaluation of the valuation of the ROPAX are consistent with management's assessment that no further impairment charge is required. Nonetheless, uncertainties remain over the probability of securing longer term chartering arrangements or selling the vessel that may change the estimated recoverable amount.

THE KEY AUDIT MATTER	HOW WAS THE MATTER ADDRESSED IN OUR AUDIT
Revenue recognition	
In accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, the analysis of whether the contracts comprise one or more performance obligations, determination of whether variable considerations are allocated to one or more performance obligations, and whether the performance obligations are satisfied over time or at a point in time are areas requiring critical judgement and estimates by the Group. The Group's three largest revenue streams are derived from the sale of goods, rendering of services and long-term contract revenues. Some of these revenue streams have contracts that are accounted for based on the stage of completion of performance obligations of each individual contract. The amount of revenue and profit recognised is dependent on management's assessment on the stage of completion of each performance obligation and the forecast cost profile of each long term contract. As long-term contracts can extend over multiple years, changes in conditions and circumstances over time can result in changes in the nature or extent of project cost incurred. Judgement is applied in determining each performance obligation within a contract and in forecasting the costs to be incurred, the overall margins of these performance obligations and assessment of the stage of completion of each performance obligation. Such estimates are inherently judgemental.	Our procedures included, amongst others: • We reviewed the contractual terms and work status of the customer contracts and verified that revenue is recognised according to the stage of completion of each performance obligation. • We tested the controls designed and applied by the Group to ensure that the estimates used in assessing revenue and costs are appropriate. The controls tested include, amongst others, controls over the preparation and authorisation of project evaluation, approval of revenue calculated and project budgets, and accuracy and completeness over manpower and labour rates computed. • We selected a sample of contracts for testing based on a number of qualitative and quantitative factors, such as contracts with significant deterioration in margin, those contracts with variations, claims and other factors which indicated that a greater level of judgement is required in the estimates developed for current and forecast contract performance. • For each selected contract, we assessed the appropriateness of estimates used in the forecasts and whether the estimates showed any evidence of management bias. • We evaluated the revenue recognition policies of the Group for the different revenue streams to ensure revenue is recognised appropriately. **Findings:** We found the basis over identification of performance obligations and the revenue recognised based on the stage of completion of each performance obligation to be fair.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for Shareholding Statistics which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' 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 Shareholding Statistics, 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.

Auditors' 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 auditors' 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 controls.

- Obtain an understanding of internal controls 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 controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 auditors' report unless the law or regulations preclude 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 auditors' report is Quek Shu Ping.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
20 February 2019

Introduction

This is the financial statements of Singapore Technologies Engineering Ltd (the Company) and its subsidiaries (collectively referred to as the Group) for the year ended 31 December 2018.

Over the past year, we have reviewed the content and structure of the financial report looking for opportunities to make them less complex and more relevant to users. This included:

- a thorough review of content to eliminate immaterial disclosures that may undermine the usefulness of the financial report by obscuring important information; and
- reorganisation of the notes to the financial statements into sections to assist users in understanding the Group's performance.

The purpose of these changes is to provide users with a clearer understanding of what drives financial performance and financial position of the Group and linkage to the Group's strategy, whilst still complying with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International).

What's new in this report

Change in structure

Note disclosures are split into 7 distinct sections to enable a better understanding of how the Group has performed.

We have included an introduction at the start of each section to explain its purpose and content. Accounting policies, estimates and critical accounting judgements applied to the preparation of the financial statements have been moved to where the related accounting balance or financial statement matter is discussed and we have refined wording of the policies to allow them to be easily understood by users of this report.

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

Contents

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Income Statement for the year ended 31 December 2018

(Currency - Singapore dollars)

	Note	Group 2018 $'000	2017 $'000
Revenue	B2	6,697,928	6,521,063
Cost of sales		(5,292,389)	(5,208,278)
Gross profit		1,405,539	1,312,785
Distribution and selling expenses		(200,180)	(169,488)
Administrative expenses		(509,874)	(474,045)
Other operating expenses		(125,227)	(126,404)
Profit from operations	B3	570,258	542,848
Other income		55,391	39,944
Other expenses		(20,405)	(1,278)
Other income, net	B4	34,986	38,666
Finance income		22,357	38,650
Finance costs		(55,909)	(57,682)
Finance costs, net	E2	(33,552)	(19,032)
Share of results of associates and joint ventures, net of tax		49,056	49,332
Profit before taxation		620,748	611,814
Taxation	B6	(104,326)	(85,721)
Profit for the year		516,422	526,093
Attributable to:			
Shareholders of the Company		494,241	502,632
Non-controlling interests	F3	22,181	23,461
		516,422	526,093
Earnings per share (cents)	B5		
Basic		15.85	16.13
Diluted		15.76	16.05

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

(Currency - Singapore dollars)

	Note	Group 2018 $'000	Group 2017 $'000
Profit for the year		516,422	526,093
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan remeasurements		201	(6,109)
Equity investments at fair value through other comprehensive income (FVOCI) – net change in fair value		80	–
		281	(6,109)
Items that are or may be reclassified subsequently to profit or loss:			
Net fair value changes on available-for-sale financial assets		–	8,670
Debt investments at FVOCI – reclassified to income statement		(2,343)	–
Net fair value changes of cash flow hedges reclassified to income statement		2	1,598
Effective portion of changes in fair value of cash flow hedges		(35,110)	54,514
Share of net fair value changes on cash flow hedges of joint ventures		505	(127)
Foreign currency translation differences		302	(47,326)
Share of foreign currency translation differences of associates and joint ventures		(213)	(11,102)
Reserves released on disposal of subsidiaries		13,714	2,161
		(23,143)	8,388
Other comprehensive (loss)/income for the year, net of tax		(22,862)	2,279
Total comprehensive income for the year, net of tax		493,560	528,372
Total comprehensive income attributable to:			
Shareholders of the Company		482,888	492,980
Non-controlling interests	F3	10,672	35,392
		493,560	528,372

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Balance Sheet as at 31 December 2018

(Currency - Singapore dollars)

	Note	Group 2018 $'000	2017 $'000	1 January 2017 $'000
ASSETS				
Non-current assets				
Property, plant and equipment	C1	1,742,742	1,719,396	1,670,132
Associates and joint ventures	F4	455,703	448,387	405,530
Investments	E3	16,392	360,346	322,051
Intangible assets	C2	1,151,238	1,087,412	1,019,585
Long-term trade receivables		1,172	–	1,894
Deferred tax assets	B6	72,136	74,028	92,528
Amounts due from related parties	C3	4,806	4,806	4,806
Advances and other receivables	C6	20,074	20,406	2,534
Derivative financial instruments	C15	11,483	33,082	32,967
Employee benefits	D3	–	243	151
		3,475,746	3,748,106	3,552,178
Current assets				
Contract assets	C12	1,070,396	939,073	968,608
Inventories	C4	1,183,510	1,082,356	1,067,365
Trade receivables	C5	1,137,816	940,725	1,063,514
Amounts due from related parties	C3	35,392	28,271	24,618
Advances and other receivables	C6	253,961	286,524	336,306
Short-term investments	E3	422	357	188,890
Bank balances and other liquid funds	C7	415,780	999,003	904,890
		4,097,277	4,276,309	4,554,191
Total assets		7,573,023	8,024,415	8,106,369
EQUITY AND LIABILITIES				
Current liabilities				
Contract liabilities	C12	1,324,093	1,258,247	1,369,532
Deposits from customers		4,219	5,809	10,990
Trade payables and accruals	C8	1,829,758	1,599,739	1,734,763
Amounts due to related parties	C9	85,445	104,042	28,390
Provisions	C10	212,935	260,146	280,766
Provision for taxation		163,232	134,686	131,317
Borrowings	E4	225,416	221,642	87,427
Deferred income	C11	3,761	630	–
Employee benefits	D3	2,401	2,491	1,916
		3,851,260	3,587,432	3,645,101
Net current assets		246,017	688,877	909,090

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheet as at 31 December 2018

(Currency - Singapore dollars)

	Note	Group 2018 $'000	Group 2017 $'000	Group 1 January 2017 $'000
Non-current liabilities				
Contract liabilities	C12	495,453	521,787	505,492
Trade payables and accruals	C8	80,345	131,843	137,763
Amounts due to related parties	C9	–	17	17
Deferred tax liabilities	B6	170,726	205,200	216,592
Borrowings	E4	270,363	894,422	992,848
Deferred income	C11	42,405	69,156	75,445
Employee benefits	D3	108,016	102,669	85,200
Derivative financial instruments	C15	19,842	15,553	19,435
		1,187,150	1,940,647	2,032,792
Total liabilities		5,038,410	5,528,079	5,677,893
Net assets		2,534,613	2,496,336	2,428,476
Share capital and reserves				
Share capital	E6	895,926	895,926	895,926
Treasury shares	E7	(9,030)	(22,870)	(44,081)
Capital reserves	E8	118,174	119,782	113,184
Other reserves	E9	(72,054)	(67,480)	(56,666)
Retained earnings		1,313,361	1,289,653	1,258,179
Equity attributable to owners of the Company		2,246,377	2,215,011	2,166,542
Non-controlling interests	F3	288,236	281,325	261,934
		2,534,613	2,496,336	2,428,476
Total equity and liabilities		7,573,023	8,024,415	8,106,369

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

(Currency - Singapore dollars)

Group	Note	Share capital $'000	Treasury shares $'000	Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2017	G2	895,926	(44,081)	113,184	(56,666)	1,258,179	2,166,542	261,934	2,428,476
Total comprehensive income for the year									
Profit for the year		–	–	–	–	502,632	502,632	23,461	526,093
Other comprehensive income									
Net fair value changes on available-for-sale financial assets		–	–	–	8,670	–	8,670	–	8,670
Net fair value changes on cash flow hedges reclassified to income statement		–	–	–	1,598	–	1,598	–	1,598
Effective portion of changes in fair value of cash flow hedges		–	–	–	40,521	–	40,521	13,993	54,514
Share of net fair value changes on cash flow hedges of joint ventures		–	–	–	(127)	–	(127)	–	(127)
Foreign currency translation differences		–	–	–	(47,929)	–	(47,929)	603	(47,326)
Share of foreign currency translation differences of associates and joint ventures		–	–	–	(11,102)	–	(11,102)	–	(11,102)
Reserves released on disposal of subsidiaries		–	–	–	2,144	–	2,144	17	2,161
Defined benefit plan remeasurements		–	–	–	–	(3,427)	(3,427)	(2,682)	(6,109)
Other comprehensive income for the year, net of tax		–	–	–	(6,225)	(3,427)	(9,652)	11,931	2,279
Total comprehensive income for the year, net of tax		–	–	–	(6,225)	499,205	492,980	35,392	528,372
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		–	–	–	–	–	–	397	397
Return of capital to non-controlling interests		–	–	–	–	–	–	(43)	(43)
Cost of share-based payment		–	–	–	14,509	–	14,509	52	14,561
Purchase of treasury shares	E7	–	(15,748)	–	–	–	(15,748)	–	(15,748)
Treasury shares reissued pursuant to share plans		–	36,959	6,598	(18,599)	–	24,958	(42)	24,916
Dividends paid	E10	–	–	–	–	(467,641)	(467,641)	–	(467,641)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(16,615)	(16,615)
Total contributions by and distributions to owners of the Company		–	21,211	6,598	(4,090)	(467,641)	(443,922)	(16,251)	(460,173)
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interests in a subsidiary without a change in control		–	–	–	(589)	–	(589)	250	(339)
Total transactions with owners of the Company		–	21,211	6,598	(4,679)	(467,641)	(444,511)	(16,001)	(460,512)
Transfer from retained earnings to statutory reserve		–	–	–	90	(90)	–	–	–
At 31 December 2017	G2	895,926	(22,870)	119,782	(67,480)	1,289,653	2,215,011	281,325	2,496,336

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

(Currency - Singapore dollars)

Group	Note	Share capital $'000	Treasury shares $'000	Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018		895,926	(22,870)	119,782	(67,480)	1,289,653	2,215,011	281,325	2,496,336
Adjustment on initial application of SFRS(I) 9, net of tax	G2	–	–	–	–	(3,597)	(3,597)	(609)	(4,206)
Adjusted balance at 1 January 2018		895,926	(22,870)	119,782	(67,480)	1,286,056	2,211,414	280,716	2,492,130
Total comprehensive income for the year									
Profit for the year		–	–	–	–	494,241	494,241	22,181	516,422
Other comprehensive income									
Equity investments at FVOCI –net change in fair value		–	–	–	52	28	80	–	80
Reclassified to income statement									
– Debt investments at FVOCI		–	–	–	(2,343)	–	(2,343)	–	(2,343)
– Net fair value changes on cash flow hedges		–	–	–	2	–	2	–	2
Effective portion of changes in fair value of cash flow hedges		–	–	–	(25,294)	–	(25,294)	(9,816)	(35,110)
Share of net fair value changes on cash flow hedges of joint ventures		–	–	–	505	–	505	–	505
Foreign currency translation differences		–	–	–	2,030	–	2,030	(1,728)	302
Share of foreign currency translation differences of associates and joint ventures		–	–	–	(213)	–	(213)	–	(213)
Reserves released on disposal of subsidiaries		–	–	–	13,714	–	13,714	–	13,714
Defined benefit plan remeasurements		–	–	–	–	166	166	35	201
Other comprehensive loss for the year, net of tax		–	–	–	(11,547)	194	(11,353)	(11,509)	(22,862)
Total comprehensive income for the year, net of tax		–	–	–	(11,547)	494,435	482,888	10,672	493,560
Hedging gains and losses and costs of hedging transferred to the cost of inventory		–	–	–	3,955	–	3,955	–	3,955
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		–	–	–	–	–	–	432	432
Cost of share-based payment		–	–	–	20,415	–	20,415	75	20,490
Purchase of treasury shares	E7	–	(4,354)	–	–	–	(4,354)	–	(4,354)
Treasury shares reissued pursuant to share plans		–	18,194	(1,608)	(16,523)	–	63	(64)	(1)
Dividends paid	E10	–	–	–	–	(468,004)	(468,004)	–	(468,004)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(3,595)	(3,595)
Total contributions by and distributions to owners of the Company		–	13,840	(1,608)	3,892	(468,004)	(451,880)	(3,152)	(455,032)
Transfer from retained earnings to statutory reserve		–	–	–	(874)	874	–	–	–
Balance at 31 December 2018		895,926	(9,030)	118,174	(72,054)	1,313,361	2,246,377	288,236	2,534,613

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Statement of Cash Flows for the year ended 31 December 2018

(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	
	2018	**2017**
	$'000	**$'000**
Cash flows from operating activities		
Profit before taxation	620,748	611,814
Adjustments:		
Share of results of associates and joint ventures, net of tax	(49,056)	(49,332)
Share-based payment expense	20,490	14,561
Depreciation charge	194,714	183,616
Property, plant and equipment written off	982	431
Amortisation of other intangible assets	49,331	33,343
Gain on disposal of property, plant and equipment	(2,000)	(241)
Gain on disposal of intangible assets	(41)	–
Loss/(gain) on disposal of investments, net	5,173	(540)
(Gain)/loss on disposal of associates	(12,426)	1
Loss on disposal of subsidiaries	20,081	1,277
Changes in fair value of financial instruments and hedged items	5,280	13,166
Interest expense	44,900	42,609
Interest income	(17,906)	(24,618)
Impairment of property, plant and equipment	81	63
Impairment of goodwill and other intangible assets	1,861	11
Impairment of investments	–	447
Dividends from investments	–	(7)
Amortisation of deferred income	(144)	(61)
Operating profit before working capital changes	882,068	826,540
Changes in:		
Inventories	(60,784)	(28,157)
Contract assets	(134,319)	10,877
Trade receivables	(200,106)	113,169
Advance payments to suppliers	20,616	42,042
Other receivables, deposits and prepayments	(11,903)	(140)
Amounts due from holding company and related corporations balances	9,474	(9,286)
Amounts due to holding company and related corporations balances	1,677	230
Amounts due from associates	(431)	9,077
Amounts due from joint ventures	(3,777)	55,122
Contract liabilities	36,026	(82,006)
Trade payables	163,941	(117,424)
Deposits from customers	(1,590)	(5,967)
Other payables, accruals and provisions	28,604	21,074
Loans to staff and third parties	542	–
Deferred income	(11,459)	(7,942)
Foreign currency translation of foreign operations	(2,435)	1,171
Cash generated from operations	716,144	828,380
Interest received	22,510	26,948
Income tax paid	(99,161)	(91,666)
Net cash from operating activities	639,493	763,662

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Statement of Cash Flows for the year ended 31 December 2018

(Currency - Singapore dollars, unless otherwise stated)

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,097	1,994
Proceeds from disposal of associates and return of capital from a joint venture		27,682	–
Proceeds from sale and maturity of investments		375,098	315,838
Proceeds from unwinding of cross currency interest rate swaps		13,210	–
Proceeds from sale of intangible assets		64	–
Dividends from associates and joint ventures		61,081	81,029
Dividends from investments		–	7
Purchase of property, plant and equipment		(336,102)	(272,561)
Purchase of investments		(40,920)	(171,433)
Investments in associates and joint ventures		(34,305)	(85,784)
Loan to a joint venture		(19,806)	–
Additions to other intangible assets		(115,408)	(73,271)
Acquisition of controlling interests in subsidiaries, net of cash acquired		–	(50,005)
Disposal of subsidiaries, net of cash disposed		138	8,324
Net cash used in investing activities		(65,171)	(245,862)
Cash flows from financing activities			
Proceeds from bank loans		307,901	171,412
Proceeds from loan from non-controlling interests of a subsidiary		–	5,152
Proceeds of a loan from a joint venture		17,925	36,463
Repayment of bank loans		(247,134)	(65,702)
Repayment of other loans		(148)	(137)
Repayment of lease obligations		(2,513)	(784)
Repayment of loan to a joint venture		(30,805)	(19,607)
Redemption of medium term notes		(681,100)	–
Proceeds from share options exercised with issuance of treasury shares		–	24,916
Purchase of treasury shares		(4,354)	(15,748)
Capital contribution from non-controlling interests of subsidiaries		432	397
Return of capital to non-controlling interests of a subsidiary		–	(43)
Acquisition of non-controlling interests in a subsidiary		–	(223)
Dividends paid to shareholders of the Company		(468,004)	(467,641)
Dividends paid to non-controlling interests		(4,200)	(16,010)
Interest paid		(49,416)	(41,824)
Deposits discharged/(pledged)		9	(131)
Net cash used in financing activities		(1,161,407)	(389,510)
Net (decrease)/increase in cash and cash equivalents		(587,085)	128,290
Cash and cash equivalents at beginning of the year		997,614	903,632
Exchange difference on cash and cash equivalents at beginning of the year		3,871	(34,308)
Cash and cash equivalents at end of the year	C7	414,400	997,614

The accompanying notes are an integral part of the financial statements.

(Currency - Singapore dollars unless otherwise stated)

A
About this report

General

The Company is a public limited company domiciled and incorporated in Singapore. The address of the Company's registered office and principal place of business is 1 Ang Mo Kio Electronics Park Road #07-01 ST Engineering Hub, Singapore 567710.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

The consolidated financial statements of Singapore Technologies Engineering Ltd and its subsidiaries (collectively referred to as the Group) as at 31 December 2018 and for the year then ended were authorised and approved by the Board of Directors for issuance on 20 February 2019.

Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). These are the Group’s first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in note G2.

The financial statements have been prepared on the historical cost convention, except as otherwise described in the accounting policies below.

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 Group entities to all periods presented in these financial statements and in preparing the opening SFRS(I) balance sheet as at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

Foreign currency

The major functional currencies of the Group entities are the Singapore dollar (SGD), the United States dollar (USD) and the Euro.

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.

(Currency - Singapore dollars unless otherwise stated)

B
Business Performance

The highlights of the Group's financial performance during the financial year are:

- Revenue of $6.7 billion, up 3%
- Other income, net of $35.0 million, down 10%
- Profit before tax of $620.7 million, up 1%
- Profit attributable to shareholders of $494.2 million, down 2%
- Earnings per share of 15.85 cents per share, down 2%

B1 Segment information

The principal activities of the Company are those of an investment holding company and the provision of engineering and related services.

The Group is organised on a worldwide basis into four major operating segments. Management reviews the segments' operating results regularly in order to allocate resources to the segments and to assess the segments' performance.

The principal activities of these operating segments are outlined below:

Segments	Principal activities
Aerospace	Provides a wide spectrum of aircraft maintenance, engineering and training services for both military and commercial aircraft operators. These services include airframe, component and engine maintenance, repair and overhaul, aircraft design engineering and parts manufacturing, aviation materials, asset management and pilot training.
Electronics	Specialises in the design, development and delivery of information communications technologies (ICT) products, solutions and services for Smart Cities connectivity, mobility and security.

(Currency - Singapore dollars unless otherwise stated)

Segments	Principal activities
Land Systems	Delivers customised land systems, security solutions and their related through-life support for defence, homeland security and commercial applications.
Marine	Provides turnkey and sustainable defence and commercial solutions to the marine, offshore and environmental engineering industries.
Others*	Research and development, provision of engineering products and solutions, treasury, investment holding and provision of management, consultancy and other support services. * *None of these segments meets any of the quantitative thresholds for determining reportable segments in financial years 2018 and 2017.*

(Currency - Singapore dollars unless otherwise stated)

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Inter-segment pricing is based on terms negotiated between the parties which are intended to reflect competitive terms.

2018	Aerospace $'000	Electronics $'000	Land Systems $'000	Marine $'000	Others $'000	Elimination $'000	Group $'000
Revenue							
External sales	2,646,992	2,143,415	1,282,022	574,084	51,415	–	6,697,928
Inter-segment sales	7,127	23,118	20,787	270	4,244	(55,546)	–
	2,654,119	2,166,533	1,302,809	574,354	55,659	(55,546)	6,697,928
Reportable segment profit from operations	268,148	220,774	59,076	44,375	(22,115)	–	570,258
Other income	30,380	15,718	12,775	6,809	1,800	(12,091)	55,391
Other expenses	(13,281)	(53)	(12,071)	(276)	(81)	5,357	(20,405)
Finance income	8,773	2,533	1,375	3,072	6,604	–	22,357
Finance costs	(14,773)	(9,375)	(6,290)	(4,275)	(21,196)	–	(55,909)
Share of results of associates and joint ventures, net of tax	40,748	(4,905)	7,396	555	5,262	–	49,056
Profit before taxation	319,995	224,692	62,261	50,260	(29,726)	(6,734)	620,748
Taxation	(54,644)	(37,419)	(8,726)	(5,059)	1,522	–	(104,326)
Non-controlling interests	(20,724)	(782)	(675)	–	–	–	(22,181)
Profit attributable to shareholders	244,627	186,491	52,860	45,201	(28,204)	(6,734)	494,241
Other assets	3,104,811	2,174,291	1,626,420	800,078	4,191,077	(4,779,357)	7,117,320
Associates and joint ventures	248,906	62,749	92,206	4,099	47,743	–	455,703
Segment assets	3,353,717	2,237,040	1,718,626	804,177	4,238,820	(4,779,357)	7,573,023
Segment liabilities	2,394,681	1,909,405	1,339,760	761,596	1,954,163	(3,321,195)	5,038,410
Capital expenditure	299,766	88,857	37,879	10,309	13,367	–	450,178
Depreciation and amortisation	113,015	56,519	37,993	29,985	6,575	(42)	244,045
(Write-back of)/impairment losses	(11)	–	1,953	–	–	–	1,942
Other non-cash expenses	847	38	43	–	54	–	982

(Currency - Singapore dollars unless otherwise stated)

2017	Aerospace $'000	Electronics $'000	Land Systems $'000	Marine $'000	Others $'000	Elimination $'000	Group $'000
Revenue							
External sales	2,534,923	2,010,985	1,243,511	637,444	94,200	–	6,521,063
Inter-segment sales	11,990	30,469	19,148	87	6,021	(67,715)	–
	2,546,913	2,041,454	1,262,659	637,531	100,221	(67,715)	6,521,063
Reportable segment profit from operations	272,267	194,846	70,231	14,795	(9,291)	–	542,848
Other income	13,793	14,911	11,230	7,122	5,241	(12,353)	39,944
Other expenses	(5,261)	(66)	(1,766)	(109)	(1)	5,925	(1,278)
Finance income	8,489	1,778	935	2,690	24,758	–	38,650
Finance costs	(11,994)	(8,989)	(6,820)	(3,196)	(26,683)	–	(57,682)
Share of results of associates and joint ventures, net of tax	41,171	(2,282)	11,229	1,106	(1,892)	–	49,332
Profit before taxation	318,465	200,198	85,039	22,408	(7,868)	(6,428)	611,814
Taxation	(51,453)	(31,433)	3,677	4,641	(11,153)	–	(85,721)
Non-controlling interests	(22,172)	7	(1,296)	–	–	–	(23,461)
Profit attributable to shareholders	244,840	168,772	87,420	27,049	(19,021)	(6,428)	502,632
Other assets	2,832,624	1,901,177	1,531,139	892,304	4,941,237	(4,522,453)	7,576,028
Associates and joint ventures	248,168	54,523	108,233	10,493	26,970	–	448,387
Segment assets	3,080,792	1,955,700	1,639,372	902,797	4,968,207	(4,522,453)	8,024,415
Segment liabilities	2,121,057	1,666,909	1,315,362	783,949	2,753,370	(3,112,568)	5,528,079
Capital expenditure	170,519	83,678	33,137	44,176	14,435	–	345,945
Depreciation and amortisation	103,537	47,810	32,503	28,875	4,276	(42)	216,959
Impairment losses	11	–	314	–	196	–	521
Other non-cash expenses	188	141	102	–	–	–	431

(Currency - Singapore dollars unless otherwise stated)

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, employee benefits and deferred tax assets, are based on the location of those assets.

	Revenue		Non-current assets	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Asia	4,884,431	4,692,400	1,622,510	2,079,542
USA	1,198,872	1,219,072	921,086	907,205
Europe	540,575	552,621	752,059	559,755
Others	74,050	56,970	96,472	94,251
	6,697,928	6,521,063	3,392,127	3,640,753

For the year ended 31 December 2018:

- Within Europe, revenue of approximately $453,695,000 (2017: $462,268,000) were from subsidiaries located in Germany.
- Within Asia, most of the revenue were from subsidiaries located in Singapore.
- The remaining revenue from customers in Asia, Europe and Others were individually insignificant.

As at 31 December 2018:

- Within Europe, non-current assets of approximately $585,913,000 (2017: $500,634,000) 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.

(Currency - Singapore dollars unless otherwise stated)

B2 Revenue

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Aerospace $'000		Electronics $'000		Land Systems $'000		Marine $'000		Others $'000		Elimination $'000		Group $'000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Primary geographical markets														
Asia	1,234,221	1,193,473	1,706,868	1,649,721	857,638	777,321	403,557	435,197	10,055	15,590	(54,628)	(66,639)	4,157,711	4,004,663
USA	631,501	564,067	178,870	176,901	360,016	378,352	111,125	158,979	43,914	82,499	(918)	(1,076)	1,324,508	1,359,722
Europe	558,029	566,046	131,707	92,173	8,378	7,078	47,115	22,733	1,624	1,233	–	–	746,853	689,263
Others	230,368	223,327	149,088	122,659	76,777	99,908	12,557	20,622	66	899	–	–	468,856	467,415
	2,654,119	2,546,913	2,166,533	2,041,454	1,302,809	1,262,659	574,354	637,531	55,659	100,221	(55,546)	(67,715)	6,697,928	6,521,063
Major products/service lines														
Sale of goods	501,138	452,298	464,852	408,911	879,513	857,058	5,897	5,957	50,988	98,794	(3,305)	(8,541)	1,899,083	1,814,477
Service income	202,646	237,532	606,574	584,862	384,124	365,233	275,399	299,615	4,190	1,145	(33,774)	(31,702)	1,439,159	1,456,685
Contract revenue	1,950,335	1,857,083	1,095,107	1,047,681	39,172	40,368	293,058	331,959	481	282	(18,467)	(27,472)	3,359,686	3,249,901
	2,654,119	2,546,913	2,166,533	2,041,454	1,302,809	1,262,659	574,354	637,531	55,659	100,221	(55,546)	(67,715)	6,697,928	6,521,063
Timing of revenue recognition														
Transferred at a point in time	841,649	973,288	849,672	803,287	1,008,858	1,038,777	5,897	5,957	50,809	87,961	(15,749)	(17,302)	2,741,136	2,891,968
Transferred over time	1,812,470	1,573,625	1,316,861	1,238,167	293,951	223,882	568,457	631,574	4,850	12,260	(39,797)	(50,413)	3,956,792	3,629,095
	2,654,119	2,546,913	2,166,533	2,041,454	1,302,809	1,262,659	574,354	637,531	55,659	100,221	(55,546)	(67,715)	6,697,928	6,521,063

(Currency - Singapore dollars unless otherwise stated)

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a 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 our customers and the remaining consideration is received after delivery. Where payment terms are for reasons of financing, a financing component is recognised on the sale of goods.

(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 milestone stipulated in the contracts or based on the amounts certified by the customers.

Where performance obligations are satisfied over time as work progresses, revenue is recognised progressively based on the percentage of completion method. The stage of completion is assessed by reference to assessment of work performed (output method) or the cost incurred relative to total estimated costs (input method) depending on which method commensurates with the pattern of transfer of control to the customer. The related costs are recognised in profit or loss when they are incurred, unless they relate to future performance obligations.

If the value of services rendered for the contract exceeds payments received from the customer, a contract asset is recognised and presented separately on the balance sheet. The contract assets is transferred to receivables when the entitlement to payment becomes unconditional. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and separately presented on the balance sheet.

(c) Revenue from long-term contracts

The Group builds specialised assets customised to customers' order for which the Group does not have an alternative use. These contracts can span several years.

(i) Contracts with enforceable right to payment

The Group has determined that for contracts where the Group has an enforceable right to payment, the customer controls all of the work-in-progress. This is because under those contracts, the assets are at the customer’s specification and the Group is entitled to reimbursement of costs incurred to date, including a reasonable margin when the contract is terminated by the customer. Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones.

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.

(Currency - Singapore dollars unless otherwise stated)

(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 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 as a cumulative adjustment to revenue at the date of modification.

Key estimate and judgement: Revenue recognition

Significant judgement is applied in determining:

- *whether performance obligations are distinct.*

  Requires an assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and if the promise is separately identifiable from other promises in the contract.

- *the transaction price for contracts with variable consideration (e.g. bonus, liquidated damages, penalties, etc).*

  Requires an evaluation of potential risk and factors which may affect completion or delivery of the contract, in accordance with contract obligations.

- *estimated cost to complete.*

  For revenue recognised over time, the percentage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated costs for each contract. In making the estimates, management relies on the expertise of its project team and past experience of completed projects. The estimated total costs is reviewed regularly and adjusted where necessary, with the corresponding effect of the change being recognised prospectively from the date of change.

(Currency - Singapore dollars unless otherwise stated)

B3 Profit from operations

Profit from operations is arrived after charging/(crediting) the following items (excluding those disclosed in the other notes to the financial statements):

	Group	
	2018	**2017**
	$'000	**$'000**
After charging/(crediting)		
Auditors' remuneration		
- auditors of the Company	3,791	2,913
- other auditors #	1,678	3,039
Non-audit fees		
- auditors of the Company	698	990
- other auditors #	1,736	1,012
Fees paid to auditors of the Company under business relationship arrangement	–	626
Fees paid to a firm of which a director is a member	711	606
Allowance for inventory obsolescence	56,432	35,012
Impairment loss on trade receivables and contract assets	7,405	15,515
(Write-back of)/provision for onerous contracts	(1,290)	16,887
Property, plant and equipment written off	982	431
Research, design and development expenses	106,069	117,470
Operating lease expenses	45,713	47,041

Refers to other member firms of KPMG International

(Currency - Singapore dollars unless otherwise stated)

B4 Other income, net

	Group 2018 $'000	Group 2017 $'000
Other income		
Government grants	18,577	14,089
Rental income	4,682	6,525
Gain on disposal of property, plant and equipment	2,000	241
Gain on disposal of associates	12,750	–
Grant income from Wage Credit Scheme	8,549	6,955
Others	8,833	12,134
	55,391	39,944
Other expenses		
Loss on disposal of subsidiaries	(20,081)	(1,277)
Loss on disposal of an associate and a joint venture	(324)	(1)
	(20,405)	(1,278)
Other income, net, recognised in profit or loss	34,986	38,666

Recognition and measurement

(i) Government grants are recognised when the conditions associated with the grants are complied with.

Grants that compensate the Group for expenses incurred are recognised in profit or loss in the same periods in which the expenses are recognised.

Grants relating to depreciable assets are recognised in profit or loss over the estimated useful lives of the relevant assets.

(ii) Rental income from leasing facilities is accounted on a straight-line basis over the lease term.

(iii) The gain or loss on disposal of an item of property, plant and equipment, subsidiary, associate or joint venture is determined by comparing the proceeds from disposal with the carrying amount of the disposed item.

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:

	Group	
	2018	**2017**
	$'000	**$'000**
Number of shares		
Issued ordinary shares at beginning of the year	3,115,722	3,108,606
Effect of share options exercised, performance shares and restricted shares released	3,826	7,976
Effect of treasury shares held	(691)	(1,303)
Weighted average number of ordinary shares issued during the year	3,118,857	3,115,279

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 (2017: 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:

	Group	
	2018	**2017**
	$'000	**$'000**
Number of shares		
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	3,118,857	3,115,279
Adjustment for dilutive potential ordinary shares	17,319	16,928
Number of shares that would have been issued at fair value	–	(1,371)
Weighted average number of ordinary shares (diluted) during the year	3,136,176	3,130,836

In the prior year, the average market value of one ordinary share was $3.55 per share for the purposes of calculating the dilutive effect of share options for the period during which the options were outstanding. There were no share options outstanding during the year.

(Currency - Singapore dollars unless otherwise stated)

B6 Taxation

(i) Tax expenses

	Group 2018 $'000	Group 2017 $'000
Current income tax		
Current year	127,422	120,624
Overprovision in respect of prior years	(8,461)	(8,882)
	118,961	111,742
Deferred income tax		
Current year	(12,181)	5,096
Overprovision in respect of prior years	(2,406)	(10,804)
Effect of reduction in tax rate	(48)	(20,313)
	(14,635)	(26,021)
	104,326	85,721

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 2018 $'000	Group 2017 $'000
Profit before taxation	620,748	611,814
Taxation at statutory tax rate of 17% (2017: 17%)	105,527	104,008
Adjustments:		
Income not subject to tax	(8,728)	(3,540)
Expenses not deductible for tax purposes	26,294	24,231
Different tax rates of other countries	2,411	3,167
Overprovision in prior years, net	(10,867)	(19,686)
Effect of change in tax rates	(48)	(20,313)
Effect of results of associates and joint ventures presented net of tax	(8,340)	(8,386)
Tax incentives	(1,324)	(2,778)
Deferred tax assets not recognised	10,520	15,643
Deferred tax assets previously not recognised now utilised	(8,769)	(6,580)
Others	(2,350)	(45)
	104,326	85,721

(Currency - Singapore dollars unless otherwise stated)

(ii) Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Group				
Property, plant and equipment	(249)	(267)	111,267	110,251
Intangible assets	(4,293)	–	182,447	180,852
Allowance for doubtful debts	(1,721)	(990)	–	–
Allowance for inventory obsolescence	(20,396)	(13,865)	–	–
Provisions and accruals	(110,042)	(121,089)	–	–
Unabsorbed capital allowances and unutilised tax losses	(56,682)	(26,844)	–	–
Fair value of derivative financial instruments designated as cash flow hedges	(7,447)	(666)	530	5,401
Fair value of defined benefit plan	(13,798)	(13,124)	–	–
Other items	(9,215)	(8,675)	28,189	20,188
Deferred tax (assets)/liabilities	(223,843)	(185,520)	322,433	316,692
Set off of tax	151,707	111,492	(151,707)	(111,492)
Net deferred tax (assets)/ liabilities	(72,136)	(74,028)	170,726	205,200

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2018 $'000	2017 $'000
Tax losses	359,059	413,285
Deductible temporary differences	8,895	17,869
Unabsorbed wear and tear allowance and investment allowance	1,306	5,470
	369,260	436,624

(c) Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2018, a deferred tax liability of $121,015,000 (2017: $121,028,000) for temporary difference of $484,367,000 (2017: $470,431,000) 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.

(Currency - Singapore dollars unless otherwise stated)

(d) Movement in deferred tax balances during the year:

Group	As at 1 January 2017 $'000	Recognised in profit or loss $'000	Recognised in other comprehen-sive income $'000	Acquired in business combinations $'000	Utilisation of tax losses $'000	Exchange difference $'000	As at 31 December 2017 $'000	Recognised in profit or loss $'000	Recognised in other comprehen-sive income $'000	Deconsolidation of a subsidiary/ finalisation of purchase price allocation $'000	Utilisation of tax losses $'000	Exchange difference $'000	As at 31 December 2018 $'000
Property, plant and equipment	113,551	(699)	–	–	–	(2,868)	109,984	369	–	2	–	663	111,018
Intangible assets	195,360	(17,402)	–	7,647	–	(4,753)	180,852	399	–	(4,290)	–	1,193	178,154
Allowance for doubtful debts	(1,655)	569	–	–	–	96	(990)	(709)	–	4	–	(26)	(1,721)
Allowance for inventory obsolescence	(25,581)	10,613	–	–	–	1,103	(13,865)	(6,261)	–	14	–	(284)	(20,396)
Provisions and accruals	(131,691)	8,407	–	–	–	2,195	(121,089)	11,353	15	16	–	(337)	(110,042)
Unabsorbed capital allowances and unutilised tax losses	(25,072)	(20,329)	–	–	17,090	1,467	(26,844)	(27,258)	–	3	(1,924)	(659)	(56,682)
Fair value of derivative financial instruments designated as cash flow hedges	(12,788)	259	17,514	–	84	(334)	4,735	(36)	(11,535)	–	–	(81)	(6,917)
Fair value of defined benefit plan	(10,087)	–	(2,555)	–	–	(482)	(13,124)	–	(950)	–	–	276	(13,798)
Other items	22,027	(7,439)	(17)	–	(2,705)	(353)	11,513	7,508	–	(38)	–	(9)	18,974
	124,064	(26,021)	14,942	7,647	14,469	(3,929)	131,172	(14,635)	(12,470)	(4,289)	(1,924)	736	98,590

(Currency - Singapore dollars unless otherwise stated)

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 is 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.

Key estimate and judgement: Income taxes

The Group is subject to income taxes in Singapore and jurisdictions where it has foreign operations. Judgement is required in determining the worldwide provision for income taxes and in assessing whether deferred tax balances are recognised on the balance sheet. Changes in circumstances will alter expectations, which may impact the amount of provision for income taxes and deferred tax balances recognised.

Key estimate and judgement: Recovery of deferred tax assets

Deferred tax assets are recognised for tax losses and deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available to utilise them. Judgement and estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

(Currency - Singapore dollars unless otherwise stated)

C
Operating Assets and Liabilities

This section provides information relating to the operating assets and liabilities of the Group.

The Group maintains a strong balance sheet to support the Group's strategy to maximise returns to the shareholders through efficient use of capital, taking into consideration the Group's expenditures, growth and investment requirements.

C1 Property, plant and equipment	**C9** Amounts due to related parties
C2 Intangible assets	**C10** Provisions
C3 Amounts due from related parties	**C11** Deferred income
C4 Inventories	**C12** Contract balances
C5 Trade receivables	**C13** Financial risk management objectives and policies
C6 Advances and other receivables	**C14** Classification and fair value of financial instruments
C7 Bank balances and other liquid funds	**C15** Derivative financial instruments
C8 Trade payables and accruals	

(Currency - Singapore dollars unless otherwise stated)

C1 Property, plant and equipment

Group At Cost	As at 1 January $'000	Additions * $'000	Cost Disposals/ write-off $'000	Arising from acquisition of interest in subsidiaries/ deconsolidation/ disposal of subsidiaries $'000	Reclassi-fications $'000	Translation difference $'000	As at 31 December $'000
2018							
Freehold land and buildings	85,100	2,463	–	–	2,233	1,053	90,849
Leasehold land and buildings	1,186,513	8,530	(9,451)	(84,552)	634	2,450	1,104,124
Improvements to premises	153,981	4,922	(625)	(502)	(490)	1,278	158,564
Wharves and slipways	47,050	–	–	–	–	421	47,471
Syncrolift and floating docks	89,749	–	–	–	–	410	90,159
Boats and barges	177,380	–	(75)	–	–	31	177,336
Plant and machinery	958,136	64,862	(10,792)	(15,715)	6,168	(365)	1,002,294
Production tools and equipment	381,109	22,692	(10,226)	(771)	2,838	1,445	397,087
Furniture, fittings, office equipment and computers	312,091	38,190	(9,562)	(5,319)	7,623	1,241	344,264
Transportation equipment and vehicles	16,946	2,543	(1,486)	(595)	(1)	26	17,433
Aircraft and aircraft engines	255,607	105,203	(2,956)	(4,088)	(44,699)	1,646	310,713
Satellite	13,698	–	–	–	–	–	13,698
Construction-in-progress	45,177	85,365	(12)	(668)	(37,274)	(511)	92,077
	3,722,537	334,770	(45,185)	(112,210)	(62,968)	9,125	3,846,069
2017							
Freehold land and buildings	75,460	12,255	–	–	2,902	(5,517)	85,100
Leasehold land and buildings	1,122,002	29,431	(670)	–	49,039	(13,289)	1,186,513
Improvements to premises	136,835	11,760	(1,590)	4	12,667	(5,695)	153,981
Wharves and slipways	47,361	9	–	–	1,152	(1,472)	47,050
Syncrolift and floating docks	91,023	249	–	–	(14)	(1,509)	89,749
Boats and barges	177,361	120	–	–	–	(101)	177,380
Plant and machinery	875,800	79,951	(16,542)	–	32,097	(13,170)	958,136
Production tools and equipment	359,816	31,119	(2,227)	307	545	(8,451)	381,109
Furniture, fittings, office equipment and computers	290,641	35,617	(11,916)	682	3,044	(5,977)	312,091
Transportation equipment and vehicles	16,318	2,104	(1,197)	–	5	(284)	16,946
Aircraft and aircraft engines	253,557	1,370	–	–	8,339	(7,659)	255,607
Satellite	13,698	–	–	–	–	–	13,698
Construction-in-progress	96,472	68,689	(193)	–	(119,781)	(10)	45,177
	3,556,344	272,674	(34,335)	993	(10,005)	(63,134)	3,722,537

* In the prior year, the Group's wholly-owned subsidiary, Vision Technologies Marine, Inc. acquired selected marine repair assets in Pascagoula, Mississippi in the US. This transaction has been accounted as an asset acquisition and was settled by cash consideration of $34 million (US$25 million).

(Currency - Singapore dollars unless otherwise stated)

Group At Cost	As at 1 January $'000	Depreciation charge/ impairment losses for the year $'000	Disposals/ write-off $'000	Deconsolidation/ disposal of subsidiaries $'000	Reclassi-fications $'000	Translation difference $'000	As at 31 December $'000
	Accumulated depreciation						
2018							
Freehold land and buildings	26,162	2,189	–	–	14	525	28,890
Leasehold land and buildings	574,596	43,044	(9,149)	(24,568)	(8)	1,784	585,699
Improvements to premises	67,903	10,675	(606)	(305)	–	397	78,064
Wharves and slipways	30,963	1,356	–	–	–	150	32,469
Syncrolift and floating docks	74,748	1,489	–	–	–	131	76,368
Boats and barges	65,997	5,701	(33)	–	–	30	71,695
Plant and machinery	534,897	65,573	(9,845)	(11,637)	(8,407)	(515)	570,066
Production tools and equipment	253,675	23,014	(8,985)	(363)	(6)	2,596	269,931
Furniture, fittings, office equipment and computers	260,950	24,551	(9,214)	(4,725)	(12)	937	272,487
Transportation equipment and vehicles	13,255	1,514	(1,385)	(556)	–	13	12,841
Aircraft and aircraft engines	95,885	12,949	(2,956)	(799)	(7,567)	455	97,967
Satellite	4,110	2,740	–	–	–	–	6,850
	2,003,141	194,795	(42,173)	(42,953)	(15,986)	6,503	2,103,327
2017							
Freehold land and buildings	26,664	1,504	–	–	–	(2,006)	26,162
Leasehold land and buildings	541,516	40,822	(568)	–	204	(7,378)	574,596
Improvements to premises	62,270	9,030	(1,589)	–	(29)	(1,779)	67,903
Wharves and slipways	30,071	1,363	–	–	–	(471)	30,963
Syncrolift and floating docks	73,611	1,502	–	–	–	(365)	74,748
Boats and barges	60,106	5,994	–	–	–	(103)	65,997
Plant and machinery	500,406	60,214	(14,808)	–	(233)	(10,682)	534,897
Production tools and equipment	243,167	20,935	(2,155)	–	(3,583)	(4,689)	253,675
Furniture, fittings, office equipment and computers	250,316	24,050	(11,841)	–	3,618	(5,193)	260,950
Transportation equipment and vehicles	13,119	1,547	(1,190)	–	23	(244)	13,255
Aircraft and aircraft engines	83,596	13,978	–	–	–	(1,689)	95,885
Satellite	1,370	2,740	–	–	–	–	4,110
	1,886,212	183,679	(32,151)	–	–	(34,599)	2,003,141

(Currency - Singapore dollars unless otherwise stated)

Group	Net book value 31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
At Cost			
Freehold land and buildings	61,959	58,938	48,796
Leasehold land and buildings	518,425	611,917	580,486
Improvements to premises	80,500	86,078	74,565
Wharves and slipways	15,002	16,087	17,290
Syncrolift and floating docks	13,791	15,001	17,412
Boats and barges	105,641	111,383	117,255
Plant and machinery	432,228	423,239	375,394
Production tools and equipment	127,156	127,434	116,649
Furniture, fittings, office equipment and computers	71,777	51,141	40,325
Transportation equipment and vehicles	4,592	3,691	3,199
Aircraft and aircraft engines	212,746	159,722	169,961
Satellite	6,848	9,588	12,328
Construction-in-progress	92,077	45,177	96,472
	1,742,742	1,719,396	1,670,132

Reclassifications due to changes in the use of assets:

(a) Plant and machinery with net book value amounting to $47,293,000 (2017: $320,000; 1 January 2017: $1,982,000) were reclassified to inventories;

(b) No plant and machinery (2017: net book value amounting to $9,685,000; 1 January 2017: Nil) was reclassified as prepayment for land use right; and

(c) Inventories of $311,000 (2017: Nil; 1 January 2017: $3,049,000) were reclassified to property, plant and equipment.

There were no movements in the following amounts carried at valuation from 1 January 2017 to 31 December 2018.

Group	Valuation $'000	Accumulated depreciation $'000	Net book value $'000
At Valuation			
Leasehold land and buildings	1,919	1,919	–
Wharves and slipways	1,317	1,317	–
Syncrolift and floating docks	4,613	4,613	–
Plant and machinery	1,683	1,683	–
Furniture, fittings, office equipment and computers	285	285	–

(Currency - Singapore dollars unless otherwise stated)

(a) Property, plant and equipment pledged as security

Property, plant and equipment of certain overseas subsidiaries of the Group with a carrying value of $56,336,000 (2017: $107,201,000; 1 January 2017: $62,252,000) are pledged as security for bank loans.

(b) Property, plant and equipment under lease obligations

Included in the above are property, plant and equipment acquired under finance lease obligations with a net book value of:

	Group		
	2018 $'000	**2017 $'000**	**1 January 2017 $'000**
Leasehold land and buildings	12,589	15,064	16,953
Furniture, fittings, office equipment and computers	570	549	755
	13,159	15,613	17,708

(c) Major properties

Major leasehold land and buildings and improvements to premises are:

Location	**Description**	**Tenure**	**Land area (sq. m.)**	**Net book value 2018 $'000**	**2017 $'000**	**1 January 2017 $'000**
Singapore						
1 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.11.2011	20,000	51,378	55,473	59,892
3 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.12.2015	30,000	43,625	46,271	–
249 Jalan Boon Lay	Industrial and commercial buildings	27 years from 1.10.2001 to 31.12.2028, renewable to 10.10.2065	206,031	97,465	103,096	109,876
People's Republic of China						
No 2, Huayu Road, Huli District, Xiamen 361006, Fujian	Leasehold land for factory building	50 years from 20.11.2008	38,618	42,681	45,218	46,957
Germany						
Grenzstr. 1, Dresden	Hangar and office building	31 years from 1.1.1994	110,145	40,333	43,818	24,479

For this purpose, freehold and leasehold land and 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.

(Currency - Singapore dollars unless otherwise stated)

Recognition and measurement

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Cost comprises expenditure that is:
- directly attributable to the acquisition of the asset;
- subsequent costs incurred to replace parts that are eligible for capitalisation; and/or
- transfers from equity on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Certain items of property, plant and equipment which were subject to a one-time valuation in 1972 are stated at valuation, net of depreciation and any impairment losses.

Finance lease (as lessee)

Finance leases are those leasing agreements, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of an asset.

Assets financed under such leases are capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Disposals

Gains or losses on disposal of property, plant and equipment are included in profit or loss.

Depreciation

Depreciation of property, plant and equipment is recognised in profit and loss on a straight line basis over their useful lives, except for freehold land which are not depreciated, and leasehold land which are depreciated over the remaining lease term. The estimated useful lives are as follows:

Item #		Useful life
Buildings	-	2 to 60 years*
Leasehold land	-	Over the period of the lease of between 2 and 50 years*
Improvements to premises	-	3 to 30 years*
Wharves and slipways	-	20 years
Syncrolift and floating docks	-	15 years
Boats and barges	-	10 to 23 years
Plant and machinery	-	5 to 25 years
Production tools and equipment	-	3 to 15 years
Furniture, fittings, office equipment and computers	-	2 to 10 years
Transportation equipment and vehicles	-	4 to 5 years
Aircraft and aircraft engines	-	15 to 30 years
Satellite	-	5 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(c) 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.

Key estimate and judgement: Depreciation charge

Management estimates the useful lives based on factors such as changes in the expected level of usage and technological developments. These are reassessed at each reporting date, and adjusted prospectively, where appropriate.

(Currency - Singapore dollars unless otherwise stated)

C2 Intangible assets

Group	Goodwill $'000	Dealer network $'000	Development expenditure $'000	Commercial and intellectual property rights $'000	Brands $'000	Licenses $'000	Technology agreement $'000	Authorised repair centre agreement $'000	Others $'000	Total $'000
Cost										
At 1 January 2017	563,858	172,800	240,711	76,469	86,265	57,487	36,464	5,857	18,928	1,258,839
Additions	–	–	70,548	2,721	–	–	–	2	–	73,271
Acquisition of subsidiaries	39,825	–	–	20,406	–	–	–	–	–	60,231
Translation difference	(37,198)	6,301	1,641	(5,092)	(6,115)	(21)	(2,721)	–	–	(43,205)
At 31 December 2017 and 1 January 2018	566,485	179,101	312,900	94,504	80,150	57,466	33,743	5,859	18,928	1,349,136
Additions	–	–	114,789	619	–	–	–	–	–	115,408
Finalisation of purchase price allocation	(4,293)	–	–	–	–	–	–	–	–	(4,293)
Deconsolidation/disposal of subsidiaries	(10,883)	–	–	(1,366)	–	(996)	–	–	–	(13,245)
Write-off	–	–	–	–	–	–	–	–	(120)	(120)
Translation difference	9,694	(3,211)	(3,163)	1,144	1,625	(151)	731	–	–	6,669
At 31 December 2018	561,003	175,890	424,526	94,901	81,775	56,319	34,474	5,859	18,808	1,453,555
Accumulated amortisation and impairment losses										
At 1 January 2017	56,715	21,884	41,364	67,699	14,081	7,497	10,615	1,339	18,060	239,254
Amortisation for the year *	–	7,620	14,260	3,265	1,314	2,414	2,636	1,339	495	33,343
Impairment losses +	–	–	–	–	–	–	–	–	11	11
Translation difference	(2,422)	(226)	(2,269)	(4,213)	(876)	(13)	(865)	–	–	(10,884)
At 31 December 2017 and 1 January 2018	54,293	29,278	53,355	66,751	14,519	9,898	12,386	2,678	18,566	261,724
Amortisation for the year *	–	7,621	29,531	4,586	1,189	2,400	2,589	1,339	76	49,331
Impairment losses/(write-back of impairment) +	307	–	–	62	–	1,503	–	–	(11)	1,861
Deconsolidation/disposal of subsidiaries	(10,883)	–	–	(1,366)	–	–	–	–	–	(12,249)
Write-off	–	–	–	–	–	–	–	–	(97)	(97)
Translation difference	(54)	(326)	894	779	250	(95)	299	1	(1)	1,747
At 31 December 2018	43,663	36,573	83,780	70,812	15,958	13,706	15,274	4,018	18,533	302,317

(Currency - Singapore dollars unless otherwise stated)

Group	Goodwill $'000	Dealer network $'000	Development expenditure $'000	Commercial and intellectual property rights $'000	Brands $'000	Licenses $'000	Technology agreement $'000	Authorised repair centre agreement $'000	Others $'000	Total $'000
Net book value										
At 31 December 2018	517,340	139,317	340,746	24,089	65,817	42,613	19,200	1,841	275	1,151,238
At 31 December 2017	512,192	149,823	259,545	27,753	65,631	47,568	21,357	3,181	362	1,087,412
At 1 January 2017	507,143	150,916	199,347	8,770	72,184	49,990	25,849	4,518	868	1,019,585

* Amortisation charge of $49,331,000 (2017: $33,343,000) is recognised in the income statement as part of:
- Other operating expenses of $11,755,000 (2017: $15,072,000); and
- Cost of sales of $37,576,000 (2017: $18,271,000)

\+ During the year, the Group assessed that certain licenses and commercial and intellectual property rights were impaired as these intangible assets were not expected to be generating future economic benefits. Impairment losses of $1,565,000 (2017: $11,000) were recognised in other operating expenses in the income statement.

During the year, an impairment loss on goodwill of $307,000 (2017: Nil) was recognised in other operating expenses in the income statement as the recoverable amount of one CGU was determined to be lower than the carrying amount.

(Currency - Singapore dollars unless otherwise stated)

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 16 years</td></tr>
<tr><td>Brands</td><td>Includes LeeBoy™ and Rosco brands of road construction equipment</td><td>Aerospace: 5 years
Electronics: 20 years
Land: 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>

(Currency - Singapore dollars unless otherwise stated)

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*, B757 15-PTF, A330-200 PTF and A330-300 PTF and A320/A321 PTF*. * Amortisation have been deferred for the year ended 31 December 2018 as the assets are not yet ready for management's intended use.	(i) Initially recognised at cost (ii) Subsequently, carried at cost less any accumulated amortisation and impairment losses	B757 15-PTF: 4 years A330-200 PTF and A330-300 PTF: 41 years Others: 2 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.

(Currency - Singapore dollars unless otherwise stated)

Key estimate and judgement: Recognition and measurement of intangible assets

Assessment of 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 divisions and the key assumptions used in determining the recoverable amount of each CGU are as follows:

				Pre-tax discount rate			Terminal value growth rate		
Group	**2018 $'000**	**2017 $'000**	**1 January 2017 $'000**	**2018 %**	**2017 %**	**1 January 2017 %**	**2018 %**	**2017 %**	**1 January 2017 %**
Aerospace									
Aircraft Maintenance & Modification	13,666	13,400	14,392	11.0 – 11.5	10.5 – 12.5	9.5 – 12.8	2.0 – 2.5	2.0 – 2.5	2.0 – 3.5
Component/Engine Repair & Overhaul	13,381	13,097	14,153	15.2	14.1	10.4	2.4	2.5	3.0
Engineering & Material Services	26,168	26,683	25,569	12.4	6.9 – 12.6	6.5 – 9.8	1.0	2.0	1.3 – 2.0
Electronics									
Communication & Sensor Systems Group	246,747	241,427	261,234	10.0 – 10.6	10.5 – 13.5	10.4 – 12.7	4.0 – 5.0	4.0 – 5.0	4.0 – 5.0
Software Systems Group	27,866	27,536	28,764	8.7 – 13.1	8.6 – 22.2	8.5 – 19.6	2.0 – 3.0	2.0 – 3.0	2.0 – 3.0
Land Systems									
Automotive	154,260	155,544	125,744	12.3 – 15.3	12.9 – 16.0	7.8 – 18.6	3.0 – 3.5	4.0	4.2 – 5.0
Others	35,252	34,505	37,287	10.0	12.4	11.7	3.0	3.0	3.0
	517,340	512,192	507,143						

(Currency - Singapore dollars unless otherwise stated)

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 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 value 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.

Sensitivity to changes in assumptions:

(a) Management has identified the following key assumption for which a change as set out below could cause the carrying amount to exceed the recoverable amount.

Business Divisions	**Assumption**	**Change required for carrying amount to equal the recoverable amount**		
		2018	**2017**	**1 January 2017**
		%	**%**	**%**
Others	Sales growth rate (average of next 5 years)	0.7	0.4	0.4

(b) No sensitivity analysis was disclosed for the remaining CGUs as the Group believes that any reasonable possible change in the key assumptions is unlikely to result in any material impairment to the CGUs.

Key estimate and judgement: Impairment of goodwill

Determination of potential impairment requires an estimation of the recoverable amount of the CGUs to which goodwill are allocated. Key assumptions made to the projected cash flows requiring judgement include growth rate estimates and discount rates.

(Currency - Singapore dollars unless otherwise stated)

C3 Amounts due from related parties

	Group		
	2018 $'000	2017 $'000	1 January 2017 $'000
Trade:			
Associates	2,509	2,955	7,650
Joint ventures	1,952	4,462	4,687
Related corporations	10,425	20,016	10,795
	14,886	27,433	23,132
Non-trade:			
Joint ventures *	25,130	5,579	6,292
Related corporations	182	65	–
	25,312	5,644	6,292
	40,198	33,077	29,424
Receivable:			
Within 1 year	35,392	28,271	24,618
After 1 year	4,806	4,806	4,806
	40,198	33,077	29,424

There were no significant amounts due from related parties denominated in currencies other than the functional currencies of the Group as at 31 December 2018, 31 December 2017 and 1 January 2017.

* Included in the amounts due from joint ventures (non-trade) are:

(a) a loan of $4,806,000 bearing interest at 6.38% per annum, which is the effective interest rate. The loan is unsecured and repayable by 2029; and

(b) loans of $19,806,000 as at 31 December 2018 bearing interest at 3.49% per annum, which is the effective interest rate. The loan is unsecured and repayable by 2019.

C4 Inventories

	Group		
	2018 $'000	2017 $'000	1 January 2017 $'000
Inventories of equipment and spares	1,183,510	1,082,356	1,067,365

In 2018, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to $4,919,045,000 (2017: $4,828,179,000). This includes inventories that were reclassified as contract assets and subsequently expensed in the course of fulfilling performance obligations in contracts with customers.

Allowances for inventory obsolescence

As at 31 December 2018, the inventories are stated after allowance for inventory obsolescence of $383,486,000 (2017: $366,574,000; 1 January 2017: $356,651,000).

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.

Key estimate and judgement: Allowance for inventory obsolescence

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. The actual amount of inventory write-offs could be higher or lower than the allowance made.

C5 Trade receivables

	Group		
	2018 $'000	2017 $'000	1 January 2017 $'000
Gross receivables	1,170,064	982,499	1,111,877
Allowance for doubtful debts	(32,248)	(41,774)	(48,363)
Trade receivables, net	1,137,816	940,725	1,063,514

Trade receivables denominated in currencies other than the functional currencies of the Group as at 31 December are as follows:

- $231,057,000 (2017: $189,620,000; 1 January 2017: $236,755,000) denominated in USD
- $22,092,000 (2017: $35,920,000; 1 January 2017: $36,458,000) denominated in Euro

Trade receivables amounting to $4,319,000 (2017: $2,571,000; 1 January 2017: $7,461,000) are arranged to be repaid through letters of credit issued by reputable banks.

In the prior years, a subsidiary within the Group had not recognised trade receivable (2017: $13,985,000; 1 January 2017: $16,500,000) due from one of its customers in view of uncertainty over the collectability of the debts. During the year, the amount has been fully recognised in the financial statements under trade receivables.

(Currency - Singapore dollars unless otherwise stated)

C6 Advances and other receivables

	Note	Group 2018 $'000	Group 2017 $'000	Group 1 January 2017 $'000
Deposits		14,719	18,669	20,495
Interest receivables		758	5,280	7,047
Other recoverables		48,963	38,508	30,302
Non-trade receivables		18,307	18,889	38,124
Advance payments to suppliers		113,665	135,606	178,303
Prepayments		67,913	66,474	57,268
Derivative financial instruments	C15	6,565	20,501	4,048
Housing and car loans and advances to staff		2,642	2,836	3,074
Loans to third parties		503	167	179
		274,035	306,930	338,840
Receivable:				
Within 1 year		253,961	286,524	336,306
After 1 year		20,074	20,406	2,534
		274,035	306,930	338,840

C7 Bank balances and other liquid funds

	Group 2018 $'000	Group 2017 $'000	Group 1 January 2017 $'000
Fixed deposits with financial institutions	65,532	371,724	530,811
Cash and bank balances	350,248	627,279	374,079
Bank balances and other liquid funds	415,780	999,003	904,890
Deposits pledged	(1,380)	(1,389)	(1,258)
Cash and cash equivalents in the statement of cash flows	414,400	997,614	903,632

Fixed deposits with financial institutions mature at varying periods within 12 months (2017: 12 months; 1 January 2017: 12 months) from the financial year-end. Interest rates range from 1.1% to 6.4% (2017: 0% to 3.75%; 1 January 2017: 0% to 6.5%) per annum, which are also the effective interest rates.

Cash and bank balances of $1,380,000 (2017: $1,389,000; 1 January 2017: $1,258,000) 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 functional currencies of the Company and its subsidiaries as at 31 December are as follows:

- $60,256,000 (2017: $222,044,000; 1 January 2017: $432,363,000) denominated in USD
- $89,470,000 (2017: $94,480,000; 1 January 2017: $29,707,000) denominated in Euro

(Currency - Singapore dollars unless otherwise stated)

C8 Trade payables and accruals

	Note	Group 2018 $'000	Group 2017 $'000	Group 1 January 2017 $'000
Trade payables		885,441	736,075	822,022
Non-trade payables		72,494	84,696	91,181
Purchase of property, plant and equipment		41	1,546	1,433
Accrued operating expenses *		922,772	882,594	890,136
Accrued interest payable		8,064	16,554	17,651
Derivative financial instruments	C15	21,291	10,117	50,103
		1,910,103	1,731,582	1,872,526
Payable:				
Within 1 year		1,829,758	1,599,739	1,734,763
After 1 year		80,345	131,843	137,763
		1,910,103	1,731,582	1,872,526

Trade payables denominated in currencies other than the functional currencies of the Company and its subsidiaries as at 31 December are as follows:

- $112,102,000 (2017: $57,144,000; 1 January 2017: $89,674,000) denominated in USD
- $48,313,000 (2017: $28,030,000; 1 January 2017: $32,054,000) denominated in Euro

* Included in the accrued operating expenses is an amount of $323,849,000 (2017: $349,079,000; 1 January 2017: $375,170,000) for the Group's obligations under its employee compensation schemes.

C9 Amounts due to related parties

	Group 2018 $'000	Group 2017 $'000	Group 1 January 2017 $'000
Trade:			
Associates	7,289	8,166	3,784
Joint ventures	252	244	22,450
Related corporations	3,869	2,372	2,166
	11,410	10,782	28,400
Non-trade:			
Joint ventures *	73,824	93,246	–
Related corporations	211	31	7
	74,035	93,277	7
	85,445	104,059	28,407
Payable:			
Within 1 year	85,445	104,042	28,390
After 1 year	–	17	17
	85,445	104,059	28,407

There were no significant amounts due to related parties denominated in currencies other than the functional currencies of the Company and its subsidiaries as at 31 December 2018, 31 December 2017 and 1 January 2017.

* Included in the amounts due to joint ventures (non-trade) is an amount of $69,786,000 (2017: $76,363,000; 1 January 2017: Nil) placed by joint ventures to a subsidiary of the Group under a cash pooling arrangement, where an effective interest of 1.36% per annum is charged on the outstanding balance.

C10 Provisions

Movements in provisions are as follows:

	Warranties $'000	Onerous contracts $'000	Closure costs $'000	Total $'000
Group				
2018				
At 1 January 2018	197,350	62,363	433	260,146
Charged/(written back) to profit or loss	995	(1,290)	2,191	1,896
Provision utilised	(26,850)	(21,494)	–	(48,344)
Deconsolidation/disposal of subsidiaries	(663)	–	–	(663)
Translation difference	483	(509)	(74)	(100)
At 31 December 2018	171,315	39,070	2,550	212,935
2017				
At 1 January 2017	198,847	70,313	11,606	280,766
Charged to profit or loss	33,056	16,887	–	49,943
Provision utilised	(32,382)	(24,820)	(11,173)	(68,375)
Translation difference	(2,171)	(17)	–	(2,188)
At 31 December 2017	197,350	62,363	433	260,146

(Currency - Singapore dollars unless otherwise stated)

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(i) Warranties

The warranty provision represents the best estimate of the Group's contractual obligations at the reporting date.

Under the terms of the revenue contracts with key customers, the Group is obligated to make good, by repair or replacement, engineering or manufacturing defects that become apparent within the warranty period from the date of sale. The warranty obligation varies from 60 days to 15 years. The Group's experience of the proportion of its products sold that requires repair or replacement differs from year to year as every contract is customised to the specification of the customers.

The estimation of the provision for warranty expenses is based on the Group's past claim experience over the duration of the warranty period and the industry average in relation to warranty exposures and represents the best estimates of the costs expected to incur per dollar of sales.

The warranty provision made as at 31 December 2018 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.

Key estimate and judgement: Provision for warranty

The provision for warranty is based on estimates from known and expected warranty work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

Key estimate and judgement: Provision for onerous contracts

The Group conducts a critical review of all its long-term contracts regularly. Allowance is made where necessary to account for onerous contracts and significant judgement is used to estimate the total cost to complete.

(Currency - Singapore dollars unless otherwise stated)

C11 Deferred income

	Group		
	2018 $'000	2017 $'000	1 January 2017 $'000
Government compensation	–	25,434	31,154
Government grants	37,466	37,230	41,997
Deferred rents	8,700	7,122	2,294
	46,166	69,786	75,445
Recognise:			
Within 1 year	3,761	630	–
After 1 year	42,405	69,156	75,445
	46,166	69,786	75,445

Government compensation and grants relate mainly to grants received to subsidise the cost of capital assets.

C12 Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

	Group		
	2018 $'000	2017 $'000	1 January 2017 $'000
Contract assets	1,070,396	939,073	968,608
Contract liabilities	(1,819,546)	(1,780,034)	(1,875,024)

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (included in trade receivables), unbilled receivables (contract assets), and customer advances (contract liabilities) on the balance sheet.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. If the value of services rendered exceeds payments received from the customer, a contract asset is recognised and presented separately. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

The contract liabilities primarily relate to advance consideration received from customers for contract revenue. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and presented separately.

These assets and liabilities are reported on the balance sheet on a contract by contract basis at the end of each reporting period.

Significant changes in the contract assets and the contract liabilities balances during the year are as follows:

	Group			
	Contract assets		Contract liabilities	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	530,126	514,185
Increase due to cash received, excluding amounts recognised as revenue during the year	–	–	(591,971)	(537,792)
Contract assets recognised	774,994	251,414	–	–
Contract asset reclassified to trade receivables	(610,114)	(232,075)	–	–
Changes in measurement of progress	4,804	(6,403)	–	–

Transaction price allocated to the remaining performance obligations

The aggregate amount of transaction price allocated to the remaining performance obligations as at 31 December 2018 is $13,183,505,000 and the Group expects to recognise $4,944,523,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2019 with the remaining $8,238,982,000 in 2020 and beyond.

Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amount presented above.

As permitted under the transitional provisions in SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 December 2017 is not disclosed.

Key estimate and judgement: Contract balances

Significant 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.

(Currency - Singapore dollars unless otherwise stated)

C13 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, bank loans and overdrafts, finance leases and hire purchase contracts, investments, cash and short-term deposits.

All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors' resolutions, with banking mandates, which define the permitted financial instruments and facilities limits. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation. The purpose of engaging in treasury transactions is solely for hedging. The Group's treasury mandates allow only foreign exchange spot, forward or non-deliverable forward, foreign exchange swap, cross currency swap, purchase of foreign exchange call, put or collar option, forward rate agreement, interest rate swap, purchase of interest rate cap, floor or collar option (Permitted Transactions). 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		
	2018 $'000	2017 $'000	1 January 2017 $'000
Fixed rate instruments			
Financial assets	90,144	376,530	535,617
Financial liabilities	(250,835)	(818,211)	(850,380)
	(160,691)	(441,681)	(314,763)
Variable rate instruments			
Financial assets	–	350,975	499,812
Financial liabilities	(314,654)	(297,853)	(229,895)
	(314,654)	53,122	269,917

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 and lease commitments (2017: 10-year bonds issued, bank loans and lease commitments). 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 and cross currency 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 (2017: $1.5 million).

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 functional currencies of the Company and its subsidiaries. The Group’s foreign exchange exposures are primarily from USD and Euro, and manages its exposure through forward currency contracts, cross currency interest rate swaps and embedded derivatives.

The Group’s centralised Treasury Unit monitors the current and projected foreign currency cash flow 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 rate would not result in any significant impact on the Group’s results.

Market risk

The Group has strategic investments in quoted and unquoted equity shares. The market value of these investments will fluctuate with market conditions.

No sensitivity analysis was disclosed as a reasonable change in the market value of these investments would not result in any significant impact on the Group's results.

Liquidity risk

To manage liquidity risk, the Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

The table below analyses the maturity profile of the Group’s financial liabilities based on the contractual undiscounted cash flows including estimated interest payments and excluding impact of netting arrangements.

(Currency - Singapore dollars unless otherwise stated)

Group	**Contractual cash flow $'000**	**Within 1 year $'000**	**Between 1 and 5 years $'000**	**More than 5 years $'000**
2018				
Bank loans	(499,291)	(231,435)	(230,210)	(37,646)
Lease obligations	(24,825)	(1,181)	(4,488)	(19,156)
Trade and other payables	(1,974,257)	(1,893,912)	(75,058)	(5,287)
Derivative financial instruments:				
• Gross-settled forward currency contracts				
- payments	(1,191,268)	(601,037)	(590,231)	–
- receipts	1,178,865	592,641	586,224	–
• Net-settled interest rate swaps	2,231	1,479	752	–
Financial guarantees	(87,921)	(2,384)	(19,239)	(66,298)
2017				
Bank loans	(439,014)	(217,399)	(206,407)	(15,208)
Bonds	(718,058)	(32,088)	(685,970)	–
Other loans	(7,418)	(7,403)	(15)	–
Lease obligations	(32,524)	(1,280)	(4,590)	(26,654)
Trade and other payables	(1,825,524)	(1,693,664)	(129,244)	(2,616)
Derivative financial instruments:				
• Gross-settled forward currency contracts				
- payments	(1,291,846)	(697,921)	(587,116)	(6,809)
- receipts	1,312,620	709,860	596,041	6,719
• Net-settled interest rate swaps	2,769	441	2,328	–
• Net-settled cross currency interest rate swaps	8,624	1,529	7,095	–
Financial guarantees	(84,856)	(7)	(18,108)	(66,741)

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 issued by the Group to joint ventures are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities.

When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

(Currency - Singapore dollars unless otherwise stated)

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		
	2018	**2017**	**1 January 2017**
	$'000	**$'000**	**$'000**
Investments	16,814	360,703	510,941
Derivative financial instruments, non-current	11,483	33,082	32,967
Contract assets	1,070,396	939,073	968,608
Trade receivables	1,138,988	940,725	1,065,408
Amounts due from related parties	40,198	33,077	29,424
Advances and other receivables	92,457	104,850	103,269
Bank balances and other liquids funds	415,780	999,003	904,890
	2,786,116	3,410,513	3,615,507

Impairment losses on financial assets and contract assets recognised in profit or loss are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Trade receivables	1,612	16,628
Contract balances arising from contracts with customers	5,793	(1,113)
	7,405	15,515

(Currency - Singapore dollars unless otherwise stated)

Exposure to credit risk

As at 31 December 2018, 26% (2017: 35%) of trade debts 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		
	2018 $'000	2017 $'000	1 January 2017 $'000
Aerospace	780,856	642,977	694,602
Electronics	1,040,822	815,805	876,361
Land Systems	269,770	218,001	276,286
Marine	108,768	195,552	165,334
Others	9,168	7,463	21,433
	2,209,384	1,879,798	2,034,016

A summary of the Group's exposures to credit risk for trade receivables and contract assets is as follows:

	2018	
	Not credit impaired S$'000	Credit impaired S$'000
Group		
Receivables measured at lifetime ECL:		
Trade receivables and contract assets	2,209,384	38,986
Loss allowance	–	(38,986)
Total	2,209,384	–

Comparative information under FRS 39

The age analysis of trade receivables and contract assets as at 31 December 2017 and 1 January 2017 are as follows:

	Group	
	2017 $'000	1 January 2017 $'000
Not past due	1,614,814	1,712,608
1 – 90 days	217,759	257,812
91 – 180 days	35,927	34,511
181 – 360 days	10,462	28,351
> 360 days	836	734
Total gross carrying amount	1,879,798	2,034,016

Expected credit loss assessment

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 as there is no applicable credit ratings (or equivalent).

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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for customers:

	Group			
	Weighted average loss rate	**Gross carrying amount $'000**	**Impairment loss allowance $'000**	**Credit Impaired**
Not past due	0.55%	1,807,360	(9,860)	No
1 – 90 days	0.57%	338,958	(1,927)	No
91 – 180 days	2.07%	64,920	(1,347)	No
181 – 360 days	31.81%	10,902	(3,468)	No
> 360 days	85.34%	26,230	(22,384)	Yes
		2,248,370	(38,986)	

Loss rates are based on actual credit loss experience over the past four years adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss. As of 2018, no scalar factors has been applied.

Movements in allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year were as follows:

	Group	
	Individual impairments $'000	**Collective impairments $'000**
At 1 January 2017 per FRS 39	45,850	4,781
Impairment loss/(write-back of impairment) recognised	15,870	(355)
Amounts written off	(20,598)	–
Acquisition of subsidiary	75	3
Translation difference	(1,838)	(218)
At 31 December 2017 per FRS 39	39,359	4,211

(Currency - Singapore dollars unless otherwise stated)

	Group lifetime ECL $'000
At 1 January 2018 per FRS 39	43,570
Adjustment on initial application of SFRS(I) 9	4,196
At 1 January 2018 per SFRS(I) 9	47,766
Impairment loss recognised	7,405
Amounts written off	(4,594)
Disposal of subsidiaries	(11,048)
Translation difference	(543)
At 31 December 2018 per SFRS(I) 9	38,986

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.

Policy under SFRS(I) 9 – Policy applicable from 1 January 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost, contract assets (as defined in SFRS(I)15), debt investments at FVOCI and financial guarantee contracts, but not for equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all the possible default events over the expected life of a financial instrument.

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 the reasonable range of past due days;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the balance sheets

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(Currency - Singapore dollars unless otherwise stated)

Policy under FRS 39 – Policy applicable before 1 January 2018

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset not carried at FVTPL is impaired.

To determine whether there is objective evidence that financial assets (including equity securities) are impaired, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor/issuer, default or significant delay in payments, significant adverse changes in the business environment where the debtor/issuer operates and disappearance of an active market for a security. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The loss recognised is not reversed in future periods.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Impairment losses previously recognised are reversed through OCI and for available-for-sale debt instruments are reversed through the profit and loss, if the increase in fair value is related objectively to a subsequent event.

Key estimate and judgement: Impairment of financial assets and contract assets

Impairment of financial assets and contract assets are estimated based on historical loss experience for assets with similar credit risk characteristics. The estimated ECL is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

(Currency - Singapore dollars unless otherwise stated)

C14 Classification and fair value of financial instruments

Group	Carrying amount						Fair value			
	Amortised cost $'000	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	FVOCI – equity instruments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2018										
Financial assets measured at fair value										
Investments	–	–	–	16,814	–	16,814	422	16,392	–	16,814
Associates	–	23,698	–	–	–	23,698	–	23,698	–	23,698
Derivative financial instruments	–	5,728	12,320	–	–	18,048	–	18,048	–	18,048
	–	29,426	12,320	16,814	–	58,560	422	58,138	–	58,560
Financial assets not measured at fair value										
Trade receivables	1,138,988	–	–	–	–	1,138,988				
Amounts due from related parties	40,198	–	–	–	–	40,198				
Advances and other receivables	85,892	–	–	–	–	85,892				
Bank balances and other liquid funds	415,780	–	–	–	–	415,780				
	1,680,858	–	–	–	–	1,680,858				
Financial liabilities measured at fair value										
Derivative financial instruments	–	(3,057)	(38,076)	–	–	(41,133)	–	(41,133)	–	(41,133)
Financial liabilities not measured at fair value										
Creditors and accruals	–	–	–	–	(1,888,812)	(1,888,812)				
Amounts due to related parties	–	–	–	–	(85,445)	(85,445)				
Borrowings	–	–	–	–	(495,779)	(495,779)				
	–	–	–	–	(2,470,036)	(2,470,036)				

(Currency - Singapore dollars unless otherwise stated)

Group	Carrying amount						Fair value			
	Loans and receivables $'000	Fair value through profit or loss $'000	Available -for-sale $'000	Liabilities at amortised cost $'000	Derivatives used for hedging $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2017										
Financial assets measured at fair value										
Investments	–	–	351,344	–	–	351,344	357	350,975	12	351,344
Associates	–	7,863	–	–	–	7,863	–	7,863	–	7,863
Derivative financial instruments	–	18,247	–	–	35,336	53,583	–	53,583	–	53,583
	–	26,110	351,344	–	35,336	412,790	357	412,421	12	412,790
Financial assets not measured at fair value										
Investments	–	–	9,359	–	–	9,359				
Trade receivables	940,725	–	–	–	–	940,725				
Amounts due from related parties	33,077	–	–	–	–	33,077				
Advances and other receivables	84,349	–	–	–	–	84,349				
Bank balances and other liquid funds	999,003	–	–	–	–	999,003				
	2,057,154	–	9,359	–	–	2,066,513				
Financial liabilities measured at fair value										
Derivative financial instruments	–	(3,459)	–	–	(22,211)	(25,670)	–	(25,670)	–	(25,670)
Financial liabilities not measured at fair value										
Creditors and accruals	–	–	–	(1,721,465)	–	(1,721,465)				
Amounts due to related parties	–	–	–	(104,059)	–	(104,059)				
Borrowings	–	–	–	(1,116,064)	–	(1,116,064)				
	–	–	–	(2,941,588)	–	(2,941,588)				

(Currency - Singapore dollars unless otherwise stated)

Group	Carrying amount						Fair value			
	Loans and receivables $'000	Fair value through profit or loss $'000	Available -for-sale $'000	Liabilities at amortised cost $'000	Derivatives used for hedging $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
1 January 2017										
Financial assets measured at fair value										
Investments	–	364	500,463	–	–	500,827	1,003	499,812	12	500,827
Derivative financial instruments	–	28,894	–	–	8,121	37,015	–	37,015	–	37,015
	–	29,258	500,463	–	8,121	537,842	1,003	536,827	12	537,842
Financial assets not measured at fair value										
Investments	–	–	10,114	–	–	10,114				
Trade receivables	1,065,408	–	–	–	–	1,065,408				
Amounts due from related parties	29,424	–	–	–	–	29,424				
Advances and other receivables	99,221	–	–	–	–	99,221				
Bank balances and other liquid funds	904,890	–	–	–	–	904,890				
	2,098,943	–	10,114	–	–	2,109,057				
Financial liabilities measured at fair value										
Derivative financial instruments	–	(13,776)	–	–	(55,762)	(69,538)	–	(69,538)	–	(69,538)
Financial liabilities not measured at fair value										
Trade payables and accruals	–	–	–	(1,822,423)	–	(1,822,423)				
Amounts due to related parties	–	–	–	(28,407)	–	(28,407)				
Borrowings	–	–	–	(1,080,275)	–	(1,080,275)				
	–	–	–	(2,931,105)	–	(2,931,105)				

(Currency - Singapore dollars unless otherwise stated)

(a) Non-derivative financial assets and liabilities

Policy under SFRS(I) 9 – Policy applicable from 1 January 2018

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.

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.
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.

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.

Policy under FRS 39 – Policy applicable before 1 January 2018

Recognition and initial measurement

Financial assets and liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

(Currency - Singapore dollars unless otherwise stated)

Classification and subsequent measurement:

	Category	Subsequent measurement
(1)	**Loans and receivables** - With fixed or determinable payments, that are not quoted in an active market - Comprise bank balances and other liquid funds, and trade and other receivables (including finance lease receivables and amounts due from related parties)	Amortised cost, computed using effective interest method, less impairment losses
(2)	**Fair value through profit or loss** - Acquired principally for the purposes of selling in the near term - Includes separable embedded derivatives and other derivatives not designated in hedging relationship - Investments in associates acquired by the Group's Corporate Venture Unit which are designated upon initial recognition to be measured at fair value through profit or loss	Gains and losses arising from fair value changes are recognised in profit or loss. Fair value gains/losses arising from embedded derivatives and forward currency contracts that provide an economic hedge to trading transactions, are considered to be part of the Group's operating activities and are classified as part of cost of sales to reflect the nature of the transactions.
(3)	**Available-for-sale** - Designated or are not classified in the other categories of financial assets - Comprise equity securities and bonds	Gains and losses arising from changes in fair value are recognised in other comprehensive income and presented in fair value reserve in equity, until the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in reserve is included in profit or loss for the year. For those financial assets where there is no active market and where fair value cannot be reliably measured, they are measured at cost.
(4)	**Liabilities at amortised cost** - Comprise bank overdrafts, trade and other payables (including lease obligations and amounts due to related parties) and borrowings	Amortised cost, computed using effective interest method.

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 expire.

(b) Fair value

The Group has an established approach with respect to the measurement of fair values.

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table shows the levels of fair value hierarchy and the respective valuation technique used in measuring the fair values, as well as significant unobservable inputs:

	Types of financial instruments	Valuation method
Level 1	**FVOCI** - Equity investments (quoted)	Determined by reference to their quoted bid prices for these investments as at reporting date.
	Fair value through profit or loss - Equity investments (quoted)	
Level 2	**FVOCI** - Bonds (unquoted) - Equity investments (unquoted)	 Determined based on quoted market prices. Determined by reference to the most recent purchase price.
	Derivatives - Forward currency contracts - Cross currency interest rate swaps - 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 associate	Determined by reference to the most recent purchase price.
Level 3	**FVOCI** - Venture capital funds and limited partnership	Determined by reference to valuation provided by non-related fund managers based on non-observable data. 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.

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. There were no transfers between Level 1, Level 2 and Level 3 during 2018 and 2017.

(Currency - Singapore dollars unless otherwise stated)

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	
	2018	**2017**
	$'000	**$'000**
Equity instruments (unquoted)		
Opening balance	12	12
Total gain:		
- recognised in other comprehensive income	(12)	–
Closing balance	–	12

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.

(Currency - Singapore dollars unless otherwise stated)

C15 Derivative financial instruments

Cash flow hedges

At 31 December 2018, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

	Maturity	
	Within 1 year	Between 1 to 5 years
2018		
Foreign currency risk		
Nominal amount of forward exchange contracts (in thousands of SGD)	493,801	237,406
- Average SGD:USD forward contract rate	1.3539	–
- Average SGD:EUR forward contract rate	1.5423	1.6645
- Average USD:EUR forward contract rate	1.2049	1.2251
Nominal amount of embedded derivatives (in thousands of SGD)	69,832	250,421
- Average SGD:USD	1.3794	1.3801
- Average SGD:EUR	1.6573	1.6452
- Average USD:GBP	1.7934	1.8144
Interest rate risk		
Nominal amount of interest rate swaps	–	163,914
- Average fixed interest rate	–	1.6273

The amounts at the reporting date relating to items designated as hedged items were as follows:

	Change in value used for calculating hedge ineffectiveness $’000	Cash flow hedge reserve $’000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $’000
Foreign currency risk			
Sales	(19,837)	6,090	–
Receivables	(481)	(458)	–
Purchases	(4,884)	(1,277)	–
Payables	170	(20)	–
Embedded derivatives	(8,207)	(12,127)	–
Interest rate risk			
Fixed rate borrowings	794	2,831	–

(Currency - Singapore dollars unless otherwise stated)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2018				During the year 2018					
	Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the statement of financial position where the hedging instrument is included $'000	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 $'000	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 $'000
Foreign currency risk										
Forward exchange contracts	731,206	3,766	(20,734)	Derivative financial instruments, advances and other receivables and trade payables and accruals	(25,032)	(201)	Cost of sales / Finance costs, net	3,955	2	Revenue / Cost of sales / Operating expenses / Finance costs, net
Embedded derivatives	320,253	156	(11,427)		(8,207)	–	–	–	–	–
Interest rate risk										
Interest rate swaps	163,914	2,854	–	Derivative financial instruments	794	–	–	–	–	–

(Currency - Singapore dollars unless otherwise stated)

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:

	2018 Hedging reserve $'000
Balance at 1 January	20,408
Change in fair value:	
Foreign currency risk	(33,239)
Interest rate risk	794
Equity accounted joint ventures	505
Amount reclassified to profit or loss:	
Foreign currency risk	2
Amount included in the cost of non-financial items:	
Foreign currency risk – inventory purchases	3,955
Tax movements on reserves during the year	7,151
Balance at 31 December	(424)

Comparative information under FRS 39

Derivative financial instruments included in the balance sheet are as follows:

	2017		
	Contractual/ notional amount $'000	Estimated fair value Asset $'000	Estimated fair value Liability $'000
Cash flow hedges			
Forward currency contracts:			
- to hedge confirmed sales in foreign currencies	576,409	19,445	(4,136)
- to hedge firm purchase commitments in foreign currencies	269,182	3,816	(2,533)
- to hedge accounts receivable in foreign currencies	9,410	283	(15)
- to hedge accounts payable in foreign currencies	12,024	254	(50)
Interest rate swaps	207,235	2,035	–
Embedded derivatives	322,926	5,671	(11,302)
Fair value hedges			
Forward currency contracts:			
- to hedge confirmed sales in foreign currencies	146,880	628	(2,134)
- to hedge accounts payable in foreign currencies	354	–	(18)
Embedded derivatives	132,321	2,551	(1,928)

(Currency - Singapore dollars unless otherwise stated)

Non-hedging instruments

Forward currency contracts:			
- sales	227,002	5,082	(2,312)
- purchases	67,426	2,599	(135)
Cross currency interest rate swaps	124,025	10,788	–
Embedded derivatives	8,137	431	(1,107)
Total		53,583	(25,670)
Less: Current portion		(20,501)	10,117
Non-current portion		33,082	(15,553)

Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018

The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into. Attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair values.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss.

Designation of hedges

At inception or upon reassessment of the hedge arrangement, the Group documents the relationship between hedging instrument and hedged item, and the methods that will be used to measure the effectiveness of the hedged relationship, as well as risk management policies and strategies in undertaking various hedged transactions.

The Group also documents its assessment, both at inception and on an ongoing basis, the economic relationship between hedging instruments and hedged item, including whether derivatives designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of the hedged item.

(Currency - Singapore dollars unless otherwise stated)

	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.

Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, embedded derivatives are not separated from host contracts that are financial assets in the scope of SFRS(I) 9. Instead, the hybrid financial instrument is assessed as a whole for classification of financial assets under SFRS(I) 9. Furthermore, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss. Furthermore, for cash flow hedges that were terminated before 2017, forward points were recognised immediately in profit or loss.

(Currency - Singapore dollars unless otherwise stated)

D
Employee Benefits

The Group uses the following programs to reward and recognise employees and key executives, including key management personnel.

- Economic Value Added (EVA)-based Incentive Scheme
- Defined contribution plans
- Employee benefits
- Share plans

The Group believes that these programs reinforce the value of ownership and incentivise and drive performance both individually and collectively to maximise returns to the shareholders.

D1 Economic Value Added (EVA)-based Incentive Scheme (EBIS)

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.

Key estimate and judgement: EBIS

Estimates of the Group's obligations arising from the EBIS at the reporting date may be affected by future events, which cannot be predicated with any certainty. The assumptions and estimates are made based on management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates. Negative EVA will result in a clawback of EVA bonus accumulated in previous years.

(Currency - Singapore dollars unless otherwise stated)

D2 Personnel expenses

	Group 2018 $'000	Group 2017 $'000
Wages and salaries	1,617,337	1,582,092
Contributions to defined contribution plans	174,852	172,640
Defined benefit plan expenses	8,140	6,109
Share-based payments	20,038	14,160
Other personnel expenses	195,720	186,244
	2,016,087	1,961,245

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 Employee benefits

	Group 2018 $'000	Group 2017 $'000	Group 1 January 2017 $'000
Net defined benefit asset	–	(243)	(151)
Total employee benefit asset	–	(243)	(151)
Net defined benefit liabilities	106,041	100,514	82,438
Liability for staff benefits	4,376	4,646	4,678
Total employee benefit liabilities	110,417	105,160	87,116
Non-current	108,016	102,669	85,200
Current	2,401	2,491	1,916
	110,417	105,160	87,116

(Currency - Singapore dollars unless otherwise stated)

Movement in net defined (asset)/liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset)/liability and its components.

Group	Defined benefit obligation 2018 $'000	Defined benefit obligation 2017 $'000	Fair value of plan assets 2018 $'000	Fair value of plan assets 2017 $'000	Net defined benefit liability/(asset) 2018 $'000	Net defined benefit liability/(asset) 2017 $'000
Balance at 1 January	107,874	89,706	(7,603)	(7,419)	100,271	82,287
Included in profit or loss						
Current service cost	6,522	4,975	–	–	6,522	4,975
Interest cost/(income)	2,044	1,737	(117)	(162)	1,927	1,575
Administrative expenses	–	–	(243)	(238)	(243)	(238)
Translation difference	(591)	770	525	(698)	(66)	72
	7,975	7,482	165	(1,098)	8,140	6,384
Included in OCI						
Remeasurements loss/(gain):						
• Actuarial loss/(gain) arising from:						
- demographic assumptions	143	8,662	–	–	143	8,662
- financial assumptions	424	(1,880)	35	–	459	(1,880)
- experience assumptions	146	1,918	–	8	146	1,926
• Return on plan assets excluding interest income	–	–	(13)	(30)	(13)	(30)
	713	8,700	22	(22)	735	8,678
Other						
Contributions paid by the employer	1,181	881	–	–	1,181	881
Benefits paid	(2,271)	(2,427)	226	448	(2,045)	(1,979)
Translation difference	(2,111)	3,532	(130)	488	(2,241)	4,020
Balance at 31 December	113,361	107,874	(7,320)	(7,603)	106,041	100,271

The expenses are recognised in the following line items in profit or loss:

	Group 2018 $'000	Group 2017 $'000
Cost of sales	8,393	6,146
Administrative expenses	(243)	(12)
Other operating expenses	–	(25)
Finance cost, net	(10)	275
Defined benefit obligation expenses	8,140	6,384

The fair values of plan assets in each category are as follows:

	Group		
	2018 $'000	2017 $'000	1 January 2017 $'000
Equity securities	214	228	207
Government bonds	433	426	378
Derivatives	67	97	93
Funds managed by a trustee	1,990	2,163	2,046
Funds with insurance companies	4,616	4,689	4,695
Fair value of plan assets	7,320	7,603	7,419

All equity securities and government bonds have quoted prices in active markets. All government bonds have an average rating of A+.

Defined benefit obligation

(a) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Group		
	2018 %	2017 %	1 January 2017 %
Discount rate	1.9	1.8	1.7
Future salary growth	2.8	2.8	2.8
Future pension growth	1.6	1.5	1.7

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		
	2018	2017	1 January 2017
Longevity at age 65 for current pensioners:			
Males	20.2	19.4	19.3
Females	23.7	23.5	23.4
Longevity at age 65 for current members aged 45:			
Males	23.0	22.0	21.9
Females	25.9	25.9	25.9

At 31 December 2018, the weighted average duration of the defined benefit obligation was 17.8 years (2017: 18.9 years; 1 January 2017: 14.2 years).

(Currency - Singapore dollars unless otherwise stated)

(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.

	2018		2017	
Group	**Increase $'000**	**Decrease $'000**	**Increase $'000**	**Decrease $'000**
Discount rate (0.5% movement)	(8,453)	9,690	(8,044)	9,206
Future salary growth (0.25% movement)	200	(183)	988	(932)
Future pension growth (0.25% movement)	880	(847)	243	(220)
Future mortality (10% movement)	–	1,253	–	1,041

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

Movements in the number of shares under the ESOP, PSP and RSP are as follows:

	Group				
	2018		2017		
	PSP2010	**RSP2010**	**ESOP**	**PSP2010**	**RSP2010**
Outstanding options/awards					
Balance at 1 January	5,007,919	10,412,458	10,051,479	4,842,471	10,727,047
Granted	1,724,540	7,299,438	–	1,714,650	5,355,322
Exercised	–	–	(7,323,524)	–	–
Lapsed	(261,901)	(654,122)	(2,727,955)	(345,415)	(371,665)
Released	(842,788)	(4,550,187)	–	–	(4,292,460)
Cancelled	(809,736)	(6,300)	–	(1,203,787)	(1,005,786)
Balance at 31 December	4,818,034	12,501,287	–	5,007,919	10,412,458

These shares were awarded by reissuance of treasury shares.

(Currency - Singapore dollars unless otherwise stated)

Singapore Technologies Engineering Share Option Plan (ESOP)

The weighted average share price for options exercised in 2017 was $3.68. All options have expired on 10 August 2017.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial model, taking into account the terms and conditions upon which the options were granted.

Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010) and Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010)

	Group			
	PSP Year of grant		RSP Year of grant	
	2018	2017	2018	2017
Volatility of the Company's shares (%)	18.17	18.50	18.17	18.50
Risk-free rate (%)	1.99	1.36	1.73 – 2.03	0.97 – 1.55
Share price ($)	3.59	3.66	3.59	3.66
Cost of equity (%)	7.3	7.1	N.A.	N.A.
Correlation of Index Constituents / Defensive Index vs. the Company (%)	N.A.	-7.3 – 59.9	N.A.	N.A.
Dividend yield	(--Management's forecast in line with dividend policy--)		(--Management's forecast in line with dividend policy--)	

The fair value of the performance and restricted shares is determined on grant date using the Monte Carlo simulation model.

During the current year, the Group met the pre-determined target performance level and hence, 842,788 performance shares were awarded in respect of grant made in 2015 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 above.

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.

(Currency - Singapore dollars unless otherwise stated)

E
Capital Structure and Financing

This section provides information relating to the Group's capital structure and how they affect the Group's financial position and performance, and how the risks are managed.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy financial metrics in order to support its business and maximise shareholder value. Capital consists of total shareholders' funds and gross debts.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic and financial market conditions. The Group may adjust the dividend payout to shareholders, buy back or issue new shares to optimise capital structure within the Group.

E1 Capital management

The Group is currently in a net debt position after inclusion of present value of operating lease obligations. The Group 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 other than those imposed by local regulatory bodies.

	Group		
	2018	**2017**	**1 January 2017**
	$'000	**$'000**	**$'000**
Gross debt			
Bank loans	481,060	424,857	338,524
Bonds	–	667,750	721,098
Capitalised lease obligations	14,719	16,639	18,785
Present value of operating leases	243,359	293,724	330,585
Other loans	–	6,818	1,868
Financial guarantees	87,921	84,856	52,000
	827,059	1,494,644	1,462,860

(Currency - Singapore dollars unless otherwise stated)

	Group		
	2018	**2017**	**1 January 2017**
	$'000	**$'000**	**$'000**
Shareholders' funds			
Share capital	895,926	895,926	895,926
Treasury shares	(9,030)	(22,870)	(44,081)
Capital and other reserves	46,120	52,302	56,518
Retained earnings	1,313,361	1,289,653	1,258,179
	2,246,377	2,215,011	2,166,542
Non-controlling interests	288,236	281,325	261,934
	2,534,613	2,496,336	2,428,476
Gross debt/equity ratio	0.3	0.6	0.6
Cash and cash equivalents	414,400	997,614	903,632
Funds under management	–	350,975	499,812
	414,400	1,348,589	1,403,444
Gross debt (excluding bank overdrafts)	(827,059)	(1,494,644)	(1,462,860)
Net debt position	(412,659)	(146,055)	(59,416)

E2 Finance costs, net

	Group	
	2018	**2017**
	$'000	**$'000**
Finance income		
Dividend income from quoted equity investments	–	7
Interest income		
- bank deposits	8,809	8,570
- staff loans	9	9
- finance lease	107	118
- bonds	6,834	13,846
- contracts with customers	495	428
- others	1,652	1,647
Exchange gain, net	3,895	12,025
Gain on disposal of investments	–	540
Fair value changes of financial instruments		
- gain on forward currency contract designated as hedging instrument	359	213
- gain on ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges	8	–
Fair value changes of hedged items	189	1,247
	22,357	38,650

(Currency - Singapore dollars unless otherwise stated)

	Group	
	2018	2017
	$'000	$'000
Finance costs		
Interest expense		
- bank loans and overdrafts	(7,754)	(7,397)
- bonds	(31,891)	(31,595)
- finance lease	(1,210)	(760)
- contracts with customers	(1,550)	(1,411)
- others	(2,495)	(1,446)
Loss on disposal of investments	(5,173)	–
Net change in fair value of cash flow hedges reclassified from equity on occurrence of forecast transactions	(570)	(1,598)
Fair value changes of financial instruments		
- loss on fair value changes of forward currency contract and cross currency interest rate swaps not designated as hedging instrument	(5,266)	(13,023)
- loss on ineffective portion of forward currency contract designated as hedging instrument	–	(5)
Impairment losses on unquoted investments	–	(447)
	(55,909)	(57,682)
Finance costs, net, recognised in profit or loss	(33,552)	(19,032)

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 or impairment losses recognised on investments, 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.

(Currency - Singapore dollars unless otherwise stated)

E3 Investments

	Note	Group 2018 $'000	2017 $'000	1 January 2017 $'000
Quoted investments				
Equity shares, at FVOCI	C14	422	–	–
Equity shares, at fair value (Available-for-sale)		–	357	639
Equity shares, at fair value through profit or loss (FVTPL)	C14	–	–	364
Total quoted investments		422	357	1,003
Unquoted investments				
Equity shares (FVOCI)		16,392	9,359	10,114
Bonds, at fair value (Available-for-sale)	C14	–	350,975	499,812
Venture capital funds and limited partnership, at fair value (Available-for-sale)	C14	–	12	12
Total unquoted investments		16,392	360,346	509,938
Total investments, net of impairment losses		16,814	360,703	510,941
Represented by:				
Short-term investments		422	357	188,890
Long-term investments		16,392	360,346	322,051
		16,814	360,703	510,941

In the prior year, the bonds at fair value had stated interest rates of 1.875% to 7.625% per annum and matured from 21 March 2018 to 28 March 2073.

(Currency - Singapore dollars unless otherwise stated)

E4 Borrowings

	Note	Group Non-current $'000	 Current $'000	 Total $'000
31 December 2018				
Bank loans	(b)	256,105	224,955	481,060
Lease obligations	(c)	14,258	461	14,719
		270,363	225,416	495,779
31 December 2017				
Unsecured fixed rate bonds	(a)	667,750	–	667,750
Bank loans	(b)	210,640	214,217	424,857
Lease obligations	(c)	16,017	622	16,639
Other loans		15	6,803	6,818
		894,422	221,642	1,116,064
1 January 2017				
Unsecured fixed rate bonds	(a)	721,098	–	721,098
Bank loans	(b)	253,471	85,053	338,524
Lease obligations	(c)	18,124	661	18,785
Other loans		155	1,713	1,868
		992,848	87,427	1,080,275

(a) *Unsecured fixed rate bonds*

	Group 2018 $'000	 2017 $'000	 1 January 2017 $'000
Principal	–	668,500	722,400
Unamortised discount	–	(750)	(1,302)
	–	667,750	721,098
Unamortised discount:			
At beginning of the year	750	1,302	1,733
Amortisation for the year	(748)	(471)	(446)
Translation difference	(2)	(81)	15
	–	750	1,302

On 16 July 2009, the Group issued US$500 million 4.80% Notes due 2019 under its US$1.2 billion Multicurrency Medium Term Note Programme. The bonds bore interest at a fixed rate of 4.80% per annum and interest was payable every six months from the date of issue. The bonds were unconditionally and irrevocably guaranteed by the Company.

On 16 July 2018, the Group redeemed all outstanding US$500 million 4.80% Notes, at the make whole redemption price amounting to US$510,784,000, of which US$10,784,000 was recognised as part of finance cost.

(Currency - Singapore dollars unless otherwise stated)

(b) Secured and unsecured bank loans

	Currency	Effective interest rate %	Maturity	Group 2018 $'000	Group 2017 $'000	Group 1 January 2017 $'000
Bank loans	SGD	2.00	2019	80,000	25,000	25,000
	USD	2.07 – 4.62	2019 – 2023	299,394	321,639	242,726
	RMB	4.75	2019 – 2021	21,106	32,422	43,006
	BRL	–	–	–	–	1,031
	EUR	0.53 – 1.59	2025 – 2027	80,560	45,796	26,761
				481,060	424,857	338,524
- Unsecured				400,253	361,402	252,065
- Secured				80,807	63,455	86,459
				481,060	424,857	338,524

There are bank loans which are secured by assets as follows:

Secured by		Loan amount ($)
Certain property, plant and equipment of subsidiaries	-	$62,573,000 (2017: $57,032,000; 1 January 2017: $57,678,000)
Subsidiary's land use right	-	$18,234,000 (2017: $6,423,000; 1 January 2017: $6,510,000)

Bank loans denominated in currencies other than the functional currency of the Company and its subsidiaries as at 31 December 2018 is $81,960,000 (2017: $42,206,000; 1 January 2017: $43,344,000) denominated in USD.

(Currency - Singapore dollars unless otherwise stated)

(c) *Lease obligations*

A subsidiary leases certain land, buildings and equipment from a foreign airport authority under a finance lease arrangement until 31 October 2041, with an option to terminate the lease at any time with a 36-month written notice. The leased assets are pledged as collateral against the lease.

The obligations under the finance leases to be paid are as follows:

Group	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000	Total $'000
31 December 2018				
Minimum lease payment	1,181	4,488	19,156	24,825
Interest	(720)	(2,727)	(6,659)	(10,106)
Present value of payment	461	1,761	12,497	14,719
31 December 2017				
Minimum lease payment	1,280	4,590	26,654	32,524
Interest	(658)	(2,666)	(12,561)	(15,885)
Present value of payment	622	1,924	14,093	16,639
1 January 2017				
Minimum lease payment	1,353	5,040	30,082	36,475
Interest	(692)	(2,845)	(14,153)	(17,690)
Present value of payment	661	2,195	15,929	18,785

	2018 $'000	2017 $'000	1 January 2017 $'000
Repayable:			
Within 1 year	461	622	661
After 1 year	14,258	16,017	18,124
	14,719	16,639	18,785

Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

(Currency - Singapore dollars unless otherwise stated)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities				
	Borrowings $'000	**Trade payables and accruals $'000**	**Amounts due to related parties $'000**	**Deposits pledged $'000**	**Total $'000**
Balance at 1 January 2018	1,116,064	1,731,582	104,059	(1,389)	2,950,316
Changes from financing cash flows					
Proceeds from bank loans	307,901	–	–	–	307,901
Proceeds of a loan from a joint venture	–	–	17,925	–	17,925
Repayment of bank loans	(247,134)	–	–	–	(247,134)
Repayment of other loans	(148)	–	–	–	(148)
Repayment of lease obligations	(2,513)	–	–	–	(2,513)
Repayment of loan to a joint venture	–	–	(30,805)	–	(30,805)
Redemption of medium term notes	(681,100)	–	–	–	(681,100)
Interest paid	–	(49,416)	–	–	(49,416)
Deposit discharged	–	–	–	9	9
Total changes from financing cash flows	(622,994)	(49,416)	(12,880)	9	(685,281)
Changes arising from obtaining or losing control of subsidiaries or other businesses	(13,326)	(45,345)	–	–	(58,671)
The effect of changes in foreign exchange rates	14,714	1,595	8	–	16,317
Change in fair value	–	11,174	–	–	11,174
Liability-related other changes					
Working capital changes	573	216,814	(6,195)	–	211,192
Interest expense	748	43,699	453	–	44,900
Total liability-related other changes	1,321	260,513	(5,742)	–	256,092
Balance at 31 December 2018	495,779	1,910,103	85,445	(1,380)	2,489,947

(Currency - Singapore dollars unless otherwise stated)

	Liabilities				
	Borrowings $'000	Trade payables and accruals $'000	Amounts due to related parties $'000	Deposits pledged $'000	Total $'000
Balance at 1 January 2017	1,080,275	1,872,526	28,407	(1,258)	2,979,950
Changes from financing cash flows					
Proceeds from bank loans	171,412	–	–	–	171,412
Proceeds from loan from non-controlling interests of a subsidiary	5,152	–	–	–	5,152
Proceeds of a loan from a joint venture	–	–	36,463	–	36,463
Repayment of bank loans	(65,702)	–	–	–	(65,702)
Repayment of other loans	(137)	–	–	–	(137)
Repayment of lease obligations	(784)	–	–	–	(784)
Repayment of loan to a joint venture	–	–	(19,607)	–	(19,607)
Interest paid	–	(41,824)	–	–	(41,824)
Deposit pledged	–	–	–	(131)	(131)
Total changes from financing cash flows	109,941	(41,824)	16,856	(131)	84,842
Changes arising from obtaining or losing control of subsidiaries or other businesses	–	9,504	–	–	9,504
The effect of changes in foreign exchange rates	(74,623)	(24,722)	–	–	(99,345)
Change in fair value	–	(39,986)	–	–	(39,986)
Liability-related other changes					
Working capital changes	–	(86,054)	58,796	–	(27,258)
Interest expense	471	42,138	–	–	42,609
Total liability-related other changes	471	(43,916)	58,796	–	15,351
Balance at 31 December 2017	1,116,064	1,731,582	104,059	(1,389)	2,950,316

(Currency - Singapore dollars unless otherwise stated)

E5 Commitments and contingent liabilities

(i) Capital commitments

	Group 2018 $'000	Group 2017 $'000
Capital expenditure contracted but not provided in the financial statements	98,976	34,621

(ii) Leases – As lessee

The Group has several operating lease agreements for leasehold land and buildings, office premises and computers. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. None of the operating leases is subject to contingent rent arrangements.

Future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group 2018 $'000	Group 2017 $'000	Group 1 January 2017 $'000
Third parties			
Within 1 year	56,588	48,267	46,506
Between 1 and 5 years	119,768	122,879	130,658
After 5 years	172,039	188,381	206,243
	348,395	359,527	383,407
Related parties			
Within 1 year	5,972	5,657	5,342
Between 1 and 5 years	15,426	14,708	15,430
After 5 years	21,079	24,821	28,419
	42,477	45,186	49,191

(iii) Leases – As lessor

The Group has entered into commercial leases on its aircraft, aircraft engines and certain property, plant and equipment. The non-cancellable leases have lease terms ranging from 3 months to 13 years.

The future minimum lease payments under non-cancellable operating leases are receivable as follows:

	Group 2018 $'000	Group 2017 $'000	Group 1 January 2017 $'000
Within 1 year	8,751	16,926	13,614
Between 1 and 5 years	13,727	25,657	28,727
After 5 years	7,639	9,876	11,650
	30,117	52,459	53,991

(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.

Recognition and measurement

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset, are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

E6 Share capital

	Company	
	2018 $'000	2017 $'000
Issued and fully paid		
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.

(Currency - Singapore dollars unless otherwise stated)

E7 Treasury shares

	Group	
	2018	**2017**
	$'000	**$'000**
At beginning of the year	(22,870)	(44,081)
Purchased during the year	(4,354)	(15,748)
Reissue of treasury shares pursuant to share plans	18,194	36,959
At end of the year	(9,030)	(22,870)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the financial year, the Company purchased 1,321,400 (2017: 4,500,000; 1 January 2017: 1,088,900) of its ordinary shares by way of on-market purchases. The shares, held as treasury shares, were included as deduction against shareholders' equity.

The cost of treasury shares re-issued pursuant to the share option plans amounted to Nil (2017: $23,272,000; 1 January 2017: $10,399,000). In addition, 5,392,975 (2017: 4,292,460; 1 January 2017: 4,890,801) treasury shares, at a cost of $18,194,000 (2017: $13,687,000; 1 January 2017: $15,527,000), were reissued pursuant to its RSP and PSP respectively.

Recognition and measurement

When ordinary shares are reacquired by the Company, the consideration paid is recognised as deduction from equity. Reacquired shares are classified as treasury shares. When treasury shares are sold, or re-issued subsequently, the cost of treasury shares is reversed from treasury shares account and the realised gain or loss on transaction is presented as a change in equity of the Company. No gain or loss is recognised in profit or loss.

Treasury shares have no voting rights and no dividends are allocated to them.

E8 Capital reserves

Included in capital reserve is:

(a) an amount of $115,948,000 (2017: $115,948,000; 1 January 2017: $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 financial year ended 31 December 1997; and

(b) an amount of $2,226,000 (2017: realised gain of $3,834,000; 1 January 2017: realised loss of $2,764,000) relating to realised gain on re-issuance of treasury shares under share-based payment arrangements as at 31 December 2018.

(Currency - Singapore dollars unless otherwise stated)

E9 Other reserves

Group	**2018 $'000**	**2017 $'000**	**1 January 2017 $'000**
Foreign currency translation reserve	(142,980)	(157,191)	(100,181)
Statutory reserve	1,190	2,064	1,974
Fair value reserve	(359)	22,764	(27,896)
Share-based payment reserve	75,264	71,372	75,462
Premium paid on acquisition of non-controlling interests	(5,169)	(6,489)	(6,025)
	(72,054)	(67,480)	(56,666)

Group	**2018 $'000**	**2017 $'000**
Fair value reserve movement arising from other comprehensive income comprises of:		
Net fair value changes on financial assets:		
- Net fair value changes during the year		
○ FVOCI equity instruments	124	–
○ Available-for-sale financial assets	–	9,627
- Reclassification adjustment to profit or loss on disposal of financial assets in finance costs, net	(2,343)	(510)
- Reclassification to retained earnings on realisation	(28)	(447)
	(2,247)	8,670

Foreign currency translation reserve movement arising from other comprehensive income comprises of:

Foreign currency translation differences arising from:		
- Translation of quasi equity loans forming part of net investments in foreign entities	(1,180)	5,255
- Translation of foreign currency loans used as hedging instruments for effective net investment hedges	(7,254)	25,225
- Share of translation difference of associates and joint ventures	(213)	(11,102)
- Reserves released on disposal of subsidiaries	12,394	2,161
- Translation of foreign entities	10,464	(78,549)
	14,211	(57,010)

(Currency - Singapore dollars unless otherwise stated)

In the prior year, bonds amounting to $312.9 million (US$234 million) (1 January 2017: $338.1 million (US$234 million)) was designated as a hedge of the net investment in Vision Technologies Systems, Inc. and its subsidiaries and was being used to hedge the Group's exposure to foreign exchange risk on this investment.

Type of reserve	Nature
Foreign currency translation reserve	Comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities.
Statutory reserve	Statutory reserve comprise of 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 records 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	
	2018	**2017**
	$'000	**$'000**
Final dividend paid in respect of the previous financial year of 10.0 cents (2017: 10.0 cents) per share	312,250	312,250
Interim dividend paid in respect of the current financial year of 5.0 cents (2017: 5.0 cents) per share	155,968	155,996
	468,218	468,246
Additional final dividend paid in respect of the previous financial year due to issue of shares before books closure date	(214)	(605)
	468,004	467,641

The Directors propose a final dividend of 10.0 cents (2017: 10.0 cents) per share amounting to $312.2 million (2017: $312.2 million) in respect of the financial year ended 31 December 2018.

These dividends have not been recognised as a liability as at year end as they are subject to approval of the shareholders at the Annual General Meeting of the Company.

(Currency - Singapore dollars unless otherwise stated)

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

Details of the significant subsidiaries of the Group are as follows:

		Effective equity interest held by the Group		
		2018	2017	1 January 2017
		%	%	%
(a)	***ST Engineering Aerospace Ltd (formerly known as Singapore Technologies Aerospace Ltd) and its subsidiaries***	100	100	100
	Elbe Flugzeugwerke GmbH [z]	55	55	55
	ST Aerospace Engineering Pte Ltd	100	100	100
	ST Aerospace Engines Pte Ltd	100	100	100
	ST Aerospace Services Co Pte. Ltd.	80	80	80
	ST Aerospace Solutions (Europe) A/S [z]	100	100	100
	ST Aerospace Supplies Pte Ltd	100	100	100
	ST Aerospace Systems Pte Ltd	100	100	100
(b)	***ST Engineering Electronics Ltd (formerly known as Singapore Technologies Electronics Limited) and its subsidiaries***	100	100	100
	ST Electronics (Info-Comm Systems) Pte. Ltd.	100	100	100
	ST Electronics (Info-Software Systems) Pte. Ltd. and its subsidiaries:	100	100	100
	ST Electronics (e-Services) Pte. Ltd.	100	100	100
	ST Electronics (Data Centre Solutions) Pte. Ltd.	100	100	100
	ST Electronics (Satcom & Sensor Systems) Pte. Ltd.	100	100	100
	ST Electronics (Training & Simulation Systems) Pte. Ltd.	100	100	100

(Currency - Singapore dollars unless otherwise stated)

		Effective equity interest held by the Group		
		2018	2017	1 January 2017
		%	%	%
(c)	***ST Engineering Land Systems Ltd* (formerly known as *Singapore Technologies Kinetics Ltd*) *and its subsidiaries***	100	100	100
	Advanced Material Engineering Pte. Ltd.	100	100	100
	SDDA Pte. Ltd.	100	100	100
	ST Synthesis Pte Ltd	100	100	100
	STA Inspection Pte Ltd	100	100	100
(d)	***ST Engineering Marine Ltd (formerly known as Singapore Technologies Marine Ltd)***	100	100	100
(e)	***Vision Technologies Systems, Inc.# and its subsidiaries***	100	100	100
	Vision Technologies Aerospace, Incorporated # and its subsidiaries:	100	100	100
	VT Mobile Aerospace Engineering, Inc. #	100	100	100
	VT San Antonio Aerospace, Inc. #	100	100	100
	Vision Technologies Electronics, Inc. # and its subsidiary:	100	100	100
	VT iDirect, Inc. #	100	100	100
	Vision Technologies Land Systems, Inc. # and its subsidiaries:	100	100	100
	VT Hackney, Inc. # z	100	100	100
	VT LeeBoy, Inc. # z	100	100	100
	Vision Technologies Marine, Inc. # z and its subsidiary:	100	100	100
	VT Halter Marine, Inc. # z	100	100	100
(f)	***ST Engineering Financial II Pte. Ltd.***	100	100	100

Not required to be audited under the law in the country of incorporation.

z Audited by member firms of KPMG International for consolidation purposes.

All significant subsidiaries that are required to be audited under the law in the country of incorporation are audited by KPMG LLP, Singapore and other member firms of KPMG International.

(Currency - Singapore dollars unless otherwise stated)

F2 Acquisition and disposal of controlling interests in subsidiaries in 2018/2017

De-consolidation and disposal of subsidiaries in 2018

In February 2018, the Group dissolved Dalfort Aerospace LP and Dalfort Aerospace GP, Inc (collectively Dalfort) as part of an effort to streamline its organisation structure.

In April 2018, the Group, together with the non-controlling shareholder, filed a bankruptcy petition to the People's Court of Dantu District in Zhenjiang, Jiangsu for its two subsidiaries, Jiangsu Huatong Kinetics Co., Ltd and Jiangsu Huaran Kinetics Co., Ltd (collectively JHK). The Group derecognised the related assets, liabilities and non-controlling interest of JHK after the Court approved the bankruptcy petition in May 2018.

During the year, the Group completed its divestment of LeeBoy India Construction Equipment Private Limited (LBI) and Aviation Academy of America, Inc. and VT Aviation Services, Inc. (collectively AAA) in October 2018 and December 2018 respectively.

The disposed subsidiaries contributed revenue of $11,492,000 and loss before tax of $5,937,000 for the period from 1 January 2018 to the respective dates of disposal.

The financial effects arising from the de-consolidation and disposal of subsidiaries are as follows:

	Dalfort $'000	JHK $'000	LBI $'000	AAA $'000	Total $'000
Property, plant and equipment	–	64,187	1,357	3,713	69,257
Intangible assets	–	–	–	996	996
Inventories	–	2,497	6,062	–	8,559
Trade receivables	–	–	2,850	–	2,850
Advances and other receivables	–	727	4,789	669	6,185
Bank balances and other liquid funds	–	2,622	317	3	2,942
Trade payables and accruals	–	(39,850)	(4,964)	(531)	(45,345)
Provisions	–	(186)	(477)	–	(663)
Borrowings	–	(13,326)	–	–	(13,326)
Deferred income	–	(15,148)	–	–	(15,148)
Contract liabilities	–	(1,519)	(20)	–	(1,539)
Deferred tax liabilities	–	(4)	–	–	(4)
Net assets disposed	–	–	9,914	4,850	14,764
Realisation of reserves	4,752	–	3,065	955	8,772
Loss on disposal	(4,752)	–	(11,543)	(3,786)	(20,081)
Sales consideration	–	–	1,436	2,019	3,455
Less: bank balances and other liquid funds in subsidiaries disposed	–	(2,622)	(317)	(3)	(2,942)
Consideration receivable as at 31 December 2018	–	–	(375)	–	(375)
Net cash (outflow)/inflow on disposal	–	(2,622)	744	2,016	138

(Currency - Singapore dollars unless otherwise stated)

Acquisitions of controlling interests in Aethon, Inc. (Aethon) in 2017

In the prior year, the Group acquired 100% of Aethon for a cash consideration of $52.6 million. Aethon specialises in provision of autonomous mobile robots for material transportation and delivery.

Following the completion of the final purchase price allocation during the financial year, the Group made adjustments to the provisional fair value originally recorded in the prior year.

The effect of the adjustments made during the 12-month period from acquisition date (the Window Period) is set out below:

	Fair values recognised on acquisition (provisional) 2017 $'000	Adjustments during Window Period 2018 $'000	Fair values recognised on acquisition (final) 2018 $'000
Property, plant and equipment	993	–	993
Intangible assets	20,406	–	20,406
Inventories and work-in-progress	3,477	–	3,477
Trade receivables	2,455	–	2,455
Bank balances and other liquid funds	2,560	–	2,560
Trade payables and accruals	(9,504)	–	(9,504)
Deferred tax liabilities	(7,647)	4,293	(3,354)
Net identifiable assets	12,740	4,293	17,033
Goodwill arising on consolidation	39,825	(4,293)	35,532
Total purchase consideration	52,565	–	52,565
Cash outflow on acquisition:			
Cash consideration paid	52,565	–	52,565
Less: cash acquired	(2,560)	–	(2,560)
Net cash outflow on acquisition	50,005	–	50,005

Purchase price adjustments, which are non-cash in nature, made during the Window Period have not been applied retrospectively as these adjustments, which relate mainly to balance sheet effects and certain consequential income statement effects, are immaterial to the Group.

(Currency - Singapore dollars unless otherwise stated)

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 in Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by NCI.

Name of subsidiary	ST Aerospace Services Co Pte. Ltd.	Eco-Services, LLC	Elbe Flugzeuwerke GmbH	STELOP Pte. Ltd.	Other individually immaterial subsidiaries	Intra-group elimination	Total
31 December 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
NCI percentage	**20%**	**49.9%**	**45%**	**49.95%**			
Principal place of business/ Country of incorporation	**Singapore**	**USA**	**Germany**	**Singapore**			
Revenue	261,838	22,448	480,806	46,983			
Profit	30,660	2,233	26,272	1,721			
Other comprehensive income	(226)	1,176	(26,177)	–			
Total comprehensive income	30,434	3,409	95	1,721			
Attributable to NCI:							
- Profit/(loss)	6,132	1,114	11,822	858	2,733	(478)	22,181
- Other comprehensive loss	(45)	587	(11,780)	–	(270)	(1)	(11,509)
- **Total comprehensive income**	6,087	1,701	42	858	2,463	(479)	10,672
Non-current assets	52,018	21,530	571,589	2,394			
Current assets	233,439	36,610	264,608	47,893			
Non-current liabilities	(7,016)	–	(297,484)	(1,258)			
Current liabilities	(99,185)	(2,488)	(123,683)	(35,853)			
Net assets	179,256	55,652	415,030	13,176			
Net assets attributable to NCI	35,851	27,770	186,764	6,581	25,375	5,895	288,236
Cash flows from operating activities	15,841	4,060	21,782	(630)			
Cash flows from investing activities	(3,117)	(1,560)	(62,054)	(240)			
Cash flows from financing activities *	(18,843)	(2,862)	34,610	(1,226)			
Net decrease in cash and cash equivalents	(6,119)	(362)	(5,662)	(2,096)			
* including dividends to NCI	(1,342)	(953)	–	–			

(Currency - Singapore dollars unless otherwise stated)

Name of subsidiary 31 December 2017	ST Aerospace Services Co Pte. Ltd. $'000	Eco-Services, LLC $'000	Elbe Flugzeuwerke GmbH $'000	STELOP Pte. Ltd. $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
NCI percentage	**20%**	**49.9%**	**45%**	**49.95%**			
Principal place of business/ country of incorporation	**Singapore**	**USA**	**Germany**	**Singapore**			
Revenue	260,475	27,196	489,127	42,233			
Profit	34,539	3,106	28,205	285			
Other comprehensive income	4,904	(4,361)	28,297	–			
Total comprehensive income	39,443	(1,255)	56,502	285			
Attributable to NCI:							
- Profit/(loss)	6,908	1,550	12,692	145	2,616	(450)	23,461
- Other comprehensive income	981	(2,176)	12,734	–	383	9	11,931
- **Total comprehensive income**	7,889	(626)	25,426	145	2,999	(441)	35,392
Non-current assets	55,021	23,411	533,691	2,674			
Current assets	209,938	34,999	304,341	53,910			
Non-current liabilities	(9,769)	–	(243,243)	–			
Current liabilities	(76,378)	(4,269)	(178,575)	(44,961)			
Net assets	178,812	54,141	416,214	11,623			
Net assets attributable to NCI	35,762	27,016	187,296	5,806	23,831	1,614	281,325
Cash flows from operating activities	50,231	(4,913)	89,780	8,218			
Cash flows from investing activities	(6,111)	(919)	(74,184)	(100)			
Cash flows from financing activities *	(46,610)	(4,527)	17,814	6,987			
Net (decrease)/increase in cash and cash equivalents	(2,490)	(10,359)	33,410	15,105			
* including dividends to NCI	(12,000)	(1,507)	–	–			

(Currency - Singapore dollars unless otherwise stated)

Name of subsidiary	ST Aerospace Services Co Pte. Ltd.	Eco-Services, LLC	Elbe Flugzeuwerke GmbH	STELOP Pte. Ltd.	Jiangsu Huatong Kinetics Co., Ltd	Other individually immaterial subsidiaries	Intra-group elimination	Total
1 January 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
NCI percentage	**20%**	**49.9%**	**45%**	**49.95%**	**24.7%**			
Principal place of business/ Country of incorporation	**Singapore**	**USA**	**Germany**	**Singapore**	**China**			
Non-current assets	56,476	28,822	489,570	2,287	66,294			
Current assets	240,509	34,858	224,751	56,304	14,666			
Non-current liabilities	(14,303)	–	(215,829)	–	(31,154)			
Current liabilities	(83,353)	(5,264)	(135,876)	(46,042)	(49,806)			
Net assets	199,329	58,416	362,616	12,549	–			
Net assets attributable to NCI	39,866	29,150	163,177	6,268	–	22,730	743	261,934

(Currency - Singapore dollars unless otherwise stated)

F4 Associates and joint ventures

	Group		
	2018 $'000	**2017 $'000**	**1 January 2017 $'000**
Unquoted shares, at fair value	23,610	7,863	–
Unquoted shares, at cost	336,682	330,460	252,540
Goodwill on acquisition written off, net	38	(146)	(146)
Share of net assets acquired	336,720	330,314	252,394
Impairment in associates and joint ventures	(865)	(865)	(865)
Share of post-acquisition reserves	96,238	111,075	154,001
	432,093	440,524	405,530
	455,703	448,387	405,530
Represented by:			
Interest in associates	327,960	315,760	344,925
Interest in joint ventures	127,743	132,627	60,605
	455,703	448,387	405,530

During the year,

(i) the Group sold its entire 25% interest in Airbus Helicopters Southeast Asia Private Limited for a cash consideration of $14,246,000 and a gain on disposal of $8,984,000 was recognised.

(ii) the Group partially sold 5% of its interest in ST Aerospace (Guangzhou) Aviation Services Company Limited for a cash consideration of $9,234,000 and a gain on disposal of $3,766,000 was recognised.

In the prior year, the Group acquired 51% equity interest in SP Telecommunications Pte Ltd (SPTel) for a cash consideration of $55 million. Following the acquisition, SPTel became a joint venture of the Group. At the acquisition date, based on provisionally determined fair values of the identifiable assets acquired and liabilities assumed of SPTel, a provisional goodwill of S$2.9 million was recognised within the cost of investment. During the year, the amounts were finalised with no changes to the provisional amounts previously recorded.

(Currency - Singapore dollars unless otherwise stated)

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 2018 %	2017 %	1 Jan 2017 %
Associates					
Shanghai Technologies Aerospace Company Limited #	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	49	49	49
ST Aerospace (Guangzhou) Aviation Services Company Limited #	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	44	49	49
Turbine Coating Services Pte Ltd #	Repair, refurbishment and upgrading of aircraft jet engine turbine blades and vanes	Singapore	24.5	24.5	24.5
Turbine Overhaul Services Pte Ltd #	Repair and service of gas and steam turbine components	Singapore	49	49	49
CityCab Pte Ltd #	Rental of taxis and the provision of charge card facilities	Singapore	46.5	46.5	46.5
Experia Events Pte. Ltd.	Organising and management of conferences, exhibitions and other related activities, including the biennial Singapore Airshow event	Singapore	33	33	33
Joint ventures					
Total Engine Asset Management Pte. Ltd. #	Leasing of engines	Singapore	50	50	50
Keystone Holdings (Global) Pte. Ltd.	Investment holding	Singapore	50	50	50
SP Telecommunications Pte Ltd	Running, operation, management and supply of telecommunications systems	Singapore	51	51	–

Not audited by KPMG LLP, Singapore and other member firms of KPMG International.

All significant associates and joint ventures that are required to be audited under the law in the country of incorporation are audited by KPMG LLP, Singapore and other member firms of KPMG International, except as indicated above.

(Currency - Singapore dollars unless otherwise stated)

Associates

The following table summarises the information of each of the Group's material associates, based on their respective financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisitions and differences with the Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by the Group.

Name of associate	**Shanghai Technologies Aerospace Company Limited**	**ST Aerospace (Guangzhou) Aviation Services Co Ltd**	**Turbine Coating Services Pte Ltd**	**Turbine Overhaul Services Pte Ltd**	**CityCab Pte Ltd**	**Experia Events Pte. Ltd.**	**Immaterial associates**	**Total**
31 December 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Percentage of interest	49%	44%	24.5%	49%	46.5%	33%		
Revenue	111,681	61,405	47,223	335,111	127,607	54,724		
Profit for the year	13,317	7,114	16,171	43,259	15,224	15,945		
Other comprehensive income	(4,578)	(3,784)	1,101	1,976	–	–		
Total comprehensive income	8,739	3,330	17,272	45,235	15,224	15,945		
Attributable to NCI	–	–	–	–	161	–		
Attributable to investee's shareholders	8,739	3,330	17,272	45,235	15,063	15,945		
Non-current assets	82,953	82,346	30,469	32,455	155,300	52,706		
Current assets	82,437	34,416	37,774	92,449	66,693	37,758		
Non-current liabilities		(2,719)	–	–	(25,736)	(3,841)		
Current liabilities	(25,437)	(9,184)	(11,468)	(17,879)	(34,345)	(13,763)		
Net assets	139,953	104,859	56,775	107,025	161,912	72,860		
Attributable to NCI	–	–	–	–	1,377	–		
Attributable to investee's shareholders	139,953	104,859	56,775	107,025	160,535	72,860		
Group's interest in net assets of investee at beginning of the year	64,295	49,589	13,620	53,268	90,895	18,782	25,311	315,760
Group's share of:								
- Profit for the year	6,525	3,345	3,962	21,197	7,004	5,262	43	47,338
- Total other comprehensive income	(2,243)	(1,328)	270	968	–	–	982	(1,351)
Total comprehensive income	4,282	2,017	4,232	22,165	7,004	5,262	1,025	45,987
Group's contribution during the year	–	–	–	–	–	–	29,136	29,136
Dividends received during the year	–	–	(3,942)	(22,991)	(23,250)	–	(1,686)	(51,869)
Partial/complete disposal of associates during the year	–	(5,468)	–	–	–	–	(5,586)	(11,054)
Carrying amount of interest in investee at end of the year	68,577	46,138	13,910	52,442	74,649	24,044	48,200	327,960

(Currency - Singapore dollars unless otherwise stated)

Name of associate 31 December 2017 Percentage of interest	Shanghai Technologies Aerospace Company Limited $'000 49%	ST Aerospace (Guangzhou) Aviation Services Co Ltd $'000 49%	Turbine Coating Services Pte Ltd $'000 24.5%	Turbine Overhaul Services Pte Ltd $'000 49%	CityCab Pte Ltd $'000 46.5%	Experia Events Pte. Ltd. $'000 33%	Immaterial associates $'000	Total $'000
Revenue	88,119	58,947	53,538	311,274	366,555	10,219		
Profit/(loss) for the year	10,607	3,218	19,735	49,300	22,131	(5,734)		
Other comprehensive income	(2,641)	(1,316)	(3,980)	(9,361)	–	–		
Total comprehensive income	7,966	1,902	15,755	39,939	22,131	(5,734)		
Attributable to NCI	–	–	–	–	255	–		
Attributable to investee's shareholders	7,966	1,902	15,755	39,939	21,876	(5,734)		
Non-current assets	86,477	81,583	30,195	28,960	204,182	55,303		
Current assets	67,273	28,444	36,640	93,672	75,956	47,546		
Non-current liabilities	–	–	–	–	(21,932)	(3,631)		
Current liabilities	(22,536)	(8,826)	(11,243)	(13,932)	(61,267)	(42,304)		
Net assets	131,214	101,201	55,592	108,700	196,939	56,914		
Attributable to NCI	–	–	–	–	1,470	–		
Attributable to investee's shareholders	131,214	101,201	55,592	108,700	195,469	56,914		
Group's interest in net assets of investee at beginning of the year	67,271	48,657	12,470	67,576	108,622	23,974	16,355	344,925
Group's share of:								
- Profit/(loss) for the year	5,197	1,577	4,835	24,162	10,172	(1,892)	1,906	45,957
- Total other comprehensive income	(1,294)	(645)	(975)	(4,587)	–	–	395	(7,106)
Total comprehensive income	3,903	932	3,860	19,575	10,172	(1,892)	2,301	38,851
Group's contribution during the year	–	–	–	–	–	–	9,663	9,663
Dividends received during the year	(6,879)	–	(2,710)	(33,883)	(27,899)	(3,300)	(3,008)	(77,679)
Carrying amount of interest in investee at end of the year	64,295	49,589	13,620	53,268	90,895	18,782	25,311	315,760

(Currency - Singapore dollars unless otherwise stated)

Name of associate **1 January 2017**	**Shanghai Technologies Aerospace Company Limited** **$'000**	**ST Aerospace (Guangzhou) Aviation Services Co Ltd** **$'000**	**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**
Percentage of interest	49%	49%	24.5%	49%	46.5%	33%		
Non-current assets	89,443	64,290	59,128	29,007	222,630	57,937		
Current assets	69,127	47,292	2,895	216,105	106,412	33,784		
Non-current liabilities	–	–	–	–	(28,341)	(3,416)		
Current liabilities	(21,282)	(12,281)	(11,127)	(107,202)	(65,626)	(15,657)		
Net assets	137,288	99,301	50,896	137,910	235,075	72,648		
Attributable to NCI	–	–	–	–	1,480	–		
Attributable to investee's shareholders	137,288	99,301	50,896	137,910	233,595	72,648		
Group's interest in net assets	67,271	48,657	12,470	67,576	108,622	23,974	16,355	344,925
Carrying amount of interest in investee	**67,271**	**48,657**	**12,470**	**67,576**	**108,622**	**23,974**	**16,355**	**344,925**

(Currency - Singapore dollars unless otherwise stated)

Joint ventures

The following table summarises the information of each of the Group's material joint ventures, adjusted for any differences in accounting policies and reconciles the carrying amount of the Group's interest in joint ventures and the share of profit and other comprehensive income of equity-accounted investment (net of tax). The summarised financial information is not adjusted for the percentage ownership held by the Group.

Name of joint venture	**Keystone Holdings (Global) Pte. Ltd.**	**Total Engine Asset Management Pte Ltd.**	**SP Telecommunication Pte Ltd**	**Immaterial joint ventures**	**Total**
31 December 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Percentage of interest	50%	50%	51%		
Revenue	16,825	29,289	20,075		
Profit/(loss) for the year [a]	5,168	3,830	(10,220)		
Other comprehensive income	1,096	2,806	–		
Total comprehensive income	6,264	6,636	(10,220)		
[a] Includes:					
- Depreciation and amortisation of:	10,303	13,249	6,148		
- Interest expense of:	2,586	8,779	–		
- Income tax expense of:	962	2,308	1,345		
Non-current assets	117,583	476,711	29,052		
Current assets [b]	8,508	15,601	79,260		
Non-current liabilities [c]	(56,892)	(360,776)	(2,712)		
Current liabilities [d]	(17,199)	(50,086)	(19,894)		
Net assets excluding goodwill	52,000	81,450	85,706		
[b] Includes cash and cash equivalents of:	6,819	13,287	73,281		
[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of:	56,892	360,776	2,712		
[d] Includes current financial liabilities (excluding trade and other payables and provisions) of:	13,866	50,086	–		
Group's interest in net assets of investee at beginning of the year	28,656	32,899	51,550	19,522	132,627
Share of total comprehensive income	3,132	3,318	(5,011)	1,922	3,361
(Return of capital)/Group's contribution during the year	(3,761)	5,169	–	(441)	967
Dividends received during the year	(2,027)	(661)	–	(6,524)	(9,212)
Carrying amount of interest in investee at end of the year	26,000	40,725	46,539	14,479	127,743

(Currency - Singapore dollars unless otherwise stated)

Name of joint venture	Keystone Holdings (Global) Pte. Ltd.	Total Engine Asset Management Pte Ltd.	SP Telecommunication Pte Ltd	Immaterial joint ventures	Total
31 December 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Percentage of interest	50%	50%	51%		
Revenue	15,477	24,003	11,499		
Profit/(loss) for the year [a]	1,465	6,015	(6,256)		
Other comprehensive income	(2,669)	(5,282)	–		
Total comprehensive income	(1,204)	733	(6,256)		
[a] Includes:					
- Depreciation and amortisation of:	8,903	9,542	4,105		
- Interest expense of:	3,311	5,435	–		
- Income tax expense of:	149	1,405	(634)		
Non-current assets	128,006	303,550	29,717		
Current assets [b]	17,336	26,261	82,715		
Non-current liabilities [c]	(64,258)	(258,174)	(4,054)		
Current liabilities [d]	(23,772)	(5,839)	(12,452)		
Net assets excluding goodwill	57,312	65,798	95,926		
[b] Includes cash and cash equivalents of:	16,635	14,101	78,510		
[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of:	64,258	258,174	–		
[d] Includes current financial liabilities (excluding trade and other payables and provisions) of:	23,772	4,948	–		
Group's interest in net assets of investee at beginning of the year	15,560	26,025	–	19,020	60,605
Share of total comprehensive income	(602)	367	(3,191)	2,949	(477)
Group's contribution during the year	14,271	6,837	52,113	–	73,221
Dividends received during the year	(573)	(330)	–	(2,447)	(3,350)
Group's interest in net assets	28,656	32,899	48,922	19,522	129,999
Goodwill	–	–	2,628	–	2,628
Carrying amount of interest in investee at end of the year	28,656	32,899	51,550	19,522	132,627

(Currency - Singapore dollars unless otherwise stated)

Name of joint venture	**Keystone Holdings (Global) Pte. Ltd.**	**Total Engine Asset Management Pte Ltd.**	**Fortis Marine Solutions Pte. Ltd.**	**Immaterial joint ventures**	**Total**
1 January 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Percentage of interest	50%	50%	51%		
Non-current assets	111,493	168,003	–		
Current assets	5,973	25,965	11,815		
Non-current liabilities	(54,181)	(139,527)	–		
Current liabilities	(32,166)	(2,390)	(159)		
Net assets	31,119	52,051	11,656		
Group's interest in net assets	15,560	26,025	5,945	13,075	60,605
Carrying amount of interest in investee	15,560	26,025	5,945	13,075	60,605

(Currency - Singapore dollars unless otherwise stated)

Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 3 *Business Combination* 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 C2.

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 adjustments are 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.

(Currency - Singapore dollars unless otherwise stated)

(iii) Acquisitions of entities under amalgamation

The Company's interests in ST Engineering Aerospace Ltd, ST Engineering Electronics Ltd, ST Engineering Land Systems Ltd, and ST Engineering Marine Ltd (collectively referred to as the Scheme Companies) resulted from the amalgamation of the Scheme Companies pursuant to a scheme of arrangement under Section 210 of the Companies Act, Chapter 50 in 1997.

As the amalgamation of the Scheme Companies constitutes a uniting of interests, the pooling of interests method has been adopted in the preparation of the consolidated financial statements in connection with the amalgamation.

Under the pooling of interests method, the combined assets, liabilities and reserves of the pooled enterprises are recorded at their existing carrying amounts at the date of amalgamation. The excess or deficiency of amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) over the amount recorded for the share capital acquired is recorded as capital reserve.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset at FVOCI, depending on the level of influence retained.

(v) Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for by the Group using the equity method (except for those acquired by the Group’s Corporate Venture Capital unit) and are recognised initially at cost, which includes transaction costs.

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income (OCI) from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee’s operations or has made payments on behalf of the investee.

For investments in associates acquired by the Group’s Corporate Venture Capital Unit, the Group has elected to measure its investment 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.

Key estimates and judgements: Critical 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) their ability to exercise power over its investees;
(b) their exposure or rights to variable returns for its investments with those investees; and
(c) their ability to use its power to affect those returns.

The Group's judgement included considerations of their power exercised at the board of the respective investees and rights and obligations arising from board reserve of matters as agreed with the other shareholders.

F5 Related party information

Key management personnel compensation

	Group	
	2018 $'000	**2017 $'000**
Short-term employee benefits	37,308	38,468
Contributions to defined contribution plans	778	825
Share-based payments	9,982	8,141
	48,068	47,434

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	
	2018 $'000	**2017 $'000**
Associates of the Group		
Sales and services rendered	14,442	10,137
Purchases and services received	(41,057)	(41,054)
Dividend income	51,869	77,679
Joint ventures of the Group		
Sales and services rendered	26,161	17,501
Purchases and services received	(14,444)	(28,554)
Dividend income	9,212	3,350

(Currency - Singapore dollars unless otherwise stated)

Other related parties *		
Sales and services rendered	38,201	46,226
Purchases and services received	(25,581)	(27,918)
Rental expense	(6,481)	(5,994)
Rental income	44	2,216

* *Other related parties refer to subsidiaries, associates and joint ventures of immediate holding company.*

F6 Parent entity disclosures

Balance Sheet

	Note	Company 2018 $'000	Company 2017 $'000	Company 1 January 2017 $'000
ASSETS				
Non-current assets				
Property, plant and equipment		18,129	9,661	3,251
Subsidiaries	(i)	1,328,153	1,277,232	1,277,609
Associates and joint ventures		17,657	17,657	17,657
Deferred tax assets		365	2,200	4,813
Amounts due from related parties	(ii)	–	344,514	507,257
		1,364,304	1,651,264	1,810,587
Current assets				
Amounts due from related parties	(ii)	46,382	388,894	199,634
Advances and other receivables		9,170	12,923	2,084
Bank balances and other liquid funds	(iii)	273,456	596,494	588,862
		329,008	998,311	790,580
Total assets		1,693,312	2,649,575	2,601,167
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables and accruals		21,337	21,019	24,148
Amounts due to related parties	(iv)	210,275	545,066	504,827
Provision for taxation		4,518	1,000	–
		236,130	567,085	528,975
Net current assets		92,878	431,226	261,605
Non-current liabilities				
Trade payables and accruals		8,706	7,608	8,997
Amounts due to related parties		964	667,594	676,417
		9,670	675,202	685,414
Total liabilities		245,800	1,242,287	1,214,389
Net assets		1,447,512	1,407,288	1,386,778

(Currency - Singapore dollars unless otherwise stated)

Balance Sheet

	Note	Company 2018 $'000	2017 $'000	1 January 2017 $'000
Share capital and reserves				
Share capital		895,926	895,926	895,926
Treasury shares		(9,030)	(22,870)	(44,081)
Capital reserves	(v)	2,199	3,807	(2,791)
Other reserves		65,054	61,151	65,231
Retained earnings		493,363	469,274	472,493
Equity attributable to owners of the Company		1,447,512	1,407,288	1,386,778
Total equity and liabilities		1,693,312	2,649,575	2,601,167

(i) There was capital contribution in the form of share options, performance shares and restricted shares issued to employees of subsidiaries amounting to $109,980,000 in 2018 (2017: $107,746,000; 1 January 2017: $106,876,000).

(ii) Included in the amounts due from related parties are:

(a) unsecured interest-free loans of $17,500,000 (2017: $9,500,000; 1 January 2017: $20,307,000) which were fully impaired. The fully impaired loans in 1 January 2017 were forgiven in the prior year;

(b) loans in 2017: $611,579,000 and 1 January 2017: $693,886,000, bearing interest at per annum rates ranging 0.56% to 2.46% and 0.72% to 2.46% respectively. The loans were unsecured and fully repaid during the year; and

(c) dividend receivable in 2017: $110,000,000 that was fully repaid during the year.

Amounts due from related parties denominated in currencies other than the functional currency of the Company as at 31 December 2018 is $3,853,000 (2017: $152,983,000; 1 January 2017: $162,599,000) denominated in USD.

(iii) Prior to 2018, the Company managed cash placed by subsidiaries and joint ventures to the Company under a cash pooling arrangement (2017: $541,958,000; 1 January 2017: $492,676,000) as part of the Group cash management and treasury activities. In 2017, fixed deposits with financial institutions matured on varying periods within 2 months (1 January 2017: 1 month) from the financial year end. Interest rates ranged from 2017: 0.32% to 3.75% (1 January 2017: 0.2% to 6.5%) per annum, which were also the effective rates.

Cash and cash equivalents denominated in currencies other than the functional currency of the Company as at 31 December are mainly as follows:

- $193,826,000 (2017: $12,082,000; 1 January 2017: $256,698,000) denominated in USD

(Currency - Singapore dollars unless otherwise stated)

(iv) Included in the amounts due to related parties are:

(a) loans of $941,000 (2017: $606,733,000; 1 January 2017: $642,313,000) bearing interest at 5.03% (2017: 5.03%; 1 January 2017: 4.75%) per annum. The loans are unsecured and repayable on 28 February 2019; and

(b) an amount of $199,150,000 (2017: Nil; 1 January 2017: Nil) with a related corporation for overdrafts used for cash management purposes and bears an effective interest of 1.94% to 2.75% per annum (2017: Nil; 1 January 2017: Nil).

Amounts due to related parties denominated in currencies other than the functional currency of the Company as at 31 December 2018 is $857,000 (2017: $462,715,000; 1 January 2017: $477,553,000) denominated in USD.

(v) It relates to realised gain or loss on re-issuance of treasury shares under share-based payment arrangements.

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 risk exposure 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 the exchange rate 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 which are placed with reputable financial institutions.

  Management actively monitors the credit ratings 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 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 2018, there were no significant concentrations of credit risk, as the Company's receivables mainly relate to related parties.

(Currency - Singapore dollars unless otherwise stated)

G
Others

G1 New standards and interpretations not adopted

G2 Explanation of transition to SFRS(I) and adoption of new standards

G1 New standards and interpretations not adopted

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and IAS 28).

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

The Group also preliminarily assessed that SFRS(I) 17 is not relevant to the Group as the Group does not issue insurance contracts nor account for financial guarantee contracts as insurance contracts.

(i) SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

(Currency - Singapore dollars unless otherwise stated)

The Group plans to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. The Group will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17.

The Group expects to recognise right-of-use assets of approximately $422,497,000 on 1 January 2019, lease liabilities of $390,495,000 (after adjustments of prepayments and accrued lease payments recognised). Overall net current assets will be $49,672,000 lower due to the presentation of a portion of the liability as current liability.

The Group’s activities as a lessor are not material and the Group does not expect any significant impact on the financial statements.

(Currency - Singapore dollars unless otherwise stated)

G2 Explanation of transition to SFRS(I) and adoption of new standards

In the current year, the Group has adopted the new financial reporting framework, SFRS(I), mandatory for Singapore-incorporated companies with equity instruments traded in a public market in Singapore for annual periods beginning on or after 1 January 2018. In adopting SFRS(I), the Group has applied the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards*.

As stated in note A, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

In preparing the opening SFRS(I) balance sheet, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

The accounting policies set out above have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) balance sheet at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In addition to the adoption of the new framework, the Group also concurrently applied new SFRS(I)s, amendments to and interpretations of SFRS(I) effective from the same date. 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 except for the adoption of SFRS(I) 15.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group’s balance sheet, income statement and cash flows is set out under the summary of quantitative impact.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group’s balance sheet as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group’s income statement and other comprehensive income for the year ended 31 December 2017. There were no material adjustments to the Group’s statement of cash flows for the year ended 31 December 2017 arising on transition to SFRS(I).

(Currency - Singapore dollars unless otherwise stated)

Consolidated Balance Sheet

	31 December 2017			1 January 2018	
	FRS framework $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000	SFRS(I) 9 $'000	SFRS(I) framework $'000
ASSETS					
Non-current assets					
Property, plant and equipment	1,719,396	–	1,719,396	–	1,719,396
Associates and joint ventures	448,387	–	448,387	–	448,387
Investments	360,346	–	360,346	–	360,346
Intangible assets	1,087,412	–	1,087,412	–	1,087,412
Long-term trade receivables	1,052	(1,052)	–	–	–
Deferred tax assets	74,047	(19)	74,028	–	74,028
Amounts due from related parties	4,806	–	4,806	–	4,806
Advances and other receivables	20,406	–	20,406	–	20,406
Derivative financial instruments	33,082	–	33,082	–	33,082
Employee benefits	243	–	243	–	243
	3,749,177	(1,071)	3,748,106	–	3,748,106
Current assets					
Contract assets	–	939,073	939,073	–	939,073
Inventories and work-in-progress	1,764,320	(681,964)	1,082,356	–	1,082,356
Trade receivables	1,645,824	(705,099)	940,725	(4,206)	936,519
Amounts due from related parties	28,271	–	28,271	–	28,271
Advances and other receivables	286,419	105	286,524	–	286,524
Short-term investments	357	–	357	–	357
Bank balances and other liquid funds	999,003	–	999,003	–	999,003
	4,724,194	(447,885)	4,276,309	(4,206)	4,272,103
Total assets	8,473,371	(448,956)	8,024,415	(4,206)	8,020,209
EQUITY AND LIABILITIES					
Current liabilities					
Contract liabilities	–	1,258,247	1,258,247	–	1,258,247
Advance payments from customers	822,958	(817,149)	5,809	–	5,809
Trade payables and accruals	1,612,509	(12,770)	1,599,739	–	1,599,739
Amounts due to related parties	104,042	–	104,042	–	104,042
Provisions	235,240	24,906	260,146	–	260,146
Progress billings in excess of work-in-progress	762,483	(762,483)	–	–	–
Provision for taxation	138,730	(4,044)	134,686	–	134,686
Borrowings	221,642	–	221,642	–	221,642
Deferred income	630	–	630	–	630
Employee benefits	2,491	–	2,491	–	2,491
	3,900,725	(313,293)	3,587,432	–	3,587,432
Net current assets	823,469	(134,592)	688,877	(4,206)	684,671

(Currency - Singapore dollars unless otherwise stated)

	31 December 2017			1 January 2018	
	FRS framework $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000	SFRS(I) 9 $'000	SFRS(I) framework $'000
Non-current liabilities					
Contract liabilities	–	521,787	521,787	–	521,787
Advance payments from customers	641,262	(641,262)	–	–	–
Trade payables and accruals	122,978	8,865	131,843	–	131,843
Deferred tax liabilities	205,200	–	205,200	–	205,200
Borrowings	894,422	–	894,422	–	894,422
Deferred income	69,156	–	69,156	–	69,156
Employee benefits	102,669	–	102,669	–	102,669
Derivative financial instruments	15,553	–	15,553	–	15,553
Amounts due to related parties	17	–	17	–	17
	2,051,257	(110,610)	1,940,647	–	1,940,647
Total liabilities	5,951,982	(423,903)	5,528,079	–	5,528,079
Net assets	2,521,389	(25,053)	2,496,336	(4,206)	2,492,130
Share capital and reserves					
Share capital	895,926	–	895,926	–	895,926
Treasury shares	(22,870)	–	(22,870)	–	(22,870)
Capital reserves	119,782	–	119,782	–	119,782
Other reserves	(67,468)	(12)	(67,480)	–	(67,480)
Retained earnings	1,314,610	(24,957)	1,289,653	(3,597)	1,286,056
Equity attributable to owners of the Company	2,239,980	(24,969)	2,215,011	(3,597)	2,211,414
Non-controlling interests	281,409	(84)	281,325	(609)	280,716
	2,521,389	(25,053)	2,496,336	(4,206)	2,492,130
Total equity and liabilities	8,473,371	(448,956)	8,024,415	(4,206)	8,020,209

(Currency - Singapore dollars unless otherwise stated)

	1 January 2017		
	FRS framework $'000	**SFRS(I) 15 $'000**	**SFRS(I) framework $'000**
ASSETS			
Non-current assets			
Property, plant and equipment	1,670,132	–	1,670,132
Associates and joint ventures	405,530	–	405,530
Investments	322,051	–	322,051
Intangible assets	1,019,585	–	1,019,585
Long-term trade receivables	1,894	–	1,894
Deferred tax assets	92,528	–	92,528
Amounts due from related parties	4,806	–	4,806
Advances and other receivables	2,534	–	2,534
Derivative financial instruments	32,967	–	32,967
Employee benefits	151	–	151
	3,552,178	–	3,552,178
Current assets			
Contract assets	–	968,608	968,608
Inventories and work-in-progress	1,898,278	(830,913)	1,067,365
Trade receivables	1,457,982	(394,468)	1,063,514
Amounts due from related parties	24,618	–	24,618
Advances and other receivables	338,217	(1,911)	336,306
Short-term investments	188,890	–	188,890
Bank balances and other liquid funds	904,890	–	904,890
	4,812,875	(258,684)	4,554,191
Total assets	8,365,053	(258,684)	8,106,369
EQUITY AND LIABILITIES			
Current liabilities			
Contract liabilities	–	1,369,532	1,369,532
Advance payments from customers	932,515	(921,525)	10,990
Trade payables and accruals	1,722,488	12,275	1,734,763
Amounts due to related parties	28,449	(59)	28,390
Provisions	274,662	6,104	280,766
Progress billings in excess of work-in-progress	620,331	(620,331)	–
Provision for taxation	133,227	(1,910)	131,317
Borrowings	87,427	–	87,427
Employee benefits	1,916	–	1,916
	3,801,015	(155,914)	3,645,101
Net current assets	1,011,860	(102,770)	909,090

(Currency - Singapore dollars unless otherwise stated)

	1 January 2017		
	FRS framework $'000	**SFRS(I) 15 $'000**	**SFRS(I) framework $'000**
Non-current liabilities			
Contract liabilities	–	505,492	505,492
Advance payments from customers	590,828	(590,828)	–
Trade payables and accruals	137,763	–	137,763
Deferred tax liabilities	216,592	–	216,592
Borrowings	992,848	–	992,848
Deferred income	77,159	(1,714)	75,445
Employee benefits	85,200	–	85,200
Derivative financial instruments	19,435	–	19,435
Amounts due to related parties	17	–	17
	2,119,842	(87,050)	2,032,792
Total liabilities	5,920,857	(242,964)	5,677,893
Net assets	2,444,196	(15,720)	2,428,476
Share capital and reserves			
Share capital	895,926	–	895,926
Treasury shares	(44,081)	–	(44,081)
Capital reserves	113,184	–	113,184
Other reserves	(56,653)	(13)	(56,666)
Retained earnings	1,273,886	(15,707)	1,258,179
Equity attributable to owners of the Company	2,182,262	(15,720)	2,166,542
Non-controlling interests	261,934	–	261,934
	2,444,196	(15,720)	2,428,476
Total equity and liabilities	8,365,053	(258,684)	8,106,369

(Currency - Singapore dollars unless otherwise stated)

Consolidated Income Statement

	31 December 2017		
	FRS framework $'000	SFRS(I) 15 $'000	SFRS(I) framework $'000
Revenue	6,619,491	(98,428)	6,521,063
Cost of sales	(5,296,209)	87,931	(5,208,278)
Gross profit	1,323,282	(10,497)	1,312,785
Distribution and selling expenses	(169,488)	–	(169,488)
Administrative expenses	(474,045)	–	(474,045)
Other operating expenses	(126,404)	–	(126,404)
Profit from operations	553,345	(10,497)	542,848
Other income	39,944	–	39,944
Other expenses	(1,278)	–	(1,278)
Other income, net	38,666	–	38,666
Finance income	38,222	428	38,650
Finance costs	(56,271)	(1,411)	(57,682)
Finance costs, net	(18,049)	(983)	(19,032)
Share of results of associates and joint ventures, net of tax	49,332	–	49,332
Profit before taxation	623,294	(11,480)	611,814
Taxation	(87,867)	2,146	(85,721)
Profit for the year	535,427	(9,334)	526,093
Attributable to:			
Shareholders of the Company	511,882	(9,250)	502,632
Non-controlling interests	23,545	(84)	23,461
	535,427	(9,334)	526,093

(Currency - Singapore dollars unless otherwise stated)

Consolidated Statement of Comprehensive Income

	31 December 2017		
	FRS framework $'000	**SFRS(I) 15 $'000**	**SFRS(I) framework $'000**
Profit for the year	535,427	(9,334)	526,093
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan remeasurements	(6,109)	–	(6,109)
Items that are or may be reclassified subsequently to profit or loss:			
Net fair value changes on available-for-sale financial assets	8,670	–	8,670
Net fair value changes on cash flow hedges	56,112	–	56,112
Share of net fair value changes on cash flow hedges of joint ventures	(127)	–	(127)
Foreign currency translation differences	(47,327)	1	(47,326)
Share of foreign currency translation differences of associates and joint ventures	(11,102)	–	(11,102)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	2,161	–	2,161
	8,387	1	8,388
Other comprehensive income for the year, net of tax	2,278	1	2,279
Total comprehensive income for the year, net of tax	537,705	(9,333)	528,372
Total comprehensive income attributable to:			
Shareholders of the Company	502,229	(9,249)	492,980
Non-controlling interests	35,476	(84)	35,392
	537,705	(9,333)	528,372

(Currency - Singapore dollars unless otherwise stated)

Notes to the reconciliations

A. SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

B. SFRS(I) 15 – Revenue from Contracts with Customers

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under SFRS(I) 15, the Group is required to identify distinct performance obligations (PO) in bundled arrangements and account for each PO separately.

The Group is also required to estimate the amount of consideration to which it expects to be entitled and variable amounts are included in contract revenue to the extent that it is probable that there will be no significant reversal when the uncertainty is resolved.

For contracts that contain significant financing components, the Group adjusts the transaction price for the effects of the time value of money.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2017 has been restated.

The Group has applied the following practical expedients as allowed under SFRS(I) 1.

- Completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.
- For completed contracts that have variable consideration, the Group used the transaction price at the date the contract was completed to restate comparative information.
- For contracts modified before 1 January 2017, the Group has reflected the aggregate effect of all of the modifications that occurred before 1 January 2017 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.
- For the year ended 31 December 2017, the Group did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

C. SFRS(I) 9 – Financial Instruments

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

(Currency - Singapore dollars unless otherwise stated)

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at FVOCI; and
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.
- If a debt investment has low credit risk at 1 January 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 at 31 December 2017 met the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 and therefore were regarded as continuing hedging relationships.

  The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

Group	Note	Original classification under FRS 39	New classification under SFRS(I) 9	1 January 2018 Original carrying amount under FRS 39 $'000	1 January 2018 New carrying amount under SFRS(I) 9 $'000
Other investments including derivatives					
Equity investments	(a)	Available-for-sale	FVOCI – Equity instrument	9,728	9,728
Debt investments		Available-for-sale	FVOCI – Debt instrument	350,975	350,975
Derivative financial instruments		FV - Hedging Instruments	FV - Hedging Instruments	35,336	35,336
Derivative financial instruments		Designated as FVTPL	Mandatorily at FVTPL	18,247	18,247
Financial assets					
Trade receivables	(b)	Loans and other receivables	Amortised cost	940,725	940,725
Amounts due from related parties	(b)	Loans and other receivables	Amortised cost	33,077	33,077
Advances and other receivables	(b)	Loans and other receivables	Amortised cost	84,349	84,349
Bank balances and other liquid funds	(b)	Loans and other receivables	Amortised cost	999,003	999,003
Total financial assets				2,471,440	2,471,440

(Currency - Singapore dollars unless otherwise stated)

(a) These equity investments represent investments that the Group intend to hold for the long term for strategic purposes. The Group have designated these investments at 1 January 2018 as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. An increase of $4,196,000 in the allowance for impairment was recognised in opening retained earnings of the Group at 1 January 2018 on transition to SFRS(I) 9.

Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not equity investments. The adoption of the new impairment model under SFRS(I) does not affect the carrying amount of intra-group financial guarantee contracts at 1 January 2018, as the amount initially recognised less the cumulative amount of income recognised in accordance with SFRS(I) 15 is higher than the estimated ECL amount.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables and contract assets separately in Note B3.

The application of SFRS(I) 9 impairment requirements at 1 January 2018 results in additional allowances for impairment as follows:

	Group
	$'000
Loss allowance at 31 December 2017 under FRS 39	41,774
Additional impairment recognised at 1 January 2018 on:	
Trade receivables as at 31 December 2017	4,196
Loss allowance at 1 January 2018 under SFRS(I) 9	45,970

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Additional information about how the Group measure the allowance for impairment is described in Note C13.

For an explanation of how the Group applies hedge accounting under SFRS(I) 9, see note C15.

(Currency - Singapore dollars unless otherwise stated)

Transition impact on equity

The following table summarises the impact, net of tax, of transition to SFRS(I) 9 on reserves, retained earnings and NCI at 1 January 2018.

	Impact of adopting SFRS(I) 9 at 1 January 2018 Group $'000
Retained earnings	
Closing balance under FRS 39 (31 December 2017)	1,289,653
Recognition of expected credit losses under SFRS(I) 9	(3,607)
Related tax	10
Opening balance under SFRS(I) 9 (1 January 2018)	1,286,056

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From 1 January 2020

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