SINGAPORE TECHNOLOGIES ENGINEERING LTD

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

Directors:

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

Registered Office:

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

21 March 2019

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

Dear Sir/Madam

1. INTRODUCTION

1.1 **Background**. We refer to:

(a) the Notice of the 22nd Annual General Meeting ("**AGM**") of the Company dated 21 March 2019 (the "**Notice**"), accompanying the Annual Report for the financial year ended 31 December 2018, convening the 22nd AGM of the Company to be held on 18 April 2019 (the "**2019 AGM**");

(b) Ordinary Resolution No. 13 relating to the proposed modifications to, and renewal of, the Shareholders Mandate for Interested Person Transactions (as defined in paragraph 2.1 below), as proposed in the Notice; and

(c) Ordinary Resolution No. 14 relating to the proposed renewal of the Share Purchase Mandate (as defined in paragraph 3.1 below), as proposed in the Notice.

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

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

1.4 **Advice to Shareholders**. Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. If a Shareholder has sold all his ordinary shares in the Company, he should immediately forward this Letter (together with the Annual Report for the financial year ended 31 December 2018, the Notice and the Proxy Form) to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser.

2. THE PROPOSED MODIFICATIONS TO, AND RENEWAL OF, THE SHAREHOLDERS MANDATE

2.1 **Shareholders Mandate**. At the annual general meeting of the Company held on 20 April 2018 (the "**2018 AGM**"), approval of the Shareholders was obtained for the renewal of a shareholders mandate (the "**Shareholders Mandate**") to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the listing manual of the SGX-ST (the "**Listing Manual**")) to enter into certain interested person transactions ("**Interested Person Transactions**") with the classes of interested persons as set out in the Shareholders Mandate. Particulars of the Shareholders Mandate are set out in the Appendix to the Letter to Shareholders dated 22 March 2018 (the "**2018 Letter**").

2.2 **Proposed Renewal**. The Shareholders Mandate was expressed to take effect until the conclusion of the next AGM of the Company, being the 2019 AGM which is scheduled to be held on 18 April 2019. Accordingly, the Directors of the Company (the "**Directors**") propose that the Shareholders Mandate be renewed at the 2019 AGM, to take effect until the 23rd AGM of the Company.

2.3 **Proposed Modifications**. The Company proposes to expand certain of the general transactions which the EAR Group (as defined in Appendix 1 to this Letter) may enter into with Interested Persons (as defined in Appendix 1 to this Letter) in order to accommodate the overall expansion and growth of the EAR Group's activities following recent acquisitions and restructuring of the EAR Group's businesses.

The material enhancements are detailed below:

(a) The aerospace related activities will be expanded to additionally provide for:

(i) the sale, purchase, leasing, rental, repair, modification, refurbishment, maintenance, training and technical services, servicing and/or overhaul of aircraft *"structures"*;

(ii) the *"design"* of investment castings, mold toolings, precision formings and aircraft components and *"structures"*; and

(iii) the manufacture and sale of aircraft *"structures"*.

(b) The other activities which arise in the normal course of business of the EAR Group will be expanded to additionally provide for:

(i) the provision of engineering products and solutions; and

(ii) the provision of shared services.

The modified Shareholders Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices and other general information relating to Chapter 9 of the Listing Manual, are set out in Appendix 1 to this Letter.

The proposed modifications to the Shareholders Mandate are blacklined in Appendix 1 for Shareholders' ease of reference.

2.4 **Independent Financial Adviser**. Deloitte & Touche Corporate Finance Pte Ltd ("**DTCF**") has been appointed the independent financial adviser in relation to the proposed modifications to the Shareholders Mandate.

Based on the information provided to them (whether written or verbal) by the Management (as defined in their letter to the Board of Directors of the Company dated 21 March 2019 (the "**IFA Letter**")), as well as the information contained in this Letter, and on their evaluation of the methods or procedures to be used for determining the transaction prices for the Interested Person Transactions and subject to the qualifications made in section 2 of the IFA Letter, DTCF are of the

opinion that the methods or procedures for determining the transaction prices of the Interested Person Transactions as set out in Appendix 1 to this Letter, if adhered to, are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

In rendering their opinion, DTCF have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder. As different Shareholders would have different investment objectives, the Directors recommend that any individual Shareholder who may require specific advice in relation to the Shareholders' Mandate should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

The IFA Letter is reproduced and attached in Appendix 2 to this Letter.

DTCF has given and has not withdrawn its written consent to the issue of this Letter with the inclusion of its name, the IFA Letter and all references thereto, in the form and context in which they appear in this Letter.

3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 **Share Purchase Mandate**. Shareholders had approved the renewal of the mandate (the "**Share Purchase Mandate**") to enable the Company to purchase or otherwise acquire ordinary shares of the Company ("**Shares**") at the 2018 AGM. The authority and limitations on the Share Purchase Mandate were set out in the 2018 Letter and Ordinary Resolution No. 12 set out in the Notice of the 2018 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 12 at the 2018 AGM and will expire on the date of the forthcoming 2019 AGM to be held on 18 April 2019. Accordingly, Shareholders' approval is being sought for the renewal of the Share Purchase Mandate at the 2019 AGM.

As at 25 February 2019 (the "**Latest Practicable Date**"), the Company had purchased or acquired an aggregate of 3,545,300 Shares by way of Market Purchases (as defined in paragraph 3.3.3 below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2018 AGM. The price paid was S$3.54 per Share and the total consideration paid for all purchases was S$12.6 million, excluding commission, brokerage and goods and services tax.

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

(a) In managing the business of the Company and its subsidiaries (the "**Group**"), management strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. Share purchase is one of the ways through which the return on equity of the Group may be enhanced.

(b) The Share Purchase Mandate is an available option for the Company to return surplus cash which is in excess of the financial and possible investment needs of the Group to its Shareholders. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and its dividend policy.

(c) Repurchased Shares which are held in treasury may be transferred for the purposes of employee share schemes implemented by the Company. The use of treasury shares in lieu of issuing Shares would also mitigate the dilution impact on existing Shareholders.

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

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

3.3 **Authority and Limits**. The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2019 AGM, are the same as were previously approved by Shareholders at the 2018 AGM, and are summarised below:

3.3.1 ***Maximum Number of Shares***

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 2% of the total number of issued Shares as at the date of the 2019 AGM. Treasury shares and subsidiary holdings (as defined in the Listing Manual)[1] will be disregarded for purposes of computing the 2% limit.

As at the Latest Practicable Date, the Company had 2,580,553 treasury shares and no subsidiary holdings.

Based on 3,122,495,197 issued Shares as at the Latest Practicable Date and disregarding the 2,580,553 Shares held in treasury as at the Latest Practicable Date, and assuming that on or prior to the 2019 AGM (i) no further Shares are issued, (ii) no Shares are purchased or acquired by the Company, and no further Shares purchased or acquired by the Company are held as treasury shares, and (iii) no Shares are held as subsidiary holdings, the purchase or acquisition by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 62,398,292 Shares.

3.3.2 ***Duration of Authority***

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2019 AGM at which the renewal of the Share Purchase Mandate is approved, up to:

(a) the date on which the next AGM of the Company is held or required by law to be held;

(b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or

(c) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

3.3.3 ***Manner of Purchases or Acquisitions of Shares***

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

(a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the SGX-ST's trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchases**") effected pursuant to an equal access scheme.

1 "Subsidiary holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, Chapter 50 (the "**Companies Act**") as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes.

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

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

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

(1) terms and conditions of the offer;

(2) period and procedures for acceptances; and

(3) information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

3.3.4 ***Purchase Price***

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

For the above purposes:

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

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

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

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

3.5.1 ***Maximum Holdings***

The number of Shares held as treasury shares[2] cannot at any time exceed 10% of the total number of issued Shares.

3.5.2 ***Voting and Other Rights***

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

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

3.5.3 ***Disposal and Cancellation***

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

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

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

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

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

2 For these purposes, "treasury shares" shall be read as including shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act, Chapter 50.

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

3.7 **Financial Effects**. The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the Group and the Company, based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018, are based on the assumptions set out below.

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

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

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

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

3.7.2 ***Number of Shares Purchased or Acquired***

Based on the number of issued and paid-up Shares as at the Latest Practicable Date and on the assumptions set out in paragraph 3.3.1 above, the purchase or acquisition by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 62,398,292 Shares.

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

In the case of both Market Purchases and Off-Market Purchases by the Company and assuming that the Company purchases or acquires 62,398,292 Shares at the maximum price of S$3.927 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 62,398,292 Shares is S$245,038,093.

3.7.4 ***Illustrative Financial Effects***

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

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 3.7.2 and 3.7.3 above, and further assuming that the purchase or acquisition of 62,398,292 Shares by the Company pursuant to the Share Purchase Mandate by way of Market

Purchases or Off-Market Purchases is made entirely out of profits and/or capital and either cancelled or held in treasury, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018 are set out below.

	Group		Company	
	Before Share Purchase S$'000	**After Share Purchase S$'000**	**Before Share Purchase S$'000**	**After Share Purchase S$'000**
As at 31 December 2018				
Share Capital & Reserves	2,246,377	2,001,339	1,447,512	1,202,474
NTA	1,271,666	1,026,628	1,447,512	1,202,474
Current Assets	4,097,277	3,852,239	329,008	254,702
Current Liabilities	3,851,260	3,851,260	236,130	406,862
Net (Debt)/Cash	(81,379)	(326,417)	74,306	(170,732)
Number of Shares (excluding treasury shares) ('000)	3,119,915	3,057,516	3,119,915	3,057,516
Financial Ratios				
Basic EPS (S$)	0.16	0.16	0.16	0.16
NTA per Share (S$)	0.41	0.34	0.46	0.39
Net Gearing (times)	0.04	0.2	Net Cash	0.1
Current Ratio (times)	1.1	1.0	1.4	0.6

Notes:

(1) The figures for the Group and the Company are based on the audited financial statements as at 31 December 2018.

(2) Net Gearing is equal to net borrowings divided by Share Capital & Reserves.

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

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

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been

the subject of a decision until the price sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period of two weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year, as well as the announcement of the Company's annual results.

3.9 **Listing Status**. The Listing Manual requires a listed company to ensure that at least 10% of equity securities (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public. As at the Latest Practicable Date, Temasek Holdings (Private) Limited ("**Temasek**"), a substantial Shareholder, has a direct and deemed interest in approximately 51.99% of the issued Shares (excluding treasury shares) as at that date. Approximately 47.93% of the issued Shares are held by public Shareholders.

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

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

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

The Company wishes to draw the attention of Shareholders to the following consequences of a purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate, if the renewal of the Share Purchase Mandate is approved by Shareholders at the 2019 AGM:

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

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

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

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

3.11.2 ***Persons Acting in Concert***

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

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

(a) the following companies:

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

(v) the associated companies of any of (i), (ii), (iii) or (iv);

(vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and

(vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

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

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

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

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

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

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

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDER'S INTERESTS

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

Director	Direct Interest	%[1]	Deemed Interest	%[1]	Number of Shares comprised in outstanding Share Awards granted by the Company
Kwa Chong Seng	1,027,300	0.03	–	–	–
Vincent Chong Sy Feng	1,568,084	0.05	–	–	1,546,247[3]
Quek See Tiat	45,400	nm[2]	–	–	–
LG Ong Su Kiat Melvyn	–	–	–	–	–
Quek Gim Pew	–	–	–	–	–
Khoo Boon Hui	34,800	nm[2]	–	–	–
Dr Beh Swan Gin	–	–	–	–	–
Lim Sim Seng	35,600	nm[2]	–	–	–
Lim Ah Doo	60,000	nm[2]	–	–	–
Lim Chin Hu	20,000	nm[2]	–	–	–
Song Su-Min	–	–	–	–	–
COL Xu Youfeng	–	–	–	–	–

Notes:

(1) The percentage of issued Shares is calculated based on the number of issued Shares of the Company (excluding any Shares held in treasury) as at the Latest Practicable Date.

(2) Not meaningful.

(3) Of the 1,546,247 Shares:

(a) up to 119,000 Shares are comprised in a conditional award of performance shares granted to Vincent Chong Sy Feng, subject to performance targets set over a three-year period from 2016 to 2018, pursuant to the Singapore Technologies Engineering Performance Share Plan 2010 ("**PSP 2010**"). 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;

(b) up to 439,960 Shares are comprised in a conditional award of performance shares granted to Vincent Chong Sy Feng, subject to performance targets set over a three-year period from 2017 to 2019, pursuant to the PSP 2010. 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;

(c) up to 728,620 Shares are comprised in a conditional award of performance shares granted to Vincent Chong Sy Feng, subject to performance targets set over a three-year period from 2018 to 2020, pursuant to the PSP 2010. 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;

(d) 16,169 Shares are unvested restricted shares for the performance period from 1 January 2015 to 31 December 2015 to be released according to the stipulated vesting periods pursuant to the Singapore Technologies Engineering Restricted Share Plan 2010 ("**RSP 2010**");

(e) 61,698 Shares are unvested restricted shares for the performance period from 1 January 2017 to 31 December 2017 to be released according to the stipulated vesting periods pursuant to the RSP 2010; and

(f) 180,800 Shares are comprised in a conditional award of restricted shares granted to Vincent Chong Sy Feng, subject to performance targets set over a one-year period from 1 January 2018 to 31 December 2018, pursuant to the RSP 2010. 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 pursuant to the RSP 2010.

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

	Number of Shares			
Substantial Shareholder	**Direct Interest**	**%[1]**	**Deemed Interest**	**%[1]**
Temasek	1,554,764,574	49.83	67,339,429[2]	2.16

Notes:

(1) The percentage of issued Shares is calculated based on the number of issued Shares of the Company (excluding Shares held in treasury) as at the Latest Practicable Date.

(2) Includes deemed interests held through subsidiaries and associated companies.

5. DIRECTORS' RECOMMENDATIONS

5.1 **The Proposed Modifications to, and Renewal of, the Shareholders Mandate**. All the Directors are interested persons (as described in paragraph 4.1 of Appendix 1 to this Letter). Accordingly, they have refrained from making any voting recommendation to Shareholders in respect of Ordinary Resolution No. 13, being the Ordinary Resolution relating to the proposed modifications to, and renewal of, the Shareholders Mandate to be proposed at the 2019 AGM.

Temasek and each of the Directors will abstain from voting, and each has undertaken to ensure that its/his associates will abstain from voting, on Ordinary Resolution No. 13, being the Ordinary Resolution relating to the proposed modifications to, and renewal of, the Shareholders Mandate at the 2019 AGM. The Company will disregard any votes cast by Temasek and each of the Directors, and their respective associates, in respect of their holdings of Shares (if any) on Ordinary Resolution No. 13. Each of the Directors and their respective associates will also decline to accept appointment as proxy for any Shareholder to vote in respect of Ordinary Resolution No. 13, unless the Shareholder concerned shall have given instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution No. 13.

5.2 **The Proposed Renewal of the Share Purchase Mandate**. The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 14, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2019 AGM.

6. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at ST Engineering Hub, 1 Ang Mo Kio Electronics Park Road #07-01, Singapore 567710 during normal business hours from the date of this Letter up to the date of the 2019 AGM:

(a) the Annual Report of the Company for the financial year ended 31 December 2018;

(b) the 2018 Letter;

(c) the Constitution of the Company;

(d) the IFA Letter; and

(e) DTCF's letter of consent referred to in paragraph 2.4 above.

The Annual Report of the Company for the financial year ended 31 December 2018 and the 2018 Letter may also be accessed at the URLs http://www.stengg.com/en/investor-relations/annual-reports/ and http://www.stengg.com/en/investor-relations/agm-information/, respectively.

7. DIRECTORS' RESPONSIBILITY STATEMENT

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

Yours faithfully

Kwa Chong Seng
Chairman
Singapore Technologies Engineering Ltd

APPENDIX 1

THE SHAREHOLDERS MANDATE

1. Chapter 9 of the Listing Manual

1.1 Chapter 9 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.

1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and hence are excluded from the ambit of Chapter 9, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("**NTA**")) are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:

(a) 5% of the listed company's latest audited consolidated NTA; or

(b) 5% of the listed company's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.

1.3 Based on the latest audited consolidated financial statements of Singapore Technologies Engineering Ltd ("**ST Engineering**") and its subsidiaries (the "**ST Engineering Group**") for the financial year ended 31 December 2018, the consolidated NTA of the ST Engineering Group was S$1,271,666,000. In relation to ST Engineering, for the purposes of Chapter 9, in the current financial year and until such time as the consolidated audited financial statements of the ST Engineering Group for the financial year ending 31 December 2019 are published, 5% of the latest audited consolidated NTA of the ST Engineering Group would be S$63,583,300.

1.4 Chapter 9 of the Listing Manual permits a listed company, however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons.

1.5 Under the Listing Manual:

(a) an "**entity at risk**" means:

(i) the listed company;

(ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has control over the associated company;

(b) an "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

(c) an "**associate**" in relation to an interested person who is a director, chief executive officer or controlling shareholder means an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/ his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, means its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;

(d) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9; and

(e) an "**interested person transaction**" means a transaction between an entity at risk and an interested person.

2. Rationale for the Shareholders Mandate

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

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

(a) ST Engineering;

(b) subsidiaries of ST Engineering (excluding other subsidiaries listed on the SGX-ST or an approved exchange); and

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

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

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

3. The Shareholders Mandate

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

(a) those relating to the sale, purchase, leasing, repair, modification, refurbishment, maintenance, training and technical services, servicing and/or overhaul of aircraft, aircraft engines, structures, equipment, parts and components; trading and providing warehouse services for aircraft equipment, parts and components; development, marketing and maintenance of advance simulation and training systems; the provision of engineering, marketing, engineering support, flight and flight training services; the provision of jet fuel services; design, manufacture and sale of investment castings, mold toolings, precision formings and aircraft components and structures; and target towing services and investment holding ("**Aerospace Related Activities**");

(b) those relating to the provision or the obtaining of products, solutions, spares, materials, electronics, equipment, facilities and services in relation to, or for the purposes of, satellite systems and communications, transportation systems, advanced electronics, telecommunications businesses, and information & communications technologies (ICT) businesses; the provision or the obtaining of imagery, simulation, education, training and edutainment products, solutions, content and services; the provision of equipment, systems, infrastructure, facilities and software as a licensor or lessor, or as hosted or managed services; the provision of engineering, technical, repair and maintenance, facility management, managed and shared services; and the leasing and rental (as lessee) of equipment, facilities and motor vehicles ("**Electronics Related Activities**");

(c) those relating to the research and development, design, systems integration, manufacturing, assembly, testing, sale, trading, distribution, leasing, rental, training of users, after-sales support, maintenance, repair, overhaul, preservation, upgrading, disposal, know-how transfer of and/or provision of engineering consultancy for military vehicles, weapons, weapon systems, munitions and pyrotechnics, robotics systems and their sub-systems, construction equipment, specialty vehicles and their sub-systems and accessories; the inspection of vehicles, the representation, marketing, sale and after-sales support of commercial vehicles, engines and related products; and defence and security related products; the provision of contract manufacturing services and industrial support services; the provision of integrated logistics managed services and integrated facilities engineering services ("**Land Systems Related Activities**"); and

(d) those relating to the construction, maintenance, repair, overhaul, upgrading and sale of naval and commercial vessels, design and fabrication of engineering equipment, construction and repair of offshore platforms, the provision of engineering consultancy and technical services, and the provision of products and/or services in respect of environmental engineering business ("**Marine Related Activities**").

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

3.3 The Shareholders Mandate does not cover an Interested Person Transaction which has a value of below S$100,000 as the threshold and aggregation requirements contained in Chapter 9 of the Listing Manual would not apply to such an Interested Person Transaction.

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

3.5 The modifications to, and renewal of, the Shareholders Mandate will take effect from the date of the passing of the Ordinary Resolution relating thereto to be proposed at the Annual General Meeting to be held on 18 April 2019 until the next Annual General Meeting of the Company. Thereafter, approval from Shareholders for a subsequent renewal of the Shareholders Mandate will be sought at each subsequent Annual General Meeting of the Company.

4. Classes of Interested Persons

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

(a) Temasek Holdings (Private) Limited and its associates (the "**Temasek Group**"); and

(b) Directors, Chief Executive Officer(s) and controlling shareholders of the Company (other than the controlling shareholder described in sub-paragraph (a) above) and their respective associates.

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

5. Interested Person Transactions

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

(a) **General Transactions**

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

(i) *Aerospace Related Activities*

The products and services under this sub-category are:

(1) the sale, purchase, repair, modification, refurbishment, maintenance, servicing and/or overhaul of aircraft and aircraft engines, structures, equipment, parts and components;

(2) the trading of, and provision of warehouse services for, aircraft equipment, parts and components;

(3) the development, marketing and maintenance of advance simulation and training systems;

(4) the provision of engineering, marketing, engineering and technical support, flight and flight training services;

(5) the leasing and rental (as lessor and lessee) of aircraft, aircraft engines, structures, equipment, parts and components;

(6) the obtaining of repair, maintenance, training and technical services in respect of aircraft and aircraft engines, structures, equipment, parts and components;

(7) the provision of jet fuel services;

(8) the design, manufacture and sale of investment castings, mold toolings, precision formings and aircraft components and structures;

(9) the provision of target towing services; and

(10) the provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (1) to (9) above.

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

(ii) *Electronics Related Activities*

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

(1) the provision or the obtaining of products, solutions, spares, materials, electronics, equipment, facilities and services in relation to, or for the purposes of, satellite systems and communications, transportation systems, advanced electronics, telecommunications businesses, and information & communications technologies (ICT) businesses;

(2) the provision or the obtaining of imagery, simulation, education, training and edutainment products, solutions, content and services;

(3) the provision of equipment, systems, infrastructure, facilities and software as a licensor or lessor, or as hosted or managed services;

(4) the provision of engineering, technical, repair and maintenance, facility management, managed and shared services;

(5) the leasing and rental (as lessee) of equipment, facilities and motor vehicles; and

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

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

(iii) *Land Systems Related Activities*

The products and services under this sub-category are:

(1) the research and development, design, systems integration, manufacturing, assembly, testing, marketing, sale, trading, distribution, training of users, after-sales support, maintenance, repair, overhaul, preservation, upgrading, disposal, know-how transfer of and/or provision of engineering consultancy for:

(a) military vehicles and their sub-systems;
(b) weapons systems and their accessories;
(c) munitions and pyrotechnics;
(d) robotics systems and their sub-systems; and
(e) construction equipment, specialty vehicles and their sub-systems;

(2) the leasing, rental, management of dealers and after-sales network of construction equipment, specialty vehicles and their sub-systems;

(3) the inspection, evaluation and damage assessment of vehicles and motorcycles, and the provision of consultancy, testing, inspection, calibration, certification and related services for various industries;

(4) the provision of contract manufacturing and industrial support services;

(5) the representation, import, assembly, marketing, sale, provision of technical services, field services, repair and maintenance services of commercial vehicles, engines and related products;

(6) the representation, marketing and after-sales support of defence and security related products;

(7) the provision of integrated logistics managed services in areas of supply chain warehousing, freight services and specialised/project logistics;

(8) the provision of integrated facilities engineering services in areas of facilities managing agent services, facilities maintenance services and other facilities-based mechanical and electrical engineering services; and

(9) the provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (1) to (8) above.

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

(iv) *Marine Related Activities*

The products and services under this sub-category are:

(1) the sale of ships, spares and engineering equipment;

(2) the provision of shipbuilding, ship repair, engineering and technical services;

(3) the construction, sale and repair of offshore platforms;

(4) the obtaining of repair, maintenance and technical services in respect of ships, offshore platforms, spares and engineering equipment;

(5) the provision or obtaining of products and/or services in respect of environmental business; and

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

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

(v) *Other Activities*

The products and services under this sub-category are:

(1) the obtaining or the purchase of electronic and engineering equipment, security systems, computer maintenance and systems, components and equipment, software licences and information technology services, material handling systems, freight services, utilities and insurances;

(2) the leasing of premises and the obtaining of property maintenance services;

(3) the obtaining of fund management services, printing, publication and retail and distribution of products and services; and

(4) the provision of engineering products and solutions;

(5) the provision of shared services; and

(64) the provision or the obtaining of such other products and/or services which are incidental to or in connection with the provision or obtaining of products and/or services in sub-paragraphs (1) to (53) above.

The transactions set out in sub-paragraphs (1) to (53) arise in the normal course of business of the EAR Group, while the transactions set out in sub-paragraph (64) will be those which are necessary for the day-to-day operations of the EAR Group.

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

(b) **Treasury Transactions**

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

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

6. Review Procedures for Interested Person Transactions

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

(a) **General Transactions**

Review Procedures

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

In particular, the following review procedures have been implemented.

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

The review procedures are:

(1) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the facility, service or product providers, on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and

(2) where the prevailing market rates or prices are not available due to the nature of the facility or service to be provided or the product to be sold, the EAR Group's pricing for such facilities or services to be provided or products to be sold to Interested Persons is determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties. In determining the transaction price payable by Interested Persons for such facilities, services or products, factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction will be taken into account.

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

The review procedures are:

(1) all contracts entered into or transactions with Interested Persons are to be carried out by obtaining quotations (wherever possible or available) from at least two other unrelated third party suppliers for similar quantities and/or quality of facilities, services or products, prior to the entry into of the contract or transaction with the Interested Person, as a basis for comparison to determine whether the price and terms offered by the Interested Person are fair and reasonable and comparable to those offered by other unrelated third parties for the same or substantially similar type of facilities, services or products. In determining whether the price and terms offered by the Interested Person are fair and reasonable, factors such as, but not limited to, delivery schedules, specification compliance, track record, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will also be taken into account; and

(2) in the event that such competitive quotations cannot be obtained (for instance, if there are no unrelated third party vendors of similar facilities, products or services, or if the product is a proprietary item), the senior management staff of the relevant company in the EAR Group (with no interest, direct or indirect in the transaction), will determine whether the price and terms offered by the Interested Person are fair and reasonable.

Threshold Limits

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

(i) a Category 1 General Transaction is one where the value thereof is in excess of S$50,000,000; and

(ii) a Category 2 General Transaction is one where the value is below or equal to S$50,000,000.

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

(b) **Treasury Transactions**

Placements

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

Borrowings

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

Forex, Swaps and Options

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

Debt Securities and Preference Shares

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

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

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

(i) during such period as the preferential dividend or any part thereof remains in arrear and unpaid, such period starting from a date not more than 12 months, or such lesser period as the constitution may provide, after the due date of the dividend;

(ii) upon any resolution which varies the rights attached to such shares; or

(iii) upon any resolution for the winding up of the Company.

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

Placements and Debt Securities and Preference Shares

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

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

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

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

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

Forex, Swaps and Options

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

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

6.2 If a member of the Audit Committee or any person designated under the Management Review Procedures to approve Interested Person Transactions, as the case may be, has an interest in an Interested Person Transaction, he shall abstain from participating in the approval process in relation to that Interested Person Transaction, and the approval of that Interested Person Transaction shall be undertaken by the other members of the Audit Committee or, as the case may be, such other person as may be designated by the Audit Committee from time to time for such purpose.

6.3 A register will be maintained by ST Engineering to record all Interested Person Transactions (and the basis including the quotations obtained to support such basis, on which they are entered into) which are entered into pursuant to the Shareholders Mandate. The annual internal audit plan of ST Engineering shall incorporate a review of all Interested Person Transactions entered into pursuant to the Shareholders Mandate.

6.4 The internal auditors of ST Engineering shall, on a quarterly basis, report to the Audit Committee on Interested Person Transactions, and the basis of such transactions, entered into by the EAR Group.

7. Benefit to Shareholders

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

7.2 The Shareholders Mandate is intended to facilitate transactions in the normal course of business of the EAR Group which are transacted from time to time with the specified classes of Interested Persons, provided that they are carried out at arm's length and on the EAR Group's normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

7.3 ST Engineering will announce the aggregate value of transactions conducted with Interested Persons pursuant to the Shareholders Mandate for the quarterly financial periods which ST Engineering is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

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

8. Audit Committee's Statements

8.1 The Audit Committee (currently comprising Mr Quek See Tiat, Mr Lim Ah Doo, Mr Khoo Boon Hui and Ms Song Su-Min) has reviewed the terms of the Shareholders Mandate, as proposed to be modified and renewed, and is satisfied that the review procedures for Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee (with internal audit assistance) in relation thereto, are sufficient to ensure that Interested Person Transactions will be made with the relevant class of Interested Persons in accordance with the EAR Group's normal commercial terms, and are hence not prejudicial to the interests of the Company and its minority shareholders.

8.2 If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are not sufficient to ensure that the Interested Person Transactions will be on the EAR Group's normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders, ST Engineering will revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with Interested Persons.

LETTER FROM DELOITTE & TOUCHE CORPORATE FINANCE PTE LTD TO THE BOARD OF DIRECTORS OF SINGAPORE TECHNOLOGIES ENGINEERING LTD

21 March 2019

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

Dear Sirs,

1. INTRODUCTION

This letter has been prepared pursuant to Listing Rule 920(1)(b)(v) of the listing manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") as well as for the use of the Board of Directors of Singapore Technologies Engineering Limited ("**ST Engineering**" or the "**Company**"), for inclusion in the Letter to Shareholders (the "**Letter to Shareholders**") to be issued in relation to the proposed modifications to, and renewal of, a shareholders mandate to enable ST Engineering Group (as defined hereinafter) to enter into certain transactions with interested persons. Unless otherwise defined, all terms defined in the Letter to Shareholders have the same meanings in this letter.

Under Chapter 9 of the Listing Manual, an issuer may seek a general mandate from shareholders for recurring transactions of a revenue or trading nature or those necessary for its day-to-day operations. Transactions with interested persons (as such term is defined in the Listing Manual) conducted under such a general mandate are not subject to the thresholds under Chapter 9 of the Listing Manual, which require shareholders' approval and/or an immediate announcement in respect of the transaction if the value of the transaction is equal to or exceeds certain thresholds.

The Directors envisage that in the normal course of business, subsidiaries of ST Engineering (excluding subsidiaries listed on the SGX-ST or an approved exchange) and associated companies of ST Engineering (excluding associated companies listed on the SGX-ST or an approved exchange) over which ST Engineering, or ST Engineering and interested person(s) of ST Engineering has or have control (the "**ST Engineering Group**"), will enter into transactions involving the sale, purchase, provision or supply of services, facilities and/or products as set out in Appendix 1 to the Letter to Shareholders with the classes of interested persons from time to time (the "**Interested Person Transactions**"). As such, the Directors are seeking a general mandate from the Shareholders of ST Engineering (the "**Shareholders Mandate**") so that any member of the ST Engineering Group may enter, in its ordinary course of business, into the Interested Person Transactions with the classes of interested persons (the "**Interested Persons**") as set out in Appendix 1 to the Letter to Shareholders, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of ST Engineering and its minority Shareholders.

Deloitte & Touche Corporate Finance Pte Ltd ("**DTCF**") has, in accordance with the requirements of Chapter 9 of the Listing Manual, been appointed as the independent financial adviser to provide an opinion on whether the methods or procedures for determining the transaction prices of the Interested Person Transactions in connection with the proposed Shareholders Mandate, as set out in Appendix 1 to the Letter to Shareholders, are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of ST Engineering and its minority Shareholders.

2. TERMS OF REFERENCE

Pursuant to Listing Rule 920(1)(b)(v) of the Listing Manual, we have been appointed as the independent financial adviser to opine on whether the methods or procedures for determining the transaction prices of the Interested Person Transactions in connection with the proposed Shareholders Mandate are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of ST Engineering and its minority Shareholders.

We have not been involved, whether directly or indirectly, in any aspect of the discussions on the scope of the proposed Shareholders Mandate and the categories of the Interested Person Transactions. We have also not been involved in the deliberations leading up to the decision by the Directors to obtain the proposed Shareholders Mandate or the methods or procedures proposed to be adopted by the ST Engineering Group to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of ST Engineering and its minority Shareholders.

In providing our opinion, we have held discussions with certain management of ST Engineering (the "**Management**"). We have not independently verified information furnished by such Management nor any representation or assurance made by them (whether written or verbal). Accordingly, we do not, whether expressly or implied, warrant or accept responsibility for the accuracy, completeness or adequacy of such information, facts, representations or assurances. Nevertheless, the Management have confirmed to us that, to the best of their knowledge and belief, the information provided to us (whether written or verbal) by themselves, as well as the information contained in the Letter to Shareholders constitutes a fair and accurate disclosure in all material respects of all material facts relating to the proposed Shareholders Mandate and that there is no material information the omission of which would make any of the information contained herein or in the Letter to Shareholders inaccurate, incomplete or misleading in any material respect. We have made reasonable enquiries and exercised our judgment on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Letter to Shareholders have been reasonably made after due and careful enquiry.

We were also not required or authorised to obtain, and we have not obtained, any quotation or transaction price from third parties for the sale, purchase, provision or supply of services, facilities and/or products similar to those which are to be covered by the proposed Shareholders Mandate, and therefore are not able to, and will not compare the transactions with similar transactions with third parties.

We have not evaluated and have not been requested to opine on, and we do not express any opinion on, the strategic or commercial merits or the risks of the Interested Person Transactions, the proposed Shareholders Mandate or the prospects or earnings potential of ST Engineering and such evaluation shall remain the responsibility of the Directors. As such, we do not warrant or make any representation in relation to the merits of the Interested Person Transactions and the proposed Shareholders Mandate. In rendering our opinion, we have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholders. As different Shareholders would have different investment objectives, we would advise the Board of Directors to recommend that any individual Shareholder who may require specific advice in relation to the Shareholders Mandate should consult his or her stockbroker, bank manager, solicitor, accountant or other professional advisers. Our terms of engagement do not require us to conduct, and we have not conducted a comprehensive review of the business, operations and financial condition of the ST Engineering Group. We have neither conducted an audit of the Interested Person Transactions nor do we warrant the implementation of the methods or procedures for determining the transaction prices in relation to the Interested Person Transactions by the ST Engineering Group.

Our opinion as set forth in this letter is based on prevailing market, economic, industry, monetary and other applicable conditions, our analysis of the information provided in the Letter to Shareholders as well as information provided to us by the Directors and the Management as of the Latest Practicable Date. Accordingly, our opinion does not take into account any event, condition or information which occurs after the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein.

The Company has been advised by its own professional advisers in the preparation of the Letter to Shareholders (other than this letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever, in the preparation, review and verification of the Letter to Shareholders (other than this letter). Accordingly, we take no responsibility for and express no views, whether expressed or implied, on the contents of the Letter to Shareholders (other than this letter).

Our opinion in relation to the proposed Shareholders Mandate should be considered in the context of the entirety of this letter and the Letter to Shareholders. This letter has been prepared pursuant to Listing Rule 920(1)(b)(v) of the Listing Manual as well as for the use of the Board of Directors of ST Engineering.

3. EVALUATION OF THE REVIEW PROCEDURES FOR THE INTERESTED PERSON TRANSACTIONS

In arriving at our opinion on whether the methods or procedures for determining the transaction prices of the Interested Person Transactions are sufficient to ensure that the Interested Person Transactions as set out in Appendix 1 to the Letter to Shareholders will be carried out on normal commercial terms and will not be prejudicial to the interests of ST Engineering and its minority Shareholders, we have taken into consideration the following:

(i) the categories of Interested Person Transactions as set out in Section 5 of Appendix 1 to the Letter to Shareholders;

(ii) the benefits to Shareholders as set out in Section 7 of Appendix 1 to the Letter to Shareholders; and

(iii) the methods, review procedures and approval criteria for the Interested Person Transactions as set out in Section 6 and Section 8.2 of Appendix 1 to the Letter to Shareholders.

4. OUR CONCLUSION

Based on the information provided to us (whether written or verbal) by the Management, as well as the information contained in the Letter to Shareholders, and on our evaluation of the methods or procedures to be used for determining the transaction prices for the Interested Person Transactions and subject to the qualifications made in this letter, we are of the opinion that the methods or procedures for determining the transaction prices of the Interested Person Transactions as set out in Appendix 1 to the Letter to Shareholders, if adhered to, are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of ST Engineering and its minority Shareholders.

We have prepared this letter pursuant to Listing Rule 920(1)(b)(v) of the Listing Manual, as well as for the use of the Board of Directors of ST Engineering in connection with and for the purpose of their consideration of the proposed Shareholders Mandate and for inclusion in the Letter to Shareholders.

Whilst a copy of this letter may be reproduced in the Letter to Shareholders, no other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of DTCF in each specific case, except in relation to the Interested Person Transactions. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully,

Deloitte & Touche Corporate Finance Pte Ltd
Ng Jiak See
Executive Director