IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES OR, TO ANY U.S. PERSON

IMPORTANT: You must read the following before continuing. The following applies to the Supplemental Offering Circular (the **Supplemental Offering Circular**) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Supplemental Offering Circular. In accessing the Supplemental 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 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 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 order to be eligible to view this Supplemental 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 Supplemental Offering Circular is being sent at your request and by accepting the e-mail and accessing this Supplemental Offering Circular, you shall be deemed to have represented to the Issuer, the Guarantor, and the Joint Lead Managers (as such terms are defined in this Supplemental 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 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 Supplemental Offering Circular and any amendments and supplements thereto by electronic transmission.

You are reminded that this Supplemental Offering Circular has been delivered to you on the basis that you are a person into whose possession this Supplemental 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 Supplemental 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 Joint Lead Managers or any affiliate of any of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager 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 Issuer, the Guarantor, the Joint Lead Managers and any Agent (each as defined in this Supplemental 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.

SUPPLEMENTAL OFFERING CIRCULAR

STE TRANSCORE HOLDINGS, INC.

(formerly known as ST Engineering Urban Solutions USA Inc.)
(incorporated in the state of Delaware)

Issue of U.S.$500,000,000 4.125 per cent. Notes due 2026
under its
S$5,000,000,000
Global Medium Term Note Programme
(the **Programme**)

unconditionally and irrevocably guaranteed by
SINGAPORE TECHNOLOGIES ENGINEERING LTD
(incorporated with limited liability in Singapore)
(UEN/Company registration number: 199706274H)

Issue price: 99.729 per cent.

This Supplemental Offering Circular is supplemental to, and should be read in conjunction with, the Offering Circular dated 18 April 2022 (the **Original Offering Circular** and together with this Supplemental Offering Circular, the **Offering Circular**), the pricing supplement in relation to the Notes dated 16 May 2023 (the **Pricing Supplement**) and all other documents that are deemed to be incorporated by reference therein.

This Supplemental Offering Circular is prepared in connection with the issue of U.S.$500,000,000 4.125 per cent. Notes due 2026 (the **Notes**) by STE TransCore Holdings, Inc. (formerly known as ST Engineering Urban Solutions USA Inc.) (the **Issuer**) under the Programme. 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 Original Offering Circular shall be amended and supplemented as set forth in this Supplemental Offering Circular. References in the Original Offering Circular and this Supplemental Offering Circular to "this Offering Circular" mean the Original Offering Circular as supplemented by this Supplemental Offering Circular. Terms defined in the Original Offering Circular have the same meaning when used in this Supplemental Offering Circular, but to the extent that the Original Offering Circular is inconsistent with this Supplemental Offering Circular, the terms of this Supplemental Offering Circular shall prevail.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, please refer to **the section titled "*Risk Factors*" beginning on page 18 of the Original Offering Circular, as supplemented by this Supplemental Offering Circular.**

Application will be made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for permission to deal in and the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. There is no assurance that the application to the SGX-ST for the listing of the Notes will be approved. Admission to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantor, the Programme or the Notes.

The Notes will be issued in registered form with minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Notes will initially be represented by a global note in registered form (the **Registered Global Note**), without receipts or coupons, which will be deposited on the Issue Date with a common depositary (the **Common Depositary**) on behalf of Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream**) and registered in the name of a nominee of such common depositary.

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 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 the section titled "*Form of the Notes*" beginning on page 51 of the Original Offering Circular for descriptions of the manner in which the Notes will be issued. The Notes are also subject to certain restrictions on transfer, see the section titled "*Subscription and Sale and Transfer and Selling Restrictions*" beginning on page 228 of the Original Offering Circular, as supplemented by this Supplemental Offering Circular.

The Notes are expected to be rated "Aaa" by Moody's. 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.

Joint Global Coordinators & Joint Lead Managers

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

Joint Lead Managers

BofA Securities **Crédit Agricole CIB** **OCBC Bank** **Société Générale Corporate & Investment Banking**

The date of this Supplemental Offering Circular is 16 May 2023.

NOTICE TO INVESTORS

Notification under Section 309B(1) of the Securities and Futures Act 2001 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).

PROHIBITION OF SALES TO EEA 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**). 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**); (ii) or 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 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 has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO 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 United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

This Supplemental Offering Circular is to be read in conjunction with the Original Offering Circular and the Pricing Supplement. Copies of Pricing Supplement will be available for viewing upon prior written request at the registered office of STE and the Issuing and Paying Agent (as defined in the Original Offering Circular).

None of DBS Bank Ltd., J.P. Morgan Securities Asia Private Limited and Standard Chartered Bank (Singapore) Limited (together, the **Joint Global Coordinators**) and Crédit Agricole Corporate and Investment Bank, Singapore Branch, Merrill Lynch (Singapore) Pte. Ltd., Oversea-Chinese Banking Corporation Limited and Société Générale (together with the Joint Global Coordinators, the **Joint Lead Managers**) or the Agents (as defined in the Original Offering Circular) has independently verified the information contained or incorporated by reference in this Supplemental Offering Circular, the Original Offering Circular and the Pricing Supplement. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Agents as to the accuracy or completeness of the information contained or incorporated by reference in this Supplemental Offering Circular, the Original Offering Circular, the Pricing Supplement or any other information provided by the Issuer or the Guarantor in connection with the Programme or the Notes. None of the Joint Lead Managers or the Agents accepts any liability in relation to the information contained or incorporated by reference in this Supplemental Offering Circular, the Original Offering Circular, the Pricing Supplement or any other information provided by the Issuer or the Guarantor in connection with the Programme or the Notes. To the fullest extent permitted by law, none of the Joint Lead Managers accepts any responsibility for the contents of this Supplemental Offering Circular, the Original Offering Circular, the Pricing Supplement or for any other statement, made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Issuer, the Guarantor, or the issue and offering of the Notes. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Supplemental Offering Circular, the Original Offering Circular and the Pricing Supplement or any such statement.

No person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Supplemental Offering Circular, the Original Offering Circular, the Pricing Supplement 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 Issuer, the Guarantor, the Joint Lead Managers or the Agents.

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

Neither the delivery of this Supplemental Offering Circular, the Original Offering Circular, the Pricing Supplement nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein or therein (as applicable) concerning the Issuer 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 or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers and the Agents expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Notes 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 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 the section titled "*Subscription and Sale and Transfer and Selling Restrictions*" beginning on page 228 of the Original Offering Circular, as supplemented by this Supplemental Offering Circular).

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 Supplemental Offering Circular, the Original Offering Circular, the Pricing Supplement. Any representation to the contrary is a criminal offence in the United States.

This Supplemental Offering Circular, the Original Offering Circular and the Pricing Supplement does not constitute an offer to sell, or the solicitation of an offer to buy, the 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 Supplemental Offering Circular, the Original Offering Circular and the Pricing Supplement and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Guarantor, the Joint Lead Managers or the Agents represents that this Supplemental Offering Circular, the Original Offering Circular and the Pricing Supplement may be lawfully distributed, or that the 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 Issuer, the Guarantor, the Joint Lead Managers or the Agents which is intended to permit a public offering of the Notes or distribution of this Supplemental Offering Circular, the Original Offering Circular and the Pricing Supplement in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Supplemental Offering Circular, the Original Offering Circular, the Pricing Supplement 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 Supplemental Offering Circular, the Original Offering Circular, the Pricing Supplement or the Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this

Supplemental Offering Circular, the Original Offering Circular and the Pricing Supplement and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Supplemental Offering Circular, the Original Offering Circular and the Pricing Supplement and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Japan, Hong Kong and Singapore, see the section titled "*Subscription and Sale and Transfer and Selling Restrictions*" beginning on page 228 of the Original Offering Circular, as supplemented by this Supplemental Offering Circular.

None of the Joint Lead Managers, the Agents, the Issuer or the Guarantor makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the 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.

References in this document to the **Group**, **we**, **our**, or **us** shall mean the Guarantor and, unless the context otherwise requires, its consolidated subsidiaries.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

In this Supplemental Offering Circular and the Original Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

IN CONNECTION WITH THE ISSUE OF THE NOTES, THE JOINT LEAD MANAGERS NAMED AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE 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 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 NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT

Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Joint Lead Managers, are "capital market intermediaries" (**CMIs**) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the **SFC Code**). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (**OCs**) for this and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (**Association**) with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any relevant Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Joint Lead Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Joint Lead Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Joint Lead Manager and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

FORWARD-LOOKING STATEMENTS

This Supplemental Offering Circular and the Original Offering Circular contain 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 titled "*Description of the Issuer and the Group*", beginning on page 149 of the Original Offering Circular, as supplemented by this Supplemental Offering Circular in relation to future events, the Issuer, 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 titled "*Risk Factors*" and "*Description of the Issuer and the Group*", beginning on pages 18 and 149 of the Original Offering Circular, respectively, as supplemented by this Supplemental Offering Circular.

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

CONTENTS

Page

UPDATES RELATING TO THE ISSUER AND THE GUARANTOR

Unless otherwise defined herein or the context otherwise requires, capitalised terms used herein shall bear the same meanings ascribed to them in the Original Offering Circular.

The Original Offering Circular shall be amended and supplemented as set forth below:

1. The name of the Issuer was amended from "ST Engineering Urban Solutions USA Inc." to "STE TransCore Holdings, Inc." with effect from 9 June 2022. Therefore, all references in the Original Offering Circular to "ST Engineering Urban Solutions USA Inc." shall be replaced with "STE TransCore Holdings, Inc." and all references to "STE US-Co" shall be a reference to "STE TransCore Holdings, Inc.".

2. The Guarantor's audited consolidated and non-consolidated annual financial statements as of, and for the year ended, 31 December 2022 included elsewhere in this Supplemental Offering Circular shall be deemed incorporated in, and to form part of, the Original Offering Circular pursuant to paragraph (a) of the section titled "*Documents incorporated by reference*" on page 9 of the Original Offering Circular.

3. Each of the sections titled "*Risk Factors — Risks relating to the Acquisition — The unaudited Pro Forma Consolidated Financial Information is presented for illustrative purposes only and may not be indicative of our future performance.*" on pages 38 to 40 of the Original Offering Circular, "*Unaudited Pro Forma Consolidated Financial Information*" on pages 140 to 148 of the Original Offering Circular and "*Presentation of Pro Forma Financial Information*" on pages 5 and 6 of the Original Offering Circular shall be deleted in its entirety. All references within the Original Offering Circular to the terms "Unaudited Pro Forma Consolidated Financial Information", "Unaudited Pro Forma Consolidated Statement of Financial Position" and "Unaudited Pro Forma Consolidated Income Statement" and the aforementioned sections shall be deleted, and the Original Offering Circular shall be deemed modified in such manner as shall be necessary to give effect to this Paragraph 3.

4. (a) Each of the sections titled "*Selected Consolidated Financial Information of the Group and TransCore — Selected Combined Financial Information of TransCore Holdings, Inc.*" on pages 138 and 139 of the Original Offering Circular, "*Business Description of TransCore — Business Model*" on page 172 of the Original Offering Circular and "*Independent Auditors — The financial statements of TransCore, Inc*" on page 242 of the Original Offering Circular; (b) the last two sentences of the first paragraph of the section titled "*Selected Consolidated Financial Information of the Group and TransCore*" on page 135 of the Original Offering Circular; (c) the first sentence of section titled "*Business Description of TransCore — Key Performance Indicators and Financial Metrics*" on page 169 of the Original Offering Circular; (d) the last paragraph of the section titled "*General Information — Auditors*" on page 245 of the Original Offering Circular; and (e) the financial statements of TransCore as of and for the year ended 31 December 2021 on pages F-284 to F-299 of the Original Offering Circular shall be deleted. The Original Offering Circular shall be deemed modified in such manner as shall be necessary to give effect to this Paragraph 4.

5. The first sentence of the section titled "*Risk Factors — Risks relating to the Acquisition — We have a substantial amount of debt after the Acquisition, which could affect our ability to obtain future financing or pursue our growth strategy.*" on page 38 of the Original Offering Circular shall be deleted and replaced with the following sentence:

   "As of 31 December 2022, we have gross debt amounting to S$6,535 million. Following our acquisition of TransCore (the **Acquisition**), our gross debt to EBITDA ratio and net debt to EBITDA ratio increased to 5.2 times and 4.7 times, respectively, in the financial year ended 31 December 2022 from 2.0 times and 1.2 times, respectively, in the financial year ended 31 December 2021."

6. The third paragraph of each of the sections titled "*Description of the Issuers and the Group — Overview*" on pages 149 and 150 of the Original Offering Circular and "*Management's Discussion and Analysis of Financial Condition and Results of Operation — Overview*" on page 175 of the Original Offering Circular shall be deleted and replaced with the following paragraph:

   "As of the date of this Supplemental Offering Circular, the Guarantor has been assigned an overall corporate credit rating of "Aaa" by Moody's and "AA+" by S&P. We use our capabilities across our aerospace, smart city, and Defence and Public security segments to harness technology and innovation to deliver solutions for customers across industries in over 100 countries to help address some of the world's most pressing problems, enabling more resilient and sustainable communities and cities. Our customers include commercial customers, cities, defence and other governmental agencies. We enjoy strong business relationships with organisations that are strategic to Singapore's security structure, such as the Ministry of Defence of Singapore (**MINDEF**). The Minister Finance of the Republic of Singapore (MOF Inc) owns one special share in the Guarantor which highlights the strategic importance of our business to the Republic of Singapore. For details, see "*Description of the Issuers and the Group — Competitive Strengths – Strategic Importance to Singapore*". We have 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. As of the date of this Supplemental Offering Circular, we have a workforce of approximately 25,000 employees in Asia, the U.S., Europe and the Middle East. We rank among the largest companies listed on the SGX-ST in terms of market capitalisation, with a market capitalisation of approximately S$11.4 billion as of 12 May 2023. For the financial years ended 31 December 2020, 2021 and 2022, the Group's revenue was S$7,158 million, S$7,693 million and S$9,035 million, respectively. For the financial years ended 31 December 2020, 2021 and 2022, the Group's profit after taxation attributable to its shareholders (**net profit**) was S$522 million, S$571 million and S$535 million, respectively. Excluding the effects of COVID-19 related government support, the Group's net profit was S$182 million, S$394 million and S$533 million, respectively, for the same periods. For the financial years ended 31 December 2020, 2021 and 2022, the Group's earnings before interest, tax, depreciation and amortisation (**EBITDA**) was S$975 million, S$1,072 million and S$1,252 million, respectively. Excluding the effects of COVID-19 related government support, EBITDA was S$622 million, S$867 million and S$1,250 million, respectively, for the same periods."

For the avoidance of doubt, reference to "Latest Practicable Date" in the Original Offering Circular shall remain as 28 February 2022.

7. The third paragraph of the section titled "*Description of the Issuers and the Group — Competitive Strengths — Strategic Importance to Singapore*" on page 153 of the Original Offering Circular shall be deleted and replaced with the following paragraph:

"The Guarantor is a subsidiary of Temasek, an investment company headquartered in Singapore with a diversified portfolio. Temasek holds 51.12% of the shares of the Guarantor as at 28 February 2023. Temasek is wholly owned by the Singapore government through MOF Inc, a body corporate constituted under the Minister for Finance (Incorporation) Act 1957 of Singapore."

8. The last paragraph of the section titled "*Description of the Issuers and the Group — Competitive Strengths — Diversified Business and Low Concentration Risk*" on page 155 of the Original Offering Circular shall be deleted and replaced with the following paragraph:

"Our entry into both defence and commercial contracts provides further diversification to the customer mix. For the financial years ended 31 December 2020, 2021 and 2022, revenue from defence products and services accounted for S$2.6 billion, S$2.9 billion and S$3.0 billion, respectively, and for the same periods, revenue from commercial products and services accounted for S$4.6 billion, S$4.8 billion and S$6.0 billion, respectively."

9. The second paragraph of the section titled "*Description of the Issuers and the Group — Strategy — Drive Growth in the Smart City Sector*" on page 156 of the Original Offering Circular shall be deleted and replaced with the following paragraph:

"We have a strong track record in the smart city market and have a robust suite of leading solutions to capture opportunities. As of 31 December 2022, we have undertaken more than 800 smart city projects in over 150 cities globally. We are focusing on smart mobility solutions such as rail and road projects, smart environment solutions such as energy, waste and water management projects and smart security such as cybersecurity and public security platforms enabled by data analytics, artificial intelligence and 5G, as well as expand sustainability-enabled solutions. In our Satcom segment, we aim to pioneer a fully digitalised and virtualised ground infrastructure that will expand global satcom connectivity."

10. Mr. Kwa Chong Seng stepped down as Chairman and Independent Director of our Board of Directors on 21 April 2023, and was succeeded by Mr. Teo Ming Kian. Therefore, the section titled "*Board and Management — Board of Directors of the Guarantor — Mr Kwa Chong Seng*" on page 198 of the Original Offering Circular shall be deleted in its entirety. The designation of Mr. Teo Ming Kian under the section titled "*Board and Management — Board of Directors of the Guarantor — Mr Teo Ming Kian*" on page

200 of the Original Offering Circular shall be amended to "Chairman and Non-Executive Independent Director".

11. Recent developments

Publication of our annual report for the financial year ended 31 December 2022

On 22 March 2023, we published our annual report that included certain of our financial and operational results for the financial year ended 31 December 2022 (**Annual Report 2022**). Set forth below are certain performance highlights:

Financial performance

The Group's EBIT increased by 9% to S$735 million in the financial year ended 31 December 2022 from S$674 million in the financial year ended 31 December 2021. Excluding the effects of COVID-19 related government support, the Group's EBIT increased by 56% to S$733 million in the financial year ended 31 December 2022 from S$469 million in the financial year ended 31 December 2021. The Group's revenue increased by 17% to S$9,035 million in the financial year ended 31 December 2022 from S$7,693 million in the financial year ended 31 December 2021.

- Commercial Aerospace segment: EBIT from this segment increased by 65% to S$301 million in the financial year ended 31 December 2022 from S$182 million in the financial year ended 31 December 2021, primarily due to an increase in revenue by 21% to S$2,991 million in the financial year ended 31 December 2022 from S$2,465 million in the financial year ended 31 December 2021 and cost savings (including a one-off gain in EBIT in the financial year ended 31 December 2022 amounting to S$72 million due to a restructuring of pensions benefits for our U.S. employees from defined benefits plans to defined contribution plans), which was partially offset by a reduction in government support amounting to S$150 million and energy inflation impact (primarily in the form of higher electricity prices which led to higher costs of sales) of S$11 million. Our year-on-year revenue growth was attributable to continued business recovery within the aviation industry from the COVID-19 pandemic in the financial year ended 31 December 2022 as compared to the financial year ended 31 December 2021, where the adverse impact of the pandemic on the aviation industry was more acute. Our PTF programme enjoys strong demand and, as of 31 December 2022, conversion slots for our A320/321 and A330 PTF programmes were fully booked through 2026. Notwithstanding such revenue growth, our Commercial Aerospace segment still did not achieve full business recovery from COVID-19 in the financial year ended 31 December 2022. While our MRO business experienced strong hangar capacity usage, demand for our MRO products and services did not achieve full recovery to pre-COVID-19 levels in the financial year ended 31 December 2022. This was due to the fact that air travel had yet to fully recover to pre-COVID-19 levels as of the end of the financial year ended 31 December 2022 and that there was a time lag between an increase in demand for air travel on our customers and an increase in our customers' demand for our products and services.

- Urban Solutions & Satcom segment: EBIT from this segment increased by 12% to S$29 million in the financial year ended 31 December 2022 from S$26 million in the financial year ended 31 December 2021, primarily due to an increase in revenue by 49% to S$1,772 million in the financial year ended 31 December 2022 from S$1,191 million in the financial year ended 31 December 2021, which was in turn attributable to our Acquisition of TransCore on 17 March 2022 and year-on-year revenue growth in our other underlying businesses. The increase in EBIT was partially offset by TransCore transaction and integration expenses amounting to S$30 million, energy inflation impact (primarily in the form of higher electricity prices which led to higher costs of sales) of S$2 million, semiconductor chip shortages (which caused shortages in components used in our Satcom products and in turn led to lower revenue growth in our Satcom business) and higher investment in product development (which led to higher amortisation of development costs that were recognised as cost of sales and other operating expenses). In the financial year ended 31 December 2022, we closed our autonomous vehicle bus unit. We believe such closure allows us to increase our focus on, and devote our resources to, our core strategic businesses within this business segment.

- Defence and Public Security segment: EBIT from this segment decreased by 13% to S$405 million in the financial year ended 31 December 2022 from S$466 million in the financial year ended 31 December 2021, despite an increase in revenue by 6% to S$4,272 million in the financial year ended 31 December 2022 from S$4,038 million in the financial year ended 31 December 2021. Such decrease in EBIT was primarily due to the absence of government support amounting to S$51 million, energy inflation impact (primarily in the form of higher electricity prices which led to higher costs of sales) of S$23 million and losses from our U.S. marine business. In November 2022, we announced the completion of the divestment of our loss-making U.S. marine business.

Operational performance

- Order book: Excluding the contribution from our U.S. marine business which we had divested in November 2022, our order book was S$14.4 billion, S$17.5 billion and S$23.0 billion as at 31 December 2020, 2021 and 2022, respectively, representing a compounded annual growth rate of 26.4%. We expect to deliver $7.2 billion of our order book in the financial year ended 31 December 2023.

- Operating expenses: In the financial years ended 31 December 2020, 2021 and 2022, our operating expenses[1] to revenue ratio was 13.5%, 12.0% and 12.1%, respectively. Excluding the transaction expenses arising from the Acquisition, such ratio would have been 11.7% in the financial year ended 31 December 2022. For the same periods, our staff costs[2] to revenue ratio (excluding government support) amounted to 32.5%, 30.5% and 28.9%, respectively.

Except as set forth herein, our Annual Report 2022 shall not be deemed to be incorporated by reference into this Supplemental Offering Circular or the Original Offering Circular.

Publication of our sustainability report for the financial year ended 31 December 2022

On 22 March 2023, we published our sustainability report for the financial year ended 31 December 2022 (**Sustainability Report 2022**). Set forth below are certain highlights from our Sustainability Report 2022 for the financial year ended 31 December 2022:

- we remained on target to halve our absolute greenhouse gas (**GHG**) emissions by 2030 as compared to 2010. In our Singapore operations, we increased our renewable energy share from 8% to 13% of total electricity used;

- we published our first Task Force on Climate Related Financial Disclosures (**TCFD**) report. Our TCFD report highlights the risks and opportunities for the Group due to climate change and is aligned with the TCFD framework. In connection with the TCFD report, we have incorporated considerations relating to climate change into our strategy, decision-making and enterprise risk management approach;

- we have identified new climate-related opportunities, including areas relating to energy management, new materials, the carbon services value chain and other emerging green technology applications; and

- our businesses continued to create new sustainability solutions, including those set forth below:

  - the Airbitat Data Centre Cooling System, which is designed to enable more sustainable cooling for data centres. Such system is modular, scalable and has flexible integration options, and can achieve energy savings when used in data centres operating in tropical areas, which in turn leads to lower carbon emissions; and

  - the Carbon Prospecting Dashboard, which we had jointly launched with the National University of Singapore, is an interactive, open platform software that supports the prospecting,

[1] Operating expenses is the sum of our distribution and selling expenses, administrative expenses and other operating expenses.

[2] Staff costs comprises our personnel expenses, excluding COVID-19 related government grants. See note D2 to our financial statements for the financial year ended 31 December 2022 included elsewhere in this Supplemental Offering Circular, and our financial statements for the financial year ended 31 December 2021 included in the Original Offering Circular.

development and management of nature-based carbon-credit projects worldwide. It enables policymakers and investors to identify high potential areas that can be developed for high-quality carbon credit by taking into account factors such as the estimated yield of carbon credits.

Except as set forth herein, our Sustainability Report 2022 shall not be deemed to be incorporated by reference into this Supplemental Offering Circular or the Original Offering Circular.

Contract wins and order book as of, and for the first quarter ended, 31 March 2023

On 17 March 2023, we announced that our Urban Solutions segment secured a turnkey rail services contract worth over S$430 million from the Kaohsiung City Mass Rapid Transit Bureau for the new Kaohsiung MRT Red Line South Extension (also known as Siaogang-Linyuan Line), as part of a larger contract with consortium partner Hyundai Rotem. Our contracted scope is expected to commence by mid-2023, over a period of nine years.

On 27 March 2023, we announced that our Marine business, a sub-segment of our Defence and Public Security segment, was awarded a contract by the MINDEF for the design and construction of six multi-role contract vessels for the Republic of Singapore Navy. The six vessels are expected to be delivered progressively from 2028 onwards.

On 15 May 2023, we announced our market update for the first quarter ended 31 March 2023 (the **Q1 2023 Market Update**). As set forth in our Q1 2023 Market Update, our order book increased by 10% to S$25.4 billion as at 31 March 2023 from S$23.0 billion as at 31 December 2022. We expect to deliver S$5.8 billion of our order book in the remaining months of the financial year ended 31 December 2023.

Certain financial information of the Group as of, and for the first quarter ended, 31 March 2023

On 20 April 2023, we completed our 26th annual general meeting. During that meeting, we announced that the Group's gross debt[3] decreased by 10% to S$5,884 million on 31 March 2023 from S$6,535 million on 31 December 2022. Except as set forth herein, the presentation made during our 26th annual general meeting shall not be deemed to be incorporated by reference into this Supplemental Offering Circular or the Original Offering Circular.

As set forth in our Q1 2023 Market Update, the Group's revenue increased by 13% to S$2,289 million for the quarter ended 31 March 2023 from S$2,034 million for the quarter ended 31 March 2022, primarily due to growth in our underlying businesses and contributions from TransCore which we acquired on 17 March 2022. Such increase was partially offset by the divestment of our U.S. marine business which was completed in November 2022. Except as set forth herein, our Q1 2023 Market Update shall not be deemed to be incorporated by reference into this Supplemental Offering Circular or the Original Offering Circular.

The financial information set forth in this sub-section titled "*Certain financial information of the Group as of, and for the first quarter ended, 31 March 2023*" have not been subject to an audit or a review by an independent auditor and may be subject to further adjustments. Such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Such unaudited and unreviewed assessment and financial information should not be taken as an indication of the Group's business, financial condition or results of operations expected for the relevant periods and potential investors should not rely on such interim financial information in making their investment decisions and to evaluate the Group's financial condition and results of operations for the relevant periods or the financial year ended 31 December 2023. Interim results are not necessarily indicative of the Group's results to be expected for the full financial year.

Moody's ratings

On 21 April 2023, Moody's affirmed our overall credit rating of "Aaa" and changed our outlook to "stable" from "negative". Moody's also affirmed the Programme's rating of "Aaa".

[3] Gross debt is the sum of our bank loans, commercial papers, medium term notes and lease liabilities. See note E1 to our financial statements for the financial year ended 31 December 2022 included elsewhere in this Supplemental Offering Circular.

12. The section titled "*Capitalisation of the Group*" on page 197 of the Original Offering Circular shall be deleted in its entirety and replaced with the following:

"CAPITALISATION OF THE GROUP

The following table sets forth the consolidated capitalisation and indebtedness of our Group as at 31 December 2022 and as adjusted to give effect to the issue of the Notes but before the application of the proceeds therefrom.

	31 December 2022 (S$'000)	
	Actual	**As Adjusted**
Gross debt (current) [(1) (2)]	3,627,969	3,627,969
Gross debt (non-current)[(1) (2)]	2,906,568	2,906,568
Notes to be issued[(3)]	—	672,300
Equity attributable to owners of the Company	2,397,996	2,397,996
Non-controlling interests	254,858	254,858
Total capitalisation[(4)]	5,559,422	6,231,722
Gross debt and capitalisation	9,187,391	9,859,691

Notes:

(1) Gross debt is the sum of our bank loans, commercial papers, medium term notes and lease liabilities. See note E1 to our financial statements for the financial year ended 31 December 2022 included elsewhere in this Supplemental Offering Circular.

(2) Gross debt (current and non-current) decreased to S$5,884 million on 31 March 2023 from S$6,535 million on 31 December 2022. See Paragraph 11 above.

(3) Notes issued in U.S. dollars converted to S$ at an exchange rate of U.S.$1 to S$1.3446.

(4) Total capitalisation is the sum of our gross debt (non-current) and equity attributable to owners of the Company and non-controlling interest

Except as set forth in this Supplemental Offering Circular, there has been no material adverse change in the consolidated capitalisation and indebtedness of our Group since 31 December 2022."

TAXATION

The section titled "*Taxation — Singapore Taxation*" on pages 205 to 208 of the Original Offering Circular shall be deleted in its entirety and replaced with the following:

"*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 22 per cent. prior to the year of assessment 2024, and 24 per cent. thereafter. 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.

It was announced in the Singapore Budget Statement 2023 that the requirement that qualifying debt securities (**QDS**) have to be substantially arranged in Singapore will be rationalised, such that for all debt securities that are issued on or after 15 February 2023, such debt securities must be substantially arranged in Singapore by a financial institution holding a specified licence (the **Relevant Licence Holder**), instead of a relevant Financial Sector Incentive Company. In this regard, a Relevant Licence Holder is intended to mean an entity which:

(a) is any bank or merchant bank licensed under the Banking Act 1970 (2020 Revised Edition) of Singapore;

(b) is any finance company licensed under the Finance Companies Act 1967 (2020 Revised Edition) of Singapore; or

(c) holds a capital markets services licence under the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore for dealing in capital markets products – securities or advising on corporate finance.

The MAS will be providing further details by 31 May 2023.

As the Programme as a whole was arranged by Financial Sector Incentive (Capital Market) Companies or Financial Sector Incentive (Standard Tier) Companies (as defined in the ITA) who are Relevant Licence Holders, 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 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 *(A)*, means any person (a) who directly or indirectly controls *A*; (b) who is being controlled directly or indirectly by *A*; or (c) who, together with *A*, is directly or indirectly 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.

It was also announced in the Singapore Budget Statement 2023 that the QDS scheme will be extended until 31 December 2028, and the scope of qualifying income under the QDS scheme will be streamlined and clarified such that it includes all payments in relation to early redemption of QDS. The MAS will be providing further details by 31 May 2023.

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 titled "*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 titled "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 titled "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."

SUBSCRIPTION AND SALE AND SELLING RESTRICTIONS

The following paragraphs shall be included before the sub-section titled "*Transfer Restrictions*" at page 229 of the Original Offering Circular:

"Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the relevant Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Supplemental Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Joint Lead Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and

- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Joint Lead Managers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The relevant Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested."

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Joint Lead Managers or any affiliate of any of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

PRICING SUPPLEMENT IN RELATION TO THE NOTES

PROHIBITION OF SALES TO EEA 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**). 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**); (ii) or 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 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 has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO 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 United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1) of the Securities and Futures Act 2001 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).

16 May 2023

STE TRANSCORE HOLDINGS, INC.

(formerly known as ST Engineering Urban Solutions USA Inc.)
(incorporated in the state of Delaware)

Legal entity identifier (LEI): 2549005ISD49W0N6WG55

Issue of U.S.$500,000,000 4.125 per cent. Notes due 2026
unconditionally and irrevocably guaranteed by
Singapore Technologies Engineering Ltd
under the S$5,000,000,000
Global 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 April 2022 (the **Original Offering Circular**). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Original Offering Circular, as supplemented by the Supplemental Offering Circular dated 16 May 2023 in relation to the Notes (the **Supplemental Offering Circular** and together with this Original Offering Circular, 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 (including the Annex) and the Offering Circular.

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 1947 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.

1.	(a)	Issuer:	STE TransCore Holdings, Inc. (formerly known as ST Engineering Urban Solutions USA Inc.)
	(b)	Guarantor:	Singapore Technologies Engineering Ltd
2.	(a)	Series Number:	004
	(b)	Tranche Number:	001
3.	Specified Currency or Currencies:		United States dollar (**U.S.$**)
4.	Aggregate Nominal Amount:		
	(a)	Series:	U.S.$500,000,000
	(b)	Tranche:	U.S.$500,000,000
5.	(a)	Issue Price:	99.729 per cent. of the Aggregate Nominal Amount
	(b)	Private banking rebates:	Not Applicable
6.	(a)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(b)	Calculation Amount:	U.S.$1,000
7.	(a)	Issue Date:	23 May 2023
	(b)	Trade Date:	16 May 2023
	(c)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		23 May 2026
9.	Interest Basis:		4.125 per cent. Fixed Rate (further particulars specified below)
10.	Redemption/Payment Basis:		Save as provided in Condition 6.3A (pursuant to paragraph 28 below), redemption at par

11.	Change of Interest Basis or Redemption/Payment Basis:		Not Applicable
12.	Put/Call Options:		Issuer Call (further particulars specified below) (Please also refer to paragraph 28 below)
13.	(a)	Status of the Notes:	Senior
	(b)	Status of the Guarantee:	Senior

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	Fixed Rate Note Provisions		Applicable
	(a)	Rate(s) of Interest:	4.125 per cent. per annum payable semi-annually in arrear
	(b)	Interest Payment Date(s):	23 May and 23 November in each year up to and including the Maturity Date
	(c)	Fixed Coupon Amount(s): *(Applicable to Notes in definitive form.)*	U.S.$20.625 per Calculation Amount
	(d)	Broken Amount(s): *(Applicable to Notes in definitive form.)*	Not Applicable
	(e)	Day Count Fraction:	30/360
	(f)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
15.	Floating Rate Note Provisions		Not Applicable
16.	Zero Coupon Note Provisions		Not Applicable
17.	Index Linked Interest Note Provisions		Not Applicable
18.	Dual Currency Interest Note Provisions		Not Applicable

PROVISIONS RELATING TO REDEMPTION

19.	Issuer Call:		Applicable
	(a)	Optional Redemption Date(s)	Any date on or after 23 April 2026
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	U.S.$1,000 per Calculation Amount
	(c)	If redeemable in part:	

	(i)	Minimum Redemption Amount:	Not Applicable
	(ii)	Maximum Redemption Amount:	Not Applicable
	(d)	Notice period (if other than as set out in the Conditions):	Not Applicable
20.	Investor Put:		Not Applicable
21.	Final Redemption Amount:		U.S.$1,000 per Calculation Amount
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):		U.S.$1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:		Registered Notes: Regulation S Global Note(s) (U.S.$500,000,000 aggregate nominal amount) registered in the name of nominee for a common depositary for Euroclear and Clearstream, Luxembourg exchangeable for definitive Registered Notes only upon an Exchange Event
24.	Additional Financial Centre(s) or other special provisions relating to Payment Days:		Not Applicable
25.	Talons for future Coupons to be attached to definitive Notes:		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
27.	Details relating to Instalment Notes:		
	(a)	Instalment Amount(s):	Not Applicable
	(b)	Instalment Date(s):	Not Applicable

28.	Other terms or special conditions:	Applicable – please see Condition 6.3A under the Annex
29.	Governing law:	English law

OTHER INFORMATION

30.	Listing:		Singapore Exchange Securities Trading Limited
31.	Ratings:		The Notes to be issued are expected to be rated "Aaa" by Moody's.
32.	Operational Information:		
	(i)	ISIN:	XS2620557285
	(ii)	Common Code:	262055728
	(iii)	CUSIPs:	Not Applicable
	(iv)	Any clearing system(s) other than Euroclear and Clearstream:	Not Applicable
	(v)	Delivery:	Delivery against payment
	(vi)	Names and addresses of additional Paying Agent(s) (if any):	Not Applicable
33.	Distribution		
	(i)	Method of distribution:	Syndicated
	(ii)	If syndicated, names of Managers:	**Joint Global Coordinators & Joint Lead Managers** DBS Bank Ltd. J.P. Morgan Securities Asia Private Limited Standard Chartered Bank (Singapore) Limited **Joint Lead Managers** Crédit Agricole Corporate and Investment Bank, Singapore Branch Merrill Lynch (Singapore) Pte. Ltd. Oversea-Chinese Banking Corporation Limited Société Générale

(iii)	Stabilisation Manager(s) (if any):	J.P. Morgan Securities Asia Private Limited
(iv)	If non-syndicated, name of relevant Dealer:	Not Applicable
(v)	U.S. Selling Restrictions:	Reg. S Compliance Category 2; TEFRA not applicable
(vi)	Additional selling restrictions:	Not Applicable
(vii)	Prohibition of Sales to EEA Retail Investors:	Applicable
(viii)	Prohibition of Sales to UK Retail Investors:	Applicable
(ix)	**Hong Kong SFC Code of Conduct**	
	(A) Rebates	Not Applicable
	(B) Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	• investor.info.hk.bond.deals@jpmorgan.com • SYNHK@SC.COM • HKG-Syndicate@ca-cib.com • list.asiapac-glfi-syn-cap@sgcib.com • dg.dcm_asia_syndicate@bofa.com

USE OF PROCEEDS

The net proceeds from the issuance of the Notes will be used by the Issuer for the purpose of refinancing its outstanding short-term U.S. commercial papers.

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 Global Medium Term Note Programme of ST Engineering RHQ Ltd., ST Engineering Treasury Pte. Ltd. and STE TransCore Holdings, Inc. (formerly known as ST Engineering Urban Solutions USA Inc.).

RESPONSIBILITY

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

Signed on behalf of **STE TransCore Holdings, Inc.** (formerly known as ST Engineering Urban Solutions USA Inc.):	Signed on behalf of **Singapore Technologies Engineering Ltd**:
By: .... Duly authorised	By: .... Duly authorised

ANNEX

The Offering Circular is hereby supplemented with the following information, which shall be deemed to be incorporated in, and form part of, the Offering Circular. Save as otherwise defined herein, terms defined in the Offering Circular have the same meaning when used in this Annex.

TERMS AND CONDITIONS OF THE NOTES

The following shall be deemed to be inserted as a new Condition 6.3A immediately after Condition 6.3 appearing on page 122 of the Original Offering Circular:

"6.3A Make whole redemption at the option of the Issuer

The Issuer may, at any time prior to (and excluding) 23 April 2026, on giving not less than 30 days' nor more than 60 days' notice to the Noteholders (which shall be irrevocable), redeem all, but not some only, of the Notes at an amount equal to the greater of (a) their principal amount and (b) the Make Whole Redemption Price, in each case, together with interest accrued up to but excluding the date fixed for redemption.

The notice of redemption shall specify the date fixed for redemption and, where the Make Whole Redemption Price is applicable, the method of calculation of the Make Whole Redemption Price (together with details as to the calculation thereof).

For the purpose of this Condition 6.3A:

Adjusted Yield means the rate per annum equal to the annual yield to maturity of United States Treasury Notes having a maturity comparable to the remaining term of the Notes to be redeemed, plus 0.10 per cent;

Determination Agent means an independent investment bank of international repute, appointed by the Issuer and the Guarantor (and notice thereof is given to the Noteholders by the Issuer in accordance with Condition 13) for the purposes of performing any of the functions expressed to be performed by it under these Conditions;

Make Whole Redemption Price means the amount determined by the Determination Agent by discounting the principal amount of the Notes (plus all required remaining scheduled interest payments on the Notes) at the Adjusted Yield; and

United States Treasury Notes means direct non-callable fixed rate obligations of the United States.

Any reference in these Conditions to principal shall be deemed to include any Make Whole Redemption Price which may be payable under this Condition."

For the avoidance of doubt, the amendment above only applies to the Notes to which this Pricing Supplement relates.

GENERAL INFORMATION

Authorisation

The giving of the guarantee has been duly authorised by a resolution of the Board of Directors of STE dated 13 April 2022. The issue of the Notes has been duly authorised by a resolution of the Board of Directors of the Issuer dated 8 April 2022.

Listing of Notes

Application will be made to the SGX-ST for permission to deal in and the listing and quotation of the Notes on the SGX-ST. Such permission will be granted when the 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 herein. There is no assurance that the application to the SGX-ST for the listing of the Notes will be approved. Admission to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantor, the Programme or the Notes. For so long as the 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 U.S.$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Registered Global Note is exchanged for definitive Notes. An announcement of such exchange will be made by or on behalf of the 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.

Documents Available

Copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified offices of the Issuing and Paying Agent:

(a) the constitutional documents of the Issuer and the constitutional documents of the Guarantor (available at the Issuer's registered office only);

(b) the audited consolidated annual financial statements of STE for the financial year ended 31 December 2022;

(c) a copy the Pricing Supplement; and

(d) a copy of this Supplemental Offering Circular and the Original Offering Circular.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream (which are the entities in charge of keeping the records). The Common Code of the Notes is 262055728 and the ISIN of the Notes is XS2620557285.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream is Clearstream Banking S.A. at 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Adverse Change

There has been no significant change in the financial or trading position of the Group since 31 December 2022 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2022.

Litigation

Neither the Issuer, the Guarantor nor any Material Subsidiary (as listed on note F1 to our financial statements for the financial year ended 31 December 2022 included elsewhere in this Supplemental Offering Circular) is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer 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 Issuer, the Guarantor or the Group.

Auditors

The auditor of the Guarantor for the financial year ended 31 December 2022 is PricewaterhouseCoopers LLP Singapore, independent auditor, who has audited the Guarantor's consolidated financial statements, without qualification, in accordance with Singapore Standards on Auditing (SSAs) for the financial year ended on 31 December 2022. The auditor of the Guarantor has no material interest in the Guarantor or the Group.

The report of the auditor of the Guarantor is included with the consent of the auditor who has authorised the contents of that part of this Supplemental Offering Circular.

Joint Lead Managers transacting with the Issuer and the Guarantor

Certain of the Joint Lead Managers 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 Issuer, 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 2022

The consolidated financial statements set out herein have been reproduced from our annual report for the year ended 31 December 2022. Page references used in this Supplemental Offering Circular are different from page references set forth in the consolidated financial statements published in such annual report. The consolidated financial statements have not been specifically prepared for inclusion in this Supplemental Offering Circular.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Report On The Audit Of The Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of Singapore Technologies Engineering Ltd ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

What we have audited

The financial statements of the Group and the Company comprise:

- the consolidated income statement of the Group for the year ended 31 December 2022;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of financial position of the Group as at 31 December 2022;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended;
- the notes to the consolidated financial statements, including a summary of significant accounting policies;
- the statement of financial position of the Company as at 31 December 2022; and
- the notes to the statement of financial position of the Company, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 December 2022. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of non-financial assets – goodwill	
Refer to Note C3 to the financial statements. As at 31 December 2022, the carrying value of the Group's goodwill amounted to $3,091,354,000. Goodwill is allocated to the Group's cash generating units ("CGU") - Aerostructure & Systems, Aerospace MRO, Smart Utilities & Infrastructure, Mobility (Rail & Road), Satcom, Specialty Vehicles, Robotics & Autonomous Systems, Mission Software & Services, Training & Simulation Systems, Advanced Networks & Sensors and Defence Aerospace. There is a risk of impairment of certain CGUs in the United States which are operating in a challenging business environment. In accordance with SFRS(I) 1-36, management is required to perform an impairment assessment of goodwill annually by comparing the recoverable amount of the CGU with its carrying amount to determine whether there is any impairment loss. For the purpose of impairment testing, the recoverable amount of the CGU is determined based on the value-in-use calculations, using cash flow projections. In the current year, impairment charge of $5,000,000 was recorded to reduce the carrying amount of the CGU in the United States which is operating in a challenging business environment to the estimated recoverable amount. We focused on this area because of the uncertainty arising from the ongoing and evolving COVID-19 pandemic and significant judgements required in estimating the revenue growth rate, gross profit margins, discount rate and terminal growth rate applied in computing the recoverable amount of the CGU.	We have assessed the appropriateness of management's identification of CGU and critically assessed the key assumptions used in the goodwill impairment assessment. Our audit procedures included the following: • evaluated management's key assumptions relating to revenue growth rates, gross profit margins, discount rates and terminal growth rates and understood how management has considered the impact of the COVID-19 pandemic and market uncertainty in their estimates. • reviewed the basis and methodology used to derive the recoverable amount of the CGU. • assessed the appropriateness of management assumptions by comparing to past historical performance and considering the current developments arising from the COVID-19 pandemic. • performed sensitivity analysis on management's assumptions relating to revenue growth rates, gross profit margins, discount rates and terminal growth rates. • involved our valuation experts to evaluate the appropriateness of management's assumptions, relating to terminal growth rates and discount rates, by developing an independent expectation using economic and industry forecasts and rates of comparable companies with consideration for specific jurisdiction factors. • considered the adequacy of the disclosures in the financial statements. Based on the audit procedures performed above, we found management's judgement and assumptions in relation to the determination of the recoverable amount to be appropriate, and the disclosure in this respect to be adequate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Our Audit Approach (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition based on stage of completion	
Refer to Note B2 to the financial statements. During the year ended 31 December 2022, the Group recognised revenue of $9,035,103,000 relating to sale of goods, rendering of services and contract revenue. Some of these revenue are recognised based on the stage of completion of performance obligations of each individual contract, which are measured by reference to either assessment or surveys of work performed (output method) or the cost incurred relative to total estimated costs (input method). We focused on this area because of the significant management judgement required in: • determining each performance obligation within a contract; • forecasting the costs to be incurred; • forecasting the overall margins of these performance obligations; and • assessing the stage of completion of each performance obligation.	Our audit procedures included the following: • understood the end-to-end processes and validated key controls relating to revenue and receivables cycle. • assessed the relevant internal control relating to customer contract acceptance and terms, change orders, monitoring of project development, cost incurred and estimating cost to complete. • assessed the terms of the customer contracts and the appropriateness of the customer recognition policies. • assessed the contractual terms and evaluated the work status of the customer contracts and to ascertain the appropriateness of revenue recognised based on the stage of completion of each performance obligation. • selected sample of contracts and assessed management's assumptions for determining stage of completion including estimated profit and cost to complete through interviews with management and verification to the supporting documents. • performed analysis and retrospective reviews of completed contracts to assess the appropriateness of management's assumptions applied. Based on the audit procedures performed above, we found the basis of the identification of performance obligations and the revenue recognised based on the stage of completion of each performance obligation to be appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Our Audit Approach (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Purchase price allocation ("PPA") relating to acquisition of TransCore	
During the year, the Group completed its business acquisition of TransCore Partners, LLC and TLP Holdings, LLC (collectively "TransCore") in the United States, requiring the purchase price to be allocated to the fair value of the identifiable assets (including intangible assets) acquired and liabilities assumed. Management had engaged an external professional firm to perform a purchase price allocation exercise. The total identifiable intangible assets acquired included customer relationships and commercial and intellectual property rights of $886,281,000 and $144,781,000 respectively. Goodwill recognised on acquisition amounted to $2,321,424,000. Significant judgement is applied in assessing the fair values of assets and liabilities acquired, as this directly impacts the amount of goodwill recognised on acquisition.	Our audit procedures included the following: • evaluated the independence, competency and objectivity of the external professional valuer engaged by management. • held discussions with management and the external professional firm to understand the purchase price allocation exercise. • reviewed the PPA exercise performed by management and assessed the appropriateness of the valuation methodology and key assumptions used to determine the fair valuation of the identifiable assets and liabilities assumed on acquisition date. • with the assistance of our internal valuation specialists, assessed the appropriateness of the valuation methodology and key assumptions used to determine the fair valuation of the identifiable assets and liabilities assumed on acquisition date. Based on the audit procedures performed above, we found estimates used in management's assessment of the fair value of the assets and liabilities acquired and the resultant goodwill recognised from the acquisition to be reasonable.

Other Information

Management is responsible for the other information. The other information comprises the Corporate Overview, Performance Review, Sustainability, Corporate Governance, Directors' Statement, SGX Listing Rules Requirement and Corporate Information (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Responsibilities Of Management And Directors For The Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
SINGAPORE TECHNOLOGIES ENGINEERING LTD

Auditor's Responsibilities For The Audit Of The Financial Statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report On Other Legal And Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Lam Hock Choon.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore
23 February 2023

CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Group	Note	2022 $'000	2021 $'000
Revenue	B2	**9,035,103**	7,692,865
Cost of sales		**(7,336,446)**	(6,157,797)
Gross profit		**1,698,657**	1,535,068
Distribution and selling expenses		**(194,775)**	(182,760)
Administrative expenses		**(727,382)**	(607,974)
Other operating expenses		**(168,636)**	(133,841)
Other income, net		**56,670**	35,420
Profit from operations	B3	**664,534**	645,913
Non-operating income, net	B4	**37,288**	11,742
Share of results of associates and joint ventures, net of tax		**33,270**	15,991
Earnings before interest and tax		**735,092**	673,646
Finance income		**11,203**	11,686
Finance costs		**(148,829)**	(47,725)
Finance costs, net	E2	**(137,626)**	(36,039)
Profit before taxation		**597,466**	637,607
Taxation	B6	**(54,131)**	(70,636)
Profit after taxation		**543,335**	566,971
Attributable to:			
Shareholders of the Company		**535,012**	570,540
Non-controlling interests	F3	**8,323**	(3,569)
		543,335	566,971
Earnings per share (cents)	B5		
Basic		**17.18**	18.30
Diluted		**17.06**	18.20

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Group	Note	2022 $'000	2021 $'000
Profit after taxation		**543,335**	566,971
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan remeasurements		**94,222**	49,887
Net fair value changes on equity investment at FVOCI		**(2,957)**	–
		91,265	49,887
Items that are or may be reclassified subsequently to profit or loss:			
Net fair value changes of cash flow hedges reclassified to income statement		**27,468**	(2,415)
Effective portion of changes in fair value of cash flow hedges		**94,161**	(25,358)
Share of net fair value changes on cash flow hedges of joint ventures		**2,321**	2,145
Foreign currency translation differences		**(74,620)**	6,507
Share of foreign currency translation differences of associates and joint ventures		**(15,438)**	9,123
Reserves released on disposal of subsidiaries		**8,149**	(5,643)
		42,041	(15,641)
Other comprehensive income for the year, net of tax		**133,306**	34,246
Total comprehensive income for the year, net of tax		**676,641**	601,217
Total comprehensive income attributable to:			
Shareholders of the Company		**666,695**	615,183
Non-controlling interests	F3	**9,946**	(13,966)
		676,641	601,217

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Group	Note	2022 $'000	2021 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	C1	2,076,348	1,793,811
Right-of-use assets	C2	581,792	558,559
Associates and joint ventures	F4	468,175	482,897
Investments	E3	76,704	36,129
Intangible assets	C3	5,291,345	1,992,738
Long-term trade receivables		11,163	1,534
Deferred tax assets	B6	198,237	207,548
Amounts due from related parties	C4	35,000	11,609
Advances and other receivables	C7	81,045	69,863
Derivative financial instruments	C16	17,064	4,217
Post-employment benefits	D3	–	257
		8,836,873	5,159,162
Current assets			
Inventories	C5	1,684,231	1,261,156
Contract assets	C13	2,099,676	1,726,505
Trade receivables	C6	1,152,328	1,066,756
Amounts due from related parties	C4	135,089	113,843
Advances and other receivables	C7	420,722	345,141
Derivative financial instruments	C16	33,295	27,172
Bank balances and other liquid funds	C8	601,771	815,924
		6,127,112	5,356,497
Total assets		14,963,985	10,515,659
EQUITY AND LIABILITIES			
Current liabilities			
Contract liabilities	C13	939,990	919,524
Deposits from customers		34,886	17,078
Trade payables and accruals	C9	2,826,498	2,612,515
Amounts due to related parties	C10	41,887	27,781
Provisions	C11	298,624	331,837
Provision for taxation		174,748	161,208
Borrowings	E4	3,627,969	559,886
Deferred income	C12	13,589	7,665
Post-employment benefits	D3	8,413	7,640
Derivative financial instruments	C16	38,606	34,508
		8,005,210	4,679,642
Net current (liabilities) / assets		(1,878,098)	676,855

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Group	Note	2022 $'000	2021 $'000
Non-current liabilities			
Contract liabilities	C13	**877,937**	832,754
Trade payables and accruals	C9	**72,712**	63,482
Provisions	C11	**38,522**	39,596
Deferred tax liabilities	B6	**167,481**	174,661
Borrowings	E4	**2,906,568**	1,555,334
Deferred income	C12	**17,588**	73,882
Post-employment benefits	D3	**206,296**	409,473
Derivative financial instruments	C16	**18,817**	18,620
		4,305,921	3,167,802
Total liabilities		**12,311,131**	7,847,444
Net assets		**2,652,854**	2,668,215
Share capital and reserves			
Share capital	E6	**895,926**	895,926
Treasury shares	E7	**(36,377)**	(33,475)
Capital reserves	E8	**100,068**	103,940
Other reserves	E9	**(34,437)**	(101,937)
Retained earnings		**1,472,816**	1,548,308
Equity attributable to owners of the Company		**2,397,996**	2,412,762
Non-controlling interests	F3	**254,858**	255,453
		2,652,854	2,668,215
Total equity and liabilities		**14,963,985**	10,515,659

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Group	Note	Share capital $'000	Treasury shares $'000
At 1 January 2022		895,926	(33,475)
Total comprehensive income for the year			
Profit after taxation		–	–
Other comprehensive income			
Defined benefit plan remeasurements		–	–
Net fair value changes on equity investment at FVOCI		–	–
Net fair value changes of cash flow hedges reclassified to income statement		–	–
Effective portion of changes in fair value of cash flow hedges		–	–
Share of net fair value changes on cash flow hedges of joint ventures		–	–
Foreign currency translation differences		–	–
Share of foreign currency translation differences of associates and joint ventures		–	–
Reserves released on disposal of subsidiaries		–	–
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year, net of tax		–	–
Hedging gains and losses and cost of hedging transferred to the cost of inventory		–	–
Transactions with owners of the Company, recognised directly in equity			
Contributions by and distributions to owners of the Company			
Capital contribution by non-controlling interests		–	–
Cost of share-based payment		–	–
Purchase of treasury shares		–	(26,430)
Treasury shares reissued pursuant to share plans		–	23,528
Dividends paid		–	–
Dividends paid to non-controlling interests		–	–
Total contributions by and distributions to owners of the Company		–	(2,902)
Changes in ownership interests in subsidiaries			
Disposal of subsidiaries		–	–
Total transactions with owners of the Company		–	(2,902)
Transfer from retained earnings to statutory reserve		–	–
Balance at 31 December 2022		895,926	(36,377)

The accompanying notes are an integral part of the financial statements.

	Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	103,940	(101,937)	1,548,308	2,412,762	255,453	2,668,215
	–	–	535,012	535,012	8,323	543,335
	–	–	75,096	75,096	19,126	94,222
	–	(2,957)	–	(2,957)	–	(2,957)
	–	12,008	–	12,008	15,460	27,468
	–	110,463	–	110,463	(16,302)	94,161
	–	2,321	–	2,321	–	2,321
	–	(57,959)	–	(57,959)	(16,661)	(74,620)
	–	(15,438)	–	(15,438)	–	(15,438)
	–	8,149	–	8,149	–	8,149
	–	56,587	75,096	131,683	1,623	133,306
	–	56,587	610,108	666,695	9,946	676,641
	–	3,983	–	3,983	(30)	3,953
	–	–	–	–	50	50
	–	24,809	–	24,809	84	24,893
	–	–	–	(26,430)	–	(26,430)
	(3,872)	(19,546)	–	110	(110)	–
	–	–	(685,625)	(685,625)	–	(685,625)
	–	–	–	–	(9,225)	(9,225)
	(3,872)	5,263	(685,625)	(687,136)	(9,201)	(696,337)
	–	1,692	–	1,692	(1,310)	382
	(3,872)	6,955	(685,625)	(685,444)	(10,511)	(695,955)
	–	(25)	25	–	–	–
	100,068	(34,437)	1,472,816	2,397,996	254,858	2,652,854

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Group	Note	Share capital $'000	Treasury shares $'000
At 1 January 2021		895,926	(23,743)
Total comprehensive income for the year			
Profit after taxation		–	–
Other comprehensive income			
Defined benefit plan remeasurements		–	–
Net fair value changes of cash flow hedges reclassified to income statement		–	–
Effective portion of changes in fair value of cash flow hedges		–	–
Share of net fair value changes on cash flow hedges of joint ventures		–	–
Foreign currency translation differences		–	–
Share of foreign currency translation differences of associates and joint ventures		–	–
Reserves released on disposal of a subsidiary		–	–
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year, net of tax		–	–
Hedging gains and losses and cost of hedging transferred to the cost of inventory		–	–
Transactions with owners of the Company, recognised directly in equity			
Contributions by and distributions to owners of the Company			
Cost of share-based payment		–	–
Purchase of treasury shares	E7	–	(32,894)
Treasury shares reissued pursuant to share plans		–	23,162
Dividends paid	E10	–	–
Dividends paid to non-controlling interests		–	–
Total contributions by and distributions to owners of the Company		–	(9,732)
Changes in ownership interests in subsidiaries			
Acquisition of non-controlling interests in a subsidiary without a change in control		–	–
Acquisition of subsidiaries with non-controlling interests		–	–
Total transactions with owners of the Company		–	(9,732)
Transfer from retained earnings to statutory reserve		–	–
Balance at 31 December 2021		895,926	(33,475)

The accompanying notes are an integral part of the financial statements.

Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
107,034	(89,017)	1,402,414	2,292,614	282,175	2,574,789
–	–	570,540	570,540	(3,569)	566,971
–	–	43,369	43,369	6,518	49,887
–	(1,579)	–	(1,579)	(836)	(2,415)
–	(12,848)	–	(12,848)	(12,510)	(25,358)
–	2,145	–	2,145	–	2,145
–	10,076	–	10,076	(3,569)	6,507
–	9,123	–	9,123	–	9,123
–	(5,643)	–	(5,643)	–	(5,643)
–	1,274	43,369	44,643	(10,397)	34,246
–	1,274	613,909	615,183	(13,966)	601,217
–	(2,389)	–	(2,389)	20	(2,369)
–	21,600	–	21,600	120	21,720
–	–	–	(32,894)	–	(32,894)
(3,094)	(19,978)	–	90	(90)	–
–	–	(467,891)	(467,891)	–	(467,891)
–	–	–	–	(16,554)	(16,554)
(3,094)	1,622	(467,891)	(479,095)	(16,524)	(495,619)
–	(13,551)	–	(13,551)	(1,934)	(15,485)
–	–	–	–	5,682	5,682
(3,094)	(11,929)	(467,891)	(492,646)	(12,776)	(505,422)
–	124	(124)	–	–	–
103,940	(101,937)	1,548,308	2,412,762	255,453	2,668,215

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022
(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	2022 $'000	2021 $'000
Cash flows from operating activities		
Profit before taxation	**597,466**	637,607
Adjustments:		
Share of results of associates and joint ventures, net of tax	**(33,270)**	(15,991)
Share-based payment expense	**24,893**	21,720
Depreciation charge	**337,602**	314,197
Property, plant and equipment written off	**3,844**	2,249
Amortisation of other intangible assets	**179,270**	83,893
Amortisation of deferred income	**(6)**	–
Impairment of property, plant and equipment	**42,378**	19,490
Impairment of goodwill and other intangible assets	**5,000**	6,769
Gain on disposal of property, plant and equipment	**(10,911)**	(2,527)
Gain on disposal of subsidiaries	**(37,288)**	(11,742)
Loss on disposal of rights-of-use assets	**–**	275
Gain on disposal of associate	**(3,668)**	–
Changes in fair value of associates	**(1,471)**	(11,154)
Changes in fair value of investments	**(13,868)**	–
Changes in fair value of financial instruments and hedged items	**(1,932)**	(685)
Interest expense	**137,309**	45,048
Interest income	**(9,271)**	(3,936)
Unrealised currency translation gains	**(330)**	(1,217)
Operating profit before working capital changes	**1,215,747**	1,083,996
Changes in:		
Inventories	**(354,852)**	9,455
Contract assets	**(249,371)**	(162,986)
Trade receivables	**(58,447)**	(13,511)
Amounts due from related parties	**25,671**	(22,212)
Advances and other receivables	**(97,895)**	(32,556)
Contract liabilities	**139,808**	(38,594)
Deposits from customers	**17,754**	5,434
Trade payables	**198,293**	221,215
Amounts due to related parties	**1,900**	(7,640)
Other payables, accruals and provisions	**(67,872)**	220,247
Deferred income	**3,438**	(40,183)
Cash generated from operations	**774,174**	1,222,665
Interest received	**6,942**	4,048
Income tax paid	**(108,021)**	(112,441)
Net cash from operating activities	**673,095**	1,114,272

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

Group	Note	2022 $'000	2021 $'000
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**20,308**	16,266
Proceeds from disposal of associate and joint venture		**8,832**	361
Proceeds from disposal of investments		**–**	1,836
Purchase of property, plant and equipment		**(762,927)**	(312,039)
Purchase of investments		**(16,124)**	(14,322)
Additions to other intangible assets		**(203,204)**	(116,735)
Dividends from associates and joint ventures		**40,475**	24,348
Investments in associates and joint ventures		**(25,051)**	(9,884)
Return of capital by joint venture		**–**	3,752
Repayment of loans by associate		**196**	–
Loan to associates and joint ventures		**(58,298)**	(44,577)
Acquisition of controlling interests in subsidiaries, net of cash acquired		**(3,630,087)**	7,333
Disposal of subsidiaries, net of cash disposed		**54,392**	30,010
Net cash used in investing activities		**(4,571,488)**	(413,651)
Cash flows from financing activities			
Proceeds from bank loans		**1,098,690**	132,027
Proceeds from medium term note issuance		**1,385,000**	–
Proceeds from issuance of commercial papers		**4,206,138**	756,896
Proceeds from other loans		**–**	10,933
Proceeds from settlement of derivatives		**124,425**	–
Proceeds from finance lease receivables		**233**	882
Repayment of bank loans		**(386,204)**	(35,103)
Repayment of commercial papers		**(1,852,969)**	(810,960)
Repayment of other loans		**–**	(30,933)
Repayment of lease liabilities		**(83,894)**	(73,456)
Purchase of treasury shares		**(26,430)**	(32,894)
Capital contribution from non-controlling interests of a subsidiary		**50**	–
Acquisition of non-controlling interests in a subsidiary		**–**	(15,485)
Dividends paid to shareholders of the Company		**(685,625)**	(467,891)
Dividends paid to non-controlling interests		**(9,225)**	(16,554)
Interest paid		**(72,382)**	(33,644)
Deposits (pledged) / discharged		**(22)**	1,145
Net cash from / (used in) financing activities		**3,697,785**	(615,037)
Net change in cash and cash equivalents		**(200,608)**	85,584
Cash and cash equivalents at beginning of the year		**815,924**	729,479
Effect of exchange rate changes on balances held in foreign currency		**(13,567)**	861
Cash and cash equivalents at end of the year	C8	**601,749**	815,924

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(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 principal activity of the Company is that of an investment holding company.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

The consolidated financial statements of Singapore Technologies Engineering Ltd and its subsidiaries (collectively referred to as the Group) as at 31 December 2022 and for the year then ended were authorised and approved by the Board of Directors for issuance on 23 February 2023.

Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on the historical cost convention, except as otherwise described in the accounting policies below.

Accounting policies, estimates and critical accounting judgements applied to the preparation of the financial statements are disclosed together with the related accounting balance or financial statement matters discussed.

Information is only being included in the financial report to the extent it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if:

- dollar amount is significant in value
- dollar amount is significant by nature
- financial results cannot be understood without specific disclosure
- critical to allow user to understand significant changes in group businesses

The financial statements are presented in Singapore dollars (SGD) which is the Company's functional currency. All values are rounded to the nearest thousand ($'000) unless otherwise indicated.

Significant accounting policies

The accounting policies have been applied consistently by the Group entities to all periods presented in these financial statements unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B. BUSINESS PERFORMANCE

The highlights of the Group's financial performance during the financial year are:

- Revenue of $9.0 billion, up 17%
- Earnings before interest and tax of $735.1 million, up 9%
- Profit before taxation of $597.5 million, lower by 6%
- Profit attributable to shareholders of $535.0 million, lower by 6%
- Earnings per share of 17.18 cents per share, lower by 6%

B1	Segment information	**B4**	Non-operating income, net
B2	Revenue	**B5**	Earnings per share
B3	Profit from operations	**B6**	Taxation

B1 Segment information

The Commercial cluster drives the Group's international growth through areas in Commercial Aerospace, and Urban Solutions & Satcom domains, to be known as Global Business Areas (or GBAs), which are also reportable business segments.

The Defence & Public Security cluster integrates capabilities organised as a single cluster which is a reportable business segment, comprising Defence Business Areas (or DBAs), namely Digital Systems and Cyber, Land Systems, Marine and Defence Aerospace.

Management reviews the segments' operating results regularly in order to allocate resources to the segments and to assess the segments' performance.

The principal activities of the operating segments are outlined below:

Segments	Principal activities
Commercial Aerospace	Airframe, engines and components maintenance, repair and overhaul, original equipment manufacturer for nacelles, composite floorboard and passenger-to-freighter conversions and aviation asset management.
Urban Solutions & Satcom	Smart mobility, smart utilities & infrastructure, urban environment solutions and satcom.
Defence & Public Security	Defence, public safety and security, critical information infrastructure solutions and others, including Group HQ functions.

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B1 Segment information (continued)

Inter-segment pricing is based on terms negotiated between the parties which are intended to reflect competitive terms.

2022	Commercial Aerospace $'000	Urban Solutions & Satcom $'000	Defence & Public Security $'000	Elimination $'000	Group $'000
Revenue					
External sales	2,991,209	1,772,238	4,271,656	–	9,035,103
Inter-segment sales	61,550	48,566	47,889	(158,005)	–
	3,052,759	1,820,804	4,319,545	(158,005)	9,035,103
Reportable segment profit from operations	271,690	27,941	364,903	–	664,534
Non-operating income, net	327	5,117	31,844	–	37,288
Share of results of associates and joint ventures, net of tax	28,869	(3,847)	8,248	–	33,270
Earnings before interest and tax	300,886	29,211	404,995	–	735,092
Finance income					11,203
Finance costs					(148,829)
Profit before taxation					597,466
Taxation					(54,131)
Non-controlling interests					(8,323)
Profit attributable to shareholders					535,012
Other assets	4,870,823	6,173,792	4,539,902	(1,888,715)	13,695,802
Associates and joint ventures	318,469	46,919	102,787	–	468,175
Segment assets	5,189,292	6,220,711	4,642,689	(1,888,715)	14,163,977
Deferred tax assets					198,237
Bank balances and other liquid funds					601,771
Total Assets					14,963,985
Segment liabilities	1,842,187	1,029,410	4,205,294	(1,642,526)	5,434,365
Provision for taxation					174,748
Deferred tax liabilities					167,481
Borrowings					6,534,537
Total Liabilities					12,311,131
Capital expenditure	831,607	98,056	163,358	(36,929)	1,056,092
Depreciation and amortisation	195,698	179,298	140,997	879	516,872
Impairment losses	4,513	–	42,865	–	47,378

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B1 Segment information (continued)

2021	Commercial Aerospace $'000	Urban Solutions & Satcom $'000	Defence & Public Security $'000	Elimination $'000	Group $'000
Revenue					
External sales	2,464,827	1,190,536	4,037,502	–	7,692,865
Inter-segment sales	60,126	63,266	41,381	(164,773)	–
	2,524,953	1,253,802	4,078,883	(164,773)	7,692,865
Reportable segment profit from operations	162,307	34,695	448,911	–	645,913
Non-operating income, net	(582)	–	12,324	–	11,742
Share of results of associates and joint ventures, net of tax	20,143	(8,914)	4,762	–	15,991
Earnings before interest and tax	181,868	25,781	465,997	–	673,646
Finance income					11,686
Finance costs					(47,725)
Profit before taxation					637,607
Taxation					(70,636)
Non-controlling interests					3,569
Profit attributable to shareholders					570,540
Other assets	3,746,315	2,342,589	5,792,972	(2,872,586)	9,009,290
Associates and joint ventures	303,443	53,388	126,066	–	482,897
Segment assets	4,049,758	2,395,977	5,919,038	(2,872,586)	9,492,187
Deferred tax assets					207,548
Bank balances and other liquid funds					815,924
Total Assets					10,515,659
Segment liabilities	1,634,740	943,732	4,616,915	(1,799,032)	5,396,355
Provision for taxation					161,208
Deferred tax liabilities					174,661
Borrowings					2,115,220
Total Liabilities					7,847,444
Capital expenditure	310,438	102,278	173,704	(62,798)	523,622
Depreciation and amortisation	176,665	80,680	143,016	(2,271)	398,090
Impairment losses	21,259	–	5,000	–	26,259

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B1 Segment information (continued)

Analysis by country of incorporation

Revenue is based on the country of incorporation regardless of where the goods are produced or services rendered. Non-current assets, excluding derivative financial instruments, post-employment benefits and deferred tax assets, are based on the location of those assets.

	Revenue		Non-current assets	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Asia	**5,219,845**	4,839,875	**1,979,057**	1,963,235
U.S.	**2,852,309**	2,126,761	**4,788,762**	1,620,948
Europe	**899,513**	684,778	**1,758,155**	1,263,520
Others	**63,436**	41,451	**95,598**	99,437
	9,035,103	7,692,865	**8,621,572**	4,947,140

For the year ended 31 December 2022:

- Within Europe, revenue of approximately $614,447,000 (2021: $451,649,000) was from subsidiaries located in Germany.
- Within Asia, most of the revenue was from subsidiaries located in Singapore.
- The remaining revenue from subsidiaries in Asia, Europe and Others was individually insignificant.

As at 31 December 2022:

- Within Europe, non-current assets of approximately $618,701,000 (2021: $704,005,000) and $724,477,000 (2021: $149,005,000) were from subsidiaries located in Germany and Ireland respectively.
- Within Asia, most of the non-current assets were from subsidiaries located in Singapore.
- The remaining non-current assets located in Asia, Europe and Others were individually insignificant.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B2 Revenue

Disaggregation of revenue

In the following table, revenue is disaggregated by major products/services lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Commercial Aerospace		Urban Solutions & Satcom	
	2022 $'000	2021 $'000	**2022 $'000**	2021 $'000
Major products/services lines				
Sale of goods	**1,292,277**	1,120,982	**569,464**	510,964
Service income	**130,101**	144,435	**580,014**	185,917
Contract revenue	**1,630,381**	1,259,536	**671,326**	556,921
	3,052,759	2,524,953	**1,820,804**	1,253,802
Timing of revenue recognition				
Transferred at a point in time	**1,680,176**	1,429,910	**835,367**	771,518
Transferred over time	**1,372,583**	1,095,043	**985,437**	482,284
	3,052,759	2,524,953	**1,820,804**	1,253,802

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

	Defence & Public Security		Elimination		Group	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
	1,187,011	1,110,350	**(41,342)**	(52,778)	**3,007,410**	2,689,518
	1,604,584	1,422,140	**(39,425)**	(35,434)	**2,275,274**	1,717,058
	1,527,950	1,546,393	**(77,238)**	(76,561)	**3,752,419**	3,286,289
	4,319,545	4,078,883	**(158,005)**	(164,773)	**9,035,103**	7,692,865
	1,699,289	1,570,940	**(92,170)**	(107,126)	**4,122,662**	3,665,242
	2,620,256	2,507,943	**(65,835)**	(57,647)	**4,912,441**	4,027,623
	4,319,545	4,078,883	**(158,005)**	(164,773)	**9,035,103**	7,692,865

Group	2022 $'000	2021 $'000
Primary geographical markets		
Asia	**4,514,285**	4,468,755
U.S.	**2,229,652**	1,532,475
Europe	**1,642,526**	1,215,704
Others	**648,640**	475,931
	9,035,103	7,692,865

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B2 Revenue (continued)

Revenue from contracts with customers

Revenue is measured based on the consideration specified in contracts with customers. The Group recognises revenue when it transfers control over a good or service to the customer.

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

(a) Revenue from sale of goods

Revenue is recognised when goods are delivered to the customer and the criteria for acceptance have been satisfied. Where applicable, a portion of the contract consideration is received in advance from the customers and the remaining consideration is received after delivery.

(b) Revenue from services rendered

Revenue from services rendered are recognised as performance obligations are satisfied. Payments are due from customers based on the agreed billing milestones stipulated in the contracts or based on the amounts certified by the customers.

Where performance obligations are satisfied over time as work progresses, revenue is recognised progressively based on the percentage of completion method. The stage of completion is assessed by reference to assessment of work performed (output method) or the cost incurred relative to total estimated costs (input method) depending on which method commensurates with the pattern of transfer of control to the customer. The related costs are recognised in profit or loss when they are incurred, unless they relate to future performance obligations.

If the value of services rendered for the contract exceeds payments received from the customer, a contract asset is recognised and presented separately on the statement of financial position. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and separately presented on the statement of financial position.

(c) Revenue from long-term contracts

The Group builds specialised assets customised to customers' order for which the Group does not have an alternative use. These contracts can span several years.

(i) Contracts with enforceable right to payment

The Group has determined that for contracts where the Group has an enforceable right to payment, the customer controls all of the work-in-progress. This is because under those contracts, the assets are at the customer's specification and the Group is entitled to reimbursement of costs incurred to date, including a reasonable margin when the contract is terminated by the customer. Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B2 Revenue (continued)

Revenue from contracts with customers (continued)

(c) Revenue from long-term contracts (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B2 Revenue (continued)

Key estimates and judgement: Revenue recognition

Judgement is applied in determining:

- *whether performance obligations are distinct.*

  Requires an assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and if the promise is separately identifiable from other promises in the contract.

- *the transaction price for contracts with variable consideration (e.g. bonus, liquidated damages, penalties, etc).*

  Requires an evaluation of potential risk and factors which may affect completion or delivery of the contract, in accordance with contract obligations.

- *estimated cost to complete.*

  For revenue recognised over time, the percentage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated costs for each contract. In making the estimates, management relies on the expertise of its project team and past experience of completed projects. The estimated total costs are reviewed regularly and adjusted where necessary, with the corresponding effect of the change being recognised prospectively from the date of change.

B3 Profit from operations

Profit from operations are arrived at after charging the following items (excluding those disclosed in the other notes to the financial statements):

Group	2022 $'000	2021 $'000
After charging/(crediting)		
Auditors' remuneration		
- auditors of the Company	**2,721**	2,418
- other auditors #	**2,661**	1,863
Non-audit fees		
- auditors of the Company	**533**	75
- other auditors #	**17**	132
Fees paid to a firm of which a director is a member	**498**	1,119
Research, design and development expenses *	**131,183**	92,826
Allowance for inventory obsolescence	**32,265**	45,861
Short-term lease expense	**15,304**	10,712
Low-value assets lease expense	**1,948**	2,320
Property, plant and equipment written off	**3,844**	2,249
Gain on disposal of associate	**(3,668)**	–
Fair value changes of investment in associates	**(1,471)**	(11,154)

Includes the network of member firms of PricewaterhouseCoopers International Limited (PwCIL)
* Amount before government grants of $5,397,000 (2021: $6,886,000)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B3 Profit from operations (continued)

Recognition and measurement

Government grants are recognised as a receivable at fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Grants relating to expenses is deducted in reporting the related expenses.

Grants relating to depreciable assets are recognised in profit or loss over the estimated useful lives of the relevant assets.

B4 Non-operating income, net

Group	Note	2022 $'000	2021 $'000
Gain on disposal of subsidiaries		**37,288**	13,021
Loss on disposal of a subsidiary		**–**	(1,279)
		37,288	11,742

Recognition and measurement

The assets and liabilities of the subsidiary, including any goodwill are derecognised when a change in the Group's ownership interest in a subsidiary result in a loss of control over the subsidiary. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

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	2022 $'000	2021 $'000
Number of shares		
Issued ordinary shares at beginning of the year	**3,113,669**	3,115,531
Effect of performance shares and restricted shares released	**4,698**	4,916
Effect of treasury shares held	**(3,467)**	(3,495)
Weighted average number of ordinary shares issued during the year	**3,114,900**	3,116,952

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B5 Earnings per share (continued)

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 (2021: 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	2022 $'000	2021 $'000
Number of shares		
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	**3,114,900**	3,116,952
Adjustment for dilutive potential ordinary shares	**20,280**	18,464
Weighted average number of ordinary shares (diluted) during the year	**3,135,180**	3,135,416

B6 Taxation

(i) Tax expenses

Group	2022 $'000	2021 $'000
Current income tax		
Current year	**165,739**	132,116
Overprovision in respect of prior years	**(1,634)**	(10,663)
	164,105	121,453
Deferred income tax		
Current year	**(101,386)**	(50,927)
(Over)/under provision in respect of prior years	**(9,883)**	1,368
Effect of change in tax rates	**1,295**	(1,258)
	(109,974)	(50,817)
	54,131	70,636

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B6 Taxation (continued)

(i) Tax expenses (continued)

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	2022 $'000	2021 $'000
Profit before taxation	**597,466**	637,607
Taxation at Singapore statutory tax rate of 17% (2021: 17%)	**101,569**	108,393
Adjustments:		
Income not subject to tax	**(30,871)**	(23,816)
Expenses not deductible for tax purposes	**23,309**	13,099
Different tax rates of other countries	**(21,127)**	(8,759)
Overprovision in respect of prior years	**(11,517)**	(9,295)
Effect of change in tax rates	**1,295**	(1,258)
Effect of results of associates and joint ventures presented net of tax	**(5,653)**	(2,718)
Tax incentives	**(1,993)**	(6,553)
Deferred tax assets not recognised	**17,721**	6,516
Deferred tax assets previously not recognised now utilised	**(18,906)**	(4,663)
Others	**304**	(310)
	54,131	70,636

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B6 Taxation (continued)

(ii) Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
Group	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Property, plant and equipment	**(1,420)**	(1,412)	**165,706**	145,981
Intangible assets	**(7,268)**	(4,967)	**165,943**	146,039
Allowance for doubtful debts	**(2,182)**	(1,640)	**–**	–
Allowance for inventory obsolescence	**(43,670)**	(36,193)	**252**	–
Provisions and accruals	**(131,730)**	(147,134)	**11,488**	8,935
Lease liabilities	**(3,746)**	(3,990)	**3,310**	4,583
Unabsorbed capital allowances and unutilised tax losses	**(196,805)**	(99,358)	**11,904**	1,115
Fair value of derivative financial instruments designated as cash flow hedges	**(16,703)**	(10,946)	**7,518**	2,493
Fair value of defined benefit plans	**(6,275)**	(58,779)	**10,274**	–
Other items	**(19,740)**	(819)	**22,388**	23,205
Deferred tax (assets)/liabilities	**(429,539)**	(365,238)	**398,783**	332,351
Set off of tax	**231,302**	157,690	**(231,302)**	(157,690)
Net deferred tax (assets)/ liabilities	**(198,237)**	(207,548)	**167,481**	174,661

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B6 Taxation (continued)

(ii) **Deferred tax assets and liabilities** (continued)

(b) **Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

Group	2022 $'000	2021 $'000
Tax losses	**291,234**	410,716
Deductible temporary differences	**2,136**	4,110
Unabsorbed wear and tear allowance and investment allowance	**94,511**	92
	387,881	414,918

The Group has the above unrecognised deferred tax assets which have no expiry date except for the amount of $28,737,000 which will expire from 2023 to 2040. The unrecognised deferred tax assets can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

(c) **Unrecognised temporary differences relating to investments in subsidiaries**

As at 31 December 2022, a deferred tax liability of $185,212,000 (2021: $141,355,000) for temporary difference of $741,796,000 (2021: $506,111,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B6 Taxation (continued)

(ii) Deferred tax assets and liabilities (continued)

(d) Movement in deferred tax balances during the year

Group	As at 1 January 2021 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Acquisition/ deconsolidation of subsidiaries $'000	Utilisation of tax losses $'000
Property, plant and equipment	128,062	15,085	–	(29)	–
Intangible assets	205,947	(65,942)	–	(851)	–
Allowance for doubtful debts	(1,702)	94	–	9	–
Allowance for inventory obsolescence	(27,751)	(8,503)	–	506	–
Provisions and accruals	(170,478)	33,885	–	17	–
Lease liabilities	1,112	(585)	–	–	–
Unabsorbed capital allowances and unutilised tax losses	(95,622)	(6,128)	–	(695)	4,626
Fair value of derivative financial instruments designated as cash flow hedges	4,438	121	(12,367)	–	–
Fair value of defined benefit plans	(49,390)	(18,633)	7,512	–	–
Other items	22,517	(211)	–	–	–
	17,133	(50,817)	(4,855)	(1,043)	4,626

Exchange difference $'000	As at 31 December 2021 $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Acquisition/ deconsolidation of subsidiaries $'000	Utilisation of tax losses $'000	Reclassification $'000	Exchange difference $'000	As at 31 December 2022 $'000
1,451	144,569	20,475	–	130	(50)	–	(838)	164,286
1,918	141,072	18,439	–	–	–	–	(836)	158,675
(41)	(1,640)	(558)	–	–	–	1	15	(2,182)
(445)	(36,193)	(7,519)	–	–	–	–	294	(43,418)
(1,623)	(138,199)	(40,179)	–	56,433	4,050	(2,950)	602	(120,243)
66	593	(1,084)	–	19	–	–	37	(435)
(424)	(98,243)	(100,193)	–	(56,272)	65,201	(2)	4,609	(184,900)
(645)	(8,453)	(2)	(1,054)	–	–	–	324	(9,185)
1,732	(58,779)	4,727	37,642	–	–	17,153	1,799	2,542
80	22,386	(4,080)	–	–	5	(14,202)	(5)	4,104
2,069	(32,887)	(109,974)	36,588	310	69,206	–	6,001	(30,756)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

B6 Taxation (continued)

Recognition and measurement

Current tax

Current tax is measured at the amount expected to be recovered from or paid to the tax authorities, using tax rates and tax laws that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination which affects neither accounting nor taxable profit or loss; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists and they relate to taxes levied by the same tax authority on the same taxable entity.

Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Estimates and judgement: Income taxes

The Group is subject to income taxes in Singapore and jurisdictions where it has foreign operations. Judgement is required in determining the worldwide provision for income taxes and in assessing whether deferred tax balances are recognised on the statement of financial position. Changes in circumstances will alter expectations, which may impact the amount of provision for income taxes and deferred tax balances recognised.

Estimates and judgement: Recovery of deferred tax assets

Deferred tax assets are recognised for tax losses and deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available to utilise them. Judgement and estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(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 financial position and credit rating to support the Group's strategy to maximise returns to the shareholders through efficient use of capital, taking into consideration the Group's expenditures, growth and investment requirements.

C1	Property, plant and equipment	**C9**	Trade payables and accruals
C2	Right-of-use assets	**C10**	Amounts due to related parties
C3	Intangible assets	**C11**	Provisions
C4	Amounts due from related parties	**C12**	Deferred income
C5	Inventories	**C13**	Contract balances
C6	Trade receivables	**C14**	Financial risk management objectives and policies
C7	Advances and other receivables	**C15**	Classification and fair value of financial instruments
C8	Bank balances and other liquid funds	**C16**	Derivative financial instruments

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C1 Property, plant and equipment

Group	Freehold land, buildings and improvements $'000	Wharves, floating docks and boats $'000
Cost		
At 1 January 2022	1,517,979	145,776
Additions	26,015	54
Disposals/write-off	(9,399)	(18)
Acquisition of subsidiaries	999	–
Disposal of subsidiaries	(137,653)	(56,335)
Reclassifications	4,243	15,217
Translation difference	(16,135)	(235)
At 31 December 2022	1,386,049	104,459
Accumulated depreciation and impairment		
At 1 January 2022	846,496	123,627
Depreciation charge/impairment losses	76,126	10,771
Disposals/write-off	(8,677)	(1)
Disposal of subsidiaries	(70,572)	(31,796)
Reclassifications	150	–
Translation difference	(4,899)	(384)
At 31 December 2022	838,624	102,217
Net book value		
At 31 December 2022	547,425	2,242

* Others comprise transportation equipment, vehicles and satellites

During the year, the Group performed an impairment assessment and recognised an impairment loss of $42,378,000 on certain property, plant and equipment. The recoverable amounts of these property, plant and equipment were determined based on the fair market value of the property, plant and equipment, net of selling costs.

Plant and machinery $'000	Production tools and equipment $'000	Furniture, fittings, office equipment and others * $'000	Aircraft and aircraft engines $'000	Construction-in-progress $'000	Total $'000
1,242,658	430,184	468,791	423,146	108,491	4,337,025
91,819	33,281	55,293	491,691	64,774	762,927
(33,941)	(19,590)	(20,436)	–	(3,717)	(87,101)
–	3,442	8,695	–	20	13,156
(99,543)	(994)	(10,896)	–	(36,140)	(341,561)
(100,518)	85,335	21,056	(26,138)	(50,095)	(50,900)
(10,644)	(6,527)	(2,807)	(1,670)	(806)	(38,824)
1,089,831	525,131	519,696	887,029	82,527	4,594,722
782,241	310,446	349,706	130,698	–	2,543,214
82,284	33,611	48,099	36,153	8,378	295,422
(26,099)	(19,120)	(19,963)	–	–	(73,860)
(84,923)	(781)	(8,730)	–	(8,162)	(204,964)
(81,190)	68,909	(44)	(9,502)	–	(21,677)
(6,322)	(4,111)	(2,838)	(991)	(216)	(19,761)
665,991	388,954	366,230	156,358	–	2,518,374
423,840	136,177	153,466	730,671	82,527	2,076,348

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C1 Property, plant and equipment (continued)

Group	Freehold land, buildings and improvements $'000	Wharves, floating docks and boats $'000
Cost		
At 1 January 2021	1,485,202	143,688
Additions	29,048	1,215
Disposals/write-off	(3,751)	–
Acquisition of subsidiaries	41	–
Disposal of subsidiaries	(117)	–
Reclassifications	6,412	–
Translation difference	1,144	873
At 31 December 2021	1,517,979	145,776
Accumulated depreciation and impairment		
At 1 January 2021	784,755	120,146
Depreciation charge/impairment losses	62,277	3,036
Disposals/write-off	(3,122)	–
Disposal of subsidiaries	(117)	–
Reclassifications	(179)	–
Translation difference	2,882	445
At 31 December 2021	846,496	123,627
Net book value		
At 31 December 2021	671,483	22,149

* Others comprise transportation equipment, vehicles and satellites

In the prior year, the Group performed an impairment assessment and recognised an impairment loss of $19,490,000 on certain plant and machinery due to a decline in recoverable amount of a subsidiary. The recoverable amounts of these plant and equipment were determined based on the fair market value of the plant and equipment, net of selling costs.

Plant and machinery $'000	Production tools and equipment $'000	Furniture, fittings, office equipment and others * $'000	Aircraft and aircraft engines $'000	Construction-in-progress $'000	Total $'000
1,212,387	424,803	444,602	308,622	72,180	4,091,484
47,351	22,623	43,075	111,557	65,190	320,059
(31,886)	(7,099)	(28,627)	–	(4,720)	(76,083)
17	–	35	21,051	–	21,144
(162)	(339)	(76)	(19,058)	(17)	(19,769)
9,338	(9,407)	7,240	(2,936)	(24,442)	(13,795)
5,613	(397)	2,542	3,910	300	13,985
1,242,658	430,184	468,791	423,146	108,491	4,337,025
684,929	297,400	332,051	115,242	17	2,334,540
110,994	26,153	41,756	16,865	–	261,081
(24,209)	(6,644)	(26,120)	–	–	(60,095)
(162)	(308)	(78)	(149)	(17)	(831)
5,228	(6,675)	(7)	(1,846)	–	(3,479)
5,461	520	2,104	586	–	11,998
782,241	310,446	349,706	130,698	–	2,543,214
460,417	119,738	119,085	292,448	108,491	1,793,811

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C1 Property, plant and equipment (continued)

Reclassifications due to changes in the use of assets:

(a) Property, plant and equipment with net book value amounting to $29,165,000 (2021: $17,843,000) were reclassified to inventories;

(b) Property, plant and equipment with net book value amounting to $nil (2021: $5,773,000) were reclassified to finance lease receivables;

(c) Property, plant and equipment with net book value amounting to $90,000 (2021: $nil) were reclassified to intangibles;

(d) Inventories of $32,000 (2021: $13,300,000) were reclassified to property, plant and equipment;

Operating lease

Included in the tables below are property, plant and equipment that the Group leases out, comprising aircraft and aircraft engines, furniture, fittings, office equipment and others*. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Movements in these assets that are subject to operating leases are presented below.

* Others comprise transportation equipment, vehicles and satellites

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C1 Property, plant and equipment (continued)

Group	Furniture, fittings, office equipment and others* $'000	Aircraft and aircraft engines $'000	Total $'000
Cost			
At 1 January 2022	1,569	277,045	278,614
Additions	51	491,600	491,651
Reclassifications	(46)	(33,629)	(33,675)
Translation difference	(8)	(1,475)	(1,483)
At 31 December 2022	1,566	733,541	735,107
Accumulated depreciation			
At 1 January 2022	835	33,962	34,797
Depreciation charge for the year	211	25,552	25,763
Reclassifications	–	(5,148)	(5,148)
Translation difference	(10)	(779)	(789)
At 31 December 2022	1,036	53,587	54,623
Net book value			
At 31 December 2022	530	679,954	680,484

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C1 Property, plant and equipment (continued)

Group	Furniture, fittings, office equipment and others* $'000	Aircraft and aircraft engines $'000	Total $'000
Cost			
At 1 January 2021	1,466	133,995	135,461
Additions	–	111,534	111,534
Disposals/write-off	(46)	–	(46)
Acquisition of subsidiaries	–	21,051	21,051
Disposal of subsidiaries	–	(19,079)	(19,079)
Reclassifications	116	26,161	26,277
Translation difference	33	3,383	3,416
At 31 December 2021	1,569	277,045	278,614
Accumulated depreciation			
At 1 January 2021	653	13,087	13,740
Depreciation charge for the year	194	9,404	9,598
Disposals/write-off	(27)	–	(27)
Disposal of subsidiaries	–	(170)	(170)
Reclassifications	–	11,300	11,300
Translation difference	15	341	356
At 31 December 2021	835	33,962	34,797
Net book value			
At 31 December 2021	734	243,083	243,817

* Others comprise transportation equipment, vehicles and satellites.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C1 Property, plant and equipment (continued)

(a) Property, plant and equipment pledged as security

Property, plant and equipment of certain overseas subsidiaries of the Group with a carrying value of $49,252,000 (2021: $56,290,000) 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 2022 $'000	Net book value 2021 $'000
Singapore					
1 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.11.2011	20,000	**32,182**	35,320
3 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.12.2015	30,000	**34,047**	36,366
100 Jurong East Street 21	Industrial and commercial buildings	30 years from 1.11.2018	11,232	**47,021**	49,096
249 Jalan Boon Lay	Industrial and commercial buildings	27 years from 1.10.2001 to 31.12.2028 renewable to 10.10.2065	208,261	**76,662**	84,713
People's Republic of China					
No 2, Huayu Road, Huli District, Xiamen 361006, Fujian	Factory building	50 years from 20.11.2008	38,618	**37,571**	42,199
Germany					
Grenzstr. 1, Dresden	Hangar and office building	Freehold	91,485	**77,435**	86,530

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C1 Property, plant and equipment (continued)

For this purpose, freehold land, buildings and improvements to premises are considered major properties if the net book value of these assets represent 5% or more of the Group's aggregated net book value in these categories.

Recognition and measurement

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Cost comprises expenditure that is:
- directly attributable to the acquisition of the asset;
- subsequent costs incurred to replace parts that are eligible for capitalisation; and/or
- transfers from equity on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Disposals

Gains or losses on disposal of property, plant and equipment are included in profit or loss.

Depreciation

Depreciation of property, plant and equipment is recognised in profit or loss on a straight-line basis over their useful lives, except for freehold land which are not depreciated. The estimated useful lives are as follows:

Item #		Useful life
Buildings and improvements	–	2 to 50 years ^
Wharves, floating docks and boats	–	10 to 20 years
Plant and machinery	–	2 to 20 years
Production tools and equipment	–	2 to 20 years
Furniture, fittings, office equipment and others *	–	2 to 12 years
Aircraft and aircraft engines	–	2 to 30 years

Property, plant and equipment purchased specifically for projects are depreciated over the useful life or the duration of the project, whichever is shorter.

^ Refer to Note C1(b) Major Properties for details of the lease tenure used to approximate the useful lives of the leasehold land, buildings and improvements.

* 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.

Estimates and judgement: Depreciation charge

Management estimates the useful lives based on factors such as changes in the expected level of usage and technological developments. These are reassessed at each reporting date, and adjusted prospectively, where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C2 Right-of-use assets

The Group leases many assets including land, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

Group	Leasehold land $'000	Wharves, floating docks and boats $'000	Plant and machinery $'000	Production tools and equipment $'000	Furniture, fittings, office equipment and others* $'000	Total $'000
At 1 January 2022	**546,796**	**597**	**873**	**327**	**9,966**	**558,559**
Additions	**61,060**	**1,787**	**16,877**	**142**	**10,095**	**89,961**
Acquisition of subsidiaries	**39,213**	**–**	**–**	**–**	**–**	**39,213**
Disposal of subsidiaries	**(3,118)**	**–**	**–**	**–**	**(89)**	**(3,207)**
Modifications of lease	**24,883**	**–**	**–**	**–**	**(96)**	**24,787**
Lease termination	**(37,449)**	**–**	**–**	**(18)**	**(1,116)**	**(38,583)**
Depreciation charge	**(72,898)**	**(647)**	**(2,894)**	**(262)**	**(7,857)**	**(84,558)**
Translation difference	**(4,438)**	**–**	**4**	**(2)**	**56**	**(4,380)**
At 31 December 2022	**554,049**	**1,737**	**14,860**	**187**	**10,959**	**581,792**

* Others comprise transportation equipment, vehicles and satellites.

Group	Leasehold land $'000	Wharves, floating docks and boats $'000	Plant and machinery $'000	Production tools and equipment $'000	Furniture, fittings, office equipment and others* $'000	Total $'000
At 1 January 2021	524,395	1,248	1,300	429	11,437	538,809
Additions	80,342	–	60	218	6,208	86,828
Disposal of subsidiaries	(190)	–	–	–	–	(190)
Modifications of lease	12,614	–	–	–	79	12,693
Lease termination	(6,394)	–	(130)	(35)	(634)	(7,193)
Depreciation charge	(64,155)	(651)	(381)	(288)	(7,131)	(72,606)
Translation difference	184	–	24	3	7	218
At 31 December 2021	546,796	597	873	327	9,966	558,559

* Others comprise transportation equipment, vehicles and satellites.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets

Group	Goodwill $'000	Dealer network and customer relationships $'000	Development expenditure $'000
Cost			
At 1 January 2022	847,655	169,445	718,587
Additions	–	–	53,376
Acquisition of subsidiaries	2,321,424	886,281	–
Disposal of subsidiaries	(75)	–	–
Write-off	–	–	–
Reclassification	–	–	(25)
Translation difference	(21,855)	(15,589)	(39,744)
At 31 December 2022	3,147,149	1,040,137	732,194
Accumulated amortisation and impairment losses			
At 1 January 2022	50,979	55,959	202,048
Amortisation for the year *	–	63,733	52,982
Impairment losses +	5,000	–	–
Disposal of subsidiaries	–	–	–
Write-off	–	–	–
Reclassification	–	–	24
Translation difference	(184)	(3,852)	(4,091)
At 31 December 2022	55,795	115,840	250,963
Net book value			
At 31 December 2022	3,091,354	924,297	481,231

Commercial and intellectual property rights $'000	Brands $'000	Licenses $'000	Technology agreement $'000	Others $'000	Total $'000
619,860	80,397	49,759	34,112	64,067	2,583,882
105	–	1,680	–	148,043	203,204
144,781	–	–	–	–	3,352,486
(335)	–	(2,126)	–	–	(2,536)
–	–	–	–	(180)	(180)
–	–	–	–	–	(25)
(4,690)	(582)	(46)	(195)	(172)	(82,873)
759,721	79,815	49,267	33,917	211,758	6,053,958
163,254	18,837	43,206	22,885	33,976	591,144
48,885	1,207	638	2,645	9,180	179,270
–	–	–	–	–	5,000
–	–	(2,126)	–	–	(2,126)
–	–	–	–	(180)	(180)
–	–	–	–	–	24
(1,678)	(231)	(46)	(199)	(238)	(10,519)
210,461	19,813	41,672	25,331	42,738	762,613
549,260	60,002	7,595	8,586	169,020	5,291,345

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets (continued)

Group	Goodwill $'000	Dealer network and customer relationships $'000	Development expenditure $'000
Cost			
At 1 January 2021	842,502	181,689	631,010
Additions	–	–	84,898
Disposal of subsidiaries	(10,431)	(3,013)	(114)
Reclassification	–	–	–
Translation difference	15,584	(9,231)	2,793
At 31 December 2021	847,655	169,445	718,587
Accumulated amortisation and impairment losses			
At 1 January 2021	56,123	53,335	159,698
Amortisation for the year *	–	6,989	38,607
Impairment losses +	5,000	–	1,769
Disposal of subsidiaries	(10,431)	(2,962)	(104)
Reclassification	–	–	–
Translation difference	287	(1,403)	2,078
At 31 December 2021	50,979	55,959	202,048
Net book value			
At 31 December 2021	796,676	113,486	516,539

* Amortisation charge of $179,270,000 (2021: $83,893,000) is recognised in the income statement as part of:
- Other operating expenses of $42,790,000 (2021: $40,624,000); and
- Cost of sales of $136,480,000 (2021: $43,269,000)

\+ During the year, an impairment loss on goodwill of $5,000,000 (2021: $5,000,000) was recognised in other operating expenses in the income statement as the recoverable amount of a CGU (2021: one CGU) in the United States was determined to be lower than the carrying amount. The recoverable amount was determined based on the value-in-use method.

No impairment loss was recognised in cost of sales during the year. In the prior year, the Group assessed that certain development expenditure, licenses and commercial and intellectual property rights associated with servicing of certain type of commercial airplane were impaired as these intangible assets were not expected to be generating future economic benefits and impairment losses of $1,769,000 were recognised in cost of sales in the income statement.

	Commercial and intellectual property rights $'000	Brands $'000	Licenses $'000	Technology agreement $'000	Others $'000	Total $'000
	595,677	79,335	64,407	33,370	34,412	2,462,402
	1,440	–	–	–	30,397	116,735
	(164)	(523)	(4,972)	–	(742)	(19,959)
	10,193	–	(9,673)	–	–	520
	12,714	1,585	(3)	742	–	24,184
	619,860	80,397	49,759	34,112	64,067	2,583,882
	125,752	17,909	49,253	19,853	34,341	516,264
	33,829	1,183	334	2,576	375	83,893
	–	–	–	–	–	6,769
	(155)	(523)	(4,778)	–	(742)	(19,695)
	2,159	–	(1,639)	–	–	520
	1,669	268	36	456	2	3,393
	163,254	18,837	43,206	22,885	33,976	591,144
	456,606	61,560	6,553	11,227	30,091	1,992,738

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets (continued)

Recognition and measurement

(i) Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(ii) Other intangible assets

<table>
<tr><th>Class of intangible assets</th><th>Background</th><th>Valuation method</th><th>Useful lives</th></tr>
<tr><td>Dealer network and customer relationships</td><td>Includes customer relationships and networks acquired</td><td rowspan="5">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>1 to 25 years</td></tr>
<tr><td>Commercial and intellectual property rights</td><td>Relates to intellectual property</td><td>5 to 15 years</td></tr>
<tr><td>Brands</td><td>Includes brands of road construction equipment</td><td>20 to 70 years</td></tr>
<tr><td>Licenses</td><td>Relates to licenses to
- conduct commercial aviation activities
- purchase and lease Boeing parts
- develop MRO capabilities for specific aircraft types</td><td>3 to 38 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>
</table>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets (continued)

Recognition and measurement (continued)

(ii) Other intangible assets (continued)

Class of intangible assets	Background	Valuation method	Useful lives
Development expenditure	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.	(i) Initially recognised at cost (ii) Subsequently, carried at cost less any accumulated amortisation and accumulated impairment losses	PTF: 8 to 41 years Others: 1 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets (continued)

Key estimates and judgement: Recognition and measurement of intangible assets

Key assumptions used in estimating the recoverable amount, useful life of an intangible asset (reassessed at each reporting date) requires management's judgement.

Aggregate carrying amounts of goodwill allocated to each CGU within the business segments and the key assumptions used in determining the recoverable amount of each CGU are as follows:

			Pre-tax discount rate		Terminal growth rate	
Group	2022 $'000	2021 $'000	2022 %	2021 %	2022 %	2021 %
Commercial Aerospace						
Aerostructure & Systems	**59,682**	61,395	**10.0 – 11.0**	7.0 – 8.8	**1.6 – 3.0**	1.0 – 1.6
Aerospace MRO	**16,910**	16,995	**11.5**	9.1	**4.0**	1.5
Urban Solutions & Satcom						
Smart Utilities & Infrastructure	**74,732**	75,195	**12.1**	10.4	**3.0**	3.0
Mobility (Rail & Road)	**2,305,641**	–	**8.9**	–	**4.0**	–
Satcom	**431,882**	434,355	**11.8**	8.9	**3.0**	3.0
Defence & Public Security						
Specialty Vehicles	**102,602**	108,269	**14.7 – 17.6**	10.7 – 15.5	**2.3**	2.3
Robotics & Autonomous Systems	**35,169**	35,370	**12.0 – 13.5**	10.6 – 11.4	**2.3 – 2.5**	2.5
Mission Software & Services	**12,320**	12,320	**9.0**	7.5	**2.0**	2.0
Training & Simulation Systems	**15,295**	15,382	**18.8**	13.5	**3.0**	3.0
Advanced Networks & Sensors	**36,420**	36,619	**11.4**	9.7	**4.0**	3.0
Defence Aerospace	**701**	776	**NA**	NA	**NA**	NA
	3,091,354	796,676				

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C3 Intangible assets (continued)

Recognition and measurement

The recoverable amounts of the CGUs are determined based on value-in-use calculations, using cash flow projections derived from the financial budgets approved by management for the next five to ten years. The key assumptions used in the calculation of recoverable amounts are as follows:

- The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.
- The long-term terminal growth rate has been determined based on either the nominal GDP rates for the country in which the CGU is based or the long-term growth rate estimated by management by reference to forecasts included in industry reports and expected market development.
- The revenue growth rate and gross profit margins are determined based on the past performance and its expectations of market developments.

Sensitivity to changes in assumptions:

(a) Management has identified the following key assumption for which a change as set out below could cause the carrying amount to exceed the recoverable amount.

Business Segment	Assumption	Change required for carrying amount to equal the recoverable amount 2022 %	2021 %
Defence & Public Security	Revenue growth rate (average of next 5 years)	**2.4**	2.7

(b) No sensitivity analysis was disclosed for the remaining CGUs as the Group believes that any reasonable possible change in the key assumptions is unlikely to result in any material impairment to the CGUs.

Key estimates and judgement: Impairment of goodwill

Determination of potential impairment requires an estimation of the recoverable amount of the CGUs to which goodwill are allocated. Key assumptions made to the projected cash flows requiring judgement include growth rate estimates and discount rates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C4 Amounts due from related parties

Group	2022 $'000	2021 $'000
Trade:		
Associates	**5,540**	7,514
Joint ventures	**19,096**	22,293
Related parties	**23,215**	25,464
	47,851	55,271
Non-trade*:		
Associates	**7,500**	7,318
Joint ventures	**115,617**	62,755
Related parties	**109**	108
	123,226	70,181
Allowance for doubtful debts	**(988)**	–
	170,089	125,452
Receivable:		
Within 1 year	**135,089**	113,843
After 1 year	**35,000**	11,609
	170,089	125,452

Amounts due from related parties denominated in currencies other than the respective entities' functional currencies as at 31 December are $90,888,000 (2021: $62,985,000) denominated in USD.

* Included in non-trade are:

(a) a long term, unsecured, interest free loan of $4,456,000 (2021: $4,256,000) to an associate;

(b) a long term, unsecured, 6% (2021: 6%) per annum interest bearing loan of $2,866,000 (2021: $3,062,000) to an associate, repayable in 2025; and

(c) loans of $112,990,000 (2021: $61,034,000) to joint ventures, bearing interest ranging from 3.15% to 6.38% (2021: 0.71% to 6.38%) per annum, which are the effective interest rates. The loans are unsecured and repayable from 2023 to 2029 (2021: 2022 to 2029).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C5 Inventories

Group	2022 $'000	2021 $'000
Inventories of equipment and spares	**1,684,231**	1,261,156

In 2022, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to $3,731,108,000 (2021: $3,040,874,000).

Allowances for inventory obsolescence

As at 31 December 2022, the inventories are stated after allowance for inventory obsolescence of $346,388,000 (2021: $359,381,000).

Recognition and measurement

Inventories are measured at the lower of cost and net realisable value. Cost (comprising direct labour, material costs, direct expenses and an appropriate allocation of production overheads) is calculated on a first-in, first-out basis or weighted average cost basis depending on the nature and pattern of use of the inventories.

Cost may also include transfers from equity on qualifying cash flow hedges of foreign currency purchases of inventories. Allowance is made for deteriorated, damaged, obsolete and slow-moving inventories.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs to sell.

Estimates and judgement: Allowance for inventory obsolescence

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. The actual amount of inventory write-offs could be higher or lower than the allowance made.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C6 Trade receivables

Group	2022 $'000	2021 $'000
Gross receivables	**1,198,070**	1,125,418
Allowance for doubtful debts	**(45,742)**	(58,662)
Trade receivables, net	**1,152,328**	1,066,756

Trade receivables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $202,097,000 (2021: $213,370,000) denominated in USD
- $27,689,000 (2021: $29,248,000) denominated in EUR

C7 Advances and other receivables

Group	2022 $'000	2021 $'000
Deposits	**25,534**	12,311
Interest receivables	**2,350**	22
Finance lease receivables	**12,148**	14,115
Other recoverables	**94,256**	81,826
Non-trade receivables	**5,471**	44,268
Advance payments to suppliers	**200,405**	167,941
Prepayments	**153,785**	82,919
Housing and car loans and advances to staff	**7,818**	11,602
	501,767	415,004
Receivable:		
Within 1 year	**420,722**	345,141
After 1 year	**81,045**	69,863
	501,767	415,004

The Group entered into finance lease arrangements with customers with terms ranging from 5.3 years to 7.1 years (2021: 1.0 year to 7.1 years) and effective interest rates ranging from 0.97% to 2.29% (2021: 0.56% to 2.74%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C8 Bank balances and other liquid funds

Group	2022 $'000	2021 $'000
Fixed deposits with financial institutions	**30,323**	123,293
Cash and bank balances	**571,448**	692,631
Bank balances and other liquid funds	**601,771**	815,924
Deposits pledged	**(22)**	–
Cash and cash equivalents in the statement of cash flows	**601,749**	815,924

Fixed deposits with financial institutions mature at varying periods within 12 months (2021: 7 months) from the financial year-end. Interest rates range from 0.4% to 4.1% (2021: 0.1% to 1.9%) per annum, which are also the effective interest rates.

Included in cash and cash equivalents are bank deposits amounting to $29,752,000 (2021: $26,010,000) which are not freely remissible for use by the Group because of currency exchange restrictions.

Cash and cash equivalents denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $111,298,000 (2021: $132,843,000) denominated in USD
- $27,023,000 (2021: $34,251,000) denominated in EUR

C9 Trade payables and accruals

Group	2022 $'000	2021 $'000
Trade payables	**1,035,615**	914,757
Non-trade payables	**135,817**	109,861
Purchase of property, plant and equipment	**19,001**	8,341
Accrued operating expenses *	**1,690,383**	1,638,504
Accrued interest payable	**18,394**	4,534
	2,899,210	2,675,997
Payable:		
Within 1 year	**2,826,498**	2,612,515
After 1 year	**72,712**	63,482
	2,899,210	2,675,997

Trade payables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $151,176,000 (2021: $130,687,000) denominated in USD
- $41,736,000 (2021: $44,592,000) denominated in EUR

* Included in the accrued operating expenses is an amount of $303,340,000 (2021: $288,424,000) for the Group's obligations under its employee compensation schemes.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C10 Amounts due to related parties

Group	2022 $'000	2021 $'000
Trade:		
Associates	**19,489**	18,621
Joint ventures	**821**	754
Related parties	**2,834**	1,242
	23,144	20,617
Non-trade:		
Joint ventures *	**18,422**	7,151
Related parties	**321**	13
	18,743	7,164
	41,887	27,781
Payable:		
Within 1 year	**41,887**	27,781

There were no significant amounts due to related parties denominated in currencies other than the respective entities' functional currencies as at 31 December 2022 and 31 December 2021.

* Included in the amounts due to joint ventures (non-trade) is an amount of $18,250,000 (2021: $7,121,000) placed by joint ventures with a subsidiary of the Group under a cash pooling arrangement, where the effective interest rates ranging from 1.3% to 4.0% per annum (2021: 0%) is charged on the outstanding balance.

C11 Provisions

Movements in provisions are as follows:

Group	Warranties $'000	Onerous contracts $'000	Closure costs $'000	Restoration costs $'000	Total $'000
2022					
At 1 January 2022	**197,227**	**124,537**	**977**	**48,692**	**371,433**
Charged to profit or loss	**36,937**	**142,896**	**–**	**1,265**	**181,098**
Acquisition of subsidiaries	**84**	**–**	**–**	**–**	**84**
Additions	**–**	**–**	**–**	**170**	**170**
Utilised	**(29,386)**	**(62,899)**	**(14)**	**(2,629)**	**(94,928)**
Disposal of subsidiaries	**(12,050)**	**(102,444)**	**–**	**(164)**	**(114,658)**
Translation difference	**(1,965)**	**(4,062)**	**–**	**(26)**	**(6,053)**
At 31 December 2022	**190,847**	**98,028**	**963**	**47,308**	**337,146**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C11 Provisions (continued)

Group	Warranties $'000	Onerous contracts $'000	Closure costs $'000	Restoration costs $'000	Total $'000
2021					
At 1 January 2021	181,741	118,695	1,033	35,090	336,559
Charged/(write-back) to profit or loss	46,865	85,490	–	(109)	132,246
Additions	–	–	–	14,208	14,208
Utilised	(31,375)	(81,353)	(56)	(530)	(113,314)
Disposal of subsidiaries	(13)	–	–	–	(13)
Translation difference	9	1,705	–	33	1,747
At 31 December 2021	197,227	124,537	977	48,692	371,433

Group	2022 $'000	2021 $'000
Provision:		
Within 1 year	**298,624**	331,837
After 1 year	**38,522**	39,596
	337,146	371,433

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 0.5 year to 10 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 2022 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C11 Provisions (continued)

Recognition and measurement (continued)

(iii) Closure costs

Provision for closure costs is made in respect of the expected costs that the Group will undertake between the cessation of certain operations of the Group to the completion of their liquidation.

(iv) Restoration costs

Provision for restoration costs is made for dismantlement, removal or restoration costs expected to be incurred on expiry of lease agreements.

Estimates and judgement: Provision for warranty

The provision for warranty is based on estimates from known and expected warranty work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

Estimates and judgement: Provision for onerous contracts

The Group conducts a critical review of all its long-term contracts regularly. Allowance is made where necessary to account for onerous contracts and judgement is used to estimate the total cost to complete.

C12 Deferred income

Group	2022 $'000	2021 $'000
Government grants	**25,507**	81,209
Deferred rents	**5,670**	338
	31,177	81,547
Recognise:		
Within 1 year	**13,589**	7,665
After 1 year	**17,588**	73,882
	31,177	81,547

Government grants relate mainly to grants received to subsidise the cost of capital assets. In the prior year, the government grant included deferred grant recognised under the Jobs Support Scheme (JSS) and other government support for employee related expenses. The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises to retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C13 Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

Group	2022 $'000	2021 $'000	2020 $'000
Contract assets	**2,099,676**	1,726,505	1,555,781
Contract liabilities	**(1,817,927)**	(1,752,278)	(1,786,235)

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (included in trade receivables), unbilled receivables (contract assets), and customer advances (contract liabilities) on the statement of financial position.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. If the value of services rendered exceeds payments received from the customer, a contract asset is recognised and presented separately. Costs to fulfil are recognised in profit and loss when the related revenue is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Contract assets include costs to fulfil of $776,425,000 (2021: $693,698,000). Costs to fulfil of $1,474,279,000 (2021: $1,340,917,000) were recognised in profit and loss during the year.

The contract liabilities primarily relate to advance consideration received from customers for contract revenue. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and presented separately.

These assets and liabilities are reported on the statement of financial position on a contract by contract basis at each reporting date.

The contract assets balance increased as the Group provided more services and transferred more goods ahead of the agreed payment schedules.

The contract liabilities increased due to more consideration received by the Group ahead of the provision of services and goods.

Revenue recognised in relation to contract liabilities

Group	2022 $'000	2021 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**415,403**	502,033

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C13 Contract balances (continued)

Transaction price allocated to the remaining performance obligations

The aggregate amount of transaction price allocated to the remaining performance obligations as at 31 December 2022 is $22,970,537,000 and the Group expects to recognise $7,155,751,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2023 with the remaining $15,814,786,000 in 2024 and beyond.

As at 31 December 2021, the aggregate amount of transaction price allocated to the remaining performance obligations was $19,330,917,000 and the Group expected to recognise $6,590,168,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2022 with the remaining $12,740,749,000 in 2023 and beyond.

Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amount presented above.

Estimates and judgement: Contract balances

Judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

C14 Financial risk management objectives and policies

The Group has exposure to the following financial risks arising from its operations and the use of financial instruments:

- Interest rate
- Foreign exchange
- Market
- Liquidity
- Credit

The Group's principal financial instruments, other than foreign exchange contracts and derivatives, comprise bank guarantees, performance bonds and bank loans, finance leases and hire purchase contracts, investments, cash and short-term deposits.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C14 Financial risk management objectives and policies (continued)

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	2022 $'000	2021 $'000
Fixed rate instruments		
Financial assets	**162,783**	205,760
Financial liabilities	**(3,608,264)**	(1,811,411)
	(3,445,481)	(1,605,651)
Variable rate instruments		
Financial liabilities	**(2,944,523)**	(310,930)
	(2,944,523)	(310,930)

The Group has cash balances placed with reputable banks and financial institutions. The Group manages its interest rate risk on its interest income by placing the cash balances in varying maturities and interest rate terms with due consideration to operating cash flow requirements and optimising yield.

The Group's debts include bank loans, Medium Term Notes (MTN), commercial papers and lease liabilities (2021: bank loans, Medium Term Notes (MTN), commercial papers and lease liabilities). The Group seeks to minimise its interest rate risk exposure through tapping different sources of funds to refinance the debt instruments and/or enter into interest rate swaps.

An increase/decrease of 50 basis points in interest rate, with all other variables being held constant, would lead to a reduction/increase of the Group's profit or loss by approximately $14.7 million (2021: $1.6 million).

The Group's policy is to maintain at least 50% of its borrowings at fixed rate, using floating-to-fixed interest rate swaps to achieve this when necessary. During 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in USD.

Except bank loans of $nil (2021: $132.4 million), other variable interest rates borrowings were not referenced to inter-bank offered rates (IBORs) that will be affected by the IBOR reforms.

Included in the variable rate borrowings is a USCP of $2.7 billion (2021: $350.9 million) whose interest rate on each rollover correlates with 3-month LIBOR. To hedge the variability of the cash flows of the USCP, the Group has entered into a 5-year interest rate swap of notional amount of $161.3 million as at 31 December 2022 (2021: $179.1 million) with key terms that match part of the outstanding USCP on which it pays a fixed rate and receives a variable rate.

The Group issued US$700 million of 5-year bonds and US$300 million of 10-year bonds in May 2022 to refinance part of the short term debt that was taken up to fund the acquisition of TransCore Partners, LLC and TLP Holdings, LLC (collectively, "TransCore"). The Group entered into US$1 billion of 10-year treasury locks in 4Q 2021 to lock in the U.S. Treasury forward yield in order to mitigate the volatility in the U.S. Treasury yield on the Group's expected bond issuance. Upon bond issuance, the treasury locks were settled for gains of US$91.4 million. US$59.4 million of the settlement gains were allocated to reduce interest expense on the bonds issued, while the remaining US$32 million of settlement gains are to be amortised against the next bond issuance.

The Group's borrowings and receivables are carried at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C14 Financial risk management objectives and policies (continued)

Interest rate risk (continued)

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan;
- differences in critical terms between the interest rate swaps and loans; and
- the effects of the forthcoming reforms to LIBOR, because these might take effect at a different time and have a different impact on the hedged item (the floating-rate debt) and the hedging instrument (the interest rate swap used to hedge the debt).

No ineffectiveness has been recognised in relation to the interest rate swaps in finance income or finance costs in profit or loss for 2022 (2021: profit or loss).

Information relating to the Group's interest rate risk exposure is also disclosed in the notes on the Group's borrowings, investments and loans receivable, where applicable.

Foreign exchange risk

The Group is exposed to foreign exchange risk from its global operations and revenues, costs and borrowings denominated in a currency other than the respective entities' functional currencies. The Group's foreign exchange exposures are primarily from USD and EUR, and manages its exposure through forward currency contracts and embedded derivatives.

The Group's centralised Treasury Unit monitors the current and projected foreign currency cash flows within the Group and aims to reduce the exposure of the net position by transacting with the banks where appropriate.

No foreign exchange sensitivity analysis was disclosed as a reasonable change in the exchange rates would not result in any significant impact on the Group's results.

Market risk

The Group has strategic investments in unquoted equity shares. The market value of these investments will fluctuate with market conditions.

No sensitivity analysis was disclosed as a reasonable change in the market value of these investments would not result in any significant impact on the Group's results.

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. Notwithstanding the net current liabilities position in the current year, the Group has available financial resources, including committed lines of credit, to meet its obligations as and when they fall due. The Group has very strong credit ratings (Aaa by Moody's and AA+ by Standard & Poor's) which provide it ready access to additional borrowings as necessary.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C14 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table below analyses the maturity profile of the Group's financial liabilities based on the contractual undiscounted cash flows including estimated interest payments and excluding impact of netting arrangements.

Group	Contractual cash flow $'000	Within 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000
2022				
Bank loans	**(976,908)**	**(586,721)**	**(244,622)**	**(145,565)**
Commercial papers	**(2,702,583)**	**(2,702,583)**	**–**	**–**
Medium term notes	**(2,584,992)**	**(52,394)**	**(2,084,571)**	**(448,027)**
Lease liabilities	**(679,142)**	**(72,789)**	**(223,322)**	**(383,031)**
Trade and other payables	**(2,941,097)**	**(2,868,385)**	**(25,297)**	**(47,415)**
Derivative financial instruments:				
• Gross-settled forward currency contracts				
- payments	**(1,978,722)**	**(1,338,221)**	**(640,501)**	**–**
- receipts	**1,970,734**	**1,327,566**	**643,168**	**–**
• Net-settled interest rate swaps	**5,657**	**5,579**	**(104)**	**182**
Financial guarantees	**(9,480)**	**(3,210)**	**(6,270)**	**–**
2021				
Bank loans	(214,359)	(144,451)	(42,039)	(27,869)
Commercial papers	(351,416)	(351,416)	–	–
Medium term notes	(1,064,274)	(15,206)	(1,049,068)	–
Lease liabilities	(702,271)	(69,088)	(205,184)	(427,999)
Trade and other payables	(2,703,778)	(2,640,296)	(26,248)	(37,234)
Derivative financial instruments:				
• Gross-settled forward currency contracts				
- payments	(1,646,898)	(1,120,991)	(525,907)	–
- receipts	1,637,833	1,127,732	510,101	–
• Net-settled interest rate swaps	(5,835)	(3,732)	(2,103)	–
• Treasury lock	216	216	–	–
Financial guarantees	(12,656)	(1,661)	(10,995)	–

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C14 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Recognition and measurement

Financial guarantees are financial instruments issued by the Group to joint ventures that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Credit risk

Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Company or its subsidiaries obtain collaterals from customers or arrange master netting agreements. Cash terms, advance payments, and letters of credit or bank guarantees are required for customers of lower credit standing.

The carrying amounts of financial assets and contract assets represent the Group's maximum exposures to credit risk, before taking into account any collateral held.

Group	2022 $'000	2021 $'000
Investments	**76,704**	36,129
Derivative financial instruments	**50,359**	31,389
Contract assets	**2,099,676**	1,726,505
Trade receivables	**1,163,491**	1,068,290
Amounts due from related parties	**170,089**	125,452
Advances and other receivables	**147,577**	164,144
Bank balances and other liquid funds	**601,771**	815,924
	4,309,667	3,967,833

(Reversal of impairment)/impairment losses on financial assets and contract assets recognised in profit or loss are as follows:

Group	2022 $'000	2021 $'000
Trade receivables	**(5,646)**	9,863
Contract balances arising from contracts with customers	**1,716**	19,965
	(3,930)	29,828

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C14 Financial risk management objectives and policies (continued)

Exposure to credit risk

As at 31 December 2022, 18% (2021: 20%) 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 2022 $'000	Carrying amount 2021 $'000
Commercial Aerospace	**785,325**	625,110
Urban Solutions & Satcom	**1,118,256**	853,762
Defence & Public Security	**1,359,586**	1,315,923
	3,263,167	2,794,795

A summary of the Group's exposures to credit risk for trade receivables and contract assets is as follows:

Group	2022		2021		2020	
	Not credit impaired $'000	Credit impaired $'000	Not credit impaired $'000	Credit impaired $'000	Not credit impaired $'000	Credit impaired $'000
Receivables measured at lifetime ECL:						
Trade receivables and contract assets	**3,263,167**	**70,751**	2,794,795	82,811	2,605,149	104,648
Loss allowance	**–**	**(70,751)**	–	(82,811)	–	(104,648)
Total	**3,263,167**	**–**	2,794,795	–	2,605,149	–

Expected credit loss assessment

Trade receivables and contract assets

For specific trade receivables and contract assets identified by the Group to be credit impaired, the Group recognised a loss allowance equal to lifetime expected credit loss (ECL). Hence, the recoverability of these balances are assessed separately from the allowance matrix.

For the remaining trade receivables and contract assets, the Group uses an allowance matrix to measure the ECL of trade receivables and contract assets from its customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the common credit risk characteristics.

In calculating the ECL rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. Based on this assessment, the Group has concluded that the ECLs from these trade receivables and contract assets are immaterial.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C14 Financial risk management objectives and policies (continued)

Expected credit loss assessment (continued)

The table below shows the aging and loss allowance analysis of the Group's trade receivables as at 31 December 2022 and 2021:

2022	Not past due $'000	1 – 90 days $'000	91 – 180 days $'000	181 – 360 days $'000	> 360 days $'000	Total $'000
Commercial Aerospace						
Trade receivables and contract assets	745,344	49,653	13,038	751	5,942	814,728
Loss allowance	(18,347)	(2,796)	(1,827)	(491)	(5,942)	(29,403)
Urban Solutions & Satcom						
Trade receivables and contract assets	1,040,526	57,635	15,671	10,597	15,576	1,140,005
Loss allowance	(2,634)	(1,339)	(2,784)	(1,961)	(13,031)	(21,749)
Defence & Public Security						
Trade receivables and contract assets	1,297,368	65,279	6,997	3,093	6,448	1,379,185
Loss allowance	(12,524)	(510)	(129)	(59)	(6,377)	(19,599)

2021	Not past due $'000	1 – 90 days $'000	91 – 180 days $'000	181 – 360 days $'000	> 360 days $'000	Total $'000
Commercial Aerospace						
Trade receivables and contract assets	586,345	49,879	9,341	9,863	16,600	672,028
Loss allowance	(19,377)	(370)	(4,906)	(7,190)	(15,075)	(46,918)
Urban Solutions & Satcom						
Trade receivables and contract assets	810,782	37,700	5,312	7,737	9,406	870,937
Loss allowance	(3,104)	(1,273)	(878)	(2,791)	(9,129)	(17,175)
Defence & Public Security						
Trade receivables and contract assets	1,227,112	76,222	8,659	11,083	11,565	1,334,641
Loss allowance	(11,588)	(122)	(694)	(215)	(6,099)	(18,718)

C14 Financial risk management objectives and policies (continued)

Expected credit loss assessment (continued)

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year were as follows:

Group	Lifetime ECL 2022 $'000	Lifetime ECL 2021 $'000
At 1 January	**82,811**	104,648
(Reversal of)/impairment loss recognised	**(3,930)**	29,828
Amounts written off	**(5,942)**	(52,777)
Acquisition of subsidiaries	**273**	–
Disposal of subsidiaries	**–**	(13)
Translation difference	**(2,461)**	1,125
At 31 December	**70,751**	82,811

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C14 Financial risk management objectives and policies (continued)

Expected credit loss assessment (continued)

Recognition and measurement

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost, contract assets (as defined in SFRS(I) 15), and debt investments at FVOCI, but not for equity investments.

Loss allowances of the Group are measured using either the simplified or general approach.

The Group applies the simplified approach to provide for ECLs for all trade receivables (including lease receivables) and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track record, current macroeconomics situation as well as general industry trend.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or payment remains outstanding for more than a reasonable range of past due days;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

C14 Financial risk management objectives and policies (continued)

Expected credit loss assessment (continued)

Recognition and measurement (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Estimates and judgement: Impairment of financial assets and contract assets

Impairment of financial assets and contract assets are estimated based on historical loss experience for assets with similar credit risk characteristics. The estimated ECL is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C15 Classification and fair value of financial instruments

Group	Carrying amount Amortised cost $'000	FVTPL $'000	Fair value – hedging instruments $'000
2022			
Financial assets measured at fair value			
Investments	–	42,718	–
Associates	–	15,460	–
Derivative financial instruments	–	16,437	33,922
	–	74,615	33,922
Financial assets at amortised cost			
Trade receivables	1,163,491	–	–
Amounts due from related parties	170,089	–	–
Advances and other receivables	147,577	–	–
Bank balances and other liquid funds	601,771	–	–
	2,082,928	–	–
Financial liabilities measured at fair value			
Derivative financial instruments	–	(12,839)	(44,584)
Financial liabilities at amortised cost			
Trade payables and accruals	–	–	–
Amounts due to related parties	–	–	–
Borrowings	–	–	–
	–	–	–

Carrying amount			Fair value			
FVOCI – equity instruments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
33,986	–	76,704	26,273	–	50,431	76,704
–	–	15,460	–	–	15,460	15,460
–	–	50,359	–	50,359	–	50,359
33,986	–	142,523	26,273	50,359	65,891	142,523
–	–	1,163,491				
–	–	170,089				
–	–	147,577				
–	–	601,771				
–	–	2,082,928				
–	–	(57,423)	–	(57,423)	–	(57,423)
–	(2,899,210)	(2,899,210)				
–	(41,887)	(41,887)				
–	(6,534,537)	(6,534,537)				
–	(9,475,634)	(9,475,634)				

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C15 Classification and fair value of financial instruments (continued)

Group	Carrying amount		
	Amortised cost $'000	FVTPL $'000	Fair value – hedging instruments $'000
		(restated)	
2021			
Financial assets measured at fair value			
Investments	–	15,180	–
Associates	–	34,215	–
Derivative financial instruments	–	20,240	11,149
	–	69,635	11,149
Financial assets at amortised cost			
Trade receivables	1,068,290	–	–
Amounts due from related parties	125,452	–	–
Advances and other receivables	164,144	–	–
Bank balances and other liquid funds	815,924	–	–
	2,173,810	–	–
Financial liabilities measured at fair value			
Derivative financial instruments	–	(15,266)	(37,862)
Financial liabilities at amortised cost			
Trade payables and accruals	–	–	–
Amounts due to related parties	–	–	–
Borrowings	–	–	–
	–	–	–

Carrying amount			Fair value			
FVOCI – equity instruments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
(restated)						
20,949	–	36,129	–	–	36,129	36,129
–	–	34,215	–	–	34,215	34,215
–	–	31,389	–	31,389	–	31,389
20,949	–	101,733	–	31,389	70,344	101,733
–	–	1,068,290				
–	–	125,452				
–	–	164,144				
–	–	815,924				
–	–	2,173,810				
–	–	(53,128)	–	(53,128)	–	(53,128)
–	(2,675,997)	(2,675,997)				
–	(27,781)	(27,781)				
–	(2,115,220)	(2,115,220)				
–	(4,818,998)	(4,818,998)				

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C15 Classification and fair value of financial instruments (continued)

Movements in Level 1 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on quoted price (Level 1).

Group	2022 $'000	2021 $'000
Equity instruments (quoted), at FVTPL		
At 1 January	–	–
Transfer from equity instruments (unquoted), at FVTPL	9,461	–
Total unrealised gains recognised in profit or loss, other income, net	17,313	–
Translation difference	(501)	–
At 31 December	26,273	–

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	2022 $'000	2021 $'000 (restated)
Associates		
At 1 January	34,215	20,858
Addition during the year	750	2,203
Disposal during the year	(20,976)	–
Total unrealised gains recognised in profit or loss, other income, net	1,471	11,154
At 31 December	15,460	34,215
Equity instruments (unquoted), at FVTPL		
At 1 January	15,180	9,255
Transfer to equity instruments (quoted), at FVTPL	(9,461)	–
Addition during the year	12,701	5,719
Total unrealised (losses)/gains recognised in profit or loss, other income, net	(1,975)	206
At 31 December	16,445	15,180
Equity instruments (unquoted), at FVOCI		
At 1 January	20,949	13,883
Addition during the year	15,994	7,066
Changes in fair value of investments	(2,957)	–
At 31 December	33,986	20,949
	65,891	70,344

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C15 Classification and fair value of financial instruments (continued)

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.
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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C15 Classification and fair value of financial instruments (continued)

Recognition and measurement (continued)

(a) **Non-derivative financial assets and liabilities** (continued)

Classification and subsequent measurement (continued)

Financial assets	Classification	Subsequent measurement
FVTPL*	All other financial assets are classified as measured at FVTPL. Financial assets that are held-for-trading or are managed, and whose performance is evaluated on a fair value basis, are measured at FVTPL. * *On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.*	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model and how those risks are managed;
- How managers of the portfolio are compensated; and
- The frequency, volume and timing of disposals in prior periods, the reasons for such disposals and its expectations about future activity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C15 Classification and fair value of financial instruments (continued)

Recognition and measurement (continued)

(a) **Non-derivative financial assets and liabilities** (continued)

Classification and subsequent measurement (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest

For assessment purposes, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers contingent events, leverage features, modifications of the time value of money and other limiting terms in the contractual terms of the instrument, which change the timing or amount of contractual cash flows such that the cash flows of the instrument would not be reflective of solely payments of principal and interest.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing those financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C15 Classification and fair value of financial instruments (continued)

Recognition and measurement (continued)

(b) **Fair value**

The Group has an established approach with respect to the measurement of fair values.

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table shows the levels of fair value hierarchy and the respective valuation technique used in measuring the fair values, as well as significant unobservable inputs:

	Types of financial instruments	Valuation method
Level 1	**FVOCI** - Equity investments (quoted)	Determined by reference to their quoted bid prices for these investments as at reporting date.
	FVTPL - 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 - Equity investments (unquoted)	Determined by reference to the most recent purchase price.
Level 3	**FVOCI** - Equity investment (unquoted)	Determined based on latest funding round.
	FVTPL - Investment in associates - Equity investments (unquoted)	Determined based on valuation performed using adjusted market multiples. Changing one or more of the inputs to reasonable alternative assumptions is not expected to have a material impact on the changes in fair value.

C15 Classification and fair value of financial instruments (continued)

Recognition and measurement (continued)

(b) **Fair value** (continued)

Measurement of fair values

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I)s, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. In 2021, there were no transfers between the different levels of fair value hierarchy. In 2022, other than transfers from Level 3 to Level 1, there were no other transfers between the different levels of fair value hierarchy.

The following methods and assumptions are used to estimate the fair value of other classes of financial instruments:

Types of financial instruments	Valuation method
Bank balances, other liquid funds and short-term receivables 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C16 Derivative financial instruments

Cash flow hedges

At 31 December 2022, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

Group	Within 1 year	Between 1 to 5 years	More than 5 years
2022			
Foreign currency risk			
Nominal amount of forward exchange contracts (in thousands of SGD)	**889,047**	**486,684**	**–**
- Average EUR : USD forward contract rate	**1.1444**	**1.0954**	**–**
- Average USD : SGD forward contract rate	**1.3820**	**1.3476**	**–**
- Average EUR : SGD forward contract rate	**1.4870**	**1.5779**	**–**
Nominal amount of embedded derivatives (in thousands of SGD)	**55,740**	**78,044**	**–**
- Average EUR : SGD	**1.6426**	**1.6638**	**–**
- Average USD : SGD	**1.3910**	**1.3932**	**–**
- Average GBP : SGD	**1.8240**	**1.8311**	**–**
Interest rate risk			
Nominal amount of interest rate swaps	**–**	**356,785**	**112,065**
- Average fixed interest rate	**–**	**2.9038**	**2.6455**
Nominal amount of treasury lock	**–**	**–**	**–**
- Average fixed interest rate	**–**	**–**	**–**
2021			
Foreign currency risk			
Nominal amount of forward exchange contracts (in thousands of SGD)	664,271	307,274	–
- Average EUR : USD forward contract rate	1.1663	1.1932	–
- Average USD : SGD forward contract rate	1.3626	1.3672	–
- Average EUR : SGD forward contract rate	1.5702	1.5851	–
Nominal amount of embedded derivatives (in thousands of SGD)	167,455	101,890	–
- Average EUR : SGD	1.5987	1.6080	–
- Average USD : SGD	1.3490	1.3923	–
- Average GBP : SGD	1.8394	1.8268	–
Interest rate risk			
Nominal amount of interest rate swaps	–	179,087	–
- Average fixed interest rate	–	2.6722	–
Nominal amount of treasury lock	1,351,600	–	–
- Average fixed interest rate	1.6050	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C16 Derivative financial instruments (continued)

Cash flow hedges (continued)

The amounts at the reporting date relating to items designated as hedged items are as follows:

Group	Change in value used for calculating hedge ineffectiveness $'000	Cash flow hedge reserve $'000
2022		
Foreign currency risk		
Sales	**(18,343)**	**(4,526)**
Receivables	**–**	**(323)**
Purchases	**(6,181)**	**(3,668)**
Payables	**(155)**	**(314)**
Embedded derivatives	**(12,974)**	**(18,287)**
Interest rate risk		
Variable rate borrowings	**147,522**	**127,413**
2021		
Foreign currency risk		
Sales	(23,398)	(4,155)
Receivables	–	(323)
Purchases	1,252	(1,327)
Payables	(237)	228
Embedded derivatives	(3,677)	(5,313)
Interest rate risk		
Variable rate borrowings	6,860	(14,675)

There are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C16 Derivative financial instruments (continued)

Cash flow hedges (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness are as follows:

	2022			
Group	Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the statement of financial position where the hedging instrument is included
Foreign currency risk				
Forward exchange contracts	1,375,731	24,164	(40,478)	Derivative financial instruments, advances and other receivables and trade payables and accruals
Embedded derivatives	133,784	–	(8,911)	
Interest rate risk				
Interest rate swaps [(a)]	468,850	16,506	(2,951)	Derivative financial instruments
Treasury lock	–	–	–	

During the year 2022					
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
(24,679)	–	–	3,983	17,442	Revenue / Cost of sales / Operating expenses / Finance costs, net
(12,974)	–	–	–	–	–
147,738	–	–	–	(4)	Finance costs
(216)	–	–	–	2,764	Finance costs

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C16 Derivative financial instruments (continued)

Cash flow hedges (continued)

Group	2021 Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the statement of financial position where the hedging instrument is included
Foreign currency risk				
Forward exchange contracts	971,545	4,951	(17,839)	Derivative financial instruments, advances and other receivables and trade payables and accruals
Embedded derivatives	269,334	–	(5,186)	
Interest rate risk				
Interest rate swaps [a]	179,087	–	(5,385)	Derivative financial instruments
Treasury lock	1,351,600	4,774	(4,558)	

(a) The contractual notional amount of interest rate swaps held for hedging which is based on LIBOR is $161,268,000 (2021: $179,087,000).

During the year 2021					
Changes in the value of the hedging instrument recognised in OCI $'000	Hedge ineffectiveness recognised in profit or loss $'000	Line item in profit or loss that includes hedge ineffectiveness	Amount from hedging reserve transferred to cost of inventory $'000	Amount reclassified from hedging reserve to profit or loss $'000	Line item in profit or loss affected by the reclassification
(22,383)	2	Finance costs, net	(2,389)	(4,360)	Revenue / Cost of sales / Operating expenses / Finance costs, net
(3,677)	–	–	–	–	–
6,644	–	–	–	–	–
216	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C16 Derivative financial instruments (continued)

Cash flow hedges (continued)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

Group	Hedging reserve 2022 $'000	Hedging reserve 2021 $'000
Balance at 1 January	**(22,242)**	(7,572)
Change in fair value:		
Foreign currency risk	**(37,653)**	(26,060)
Interest rate risk	**147,522**	6,860
Equity accounted joint ventures	**2,321**	2,145
Amount reclassified to profit or loss:		
Foreign currency risk	**17,442**	(4,360)
Interest rate risk	**(5,434)**	2,781
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	**3,983**	(2,389)
Tax movements on reserves during the year	**594**	6,353
Balance at 31 December	**106,533**	(22,242)

Derivative financial instruments and hedge accounting

The derivative financial instruments are initially recognised at fair value on the date of which a derivative contract is entered into. Attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair values.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss.

Designation of hedges

At inception or upon reassessment of the hedge arrangement, the Group documents the relationship between hedging instrument and hedged item, and the methods that will be used to measure the effectiveness of the hedged relationship, as well as risk management policies and strategies in undertaking various hedged transactions.

The Group also documents its assessment, both at inception and on an ongoing basis, the economic relationship between hedging instruments and hedged item, including whether derivatives designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of the hedged item.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C16 Derivative financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

	Category	Subsequent measurement
(1)	**Cash flow hedges**	When a derivative is designated in a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income limited to the cumulative change in the fair value of the hedged item and presented in the fair value reserve. Any ineffective portion of changes in the fair value of the derivative (i.e. the extent to which changes in the fair value of the hedge instrument do not match the changes in fair value of the hedged item) is recognised immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income, and depending on the nature of the hedged item, will either be transferred to the profit or loss in the same period that the underlying transaction affects profit or loss or be capitalised in the initial carrying amount of the non-financial item. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the fair value reserve remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.
(2)	**Fair value hedges**	Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
(3)	**Net investment hedges**	The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation. When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

Estimates and judgement: Interest rate benchmark reform

Following the global financial crisis, the reform and replacement of benchmark interest rates such as USD LIBOR and other inter-bank offered rates (IBORs) has become a priority for global regulators.

To transition existing contracts and agreements that reference LIBOR to Secured Overnight Financing Rate (SOFR), adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

The Group's treasury function is managing the Group's LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced interest rate swap and the corresponding update of the hedge designation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

C16 Derivative financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Estimates and judgement: Interest rate benchmark reform (continued)

Relief applied

The Group has applied the following Phase 1 reliefs that were introduced by the amendments made to SFRS(I) 9 Financial Instruments:

- When considering the 'highly probable' requirement, the Group has assumed that the variable interest rate on which the Group's hedged debt is based does not change as a result of IBOR reform;
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group has assumed that the variable interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by the IBOR reform; and
- The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Assumptions made

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Group has made the following assumptions that no changes to the terms of the floating rate debt are anticipated to reflect its current expectations.

Phase 2 of the amendments requires that, for financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by IBOR reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. A similar practical expedient exists for lease liabilities.

These expedients are only applicable to changes that are required by IBOR reform, which is the case if, and only if, the change is necessary as a direct consequence of IBOR reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change.

For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform. If lease modifications are made in addition to those required by IBOR reform, the Group applies the relevant SFRS(I) 16 requirements to account for the entire lease modification, including those changes required by IBOR reform.

D. EMPLOYEE BENEFITS

The Group uses the following programs to reward and recognise employees and key executives, including key management personnel.

- Economic Value Added (EVA)-based Incentive Scheme
- Defined contribution plans
- Post-employment benefits
- Share plans

The Group believes that these programs reinforce the value of ownership and incentivise and drive performance both individually and collectively to maximise returns to the shareholders.

D1 Economic Value Added (EVA)-based Incentive Scheme

The Group adopts an incentive compensation plan, which is tied to the creation of EVA, as well as attainment of individual and Group performance goals for its key executives. An EVA bank is used to hold incentive compensation credited in any year.

Typically a portion of EVA-based bonus declared in the financial year is paid out in cash each year, with the balance being deferred for payment in the following years.

Estimates and judgement: EVA-based Incentive Scheme (EBIS)

Estimates of the Group's obligations arising from the EBIS at the reporting date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates. Negative EVA will result in a clawback of EVA bonus accumulated in previous years.

D2 Personnel expenses

Group	2022 $'000	2021 $'000
Wages and salaries*	**2,139,466**	1,670,620
Contributions to defined contribution plans	**192,220**	178,287
Defined benefit plan (income)/expenses	**(44,603)**	34,836
Share-based payments	**24,091**	21,122
Other personnel expenses	**299,700**	231,700
	2,610,874	2,136,565

* $2,200,000 (2021: $204,698,000) of COVID-19 related government grants were recognised during the year, including amount received under the Jobs Support Scheme and various government grants received by the Group's subsidiaries in the countries they operate in. These amounts were deducted in wages and salaries.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

D2 Personnel expenses (continued)

Recognition and measurement

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund and will have no legal or constructive obligation to pay further amounts. The Group's contributions to the defined contribution plans are recognised in the income statement as expenses in the financial year to which they relate.

D3 Post-employment benefits

Group	2022 $'000	2021 $'000
Net defined benefit asset	–	257
Total post-employment benefit asset	–	257
Net defined benefit liabilities	**206,393**	407,320
Liability for staff benefits	**8,316**	9,793
Total post-employment benefit liabilities	**214,709**	417,113
Non-current	**206,296**	409,473
Current	**8,413**	7,640
	214,709	417,113

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

D3 Post-employment benefits (continued)

Movement in net defined benefit liability/(asset)

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability/(asset) and its components.

Group	Defined benefit obligation 2022 $'000	Defined benefit obligation 2021 $'000	Fair value of plan assets 2022 $'000	Fair value of plan assets 2021 $'000	Net defined benefit liability/(asset) 2022 $'000	Net defined benefit liability/(asset) 2021 $'000
Balance at 1 January	**814,980**	822,428	**(407,917)**	(362,023)	**407,063**	460,405
Included in profit or loss						
Current service cost	**19,937**	25,555	**–**	–	**19,937**	25,555
Past service credit	**(72,656)**	–	**–**	–	**(72,656)**	–
Interest cost/(income)	**18,260**	17,014	**(11,517)**	(8,978)	**6,743**	8,036
Administrative expenses	**62**	293	**1,311**	952	**1,373**	1,245
	(34,397)	42,862	**(10,206)**	(8,026)	**(44,603)**	34,836
Included in OCI						
Remeasurement loss/(gain):						
● Actuarial loss/(gain) arising from:						
- demographic assumptions	**–**	1,952	**–**	–	**–**	1,952
- financial assumptions	**(212,833)**	(37,795)	**213**	(68)	**(212,620)**	(37,863)
- experience assumptions	**3,115**	11,925	**163**	(241)	**3,278**	11,684
● Return on plan assets excluding interest income	**–**	–	**76,850**	(33,641)	**76,850**	(33,641)
Effect of movements in exchange rates	**–**	51	**–**	–	**–**	51
	(209,718)	(23,867)	**77,226**	(33,950)	**(132,492)**	(57,817)
Others						
Contributions paid by the employer	**(7,670)**	(16,810)	**(4,347)**	(14,900)	**(12,017)**	(31,710)
Benefits paid	**(19,208)**	(8,772)	**19,167**	16,973	**(41)**	8,201
Translation difference	**(14,977)**	(861)	**3,460**	(5,991)	**(11,517)**	(6,852)
Balance at 31 December	**529,010**	814,980	**(322,617)**	(407,917)	**206,393**	407,063

The expenses are recognised in the following line items in profit or loss:

Group	2022 $'000	2021 $'000
Cost of sales	**19,609**	24,185
Administrative expenses	**4,491**	3,987
Other operating (income)/expenses	**(73,044)**	77
Finance cost, net	**4,341**	6,587
Defined benefit obligation (income)/expenses	**(44,603)**	34,836

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

D3 Post-employment benefits (continued)

Movement in net defined benefit liability/(asset) (continued)

The fair value of plan assets in each category are as follows:

Group	2022 $'000	2021 $'000
Equity securities	**100,675**	133,996
Government bonds	**167,158**	27,266
Corporate bonds	**–**	167,614
Derivatives	**267**	355
Cash/money markets	**–**	4,979
Property occupied by the Group	**37,519**	48,516
Funds managed by a trustee	**2,411**	2,514
Funds with insurance companies	**14,588**	22,677
Fair value of plan assets	**322,618**	407,917

All equity securities and government bonds have quoted prices in active markets. All government bonds have an average rating of A+.

In the case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

Defined benefit obligation

(a) **Actuarial assumptions**

The following relates to the actuarial assumptions of significant post-employment defined benefit plans for subsidiaries in Germany and United States of America. The remaining defined benefit plans are not material to the Group and additional disclosures are not shown at the reporting date.

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

Group	2022 %	2021 %
Discount rate	**4.2**	2.0
Future salary growth	**3.4**	3.2
Future pension growth	**2.4**	2.0

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

D3 Post-employment benefits (continued)

Defined benefit obligation (continued)

(a) **Actuarial assumptions** (continued)

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

Group	2022		2021	
	Germany	U.S.	Germany	U.S.
Longevity at age 65 for current pensioners:				
Males	**20.6**	**20.1**	20.5	20.0
Females	**24.0**	**22.1**	23.9	22.1
Longevity at age 65 for current members aged 45:				
Males	**23.4**	**21.6**	23.2	21.5
Females	**26.3**	**23.6**	26.1	23.5

At 31 December 2022, the weighted average duration of the defined benefit obligation was 20.0 years (2021: 24.4 years) for the subsidiaries in Germany and 10.8 years (2021: 13.9 years) for the subsidiary in United States of America.

(b) **Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Group	2022		2021	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Discount rate (0.5% movement)	**(29,516)**	**34,730**	(57,121)	70,520
Future salary growth (0.25% movement)	**105**	**(96)**	1,851	(1,621)
Future pension growth (0.25% movement)	**1,565**	**(1,512)**	2,283	(2,184)
Future mortality (10% movement)	**(9,356)**	**9,689**	(19,921)	24,401

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

D3 Post-employment benefits (continued)

(b) Sensitivity analysis (continued)

Recognition and measurement

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The fair value of any plan assets is deducted. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

D4 Share-based payment arrangements

PSP2010 and PSP2020 (PSP)

The PSP is established with the objective of motivating Senior Management Executives to strive for sustained long-term growth and performance in ST Engineering and its subsidiaries (ST Engineering Group or the Group). Awards of performance shares are granted conditional on performance targets set based on the ST Engineering Group corporate objectives.

The performance measures used in PSP grants are Absolute Total Shareholder Return (TSR) taking reference to the Group's Cost of Equity and Earnings Per Share (EPS) Growth against pre-determined targets. In addition to the PSP performance targets being met, final award for PSP is conditional upon satisfactory performance of the recipient.

RSP2010 and RSP2020 (RSP)

The RSP is established with the objective of motivating managers and above to strive for sustained long-term growth of ST Engineering Group. It also aims to foster a share ownership culture among employees within the ST Engineering Group and to better align employees' incentive scheme with shareholders' interest.

A minimum threshold performance is required for any shares to be released to the recipients at the end of the performance period. The shares will vest equally over a four-year performance period, subject to continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.

Movement in the number of shares under the PSP and RSP are as follows:

Group	2022		2021	
	PSP	RSP	PSP	RSP
Outstanding awards				
Balance at 1 January	**5,139,347**	**13,324,714**	5,546,244	13,262,039
Granted	**1,621,823**	**7,209,787**	935,496	6,918,603
Lapsed	**(1,546)**	**(800,133)**	(645,280)	(915,380)
Released	**(690,408)**	**(5,523,440)**	(697,113)	(5,940,548)
Balance at 31 December	**6,069,216**	**14,210,928**	5,139,347	13,324,714

These shares were awarded by reissuance of treasury shares.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

D4 Share-based payment arrangements (continued)

Singapore Technologies Engineering Performance Share Plan (PSP) and Singapore Technologies Engineering Restricted Share Plan (RSP)

Group	PSP Year of grant		RSP Year of grant	
	2022	2021	**2022**	2021
Volatility of the Company's shares (%)	**22.28**	22.78	**10.65 – 22.28**	15.14 – 26.67
Risk-free rate (%)	**1.72**	0.72	**1.14 – 1.84**	0.47 – 0.83
Share price ($)	**4.07**	3.86	**4.07**	3.86
Dividend yield	(–Management's forecast in line with dividend policy–)		(–Management's forecast in line with dividend policy–)	

The fair value of the performance and restricted shares is determined on grant date using the Monte Carlo simulation model.

During the current year, the Group met partially the pre-determined target performance level and hence, 690,408 performance shares were awarded in respect of the grant made in 2019 under PSP2010. In the prior year, 697,113 performance shares were awarded in respect of the grant made in 2018 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.

E. CAPITAL STRUCTURE AND FINANCING

This section provides information relating to the Group's capital structure and how they affect the Group's financial position and performance, and how the risks are managed.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy financial metrics in order to support its business and maximise shareholder value. Capital consists of total shareholders' funds and gross debts.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic and financial market conditions. The Group may adjust the dividend payout to shareholders, buy back or issue new shares to optimise capital structure within the Group.

E1 Capital management

The Group is currently in a net debt position and will continue to be guided by prudent financial policies of which gearing is an important aspect. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

Group	**2022 $'000**	**2021 $'000**
Gross debt		
Bank loans	**906,705**	206,766
Commercial papers	**2,698,657**	350,869
Medium term notes	**2,340,349**	1,010,704
Lease liabilities	**588,826**	546,881
	6,534,537	2,115,220

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E1 Capital management (continued)

Group	2022 $'000	2021 $'000
Shareholders' funds		
Share capital	**895,926**	895,926
Treasury shares	**(36,377)**	(33,475)
Capital and other reserves	**65,631**	2,003
Retained earnings	**1,472,816**	1,548,308
	2,397,996	2,412,762
Non-controlling interests	**254,858**	255,453
	2,652,854	2,668,215
Gross debt/equity ratio	**2.5**	0.8
Gross debt	**6,534,537**	2,115,220
Less: cash and cash equivalents	**(601,749)**	(815,924)
Net debt*	**5,932,788**	1,299,296

* Net debt refers to gross debt less cash and cash equivalents

E2 Finance costs, net

Group	2022 $'000	2021 $'000
Finance income		
Interest income		
- bank deposits	**4,689**	1,024
- staff loans	**3**	4
- finance lease	**495**	451
- others	**4,084**	2,457
Exchange gain, net	**–**	4,388
Fair value changes of financial instruments		
- gain on forward currency contract designated as hedging instrument	**–**	2,861
- gain on forward currency contract not designated as hedging instrument	**1,932**	501
	11,203	11,686

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E2 Finance costs, net (continued)

Group	2022 $'000	2021 $'000
Finance costs		
Interest expense		
- bank loans and overdrafts	**(20,896)**	(6,584)
- medium term notes and commercial papers	**(94,418)**	(18,669)
- lease liabilities	**(15,854)**	(15,752)
- contracts with customers	**(1,040)**	(1,190)
- others	**(5,101)**	(2,853)
Exchange loss, net	**(11,520)**	–
Fair value changes of financial instruments		
- loss on ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges	**–**	(2)
Fair value changes of hedged items	**–**	(2,675)
	(148,829)	(47,725)
Finance costs, net, recognised in profit or loss	**(137,626)**	(36,039)

Recognition and measurement

Finance income comprises interest income, dividend income, gains on disposal and fair valuation of financial assets and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

Finance costs comprise interest expense, losses on disposal and fair valuation of financial assets, and losses on hedging instruments that are recognised in profit or loss. Interest expense that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and liabilities are reported on a net basis as either finance income or finance cost.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E3 Investments

Group	**2022 $'000**	**2021 $'000** (restated)
Equity shares, at FVTPL		
- quoted	**26,273**	–
- unquoted	**16,445**	15,180
Equity shares, at FVOCI		
- unquoted	**33,986**	20,949
Total investments, net of impairment losses	**76,704**	36,129
Represented by:		
Long-term investments	**76,704**	36,129
	76,704	36,129

E4 Borrowings

Group	**Note**	**Non-current $'000**	**Current $'000**	**Total $'000**
31 December 2022				
Bank loans	(a)	**50,550**	**856,155**	**906,705**
Commercial papers	(b)	**–**	**2,698,657**	**2,698,657**
Medium term notes	(c)	**2,340,349**	**–**	**2,340,349**
Lease liabilities	(d)	**515,669**	**73,157**	**588,826**
		2,906,568	**3,627,969**	**6,534,537**
31 December 2021				
Bank loans	(a)	**64,165**	**142,601**	**206,766**
Commercial papers	(b)	**–**	**350,869**	**350,869**
Medium term notes	(c)	**1,010,704**	**–**	**1,010,704**
Lease liabilities	(d)	**480,465**	**66,416**	**546,881**
		1,555,334	**559,886**	**2,115,220**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E4 Borrowings (continued)

(a) *Bank loans*

	Currency	Effective interest rate 2022 %	Effective interest rate 2021 %	Maturity 2022	Maturity 2021	Group 2022 $'000	Group 2021 $'000
Bank loans	USD	**1.0 – 5.8**	1.0 – 5.0	**2023**	2022 – 2023	**689,458**	143,422
	EUR	**1.4 – 1.6**	1.4 – 1.6	**2026 – 2030**	2026 – 2029	**52,247**	63,344
	SGD	**3.0**	–	**2023**	–	**165,000**	–
						906,705	206,766
- Unsecured						**869,947**	162,643
- Secured						**36,758**	44,123
At the end of the year						**906,705**	206,766

There are bank loans which are secured by assets as follows:

Secured by		Loan amount ($)
Certain property, plant and equipment of subsidiaries	–	$23,229,000 (2021: $28,738,000)
Subsidiary's land use right	–	$13,529,000 (2021: $15,385,000)

All bank loans are denominated in the respective entities' functional currency.

(b) *Commercial papers*

Group	2022 $'000	2021 $'000
Principal	**2,702,583**	351,416
Unamortised interest	**(3,699)**	(463)
Unamortised costs	**(227)**	(84)
	2,698,657	350,869

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E4 Borrowings (continued)

(c) *Medium term notes*

Group	2022 $'000	2021 $'000
Principal	**2,351,825**	1,013,700
Unamortised discount	**(11,476)**	(2,996)
	2,340,349	1,010,704
Unamortised discount:		
At beginning of the year	**2,996**	3,809
Additions	**10,316**	–
Amortisation for the year	**(1,595)**	(892)
Translation difference	**(241)**	79
At the end of the year	**11,476**	2,996

On 29 April 2020, the Group issued US$750 million 1.50% Notes due in 2025 under its S$5.0 billion Multicurrency Medium Term Note Programme. The bonds bore interest at a fixed rate of 1.50% per annum and interest was payable every six months from the date of issue. The bonds were unconditionally and irrevocably guaranteed by the Company. On 5 May 2022, the Group issued US$700 million of 5-year bonds and US$300 million of 10-year bonds. The bonds bore interest at a fixed rate of 3.38% and 3.75% per annum and interest was payable every six months from the date of issue. The bonds were unconditionally and irrevocably guaranteed by the Company.

(d) *Lease liabilities*

The Group leases various assets including real estate leases, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

Group	2022 $'000	2021 $'000
Maturity analysis – contractual undiscounted cash flows		
Within 1 year	**72,789**	69,088
Between 1 and 5 years	**223,322**	205,184
After 5 years	**383,031**	427,999
Total undiscounted lease liabilities at 31 December	**679,142**	702,271
Lease liabilities included in the statement of financial position at 31 December	**588,826**	546,881
Repayable:		
Within 1 year	**73,157**	66,416
After 1 year	**515,669**	480,465
	588,826	546,881

The total cash outflow for leases recognised in the statement of cash flows is $99,492,000 (2021: $89,141,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E4 Borrowings (continued)

(d) ***Lease liabilities*** (continued)

(i) Real estate leases

The Group leases land and buildings for its office space, hangar and production facilities. The leases run for a period of 5 to 30 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

The Group sub-leases some of its properties under operating and finance leases.

Extension options

Some leases of office buildings contain extension options exercisable by the Group up to the day before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Estimates and judgement: Extension options – Lease terms

Extension option is included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option. The leases for office buildings contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

2022 Group	Lease liabilities recognised (discounted) $'000	Potential future lease payments not included in lease liabilities (discounted) $'000
Office buildings	**54,544**	**101,054**

2021 Group	Lease liabilities recognised (discounted) $'000	Potential future lease payments not included in lease liabilities (discounted) $'000
Office buildings	18,414	23,069

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E4 Borrowings (continued)

(d) ***Lease liabilities*** (continued)

(ii) Other leases

The Group leases vehicles and equipment, with lease terms of 3 to 5 years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group monitors the use of these vehicles and equipment, and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets.

The Group also leases IT equipment and machinery. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Reconciliation of movements of liabilities and assets to cash flows arising from financing activities

Group	Liabilities			Assets	
	Borrowings $'000	Trade payables and accruals $'000	Amounts due to related parties $'000	Deposits pledged $'000	Total $'000
Balance at 1 January 2022	2,115,220	2,675,997	27,781	–	4,818,998
Changes from financing cash flows					
Proceeds from bank loans	1,098,690	–	–	–	1,098,690
Proceeds from commercial papers	4,206,138	–	–	–	4,206,138
Proceeds from medium term note issuance	1,385,000	–	–	–	1,385,000
Repayment of bank loans	(386,204)	–	–	–	(386,204)
Repayment of commercial papers	(1,852,969)	–	–	–	(1,852,969)
Repayment of lease liabilities	(83,894)	–	–	–	(83,894)
Interest paid	(33,800)	(38,582)	–	–	(72,382)
Deposit pledged	–	–	–	(22)	(22)
Total changes from financing cash flows	4,332,961	(38,582)	–	(22)	4,294,357
Changes arising from obtaining or losing control of subsidiaries	47,051	23,068	–	–	70,119
The effect of changes in foreign exchange rates	(60,977)	(15,714)	–	–	(76,691)
Change in fair value	(15,338)	–	–	–	(15,338)
Liability-related other changes					
Working capital changes	(49,573)	206,159	14,106	–	170,692
New leases	76,166	–	–	–	76,166
Interest expense	89,027	48,282	–	–	137,309
Total liability-related other changes	115,620	254,441	14,106	–	384,167
Balance at 31 December 2022	6,534,537	2,899,210	41,887	(22)	9,475,612

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E4 Borrowings (continued)

Reconciliation of movements of liabilities and assets to cash flows arising from financing activities (continued)

Group	Liabilities			Assets	
	Borrowings $'000	Trade payables and accruals $'000	Amounts due to related parties $'000	Deposits pledged $'000	Total $'000
Balance at 1 January 2021	2,046,895	2,237,361	23,833	(1,145)	4,306,944
Changes from financing cash flows					
Proceeds from bank loans	132,027	–	–	–	132,027
Proceeds from commercial papers	756,896	–	–	–	756,896
Proceeds from other loans	10,933	–	–	–	10,933
Repayment of bank loans	(35,103)	–	–	–	(35,103)
Repayment of commercial papers	(810,960)	–	–	–	(810,960)
Repayment of other loans	(30,933)	–	–	–	(30,933)
Repayment of lease liabilities	(73,456)	–	–	–	(73,456)
Interest paid	(16,212)	(17,432)	–	–	(33,644)
Deposit discharged	–	–	–	1,145	1,145
Total changes from financing cash flows	(66,808)	(17,432)	–	1,145	(83,095)
Changes arising from obtaining or losing control of subsidiaries	–	369	–	–	369
The effect of changes in foreign exchange rates	25,419	14,254	–	–	39,673
Change in fair value	(9,425)	–	–	–	(9,425)
Liability-related other changes					
Working capital changes	(728)	423,936	3,948	–	427,156
New leases	92,328	–	–	–	92,328
Interest expense	27,539	17,509	–	–	45,048
Total liability-related other changes	119,139	441,445	3,948	–	564,532
Balance at 31 December 2021	2,115,220	2,675,997	27,781	–	4,818,998

E5 Commitments and contingent liabilities

(i) Capital commitments

Group	2022 $'000	2021 $'000
Capital expenditure contracted but not provided for in the financial statements	**142,094**	95,336

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E5 Commitments and contingent liabilities (continued)

(ii) Leases – As lessee

As at 31 December 2022, the Group had certain non-cancellable future minimum lease payments for short-term leases or leases for low-value assets amounting to $2,025,000 (31 December 2021: $2,178,000).

(iii) Leases – As lessor

The Group has entered into non-cancellable operating leases on its aircraft, aircraft engines and certain property, plant and equipment. The lease terms range from 1 to 10 years (2021: 1 to 12 years).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Group	2022 $'000	2021 $'000
Less than 1 year	**18,163**	8,530
1 to 2 years	**16,768**	7,459
2 to 3 years	**8,824**	4,971
3 to 4 years	**3,722**	4,661
4 to 5 years	**1,886**	3,586
More than 5 years	**1,365**	3,021
Total undiscounted lease payments	**50,728**	32,228

(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 liabilities 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.

The Company has issued corporate guarantees to banks and other lenders for the borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the lenders if the related parties fail to make principal or interest payments when due in accordance with the terms of their borrowings.

E5 Commitments and contingent liabilities (continued)

Recognition and measurement

As a lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented in Note C2.

The lease liability is initially measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E5 Commitments and contingent liabilities (continued)

Short-term and low value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

As a lessor

The Group leases equipment under finance leases and office spaces under operating leases to non-related parties.

Finance leases are leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees.

The leased asset is derecognised and the present value of the lease receivable is recognised on the statement of financial position and included in "Trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and reduce the amount of income recognised over the lease term.

Operating leases are leases where the Group retains substantially all risks and rewards incidental to ownership. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the statement of financial position, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognises lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E6 Share capital

Company	2022 $'000	2021 $'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 issuance of ordinary shares are recognised as a deduction from equity, net of any tax effects.

E7 Treasury shares

Company	2022 $'000	2021 $'000
At beginning of the year	**(33,475)**	(23,743)
Purchased during the year	**(26,430)**	(32,894)
Reissue of treasury shares pursuant to share plans	**23,528**	23,162
At end of the year	**(36,377)**	(33,475)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the year, the Company purchased 7,000,000 (2021: 8,500,000) of its ordinary shares by way of on-market purchases. The shares, held as treasury shares, were included as deduction against shareholders' equity. 6,213,848 (2021: 6,637,661) treasury shares, at a cost of $23,528,000 (2021: $23,162,000), 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E8 Capital reserves

Included in capital reserves are:

(a) an amount of $115,948,000 (2021: $115,948,000) relating to share premium of the respective pooled enterprises, namely ST Engineering Aerospace Ltd., ST Engineering Electronics Ltd., ST Engineering Land Systems Ltd. and ST Engineering Marine Ltd. classified as capital reserve upon the pooling of interests during the year ended 31 December 1997; and

(b) an amount of $15,880,000 (2021: $12,008,000) relating to realised loss (2021: realised loss) on reissuance of treasury shares under share-based payment arrangements as at 31 December 2022.

Capital reserves are non-distributable.

E9 Other reserves

Group	2022 $'000	2021 $'000
Foreign currency translation reserve	**(205,740)**	(140,483)
Statutory reserve	**1,593**	1,618
Fair value reserve	**103,576**	(22,242)
Share-based payment reserve	**81,183**	75,920
Premium paid on acquisition of non-controlling interests	**(15,049)**	(16,750)
	(34,437)	(101,937)
Fair value reserve movement arising from other comprehensive income comprises:		
Net fair value changes on financial assets:		
- Net fair value changes during the year for FVOCI equity instruments	**(2,957)**	–
Foreign currency translation reserve movement arising from other comprehensive income comprises:		
Foreign currency translation differences arising from:		
- Translation of loans forming part of net investments in foreign entities	**(11,459)**	(6,500)
- Share of translation difference of associates and joint ventures	**(15,438)**	9,123
- Reserves released on disposal of subsidiaries	**8,149**	(5,643)
- Translation of foreign entities	**(46,509)**	16,611
	(65,257)	13,591

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

E9 Other reserves (continued)

Other reserves are non-distributable.

Type of reserve	Nature
Foreign currency translation reserve	Comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities.
Statutory reserve	Statutory reserve comprises transfers from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries and joint ventures operate, principally in the People's Republic of China where the subsidiaries and joint ventures are required to make appropriation to a Statutory Reserve Fund and Enterprise Expansion Fund. The laws of the countries restrict the distribution and use of these statutory reserves.
Fair value reserve	Fair value reserve comprises the cumulative fair value changes of financial instruments at FVOCI and the effective portion of hedging instruments, until they are disposed or impaired.
Share-based payment reserve	Represents the cumulative value of services received for the issuance of the options and shares under the share plans of the Company issued to employees and non-executive directors.
Premium paid on acquisition of non-controlling interests	Difference between the consideration paid on acquisition of non-controlling interests and the carrying value of the proportionate share of the net assets acquired.

E10 Dividends

Company	**2022 $'000**	**2021 $'000**
Final dividend paid in respect of the previous financial year of 10.0 cents (2021: 10.0 cents) per share	**311,806**	311,922
Interim dividend paid in respect of the current financial year of 12.0 cents (2021: 5.0 cents) per share	**373,819**	155,969
	685,625	467,891

The Directors propose a final dividend of 4.0 cents (2021: 10.0 cents) per share amounting to $124.9 million (2021: $312.2 million) in respect of the financial year ended 31 December 2022. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(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 2022/2021	**F5**	Related party information
F3	Non-controlling interests in subsidiaries		

F1 Subsidiaries

Details of the significant subsidiaries of the Group are as follows:

		Effective equity interest held by the Group	
	Country of incorporation	**2022 %**	**2021 %**
Elbe Flugzeugwerke GmbH [1]	Germany	**55**	55
MRA Systems, LLC [4]	U.S.	**100**	100
ST Engineering Advanced Networks & Sensors Pte. Ltd.	Singapore	**100**	100
ST Engineering Aerospace Ltd.	Singapore	**100**	100
ST Engineering Aerospace Services Company Pte. Ltd.	Singapore	**80**	80
ST Engineering Defence Aviation Services Pte. Ltd.	Singapore	**100**	100
ST Engineering Electronics Ltd.	Singapore	**100**	100
ST Engineering iDirect (Europe) NV [3]	Belgium	**100**	100
ST Engineering Land Systems Ltd.	Singapore	**100**	100
ST Engineering Marine Ltd.	Singapore	**100**	100
ST Engineering Mission Software & Services Pte. Ltd.	Singapore	**100**	100
ST Engineering Unmanned & Integrated Systems Pte. Ltd.	Singapore	**100**	100
ST Engineering North America, Inc. [4]	U.S.	**100**	100
ST Engineering RHQ Ltd. [2]	United Kingdom	**100**	100
ST Engineering IHQ Pte. Ltd.	Singapore	**100**	100
ST Engineering Treasury Pte. Ltd.	Singapore	**100**	100
STE TransCore Holdings, Inc [4]	U.S.	**100**	–
TransCore Partners, LLC [4]	U.S.	**100**	–

[1] Audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft for consolidation purposes.
[2] Not required to be audited under the law in the country of incorporation.
[3] Audited by PricewaterhouseCoopers Antwerp for consolidation purposes.
[4] Audited by PricewaterhouseCoopers U.S. for consolidation purposes.

All significant subsidiaries that are required to be audited under the law in the country of incorporation are audited by PricewaterhouseCoopers LLP Singapore and network of member firms of PricewaterhouseCoopers International Limited (PwCIL), except as indicated above.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F2 Acquisition and disposal of controlling interests in subsidiaries in 2022/2021

Acquisition of controlling interest in subsidiary in 2022

(i) Acquisition of controlling interests in TransCore Partners, LLC and TLP Holdings, LLC (TransCore)

On 18 March 2022, the Group acquired 100% of TransCore for a net cash consideration of $3,655,274,000. TransCore's main principal activities is transportation solutions.

TransCore contributed revenue of $620,619,000 and net profit of $61,919,000 to the Group for the period from 18 March 2022 to 31 December 2022.

Had the above business been consolidated from 1 January 2022, the Group's consolidated revenue and net profit for the year ended 31 December 2022 would have been $759,172,000 and $58,577,000 respectively.

Identifiable assets acquired and liabilities assumed

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Fair values recognised on acquisition 2022 $'000
Property, plant and equipment	13,156
Right-of-use assets	39,213
Intangible assets	1,031,062
Long-term trade receivables	15,519
Inventories	46,610
Contract assets	230,206
Trade receivables	76,457
Advances and other receivables	6,750
Bank balances and other liquid funds	25,187
Contract liabilities	(9,497)
Trade payables and accruals	(87,091)
Provisions	(84)
Provision for taxation	(138)
Borrowings	(47,051)
Non-current contract liabilities	(6,449)
Total identifiable net assets	1,333,850
Goodwill arising on consolidation	2,321,424
Total purchase consideration	3,655,274
Cash outflow on acquisition:	
Cash consideration paid	3,655,274
Less: cash acquired	(25,187)
Net cash outflow on acquisition	3,630,087

The Group incurred acquisition-related transaction expenses of $26,853,000, of which $19,059,000 have been included in administrative expenses in the Group's income statement. $7,794,000 have been expensed in administrative expenses in the prior year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F2 Acquisition and disposal of controlling interests in subsidiaries in 2022/2021 (continued)

Acquisition of controlling interests in subsidiaries in 2021

(ii) Acquisition of controlling interests in Keystone 1 Limited (Keystone)

On 7 April 2021, the Group acquired 100% of Keystone for a net cash consideration of $11,735,000. Keystone's main principal activities is aircraft leasing. Keystone was subsequently divested on 28 December 2021.

Keystone contributed revenue of $576,000 and net profit of $673,000 to the Group for the period from 7 April 2021 to 28 December 2021.

(iii) Acquisition of controlling interests in ST Engineering Satellite Systems Pte. Ltd. (Satellite Systems)

On 9 August 2021, the Group has reclassified its investments in Satellite Systems from a joint venture to a 51% owned subsidiary following the changes made to the constitution. Satellite Systems provides design and development, system integration, manufacturing and sale of satellite equipment.

Satellite Systems contributed revenue of $8,664,000 and net profit of $717,000 to the Group for the period from 9 August 2021 to 31 December 2021.

Had the above businesses been consolidated from 1 January 2021, the Group's consolidated revenue and net profit for the year ended 31 December 2021 would have been $7,700,723,000 and $573,938,000 respectively.

Identifiable assets acquired and liabilities assumed

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	Fair values recognised on acquisition 2021 $'000
Property, plant and equipment	21,144
Deferred tax assets	84
Contract assets	565
Trade receivables	16
Advances and other receivables	1,323
Bank balances and other liquid funds	19,515
Contract liabilities	(5,182)
Deposits from customers	(138)
Trade payables and accruals	(3,372)
Amounts due to related parties	(8,123)
Provision for taxation	(106)
Non-current contract liabilities	(974)
Deferred tax liabilities	(973)
Total identifiable net assets	23,779
Non-controlling interests	(5,682)
Fair value of pre-existing interest in the acquiree	(5,915)
Total purchase consideration	12,182
Cash inflow on acquisition:	
Cash consideration paid	12,182
Less: cash acquired	(19,515)
Net cash inflow on acquisition	(7,333)

The Group incurred acquisition-related expenses of $64,000 which have been included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F2 Acquisition and disposal of controlling interests in subsidiaries in 2022/2021 (continued)

De-consolidation and disposal of controlling interests in subsidiaries in 2022

In February 2022, the Group divested its 51% equity interest in Visiontech Engineering Pte Ltd (VTE). The Group divested 100% equity interest in Singapore Test Services Private Limited (STS), VT Halter Marine, Inc (Halter Marine) and ST Engineering Halter Marine and Offshore, Inc. (STEHMO) and Viastar Services, LP (Viastar) in July 2022, November 2022 and December 2022 respectively.

During the year, the Group completed the liquidation of ST Aerospace Academy Pte Ltd as part of an effort to streamline its organisation structure. The subsidiary was dormant prior to disposal.

The financial effects arising from the de-consolidation and disposal of subsidiaries are as follows:

	Total $'000
Property, plant and equipment	136,597
Right-of-use assets	3,207
Intangible assets	411
Long-term trade receivables	1,119
Deferred tax assets	33,003
Inventories	833
Contract assets	95,793
Trade receivables	45,229
Amounts due from related parties	11
Advances and other receivables	8,995
Bank balances and other liquid funds	17,990
Contract liabilities	(75,936)
Trade payables and accruals	(63,412)
Provision	(114,658)
Provision for taxation	(439)
Borrowings	(8)
Deferred tax liabilities	(139)
Deferred income	(53,802)
Net assets disposed	34,794
Realisation of reserves	300
Gain on disposal	37,288
Sales consideration	72,382
Less: bank balances and other liquid funds in subsidiaries disposed	(17,990)
Net cash inflow on disposal	54,392

F2 Acquisition and disposal of controlling interests in subsidiaries in 2022/2021 (continued)

De-consolidation and disposal of controlling interests in subsidiaries in 2021

In January 2021, the Group divested its 100% equity interest in VT Volant Aerospace, LLC (Volant) and in December 2021, the Group divested its 100% equity interest in Keystone 1 Limited (Keystone).

During the year, the Group received proceeds from its de-consolidated subsidiaries, Jiangsu Huatong Kinetics Co., Ltd and Jiangsu Huaran Kinetics Co., Ltd (collectively known as "JHK") that were under voluntary liquidation process since December 2016.

The financial effects arising from the de-consolidation and disposal of subsidiaries are as follows:

	Total $'000
Property, plant and equipment	18,938
Right-of-use assets	190
Intangible assets	264
Deferred tax assets	21
Inventories	8,374
Trade receivables	601
Advances and other receivables	2,022
Bank balances and other liquid funds	2,613
Trade payables and accruals	(4,124)
Amounts due to related parties	(346)
Provision for taxation	(76)
Deferred tax liabilities	(1,953)
Net assets disposed	26,524
Realisation of reserves	(5,643)
Gain on disposal	11,742
Sales consideration	32,623
Less: bank balances and other liquid funds in subsidiaries disposed	(2,613)
Net cash inflow on disposal	30,010

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(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 2022	**ST Engineering Aerospace Services Company Pte. Ltd. $'000**
NCI percentage	**20%**
Principal place of business/Country of incorporation	**Singapore**
Revenue	374,149
Profit/(loss) after taxation	38,250
Other comprehensive (loss)/income	1,887
Total comprehensive income	40,137
Attributable to NCI:	
- Profit/(loss)	7,650
- Other comprehensive income/(loss)	377
- **Total comprehensive income/(loss)**	8,027
Non-current assets	127,728
Current assets	253,354
Non-current liabilities	(70,937)
Current liabilities	(137,132)
Net assets	173,013
Net assets attributable to NCI	34,603
Cash flows from operating activities	57,474
Cash flows used in investing activities	(16,443)
Cash flows used in financing activities *	(52,531)
Net changes in cash and cash equivalents	(11,500)
* including dividends to NCI	(8,000)

Eco-Services, LLC $'000	ST Aerospace Technologies (Xiamen) Company Ltd $'000	Elbe Flugzeugwerke GmbH $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
49.9%	20%	45%			
U.S.	China	Germany			
21,993	91,576	657,036			
(146)	3,056	2,262			
(241)	(6,497)	30,923			
(387)	(3,441)	33,185			
(73)	611	1,018	3,188	(4,071)	8,323
(120)	(1,299)	13,915	(168)	(11,082)	1,623
(193)	(688)	14,933	(3,020)	(15,153)	9,946
11,999	47,529	617,832			
39,270	111,379	485,877			
(134)	–	(375,624)			
(8,275)	(91,194)	(351,802)			
42,860	67,714	376,283			
21,387	13,543	169,327	23,565	(7,567)	254,858
2,640	7,292	60,206			
(485)	(1,352)	(44,856)			
–	–	(11,822)			
2,155	5,940	3,528			
–	–	–			

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F3 Non-controlling interests in subsidiaries (continued)

Name of subsidiary 2021	ST Engineering Aerospace Services Company Pte. Ltd. $'000
NCI percentage	**20%**
Principal place of business/Country of incorporation	**Singapore**
Revenue	320,082
Profit/(loss) after taxation	54,419
Other comprehensive (loss)/income	(1,443)
Total comprehensive income	52,976
Attributable to NCI:	
- Profit/(loss)	10,884
- Other comprehensive (loss)/income	(289)
- **Total comprehensive income/(loss)**	10,595
Non-current assets	232,603
Current assets	242,622
Non-current liabilities	(162,285)
Current liabilities	(139,934)
Net assets	173,006
Net assets attributable to NCI	34,601
Cash flows from operating activities	7,679
Cash flows used in investing activities	(55,520)
Cash flows used in financing activities *	(22,472)
Net (decrease)/increase in cash and cash equivalents	(70,313)
* including dividends to NCI	(8,000)

Eco-Services, LLC $'000	ST Aerospace Technologies (Xiamen) Company Ltd $'000	Elbe Flugzeugwerke GmbH $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
49.9%	**20%**	**45%**			
U.S.	**China**	**Germany**			
21,271	123,642	455,591			
3,154	794	(33,907)			
893	3,097	(24,557)			
4,047	3,891	(58,464)			
1,574	159	(15,258)	1,287	(2,215)	(3,569)
446	619	(11,056)	(143)	26	(10,397)
2,020	778	(26,314)	1,144	(2,189)	(13,966)
15,515	53,034	663,048			
35,108	79,311	305,431			
(945)	–	(425,626)			
(6,431)	(61,190)	(191,210)			
43,247	71,155	351,643			
21,580	14,231	158,239	23,008	3,794	255,453
10,356	4,307	61,263			
(1,035)	(1,385)	(11,134)			
–	–	(38,225)			
9,321	2,922	11,904			
–	–	–			

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures

Group	2022 $'000	2021 $'000
Unquoted shares, at fair value	**15,460**	34,215
Unquoted shares, at cost	**382,617**	360,580
Goodwill on acquisition	**38**	38
Share of net assets acquired	**382,655**	360,618
Impairment in associates	**(8,000)**	(8,000)
Share of post-acquisition reserves	**78,060**	96,064
	452,715	448,682
	468,175	482,897
Represented by:		
Interest in associates	**313,236**	347,561
Interest in joint ventures	**154,939**	135,336
	468,175	482,897

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Details of significant associates and joint ventures are as follows:

Name	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group 2022 %	Effective equity interest held by the Group 2021 %
Associates				
Shanghai Technologies Aerospace Company Limited [1]	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	**49**	49
ST Aerospace (Guangzhou) Aviation Services Company Limited [1]	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	**44**	44
Turbine Coating Services Pte. Ltd.	Repair, refurbishment and upgrading of aircraft jet engine turbine blades and vanes	Singapore	**24.5**	24.5
Turbine Overhaul Services Pte. Ltd.	Repair and service of gas and steam turbine components	Singapore	**49**	49
CityCab Pte. Ltd. [1]	Rental of taxis and the provision of charge card facilities	Singapore	**46.5**	46.5
Experia Events Pte. Ltd. [1]	Organising and management of conferences, exhibitions and other related activities, including the biennial Singapore Airshow event	Singapore	**33**	33
Joint ventures				
Total Engine Asset Management Pte. Ltd. [1]	Leasing of engines	Singapore	**50**	50
Keystone Holdings (Global) Pte. Ltd. [1]	Investment holding	Singapore	**50**	50
SPTel Pte. Ltd.	Running, operation, management and supply of telecommunications services	Singapore	**51**	51
Juniper Aviation Investment Pte Ltd	Investment holding	Singapore	**50**	50

[1] Not audited by PricewaterhouseCoopers LLP Singapore.

All significant associates and joint ventures that are required to be audited under the law in the country of incorporation are audited by PricewaterhouseCoopers LLP Singapore and network of member firms of PricewaterhouseCoopers International Limited (PwCIL), except as indicated above.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Associates

The following table summarises the information of each of the Group's material associates, which are equity-accounted, based on their respective financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisitions and differences with the Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by the Group.

Name of associate 2022	Shanghai Technologies Aerospace Company Limited $'000	ST Aerospace (Guangzhou) Aviation Services Company Limited $'000
Percentage of interest	49%	44%
Revenue	48,019	122,428
Profit/(loss) after taxation	(6,657)	17,589
Other comprehensive (loss)/income	(10,529)	(11,527)
Total comprehensive (loss)/income	(17,186)	6,062
Attributable to NCI	–	–
Attributable to investee's shareholders	(17,186)	6,062
Non-current assets	74,032	110,143
Current assets	50,431	53,249
Non-current liabilities	(551)	(19,332)
Current liabilities	(18,791)	(18,967)
Net assets	105,121	125,093
Attributable to NCI	–	–
Attributable to investee's shareholders	105,121	125,093
Group's interest in net assets of investee at beginning of the year	59,930	52,374
Group's share of:		
- Profit/(loss) for the year	(3,262)	7,739
- Total other comprehensive income/(loss)	(5,159)	(5,072)
Total comprehensive income/(loss)	(8,421)	2,667
Group's contribution during the year	–	–
Dividends received during the year	–	–
Disposal of associates during the year	–	–
Carrying amount of interest in investee at end of the year	51,509	55,041

Fair value changes of unquoted investments held by the Group's Corporate Venture Capital Unit is recognised in Other income, net in the income statement.

Turbine Coating Services Pte. Ltd. $'000	Turbine Overhaul Services Pte. Ltd. $'000	CityCab Pte. Ltd. $'000	Experia Events Pte. Ltd. $'000	Immaterial associates $'000	Total $'000
24.5%	49%	46.5%	33%		
16,707	216,893	84,460	35,193		
5,563	45,108	12,155	6,697		
90	(1,053)	–	–		
5,653	44,055	12,155	6,697		
–	–	203			
5,653	44,055	11,952	6,697		
20,465	51,884	67,371	41,044		
28,342	239,124	106,907	44,128		
(3,169)	(5,415)	(14,191)	(4,982)		
(82)	(125,180)	(39,895)	(14,382)		
45,556	160,413	120,192	65,808		
–	–	861	–		
45,556	160,413	119,331	65,808		
14,856	73,936	61,309	19,510	65,646	347,561
1,363	22,103	5,559	2,210	(4,020)	31,692
22	(516)	–	–	(11,393)	(22,118)
1,385	21,587	5,559	2,210	(15,413)	9,574
–	–	–	–	750	750
(5,081)	(16,920)	(11,379)	–	(287)	(33,667)
–	–	–	–	(10,982)	(10,982)
11,160	78,603	55,489	21,720	39,714	313,236

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Associates (continued)

Name of associate 2021	Shanghai Technologies Aerospace Company Limited $'000	ST Aerospace (Guangzhou) Aviation Services Company Limited $'000
Percentage of interest	49%	44%
Revenue	47,454	68,760
Profit/(loss) after taxation	(6,120)	7,795
Other comprehensive income	5,392	5,009
Total comprehensive (loss)/income	(728)	12,804
Attributable to NCI	–	–
Attributable to investee's shareholders	(728)	12,804
Non-current assets	83,937	115,641
Current assets	58,500	45,730
Non-current liabilities	(1,337)	(19,321)
Current liabilities	(18,794)	(23,019)
Net assets	122,306	119,031
Attributable to NCI	–	–
Attributable to investee's shareholders	122,306	119,031
Group's interest in net assets of investee at beginning of the year	61,988	46,739
Group's share of:		
- Profit/(loss) for the year	(2,999)	3,430
- Total other comprehensive income	2,642	2,205
Total comprehensive income/(loss)	(357)	5,635
Group's contribution during the year	–	–
Dividends received during the year	(1,701)	–
Carrying amount of interest in investee at end of the year	59,930	52,374

Fair value changes of unquoted investments held by the Group's Corporate Venture Capital Unit is recognised in Other income/(expenses) in the income statement.

Turbine Coating Services Pte. Ltd. $'000	Turbine Overhaul Services Pte. Ltd. $'000	CityCab Pte. Ltd. $'000	Experia Events Pte. Ltd. $'000	Immaterial associates $'000	Total $'000
24.5%	49%	46.5%	33%		
17,956	266,115	69,984	8,203		
5,563	40,081	3,836	(7,976)		
1,310	2,882	–	–		
6,873	42,963	3,836	(7,976)		
–	–	(257)	–		
6,873	42,963	4,093	(7,976)		
21,973	46,011	89,249	44,062		
41,864	213,412	82,330	50,265		
(3,199)	(5,967)	(18,030)	(4,634)		
–	(102,568)	(21,070)	(30,582)		
60,638	150,888	132,479	59,111		
–	–	638	–		
60,638	150,888	131,841	59,111		
14,488	60,777	64,301	22,141	48,571	319,005
1,363	19,640	1,904	(2,631)	14,177	34,884
320	1,413	–	–	425	7,005
1,683	21,053	1,904	(2,631)	14,602	41,889
–	–	–	–	4,883	4,883
(1,315)	(7,894)	(4,896)	–	(2,410)	(18,216)
14,856	73,936	61,309	19,510	65,646	347,561

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Joint ventures

The following table summarises the information of each of the Group's material joint ventures, adjusted for any differences with the Group's accounting policies and reconciles the carrying amount of the Group's interest in joint ventures and the share of profit and other comprehensive income of equity-accounted investment (net of tax). The summarised financial information is not adjusted for the percentage ownership held by the Group.

Name of joint venture **2022**	**Keystone Holdings (Global) Pte. Ltd.** **$'000**
Percentage of interest	**50%**
Revenue	19,215
Profit/(loss) after taxation [a]	1,158
Other comprehensive (loss)/income	(340)
Total comprehensive income/(loss)	818
[a] Includes:	
- Depreciation and amortisation of:	11,844
- Interest expense of:	3,166
- Income tax expense of:	353
Non-current assets	169,157
Current assets [b]	24,490
Non-current liabilities [c]	(36,760)
Current liabilities [d]	(86,546)
Net assets excluding goodwill	70,341
[b] Includes cash and cash equivalents of:	22,684
[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of:	36,760
[d] Includes current financial liabilities (excluding trade and other payables and provisions) of:	85,609
Group's interest in net assets of investee at beginning of the year	35,037
Share of total comprehensive income/(loss)	409
Group's contribution during the year	–
Dividends received during the year	(277)
Carrying amount of interest in investee at end of the year	35,169

Total Engine Asset Management Pte. Ltd. $'000	SPTel Pte. Ltd. $'000	Juniper Aviation Investment Pte Ltd $'000	Immaterial joint ventures $'000	Total $'000
50%	51%	50%		
27,856	55,288	3,828		
8,742	(6,555)	(2,688)		
3,278	–	(1,748)		
12,020	(6,555)	(4,436)		
16,481	11,946	2,120		
11,992	1,392	2,901		
571	–	451		
703,924	112,517	58,796		
25,241	39,999	102,609		
(366,089)	(71,885)	(114,566)		
(237,279)	(34,146)	(3,321)		
125,797	46,485	43,518		
6,440	20,934	7,602		
366,089	71,885	117,918		
228,720	6,292	1,293		
57,235	29,764	5,001	8,299	135,336
6,010	(3,367)	(2,218)	1,276	2,110
5,325	–	18,976	–	24,301
(5,671)	–	–	(860)	(6,808)
62,899	26,397	21,759	8,715	154,939

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Joint ventures (continued)

Name of joint venture 2021	Keystone Holdings (Global) Pte. Ltd. $'000
Percentage of interest	50%
Revenue	22,982
Profit/(loss) after taxation [a]	7,694
Other comprehensive income	944
Total comprehensive income/(loss)	8,638
[a] Includes:	
– Depreciation and amortisation of:	(13,555)
– Interest expense of:	(3,784)
– Income tax expense of:	869
Non-current assets	181,512
Current assets [b]	32,113
Non-current liabilities [c]	(71,927)
Current liabilities [d]	(71,623)
Net assets excluding goodwill	70,075
[b] Includes cash and cash equivalents of:	29,687
[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of:	(71,927)
[d] Includes current financial liabilities (excluding trade and other payables and provisions) of:	(71,097)
Group's interest in net assets of investee at beginning of the year	36,376
Share of total comprehensive income/(loss)	4,319
Group's (return of capital)/contribution during the year	(3,752)
Carrying amount of interest in a joint venture reclassified to a subsidiary	–
Disposal of joint venture	–
Dividends received during the year	(1,906)
Carrying amount of interest in investee at end of the year	35,037

Total Engine Asset Management Pte. Ltd. $'000	SPTel Pte. Ltd. $'000	Immaterial joint ventures $'000	Total $'000
50%	51%		
22,865	34,358		
(6,936)	(15,847)		
5,586	–		
(1,350)	(15,847)		
(10,268)	11,536		
(4,980)	945		
3,706	(449)		
361,038	97,492		
22,265	26,305		
(145,348)	(26,855)		
(123,485)	(43,902)		
114,470	53,040		
11,872	8,464		
(145,348)	27,544		
(117,293)	11,580		
60,464	37,876	15,191	149,907
(675)	(8,112)	1,056	(3,412)
–	–	5,001	1,249
–	–	(5,915)	(5,915)
–	–	(361)	(361)
(2,554)	–	(1,672)	(6,132)
57,235	29,764	13,300	135,336

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 3 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, refer to Note C3.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, any subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests (NCI) that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustment is made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(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 NCI to have a deficit balance.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Basis of consolidation (continued)

(iii) Acquisitions of entities under amalgamation

The Company's interests in ST Engineering Aerospace Ltd., ST Engineering Electronics Ltd., ST Engineering Land Systems Ltd., and ST Engineering Marine Ltd. (collectively referred to as the Scheme Companies) resulted from the amalgamation of the Scheme Companies pursuant to a scheme of arrangement under Section 210 of the Singapore Companies Act 1967 in 1997.

As the amalgamation of the Scheme Companies constitutes a uniting of interests, the pooling of interests method has been adopted in the preparation of the consolidated financial statements in connection with the amalgamation.

Under the pooling of interests method, the combined assets, liabilities and reserves of the pooled enterprises are recorded at their existing carrying amounts at the date of amalgamation. The excess or deficiency of amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) over the amount recorded for the share capital acquired is recorded as capital reserve.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset at FVOCI, depending on the level of influence retained.

(v) Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for by the Group using the equity method (except for those acquired by the Group's Corporate Venture Capital Unit) and are recognised initially at cost, which includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

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*.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F4 Associates and joint ventures (continued)

Basis of consolidation (continued)

(v) Investments in associates and joint ventures (continued)

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost, less accumulated impairment losses.

(vi) Transactions eliminated on consolidation

All significant inter-company balances and transactions are eliminated on consolidation.

Recognition and measurement

Goodwill that forms part of the carrying amount of an investment in an associate and/or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate and/or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate and/or joint venture may be impaired.

Estimates and judgements: Judgements made in applying accounting policies

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relates to assessing whether the Group has control over its investee companies.

During the year, the Group assessed the terms and conditions of the shareholders' agreement of subsidiaries that are not wholly-owned by the Group. The Group made critical judgements over:

(a) its ability to exercise power over its investees;
(b) its exposure or rights to variable returns for its investments with those investees; and
(c) its ability to use its power to affect those returns.

The Group's judgement included considerations of its power exercised at the board of the respective investees and rights and obligations arising from matters reserved for the board as agreed with the other shareholders.

F5 Related party information

Key management personnel compensation

Group	2022 $'000	2021 $'000
Short-term employee benefits	**41,033**	41,861
Contributions to defined contribution plans	**627**	680
Share-based payments	**8,649**	8,780
	50,309	51,321

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

F5 Related party information (continued)

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	2022 $'000	2021 $'000
Associates of the Group		
Sales and services rendered	**8,204**	7,888
Purchases and services received	**(2,503)**	(3,384)
Dividend income	**33,667**	18,216
Joint ventures of the Group		
Sales and services rendered	**144,156**	54,999
Purchases and services received	**(4,355)**	(1,595)
Dividend income	**6,808**	6,132
Other related parties*		
Sales and services rendered	**78,313**	76,164
Purchases and services received	**(46,359)**	(9,882)
Rental expense	**(6,719)**	(5,368)

* Other related parties refer to subsidiaries, associates and joint ventures of the immediate holding company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

G. OTHERS

G1 Events occurring after balance sheet date

The Group's Marine business acquired the site and assets of an existing shipyard in Singapore at 55 Gul Road from Keppel FELS for $95 million for its commercial ship repair business. The assets acquired include three floating docks, existing buildings, workshops, and machinery. The approximately 141,000 sqm Gul yard, with a gross built up floor area of 74,593 sqm, has a remaining lease until August 2030 which can be extended by another 20 years.

G2 Comparatives

The following reclassifications have been made to the prior year comparatives:

	2021 (As previously Reported) $'000	Reclassification $'000	2021 (As restated) $'000
Investments			
Equity shares, at FVTPL			
- unquoted	–	15,180	15,180
Equity shares, at FVOCI			
- unquoted	36,129	(15,180)	20,949

G3 Adoption of new standards and interpretations

On 1 January 2022, the Group has adopted the new or amended SFRS(I)s and Interpretations of SFRS(I)s ("INT SFRS(I)s") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s and INT SFRS(I)s.

The adoption of these new or amended SFRS(I)s and INT SFRS(I)s did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Applicable to 2022 financial statements

- Amendments to SFRS(I) 16 *Leases: Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to SFRS(I) 3 *Business Combinations: Reference to the Conceptual Framework*, SFRS(I) 1-16 *Property, Plant and Equipment: Proceeds before Intended Use*, and SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract*

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

G4 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 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's financial statements.

Applicable to 2023 financial statements

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current
- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and *SFRS(I) Practice Statement 2*: Disclosure of Accounting Policies
- Amendments to SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates
- Amendments to SFRS(I) 1-12 *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to SFRS(I) 17 *Insurance Contracts*

Mandatory effective date deferred

- *Amendments to* SFRS(I) 10 *Consolidated Financial Statements and* SFRS(I) 1-28 *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

G5 Impact of COVID-19

The COVID-19 pandemic continues to impact economies and businesses around the world, albeit there was partial business recovery in 2022. The Group has considered the market conditions and outlook including the impact of COVID-19 as at the balance sheet date, in making estimates and judgements on the recoverability of assets and provisions for onerous contracts as at 31 December 2022. As the COVID-19 pandemic is ongoing and evolving as at the date these financial statements were authorised for issuance, future developments in relation to the pandemic and their impact on the operating and financial performance of the Group cannot be ascertained at the present moment.

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

	Note	2022 $'000	2021 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	**12**	145
Right-of-use assets		**203**	317
Subsidiaries	3	**1,537,911**	1,479,070
Associates	4	**–**	–
		1,538,126	1,479,532
Current assets			
Amounts due from related parties	5	**7,159**	14,833
Advances and other receivables		**556**	236
Bank balances and other liquid funds	6	**117,879**	82,255
		125,594	97,324
Total assets		**1,663,720**	1,576,856
EQUITY AND LIABILITIES			
Current liabilities			
Other payables and accruals	7	**4,255**	3,526
Amounts due to related parties	5	**8,102**	11,878
Provision for taxation		**32**	701
Lease liabilities		**114**	110
		12,503	16,215
Net current assets		**113,091**	81,109
Non-current liabilities			
Lease liabilities		**–**	113
		–	113
Total liabilities		**12,503**	16,328
Net assets		**1,651,217**	1,560,528
Share capital and reserves			
Share capital	8	**895,926**	895,926
Treasury shares	8	**(36,377)**	(33,475)
Capital reserves	8	**(15,977)**	(12,044)
Other reserves	8	**71,014**	65,716
Retained earnings		**736,631**	644,405
		1,651,217	1,560,528
Total equity and liabilities		**1,663,720**	1,576,856

The accompanying notes form an integral part of these financial statements.

NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2022
(CURRENCY – SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

1. Basis of Preparation and Significant Accounting Policies

The Statement of Financial Position of the Company is prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)). The Statement of Financial Position of the Company has been prepared on the historical cost convention, except as otherwise described in the accounting policies below.

The Statement of Financial Position of the Company are presented in Singapore dollars (SGD) which is the Company's functional currency. All values are rounded to the nearest thousand ($'000) unless otherwise indicated.

Accounting policies, estimates and critical accounting judgements applied to the preparation of the Statement of Financial Position of the Company is consistent with the disclosures in the consolidated financial statements.

The Statement of Financial Position and Notes to the Statement of Financial Position of the Company as at 31 December 2022 were authorised and approved by the Board of Directors for issuance on 23 February 2023.

2. Property, plant and equipment

	Furniture, fittings, office equipment and others $'000	Construction-in-progress $'000	Total $'000
2022			
Cost			
At 1 January 2022	492	–	492
Disposals	(55)	–	(55)
At 31 December 2022	437	–	437
Accumulated depreciation			
At 1 January 2022	347	–	347
Depreciation charge	97	–	97
Disposals	(19)	–	(19)
At 31 December 2022	425	–	425
Net book value			
At 31 December 2022	12	–	12

NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

2. Property, plant and equipment (continued)

	Buildings and improvements $'000	Furniture, fittings, office equipment and others $'000	Construction-in-progress $'000	Total $'000
2021				
Cost				
At 1 January 2021	6	2,124	1,191	3,321
Additions	–	80	–	80
Disposals	(6)	(1,748)	(1,155)	(2,909)
Transfer	–	36	(36)	–
At 31 December 2021	–	492	–	492
Accumulated depreciation				
At 1 January 2021	3	1,181	–	1,184
Depreciation charge	–	279	–	279
Disposals	(3)	(1,113)	–	(1,116)
At 31 December 2021	–	347	–	347
Net book value				
At 31 December 2021	–	145	–	145

3. Subsidiaries

	2022 $'000	2021 $'000
Equity investments at cost		
At beginning of the year	**1,479,070**	1,363,251
Additions	**58,841**	1,415,530
Transfers to subsidiaries	**–**	(1,291,123)
Impairment	**–**	(8,588)
At end of the year	**1,537,911**	1,479,070

In the prior year, the Company transferred its investments in certain subsidiaries to ST Engineering IHQ Pte. Ltd. and ST Engineering Holdings GmbH, which are the regional investment holding companies of the Group, of $761,276,000 and $511,494,000 respectively.

NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

4. Associates

	2022 $'000	2021 $'000
Equity investments at cost		
At beginning of the year	–	17,657
Transfer to a subsidiary	–	(17,657)
At end of the year	–	–

5. Amounts due from / to related parties

Amounts due from / to related parties were non-trade related, unsecured, interest-free and repayable on demand.

6. Bank balances and other liquid funds

	2022 $'000	2021 $'000
Cash and bank balances	**98**	145
Amounts placed with a related corporation	**117,781**	82,110
Bank balances and other liquid funds	**117,879**	82,255

At the balance sheet date, the amounts placed with a related corporation, ST Engineering Treasury Pte. Ltd., under a cash pooling arrangement bears interest ranging from 0% to 4.0% (2021: 0%) per annum. The cash pooling arrangement administered by ST Engineering Treasury Pte. Ltd. is operated at the instructions of the Company. These amounts placed with a related corporation are subjected to an arrangement with a bank where bank balances are transferred from / to a bank account of the related corporation on a daily basis.

7. Other payables and accruals

	2022 $'000	2021 $'000
Accrued operating expenses	**4,255**	3,526

8. Share capital, treasury shares, capital reserves and other reserves

- Share capital and treasury shares have been explained and disclosed in E6 and E7.
- Capital reserve is relating to realised gain or loss on re-issuance of treasury shares under share-based payment arrangements as explained and disclosed in E8.
- Other reserve is relating to share-based payment reserve as explained and disclosed in E9.

NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2022
(CURRENCY - SINGAPORE DOLLARS UNLESS OTHERWISE STATED)

9. Financial risk management

- **Interest rate risk**: No interest rate risk exposure was disclosed as the Company had assessed that a reasonable change in the interest rates would not result in any significant impact on the Company's results.

- **Foreign exchange risk**: No foreign exchange sensitivity analysis was disclosed as the Company had assessed that a reasonable change in exchange rates would not result in any significant impact on the Company's results.

- **Liquidity risk**: It is not expected that the cash flows associated with the liabilities of the Company could occur at significantly different amounts.

- **Credit risk**: The Company limits its exposure to credit risk on amounts due from related parties which are mostly short-term in nature and bank balances and other liquid funds placed with reputable financial institutions.

  Management actively monitors the credit ratings of its debtors and does not expect any counterparty to fail to meet its obligations.

  Derivatives are entered into with financial institutions which have long-term rating of at least A3 by Moody's, A- by Standard & Poor's or the equivalent by a reputable credit rating agency.

  Cash and bank deposits are placed with reputable financial institutions.

  As at 31 December 2022, there were no significant concentrations of credit risk.

- **Financial instruments by category**: The carrying amount of the different categories of financial instruments are as follows:

	2022 $'000	2021 $'000
Financial assets, at amortised cost	**125,594**	97,324
Financial liabilities, at amortised cost	**(12,471)**	(15,627)

ISSUER

STE TransCore Holdings, Inc.
(formerly known as ST Engineering Urban Solutions USA Inc.)
1209, Orange Street, in the City of Wilmington
County of Newcastle, 19801
State of Delaware, USA

GUARANTOR

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

FISCAL AGENT, ISSUING AND PAYING AGENT AND CALCULATION AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris 2-4
rue Eugène Ruppert
L-2453
Luxembourg

LEGAL ADVISERS

To the Issuer and Guarantor as to Singapore law

Allen & Gledhill LLP
One Marina Boulevard
#28-00 Singapore 018989

To the Issuer and the Guarantor as to U.S. and English law

Sidley Austin LLP
Six Battery Road
Level 31
Singapore 049909

To the Joint Lead Manager as to U.S. and English law

Allen & Overy LLP
50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049321

JOINT GLOBAL COORDINATORS & JOINT LEAD MANAGERS

J.P. Morgan Securities Asia Private Limited
88 Market Street 26F
CapitaSpring
Singapore 048948

DBS Bank Ltd.
12 Marina Boulevard, Level 42 Marina Bay
Financial Centre Tower 3
Singapore 018982

Standard Chartered Bank (Singapore) Limited
Marina Bay Financial Centre, Tower 1
8 Marina Boulevard, Level 19
Singapore 018981

JOINT LEAD MANAGERS

Crédit Agricole Corporate and Investment Bank, Singapore Branch
168 Robinson Road
#23-00, Capital Tower
Singapore 068912

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#03-05 OCBC Centre East
Singapore 049514

Merrill Lynch (Singapore) Pte. Ltd.
50 Collyer Quay,
#14-01 OUE Bayfront,
Singapore 049321

Société Générale
29, Boulevard Haussmann
75009 Paris
France

AUDITOR

Auditor to the Guarantor and the Group
PricewaterhouseCoopers LLP
7 Straits View, Marina One
East Tower
Singapore 018936

LISTING AGENT

Allen & Gledhill LLP
One Marina Boulevard
#28-00 Singapore 018989