

LETTER TO SHAREHOLDERS

SIA ENGINEERING COMPANY LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 198201025C

Board of Directors:

Stephen Lee Ching Yen (*Chairman*)
Goh Choon Phong (*Non-Independent Director*)
Ron Foo Siang Guan (*Independent Director*)
Oo Soon Hee (*Independent Director*)
Ng Chin Hwee (*Non-Independent Director*)
Manohar Khiatani (*Independent Director*)
Chew Teck Soon (*Independent Director*)
Christina Hon Kwee Fong (Christina Ong) (*Independent Director*)
Tong Chong Heong (*Independent Director*)

Registered Office:

31 Airline Road
Singapore 819831

To: **The Shareholders of
SIA Engineering Company Limited**

29 June 2015

Dear Sir/Madam

1. INTRODUCTION

1.1 Notice of AGM. We refer to:

- (a) the Notice of Annual General Meeting of SIA Engineering Company Limited ("**SIAEC**" or the "**Company**") dated 29 June 2015 (the "**Notice**"), accompanying the FY2014/15 Annual Report, convening the 33rd Annual General Meeting of the Company to be held on 24 July 2015 (the "**2015 AGM**");
- (b) Ordinary Resolution No. 6 relating to the proposed change of Auditor (as proposed in the Notice);
- (c) Ordinary Resolution No. 7.3 relating to the proposed renewal of the IPT Mandate (as defined in paragraph 3.1 below, as proposed in the Notice); and
- (d) Ordinary Resolution No. 7.4 relating to the proposed renewal of the Share Buy Back Mandate (as defined in paragraph 4.1 below, as proposed in the Notice).

1.2 **Letter to Shareholders.** The purpose of this Letter is to provide shareholders of the Company ("**Shareholders**") with information relating to Ordinary Resolution Nos. 6, 7.3 and 7.4 proposed in the Notice (collectively, the "**Proposals**").

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

1.4 **Advice to Shareholders.** If a Shareholder is in any doubt as to the course of action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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2. THE PROPOSED CHANGE OF AUDITOR

2.1 **Background.** Ordinary Resolution No. 6 proposed in the Notice is to appoint KPMG LLP as the Auditor of the Company in place of the retiring Auditor, Ernst & Young LLP, and to authorise the Directors to fix their remuneration. Ernst & Young LLP has served as external Auditor of the Company for 23 years, since 1992.

2.2 **Rationale.** As part of ongoing good corporate governance initiatives, the Directors are of the view that it would be timely to effect a change of external Auditor with effect from the financial year ending 31 March 2016. Ernst & Young LLP, the retiring Auditor, will accordingly not be seeking re-appointment at the forthcoming 2015 AGM.

KPMG LLP was selected for the proposed appointment after the Audit Committee evaluated competitive proposals from various audit firms. The Audit Committee reviewed and deliberated on the proposals received from each of the audit firms, taking into consideration factors such as the adequacy of the resources and experience of the audit firm to be selected, and the audit engagement partner to be assigned to the audit, as well as the size and complexity of the Company and its subsidiaries (the "Group") and the Group's investments in joint ventures and associated companies. After evaluation, the Audit Committee recommended that KPMG LLP be selected for the proposed appointment. The Directors have taken into account the Audit Committee's recommendation, including the factors considered in their evaluation, and are satisfied that KPMG LLP will be able to meet the audit requirements of the Company.

2.3 **Information on KPMG LLP.** KPMG LLP in Singapore is a member firm of KPMG International, an international network of member firms offering audit, tax and advisory services in 155 countries with over 162,000 partners and staff. KPMG LLP is registered with the Accounting and Corporate Regulatory Authority ("ACRA"). It is one of the largest professional services firms in Singapore today, and has a wide-ranging clientele base consisting of multinational companies, private companies and public sector organisations. The audit partner who will be in charge of the audit is Mr Tan Wah Yeow, who is a practising member of the Institute of Singapore Chartered Accountants and a public accountant registered with ACRA. Mr Tan is the Deputy Managing Partner of KPMG LLP in Singapore and has more than 20 years of experience in providing audit and advisory work for private, public and government-owned companies.

For more information about KPMG LLP, please visit <http://www.kpmg.com/SG/EN/Pages/default.aspx>.

2.4 **Confirmations.** In accordance with the requirements of Rule 1203(5) of the Listing Manual of the SGX-ST (the "Listing Manual"):

- (a) the outgoing Auditor, Ernst & Young LLP, has confirmed that they are not aware of any professional reasons why the new Auditor, KPMG LLP, should not accept appointment as Auditor of the Company;
- (b) the Company confirms that there were no disagreements with the outgoing Auditor, Ernst & Young LLP, on accounting treatments within the last 12 months;
- (c) the Company confirms that, other than as set out above, it is not aware of any circumstances connected with the proposed change of Auditor that should be brought to the attention of Shareholders; and
- (d) the Company confirms that as at 2 June 2015, being the latest practicable date prior to the printing of this Letter (the "**Latest Practicable Date**"), it is in compliance with Rule 712 and Rule 716 of the Listing Manual in relation to the appointment of KPMG LLP as the Auditor of the Company.

2.5 **Nomination Notice.** Pursuant to section 205 of the Companies Act, Chapter 50 (the "**Companies Act**") a copy of the notice of nomination of the proposed new Auditor dated 9 June 2015 from a Shareholder is attached in Appendix 1 to this Letter.

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3. THE PROPOSED RENEWAL OF THE MANDATE FOR INTERESTED PERSON TRANSACTIONS

- 3.1 **Background.** At the Annual General Meeting of the Company held on 21 July 2014 (the “**2014 AGM**”), Shareholders approved, *inter alia*, the renewal of a mandate (the “**IPT Mandate**”) to enable the Company, its subsidiaries and associated companies which are considered to be “entities at risk” (as that term is defined in Chapter 9 of the Listing Manual) to enter into certain interested person transactions with the classes of interested persons (the “**Interested Persons**”) as set out in the IPT Mandate.

Particulars of the IPT Mandate were set out in the Appendix to the Company’s Letter to Shareholders dated 25 June 2014 (the “**2014 Letter**”) and Ordinary Resolution 8.2 as set out in the Notice of the 2014 AGM. The IPT Mandate was expressed to take effect until the conclusion of the next Annual General Meeting of the Company, being the 2015 AGM which is scheduled to be held on 24 July 2015.

- 3.2 **Renewal of the IPT Mandate.** The Directors propose that the IPT Mandate be renewed at the 2015 AGM to take effect until the 34th Annual General Meeting of the Company. The particulars of the interested person transactions in respect of which the IPT Mandate is sought to be renewed remain unchanged.
- 3.3 **Appendix 2.** Details of the IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with the Interested Persons and other general information relating to Chapter 9 of the Listing Manual, are set out in Appendix 2 to this Letter.
- 3.4 **Audit Committee Statement.** The Audit Committee of the Company, comprising Ron Foo Siang Guan, Manohar Khiatani, Chew Teck Soon and Christina Ong, confirms that:
- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the 2014 AGM; and
 - (b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

4. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

- 4.1 **Background.** At the Extraordinary General Meeting of the Company held on 21 July 2014 (the “**2014 EGM**”), Shareholders approved, *inter alia*, the adoption of a mandate (the “**Share Buy Back Mandate**”) to enable the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (“**Shares**”).

The rationale for, the authority and limitations on, and the financial effects of, the Share Buy Back Mandate were set out in the Company’s Circular to Shareholders dated 25 June 2014 (the “**2014 Circular**”) and Ordinary Resolution 3 as set out in the Notice of the 2014 EGM.

The Share Buy Back Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 3 at the 2014 EGM and will expire on the date of the forthcoming 2015 AGM which is scheduled to be held on 24 July 2015. Accordingly, the Directors propose that the Share Buy Back Mandate be renewed at the 2015 AGM.

As at the LPD, the Company had not undertaken any purchases or acquisitions of its Shares pursuant to the Share Buy Back Mandate approved by Shareholders at the 2014 EGM.

As at the Latest Practicable Date, no Shares were held as treasury shares.

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4. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE (continued)

4.2 **Authority and Limits on the Share Buy Back Mandate.** The authority and limitations placed on the purchases or acquisitions of Shares by the Company (the “**Share Buy Backs**”) pursuant to the Share Buy Back Mandate, if renewed at the 2015 AGM, are substantially the same as previously approved by Shareholders at the 2014 EGM and are summarised below:

4.2.1 **Maximum Number of Shares**

Only Shares which are issued and fully paid may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buy Back Mandate is limited to that number of Shares representing not more than 2% of the issued Shares as at the date of the 2015 AGM at which the renewal of the Share Buy Back Mandate is approved. Any Shares which are held as treasury shares will be disregarded for the purposes of computing the 2% limit.

4.2.2 **Duration of Authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2015 AGM at which the renewal of the Share Buy Back Mandate is approved, up to:

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

whichever is the earliest.

4.2.3 **Manner of Share Buy Backs**

A Share Buy Back may be made by way of:

- (a) an on-market Share Buy Back (“**On-Market Share Buy Back**”), transacted on the SGX-ST through the SGX-ST’s trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) an off-market Share Buy Back in accordance with an equal access scheme (“**Off-Market Equal Access Share Buy Back**”) effected pursuant to Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy Back Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Equal Access Share Buy Back must, however, satisfy all the following conditions:

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

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4. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE (continued)

4.2.3 *Manner of Share Buy Backs (continued)*

If the Company wishes to make an Off-Market Equal Access Share Buy Back, it will, pursuant to Rule 885 of the Listing Manual, issue an offer document containing at least the following information:

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

4.2.4 *Purchase Price*

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the committee constituted for the purposes of effecting Share Buy Backs. The purchase price to be paid for the Shares pursuant to Share Buy Backs (both On-Market Share Buy Backs and Off-Market Equal Access Share Buy Backs) must not exceed 105% of the Average Closing Price of the Shares (excluding related expenses of the purchase or acquisition) (the “**Maximum Price**”).

For the above purposes:

“**Average Closing Price**” means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of the On-Market Share Buy Back by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Equal Access Share Buy Back, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Equal Access Share Buy Back, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Equal Access Share Buy Back.

4.3 **Rationale for Share Buy Back Mandate.** The renewal of the Share Buy Back Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake share purchases or acquisitions up to the 2% limit described in paragraph 4.2.1 above at any time, subject to market conditions, during the period when the Share Buy Back Mandate is in force.

In managing the business of the Group, management strives to increase Shareholders’ value. Share Buy Backs are one of the ways through which Shareholders’ value may be enhanced. Share Buy Backs are intended to be made as and when the Directors believe them to be of benefit to the Company and/or the Shareholders.

A share repurchase programme will also allow management to effectively manage and minimise the dilution impact (if any) associated with employee share schemes.

While the Share Buy Back Mandate would authorise a purchase or acquisition of Shares up to the 2% limit described in paragraph 4.2.1 above, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate may not be carried out to the full 2% limit as authorised and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company.

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4. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE (continued)

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

4.5 **Treasury Shares.** Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act in force as at the Latest Practicable Date are summarised below:

4.5.1 *Maximum Holdings*

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

4.5.2 *Voting and Other Rights*

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

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

4.5.3 *Disposal and Cancellation*

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

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

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

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4. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE (continued)

4.6 **Funding of Share Buy Backs.** The Company may use internal or external sources of funds to finance Share Buy Backs. The Directors do not propose to exercise the Share Buy Back Mandate to such extent that it would materially affect the working capital requirements, financial flexibility or investment ability of the Group.

4.7 **Financial Effects.** The financial effects of a Share Buy Back on the Group and the Company will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the audited financial statements of the Group and the Company will depend, *inter alia*, on the factors set out below.

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

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

4.7.2 *Number of Shares Acquired or Purchased*

Based on 1,121,921,984 issued Shares as at the Latest Practicable Date, and assuming no further Shares are issued or repurchased, or held by the Company as treasury shares, on or prior to the 2015 AGM, the purchase by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 22,438,439 Shares.

4.7.3 *Maximum Price Paid for Shares Acquired or Purchased*

Assuming that the Company purchases or acquires the 22,438,439 Shares at the Maximum Price of S\$4.1727 for each Share (being the price equivalent to 105% of the average last dealt prices of the Shares for the five consecutive trading days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for such Share Buy Back is approximately S\$93,628,874.

The maximum amount of funds required for such Share Buy Back is the same regardless of whether the Company effects an On-Market Share Buy Back or an Off-Market Equal Access Share Buy Back.

For illustrative purposes only, assuming:

- (a) the Share Buy Back Mandate had been effective since 1 April 2014;
- (b) the Company had on 1 April 2014 purchased 22,438,439 Shares (representing 2% of its issued Shares as at the Latest Practicable Date) at the Maximum Price of S\$4.1727 for each Share (being 105% of the average last dealt prices of the Shares for the five consecutive trading days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date); and
- (c) the purchase or acquisition of 22,438,439 Shares was made equally out of profits and capital and either cancelled or held in treasury,

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4. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE (continued)

4.7.3 Maximum Price Paid for Shares Acquired or Purchased (continued)

the financial effects of the Share Buy Back on the audited financial statements of the Group and the Company for the financial year ended 31 March 2015 would have been as follows:

Share Buy Back of up to a maximum of 2% made equally out of profits (1%) and capital (1%) and either cancelled or held in treasury

	Group		Company	
	Per audited financial statements as at 31 March 2015	Proforma after Share Buy Back	Per audited financial statements as at 31 March 2015	Proforma after Share Buy Back
(a) Share capital (\$m)	410.7	363.9	410.7	363.9
(b) General reserve (\$m)	992.3	945.5	674.7	627.9
(c) Net asset value (\$m)	1,324.9	1,231.3	1,100.4	1,006.8
(d) Net asset value per Share (\$)	1.18	1.12	0.98	0.92
(e) Profit / (Loss) attributable to equityholders of the Company (\$m)	183.3	183.3	195.7	195.7
(f) Weighted average no. of issued and paid-up Shares (m)	1,120.1	1,097.7	1,120.1	1,097.7
(g) Basic Earnings per Share ("EPS") (cents)	16.4	16.7	17.5	17.8
(h) Total borrowings ⁽¹⁾ (\$m)	33.2	33.2	0	0
(i) Liquid investments, cash and cash equivalents ⁽²⁾ (\$m)	463.7	370.1	440.3	346.7
(j) Net borrowings ⁽³⁾ (\$m)	(430.5)	(336.9)	(440.3)	(346.7)
(k) Equity holders' funds ⁽⁴⁾ (\$m)	1,324.9	1,231.3	1,100.4	1,006.8
(l) Gearing ⁽⁵⁾ (times)	0.025	0.027	0	0
(m) ROE(6) (%)	13.6	14.1	17.3	18.1
(n) Current ratio (times)	3.01	2.65	3.00	2.60

Notes:

- (1) "Total borrowings" means short term and long term notes payable, loans, and finance lease commitments.
- (2) "Liquid investments, cash and cash equivalents" means short term investments, cash and bank balances.
- (3) "Net borrowings" means total borrowings less liquid investments, cash and cash equivalents.
- (4) "Equity holders' funds" means the aggregate of issued share capital and reserves.
- (5) "Gearing" is defined as the ratio of total borrowings to Equity holders' funds.
- (6) "ROE" is determined by calculating the profit attributable to equity holders of the Company expressed as a percentage of the average Equity holders' funds.

SHAREHOLDERS SHOULD NOTE THAT THE FINANCIAL EFFECTS SET OUT ABOVE ARE FOR ILLUSTRATION PURPOSES ONLY (BASED ON THE AFOREMENTIONED ASSUMPTIONS). IN PARTICULAR, IT IS IMPORTANT TO NOTE THAT THE ABOVE ANALYSIS IS BASED ON THE HISTORICAL PROFORMA NUMBERS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015, AND IS NOT NECESSARILY REPRESENTATIVE OF FUTURE FINANCIAL PERFORMANCE.

Although the Share Buy Back Mandate would authorise the Company to purchase or acquire up to 2% of its issued Shares (excluding Shares held in treasury), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 2% of its issued Shares (excluding Shares held in treasury). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased as treasury shares.

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4. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE (continued)

- 4.8 Shareholding Limits. The Articles of Association of the Company (the “**Articles**”) currently prescribe a limit of 5% (the “**Prescribed Limit**”) of the issued Shares in which any single Shareholder or related groups of Shareholders (other than Singapore Airlines Limited (“**SIA**”), Temasek Holdings (Private) Limited (“**Temasek**”) and/or such other person or persons with the approval of the Directors) may have an interest. As at the Latest Practicable Date, SIA had a direct interest in approximately 77.55% of the issued Shares and Temasek had a deemed interest in approximately 77.67% of the issued Shares.

As the number of the issued Shares will be diminished by the number of Shares purchased or acquired by the Company, the shareholding percentage of Shareholders whose Shares are not repurchased or acquired by the Company may increase correspondingly after each Share Buy Back. The Company wishes to draw the attention of the Shareholders to the following consequences of a purchase or acquisition of Shares by the Company pursuant to the Share Buy Back Mandate, if the proposed renewal of the Share Buy Back Mandate is approved by the Shareholders at the 2015 AGM:

A SHARE BUY BACK BY THE COMPANY MAY INADVERTENTLY CAUSE THE PERCENTAGE SHAREHOLDING OF SHAREHOLDERS, (IN PARTICULAR, SHAREHOLDERS WHOSE CURRENT HOLDING OF SHARES IS CLOSE TO 5%) TO EXCEED THE PRESCRIBED LIMIT. SHAREHOLDERS WHOSE HOLDING OF SHARES MAY POTENTIALLY EXCEED THE PRESCRIBED LIMIT ARE ADVISED TO TAKE ONE OF THE FOLLOWING ACTIONS:

- (A) **SEEK PRIOR WRITTEN APPROVAL OF THE DIRECTORS TO HOLD SHARES IN EXCESS OF THE PRESCRIBED LIMIT IN THE EVENT OF A SHARE BUY BACK; OR**
- (B) **TAKE ACTION TO SELL PART OF THEIR HOLDING OF SHARES AT THE APPROPRIATE TIME TO AVOID VIOLATING THE PRESCRIBED LIMIT.**

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

4.9.1 *Obligation to make a Take-over Offer*

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

4.9.2 *Persons Acting in Concert*

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

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

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4. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE (continued)

4.9.2 *Persons Acting in Concert (continued)*

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

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

4.9.3 *Effect of Rule 14 and Appendix 2*

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

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

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4. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE (continued)

4.9.3 Effect of Rule 14 and Appendix 2 (continued)

Based on the interests of substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date as set out in paragraph 5.2 below, none of the substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum limit of 2% of its issued Shares (excluding treasury shares) as at the Latest Practicable Date.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Take-over Code as a result of any Share Buy Back by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

- 4.10 **Listing Status of the Shares.** The Listing Manual requires a listed company to ensure that at least 10% of the equity securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public shareholders. As at the Latest Practicable Date, SIA had a direct interest in approximately 77.55% of the issued Shares and Temasek had a deemed interest in approximately 77.67% of the issued Shares. Approximately 22.32% of the issued Shares were held by public Shareholders as at the Latest Practicable Date. Accordingly, the Company is of the view that there is a sufficient number of issued Shares held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 2% limit pursuant to the proposed Share Buy Back Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or affect orderly trading.
- 4.11 **Reporting Requirements.** Rule 883(1) of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of an On-Market Share Buy Back, on the market day following the day of purchase or acquisition of any of its shares, and (b) in the case of an Off-Market Equal Access Share Buy Back, on the second market day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase.
- 4.12 **No Purchases During Price Sensitive Developments.** While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buy Back Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealing set out in Rule 1207(19)(c) of the Listing Manual, the Company will not purchase or acquire any Shares through on-market or off-market Share Buy Backs during the period of one month immediately preceding the announcement of the Company's full-year results, and the period of two weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year.

LETTER TO SHAREHOLDERS

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

5.1 **Directors' Interests in Shares.** The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date are set out below:

Director	Number of Shares				Number of Shares comprised in outstanding Share Options / Awards
	Direct Interest	% ⁽¹⁾	Deemed Interest	% ⁽¹⁾	
Stephen Lee Ching Yen	–	–	–	–	–
Goh Choon Phong	–	–	–	–	–
Ron Foo Siang Guan	15,000	0.0013	25,000 ⁽²⁾	0.0022	–
Oo Soon Hee	–	–	2,000 ⁽³⁾	0.002	–
Ng Chin Hwee	10,000	0.0009	–	–	–
Manohar Khatani	–	–	–	–	–
Chew Teck Soon	–	–	–	–	–
Christina Hon Kwee Fong (Christina Ong)	–	–	–	–	–
Tong Chong Heong	–	–	–	–	–

Notes:

- (1) Based on 1,121,921,984 Shares in issue as at the Latest Practicable Date.
- (2) Ron Foo Siang Guan is deemed to be interested in the 25,000 Shares held by Alliance Consultancy Corporation, a company owned by him and his spouse.
- (3) Oo Soon Hee is deemed to be interested in the 2,000 Shares held by his spouse.

5.2 **Substantial Shareholders' Interests in Shares.** The interests of the substantial Shareholders in Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

Substantial Shareholder	Direct Interest	% ⁽¹⁾	Number of Shares		Total Interest	% ⁽¹⁾
			Deemed Interest ⁽²⁾	% ⁽¹⁾		
Singapore Airlines Limited	870,000,000	77.55	–	–	870,000,000	77.55
Temasek Holdings (Private) Limited	–	–	871,440,000	77.67	871,440,000	77.67

Notes:

- (1) Based on 1,121,921,984 Shares issued as at the Latest Practicable Date.
- (2) Temasek's deemed interest arises from the aggregation of the deemed interests held by Singapore Airlines Limited ("SIA"), ST Asset Management Ltd ("STAM") and DBS Group Holdings Limited ("DBSH"). SIA and STAM are subsidiaries of Temasek and DBSH is an associated company of Temasek. SIA, STAM and DBSH are independently managed Temasek portfolio companies. Temasek is not involved in their business or operating decisions, including those regarding their positions in the shares of SIAEC.

LETTER TO SHAREHOLDERS

6. DIRECTORS' RECOMMENDATIONS

- 6.1 **Proposed Change of Auditor.** The Directors are of the opinion that the proposed appointment of KPMG LLP as Auditor of the Company in place of the retiring Auditor, Ernst & Young LLP, is in the best interests of the Company. They accordingly recommend that Shareholders vote in favour of Ordinary Resolution No. 6 relating to the appointment of KPMG LLP as Auditor of the Company in place of the retiring Auditor, Ernst & Young LLP, to be proposed at the 2015 AGM.
- 6.2 **Proposed Renewal of IPT Mandate.** The Directors who are considered independent for the purposes of the proposed renewal of the IPT Mandate are Ron Foo Siang Guan, Oo Soon Hee, Manohar Khiatani, Chew Teck Soon, Christina Hon Kwee Fong (Christina Ong) and Tong Chong Heong (the "**Independent Directors**"). The Independent Directors are of the opinion that the entry into of the interested person transactions between the EAR Group (as described in paragraph 2.1.2 of Appendix 2 to this Letter) and those Interested Persons (as described in paragraph 2.3 of Appendix 2 to this Letter) in the ordinary course of their respective businesses will enhance the efficiency of the EAR Group and are in the best interests of the Company.

For the reasons set out in paragraphs 2.1 and 2.6 of Appendix 2 to this Letter, the Independent Directors recommend that Shareholders vote in favour of Ordinary Resolution No. 7.3, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the 2015 AGM.

- 6.3 **Proposed Renewal of Share Buy Back Mandate.** The Directors are of the opinion that the proposed renewal of the Share Buy Back Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 7.4, being the Ordinary Resolution relating to the proposed renewal of the Share Buy Back Mandate to be proposed at the 2015 AGM.

7. ABSTENTION FROM VOTING

Stephen Lee Ching Yen, Goh Choon Phong and Ng Chin Hwee (being Directors and/or employees of SIA, as the case may be) will abstain from voting their Shares, if any, at the 2015 AGM in respect of Ordinary Resolution No. 7.3, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate. Each such Director will also not accept nominations to act as proxy, corporate representative or attorney to vote in respect of Ordinary Resolution No. 7.3 unless that Shareholder appointing him indicates clearly how votes are to be cast in respect of Ordinary Resolution No. 7.3.

Temasek and its associates (which include SIA and its associates), being Interested Persons, will also abstain from voting their Shares, if any, in respect of Ordinary Resolution No. 7.3.

LETTER TO SHAREHOLDERS

8. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at Airline House, 31 Airline Road, Singapore 819831 during normal business hours from the date of this Circular up to the date of the 2015 AGM:

- (a) the FY2014/15 Annual Report;
- (b) the Memorandum and Articles of Association of the Company;
- (c) KPMG LLP's formal letter of consent to act as Auditor of the Company;
- (d) the 2014 Letter; and
- (e) the 2014 Circular.

9. RESPONSIBILITY STATEMENT

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

Yours faithfully
for and on behalf of the
Board of Directors of
SIA Engineering Company Limited

Stephen Lee Ching Yen
Chairman

APPENDIX 1

NOMINATION NOTICE

Date: 9 June 2015

The Board of Directors
SIA Engineering Company Limited
31 Airline Road
Singapore 819831

Dear Sirs

Notice of Nomination

Pursuant to the provisions of Section 205 of the Companies Act, Chapter 50, I, Devika Rani Davar of 517 Elias Road, Singapore 519925, in my capacity as a member of SIA Engineering Company Limited (the "Company"), hereby give notice of my nomination of KPMG LLP of 16 Raffles Quay, #22-00, Hong Leong Building, Singapore 048581, for appointment as the Auditor of the Company in place of the retiring Auditor, Ernst & Young LLP, at the forthcoming Annual General Meeting of the Company to be held at 2.30 p.m. on 24 July 2015 at Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594

Yours faithfully



Devika Rani Davar

APPENDIX 2

THE IPT MANDATE

1. CHAPTER 9 OF THE LISTING MANUAL

- 1.1 Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company’s interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the same financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for that transaction.
- 1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and hence are excluded from the ambit of Chapter 9 of the Listing Manual (“**Chapter 9**”), immediate announcement and shareholders’ approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company’s latest audited consolidated net tangible assets (“**NTA**”)) are reached or exceeded. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:
- (a) 5% of the listed company’s latest audited consolidated NTA; or
 - (b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9) during the same financial year.
- 1.3 Based on the latest audited consolidated financial statement of SIA Engineering Company Limited (“**SIAEC**” or the “**Company**”) and its subsidiaries (collectively, the “**SIAEC Group**”) for the financial year ended 31 March 2015, the consolidated NTA of the SIAEC Group was S\$1,263.3 million. In relation to SIAEC, and for the purposes of complying with Chapter 9, in the current financial year and until such time as the consolidated audited financial statement of the SIAEC Group for the financial year ending 31 March 2016 are published, 5% of the latest audited consolidated NTA of the SIAEC Group would be S\$63.2 million.
- 1.4 Chapter 9 permits a listed company, however, to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company’s interested persons.

APPENDIX 2

THE IPT MANDATE

1. CHAPTER 9 OF THE LISTING MANUAL (continued)

1.5 Under the Listing Manual:

- (a) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9;
- (b) (in the case of a company) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder includes an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
- (c) an “**associated company**” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;
- (d) “**control**” means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company;
- (e) a “**controlling shareholder**” means a person who (i) holds directly or indirectly 15% or more of the total number of issued shares in the company excluding treasury shares (the SGX-ST may determine that such person is not a controlling shareholder) or (ii) in fact exercises control over a company;
- (f) an “**entity at risk**” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has control over the associated company;
- (g) (in the case of a company) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder; and
- (h) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

APPENDIX 2

THE IPT MANDATE

2. THE IPT MANDATE

2.1 Rationale for the IPT Mandate

2.1.1 It is anticipated that the EAR Group (as defined in paragraph 2.1.2 below) would, in the ordinary course of its business, enter into certain transactions with its Interested Persons (as defined below). It is likely that such transactions will occur with some degree of frequency and could arise at any time. Such transactions include, but are not limited to, the transactions described in paragraph 2.4 below. Among other things, the entry into of financial and treasury support transactions described in paragraph 2.4(g) below will benefit the EAR Group, as the EAR Group will have access to competitive quotes from its Interested Persons in addition to obtaining quotes from, or transacting with, non-Interested Persons. Similarly, the Company notes that the energy industry in Singapore had been deregulated and may now obtain electricity and other power sources and utilities from Interested Persons that carry on such business. Given the competition arising from the deregulation, it may be beneficial to the EAR Group to enter into such transactions with the relevant Interested Persons to take advantage of such competition in terms of pricing, products and services.

2.1.2 Owing to the time-sensitive nature of commercial transactions, the Directors of the Company (the “**Directors**”) are seeking approval from the shareholders of the Company (the “**Shareholders**”) for this proposed IPT Mandate pursuant to Chapter 9 to enable:

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

(together, the “**EAR Group**”), or any of them, in the normal course of their business, to enter into the categories of interested person transactions (“**Interested Person Transactions**”) described in paragraph 2.4 below with the specified classes of SIAEC’s interested persons (the “**Interested Persons**”) set out in paragraph 2.3.1 below, provided that such transactions are made on the EAR Group’s normal commercial terms.

2.1.3 The IPT Mandate will take effect from the date of the passing of Ordinary Resolution No. 7.3 to be proposed at the 33rd Annual General Meeting (“**AGM**”) of the Company to be held on 24 July 2015, and will (unless revoked or varied in general meeting) continue in force until the next AGM of the Company. Thereafter, approval from Shareholders for a renewal of the IPT Mandate will be sought at each subsequent AGM of the Company, subject to the satisfactory review by the Audit Committee of the Company (the “**Audit Committee**”) of its continued application to the transactions with Interested Persons.

2.2 Scope of the IPT Mandate

2.2.1 Singapore Airlines Limited (“**SIA**”) and its subsidiaries provide a whole range of services to the EAR Group including financial support, technical and information technology services, insurance services, central purchasing, internal audit and other support services, whilst the EAR Group provides, *inter alia*, maintenance, repair and overhaul services to SIA, SilkAir (Singapore) Private Limited, Singapore Airlines Cargo Private Limited, Scoot Private Limited and Tiger Airways Singapore Private Limited.

2.2.2 The IPT Mandate will not cover any transaction by a company in the EAR Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 would not apply to such transactions.

APPENDIX 2

THE IPT MANDATE

2. THE IPT MANDATE (continued)

2.3 Classes of Interested Persons

2.3.1 The IPT Mandate will apply to the Interested Person Transactions (as described in paragraph 2.4 below) which are carried out with Temasek Holdings (Private) Limited and its associates (which include SIA and its associates).

2.3.2 Transactions with Interested Persons which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of the Listing Manual. The IPT Mandate does not apply to Interested Person Transactions with the Chief Executive Officer of the Company (the "CEO"), the Directors, and their respective associates, for which separate Shareholders' approval will be obtained if it becomes necessary to do so.

2.4 Interested Person Transactions

The Interested Person Transactions which will be covered by the IPT Mandate and the benefits to be derived from them are the general transactions by the EAR Group relating to the provision to, or the obtaining from or through, Interested Persons, or the joint transacting with Interested Persons for, products and services in the normal course of business of the EAR Group (but not in respect of the purchase or sale of assets, undertakings or businesses), including:

- (a) repair, modification, maintenance, servicing, overhaul and other engineering and technical services relating to aircraft, aircraft engines, equipment, aircraft and/or engine spares, parts and components;
- (b) sale and purchase of aircraft, aircraft engines, aircraft and/or engine spares, parts and components, electronic and electrical engineering equipment;
- (c) charter and/or lease of aircraft, aircraft engines, equipment, aircraft and/or engine spares, parts and components;
- (d) security services;
- (e) obtaining and/or lease of computer equipment, provision of computer maintenance services and systems, development, licensing and acquisition of computer software programmes and other information technology-related equipment, goods and services;
- (f) rental and licensing of space, both as lessor/lessee and licensor/licensee and the provision of building maintenance services, lease and development of property for investment purposes;
- (g) provision of central purchasing, financial and treasury support (including borrowing of funds from, and placement of funds with, Interested Persons, entry into forex, swap and option transactions with or through Interested Persons for hedging purposes, subscription of debt securities issued by Interested Persons, and provision of fund management services), tax, internal audit, staff training and centrally organised activities and meetings for staff and management, staff transportation and other personnel-related or staff welfare-related services, provision of management and corporate support, staff pooling, technical support, central reservations and other telecommunications systems and support, and other related services;
- (h) provision of freight and related services;
- (i) provision of management and administrative services;
- (j) obtaining of electricity and other power sources and utilities;

APPENDIX 2

THE IPT MANDATE

2. THE IPT MANDATE (continued)

2.4 Interested Person Transactions

- (k) obtaining of insurances and the underwriting of risks; and
- (l) any other transaction relating to the provision of or obtaining from or through, Interested Persons, or the joint transacting with Interested Persons for, products and services related to the EAR Group's principal and ancillary activities in the normal course of its business and on normal commercial terms.

2.5 Review Procedures for Interested Person Transactions subject to the IPT Mandate (the "Mandated Interested Person Transactions")

2.5.1 The EAR Group has established the following procedures to ensure that Mandated Interested Person Transactions are undertaken on the EAR Group's normal commercial terms:

(a) *Review Procedures*

There are procedures established by the EAR Group to ensure that Mandated Interested Person Transactions are undertaken on the EAR Group's normal commercial terms, consistent with the EAR Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

In particular, the following review procedures have been put in place.

(i) *Provision of Services or the Sale of Products*

The review procedures are:

- (aa) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the service or product providers, on terms which are generally no more favourable to the Interested Persons than the usual commercial terms that would be extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded for bulk or high volume purchases) or otherwise in accordance with applicable industry norms; and
- (bb) where the prevailing market rates or prices are not available due to the nature of service to be provided or the product to be sold, the EAR Group's pricing for such services to be provided or products to be sold to Interested Persons is determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the key terms to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties, taking into consideration factors including but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract, strategic purposes of the transaction or the limited resources available to the EAR Group.

APPENDIX 2

THE IPT MANDATE

2. THE IPT MANDATE (continued)

(a) *Review Procedures (continued)*

(ii) *Obtaining of Services or the Purchasing of Products*

All purchases made by the EAR Group, including purchases from Interested Persons are governed by internal control procedures which detail matters such as the constitution of internal approving authorities, their monetary jurisdictions, the number of vendors from whom bids are to be obtained and the review procedures. The guiding principle is to objectively obtain the best goods and/or services on the best terms. Tender exercises are generally conducted for most of our purchases except in the case of transactions of value below certain thresholds specified in the internal control procedures. Where it is not possible, practicable or appropriate for a tender to be called (for example, where the service is required urgently or where conducting an effective tender would require disclosure of confidential price-sensitive information), an authorised senior management staff within the EAR Group will determine whether the price and terms offered by the Interested Person are on normal commercial terms.

In the case where a tender exercise is conducted, the invitation for bids will generally include a specimen contract to preclude negotiations by the vendor on the terms of supply after the successful vendor is selected by the appropriate tenders committee.

There will be written contractual terms of supply applicable to each tender. The tender review procedures require:

- (aa) (in the case of SIAEC) an open tender for bids to be called if there are more than 6 known vendors for the contract or item unless this requirement is waived by the appropriate tenders committee in exceptional circumstances, in which case a closed tender will be called; if there are 6 or fewer known vendors, a closed tender for bids will be called inviting all known vendors to bid; and
- (bb) (in the case of the associated company of the Company forming part of the EAR Group) an open tender for bids to be called if the value of the contract exceeds a specified amount; if it does not exceed such amount, a closed tender for bids will be called inviting all known vendors to bid.

For the purpose of this provision, the expression “known vendors” refers to vendors known to the relevant purchaser of services or products within the EAR Group or the relevant purchasing authority, which the appropriate tenders committee considers to have the requisite qualification for the contract. Bids which are received, regardless of whether they are from Interested Persons or not will be subject to the same evaluation criteria based on price, product quality, delivery schedules, specification compliance, track record, experience and expertise. Preferential rates, rebates or discounts accorded for bulk purchases are also taken into account.

APPENDIX 2

THE IPT MANDATE

2. THE IPT MANDATE (continued)

(a) *Review Procedures (continued)*

(iii) *Treasury Transactions*

(aa) Placements

In relation to the placement with any Interested Person by the EAR Group of its funds, the Company will require that quotations be obtained from such Interested Person and at least two other potential counterparties for rates of deposits with such counterparties of an equivalent amount, and for the equivalent period, of the funds to be placed by the EAR Group. The EAR Group will only place its funds with such Interested Person, provided that the terms quoted are generally no less favourable than the terms quoted by such counterparties for equivalent amounts, taking into account all relevant factors.

(bb) Borrowings

In relation to the borrowing of funds from any Interested Person by the EAR Group, the Company will require that quotations be obtained from such Interested Person and at least two other potential counterparties for rates for loans from such counterparties of an equivalent amount, and for the equivalent period, of the funds to be borrowed by the EAR Group. The EAR Group will only borrow funds from such Interested Person if the Interested Person offers the best rates and terms and best meets the EAR Group's requirements, taking into account all relevant factors.

(cc) Debt Securities and Preference Shares

In relation to the subscription of debt securities or preference shares issued by, or the purchase of debt securities or preference shares from, Interested Persons, the EAR Group will only subscribe for or purchase such debt securities or preference shares after assessment of the credit risk of such Interested Persons, provided that the price(s) at which the EAR Group subscribes for or purchases such debt securities or preference shares is not higher than the price(s) at which such debt securities or preference shares are subscribed for or purchased by unrelated third parties.

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

(dd) Forex, Swaps, Options

In relation to forex, swaps and options transactions with any Interested Person by the EAR Group, the Company will require that rate quotations be obtained from such Interested Person and at least two other potential counterparties. The EAR Group will only enter into such forex, swaps or options transactions with such Interested Person if the Interested Person offers the best rates and terms and best meets the EAR Group's requirements, taking into account all relevant factors.

For the purposes of this sub-paragraph (iii), references to "counterparties" include, but are not limited to, banks, financial institutions or other corporates, which are not Interested Persons.

APPENDIX 2

THE IPT MANDATE

2. THE IPT MANDATE (continued)

(b) *Threshold Limit*

In addition to the review procedures, the following review and approval procedures will be implemented to supplement existing internal control procedures for general transactions:

- (i) Interested Person Transactions equal to or exceeding S\$100,000 but less than S\$3 million in value will be reviewed and approved by (aa) a senior member of the Company's management designated for such purpose by the CEO or (bb) the CEO;
- (ii) Interested Person Transactions equal to or exceeding S\$3 million but less than S\$30 million in value will be reviewed and approved by (aa) the CEO or (bb) the Audit Committee;
- (iii) Interested Person Transactions equal to or exceeding S\$30 million in value will be reviewed and approved by the Board of Directors of the Company (the "**Board**") and the Audit Committee;
- (iv) where the aggregate value of all Interested Person Transactions (including the latest Interested Person Transaction) entered into with the same Interested Person in the current financial year is equal to or exceeds S\$3 million but below S\$30 million in value, the latest and all future Interested Person Transactions equal to or above S\$100,000 but below S\$30 million in value will be reviewed and approved by (aa) the CEO or (bb) the Audit Committee; and
- (v) where the aggregate value of all Interested Person Transactions (including the latest Interested Person Transaction) entered into with the same Interested Person in the current financial year is equal to or exceeds S\$30 million in value, the latest and all future Interested Person Transactions equal to or above S\$100,000 in value will be reviewed and approved by the Board and the Audit Committee.

References to the "same Interested Person" shall bear the meaning set out in Clause 908 of the Listing Manual.

Individual transactions of a value less than S\$100,000 do not require review and approval and will not be taken into account in the aggregation referred to in sub-paragraphs (iv) and (v) above. Interested Person Transactions entered into with the same Interested Person in previous financial years will not be taken into account in the aggregation of transactions for the purpose of the IPT Mandate under sub-paragraphs (iv) and (v) above.

2.5.2 A register will be maintained by the Company to record all Interested Person Transactions which are entered into pursuant to the IPT Mandate. The internal audit plan will incorporate an annual audit of Interested Person Transactions entered into pursuant to the IPT Mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to.

2.5.3 The Board and the Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures to monitor Interested Person Transactions have been complied with.

2.5.4 The Board and the Audit Committee shall have overall responsibility for the determination of the review procedures (including the interpretation and implementation thereof) with the authority to sub-delegate to individuals or committees within the Company, as they deem appropriate. If a member of the Board or the Audit Committee has an interest in the transaction to be reviewed by the Board or the Audit Committee, as the case may be, he will abstain from any decision-making by the Board or the Audit Committee in respect of that transaction.

APPENDIX 2

THE IPT MANDATE

2. THE IPT MANDATE (continued)

2.6 Benefit to Shareholders

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

2.6.2 The IPT Mandate is intended to facilitate transactions in the normal course of business of the EAR Group which are transacted from time to time with the specified classes of Interested Persons, provided that they are carried out on the normal commercial terms of the relevant company in the EAR Group and are not prejudicial to the Shareholders.

2.6.3 Pursuant to Rules 907 and 920(1) of the SGX-ST Listing Manual, the Company will:

- (a) announce the aggregate value (as determined by the Board) of transactions entered into with Interested Persons pursuant to the IPT Mandate, for the quarterly financial periods which it is required to report on pursuant to the Listing Manual, and within the time required for the announcement of such report; and
- (b) disclose the IPT Mandate in the annual report of SIAEC, giving details of the aggregate value of Interested Person Transactions entered into pursuant to the IPT Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a Shareholders' mandate for Interested Person Transactions is in force or as otherwise required by the provisions of the Listing Manual.

The name of the Interested Person and the corresponding aggregate value of the Interested Person Transactions entered into with the same Interested Person will be presented in the following format:

Name of interested person	Aggregate value of all Interested Person Transactions (excluding transactions less than \$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all Interested Person Transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)

2.7. Audit Committee's Statement

2.7.1 The Audit Committee has reviewed the terms of the IPT Mandate, as proposed to be renewed, and is satisfied that the methods and procedures for determining the transaction prices as set out in the IPT Mandate are sufficient to ensure that Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

The Audit Committee will, in conjunction with its review of the internal audit reports and relevant Interested Person Transactions, as the case may be, also review the established methods and procedures to ascertain that they have been complied with. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the methods and procedures as stated above are not sufficient to ensure that these Interested Person Transactions will be on the normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will revert to Shareholders for a fresh mandate based on new methods and procedures for transactions with Interested Persons.