SIA ENGINEERING COMPANY AND ROLLS-ROYCE AGREE ON ENHANCED MODEL FOR THEIR SINGAPORE JOINT VENTURES

SINGAPORE, 23 November 2015 - Mainboard-listed SIA Engineering Company Limited (“**SIAEC**” or the “**Company**”) today announced that it has signed an agreement with Rolls-Royce Overseas Holdings Limited (“**RROH**”) and Hong Kong Aircraft Engineering Company Limited (“**HAECO**”) to divest its 10% stake in Hong Kong Aero Engine Services Ltd (“**HAESL**”) to RROH and HAECO in equal proportion. At the same time, HAESL has signed an agreement with Rolls-Royce Singapore Pte Ltd (“**RRS**”) to divest its 20% stake in Singapore Aero Engine Services Private Limited (“**SAESL**”) to RRS. Both transactions are referred to herein as the “**Divestments**”.

HAESL and SAESL are in the business of maintenance, repair and overhaul (“**MRO**”) of Rolls-Royce civil large aero engines and components, operating out of Hong Kong and Singapore respectively. Rolls-Royce and SIAEC have a second joint venture in Singapore, International Engine Component Overhaul Pte Ltd (“**IECO**”), which overhauls and repairs aero engine components. Rolls-Royce and SIAEC also intend to take the opportunity to amalgamate the business and operations of SAESL and IECO into a single entity, enabling them to compete more effectively for global component repair business.

Currently, SAESL is owned 50% by SIAEC, 30% by RRS and 20% by HAESL, and HAESL is owned 45% by HAECO, 45% by RROH and 10% by SIAEC. RROH is a wholly owned subsidiary of Rolls-Royce plc (“**Rolls-Royce**”). RRS is a wholly owned subsidiary of RROH.

Following completion of the Divestments, SIAEC and RRS will each own a 50% stake in SAESL, and HAECO and RROH will each own a 50% stake in HAESL.

The Divestments are expected to result in a net gain of approximately S$186.8 million for SIAEC for the financial year ending 31 March 2016.

Commenting on the Divestments, Mr Png Kim Chiang, Chief Executive Officer of SIAEC, said: “The restructuring of the shareholdings of SAESL and HAESL will result in these entities being owned by SIAEC and HAECO respectively, jointly and in partnership with Rolls-Royce. From here on, they will be free to compete beyond the current designated Asia-Pacific territory for the global Trent engine aftermarket business.

Rolls-Royce and SIAEC also intend to take the opportunity to amalgamate the business and operations of IECO, an existing equally owned joint venture, with that of SAESL."

"With Rolls-Royce, through RRS, increasing its stake in SAESL from 30% to 50%, its role in facilitating technology transfer and widening the market reach of SAESL and IECO will be pivotal. New capabilities, including the Trent 1000 and Trent XWB engines, will be added to expand SAESL's revenue stream. The combined strengths of the SIAEC Group and the strategic partnership with Rolls-Royce will support the entire life-cycle of the engine – from build, to flight and to servicing. With the comprehensive services offered out of our Singapore main base, we will continue to enhance the SIAEC Group's competitiveness and value propositions to our airline customers", Mr Png added.

Mr Eric Schulz, President – Civil Large Engines of Rolls-Royce, said: "This agreement is an important step and strengthens our relationship with SIAEC by building upon our significant presence in Singapore. We look forward to developing the services offered by SAESL and IECO to support Singapore Airlines and the global fleet of Trent engine customers."

Rationale

The restructuring of the HAESL and SAESL joint ventures with Rolls-Royce, which will result in the termination of territory based rights of SAESL and HAESL, is to the long-term benefit of SIAEC as it will enhance the SIAEC Group's ability to compete globally for MRO business in the future. The restructuring reaffirms Rolls-Royce's commitment to grow its presence in the region and, in particular, Singapore.

In Singapore, the shareholding restructuring of SAESL and the contemplated amalgamation of IECO, and the termination of territory based rights, will enable SAESL to compete for the current and newer generation Trent engine and component repair aftermarket business on a global scale. Rolls-Royce will be adding new MRO capabilities into SAESL and IECO for the newer generation Trent 1000 and Trent XWB engines, and for certain component repairs, SAESL will attain Rolls-Royce Centre of Excellence status.

Singapore is located in one of the world's fastest growing aviation markets. Rolls-Royce has invested in a 65,000 square metre facility at Seletar Aerospace Park for the assembly of the new-generation Trent 1000 engine and the manufacture of the technologically advanced Wide Chord Fan Blade. The Rolls-Royce Seletar plant is poised to become a key contributor to its manufacturing capacity, offering close proximity to its expanding customer base in the Asia-Pacific region.

Among Rolls-Royce's customers, the Singapore Airlines Group is currently the world's largest operator of Rolls-Royce Trent engines, with five variants in service or on order. In January this year, the first made-in-Singapore Trent 1000 engine was fitted on a Scoot Boeing 787 Dreamliner. Scoot will eventually operate a fleet of 20 Boeing 787 Dreamliners. Premier carrier, Singapore Airlines has also selected the Trent 1000 to power its new fleet of 30 Boeing 787-10X aircraft and the Trent XWB for its order of 67 A350-900 aircraft.

Capitalising on the emerging opportunities in the MRO industry and Singapore's growing status as the epicentre of the region's aviation growth, SIAEC is taking strategic initiatives to enhance its collaborations with leading industry players to operate in the new paradigm.

Total Consideration and Intended Use of Proceeds

SIAEC will receive a total sale consideration of S$163.8 million (subject to adjustment) from the divestment of its 10% stake in HAESL. The sale consideration, which was validated by an independent valuer appointed by SIAEC, was agreed upon based on a combination of discounted cash flow and relevant valuation multiples. In addition, SIAEC will receive a dividend of S$38.1 million from HAESL following the sale of HAESL's 20% stake in SAESL to RRS. Both the sale consideration and dividend will be settled in cash.

The proceeds from these transactions will provide additional resources for the Company's investments.

Principal Terms

SIAEC's divestment of its 10% stake in HAESL as well as HAESL's divestment of its 20% stake in SAESL are conditional on, among other things, all necessary approvals, consents and other authorisations having been obtained from certain national competition authorities and if certain agreed events occur, the parties agreeing on an adjustment to the sale consideration.

Subject to the fulfilment of such conditions, completion is expected to take place by March 2016.

As part of the SAESL restructuring, Rolls-Royce and SIAEC may amalgamate the business of IECO with that of SAESL. Additionally, Roll-Royce will commit to place a predetermined amount of overhaul work with SAESL during the period from 2016 to 2030.

Financial Effects

The Divestments are expected to result in a net gain of approximately S$186.8 million [1] for the SIAEC Group, comprising S$148.7 million (less estimated transaction costs) from the divestment of SIAEC's 10% stake in HAESL and the S$38.1 million dividend from HAESL.

The financial effects of the Divestments on the earnings per share and net tangible assets per share of the SIAEC Group as shown below have been prepared based on the audited consolidated financial statements of the SIAEC Group for the financial year ended March 31, 2015, and are purely for illustrative purposes only.

	Before Divestments	**After Divestments**
Earnings per Share [2]		
EPS (cents)	16.4	32.3
Net Tangible Assets Per Share [3]		
NTA per share (cents)	112.7	129.3

Notes:

1 *Based on the exchange rate of USD/SGD 1.412, as at November 20, 2015. The estimated net gain of S$186.8 million was computed using the book value as at November 20, 2015 of S$14.6 million.*

2 *Assuming that the proposed Divestments had been effected on April 1, 2014. Computed using profits attributable to equity holders of the Company and weighted average number of shares of 1,120.1 million.*

3 *Assuming that the proposed Divestments had been effected on March 31, 2015 and using the number of shares of 1,121.4 million as at March 31, 2015.*

Relative Figures

The relative figures for the sale of the 10% stake in HAESL, computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**") and based on (i) the unaudited consolidated financial statements of the SIAEC Group for the 6-month period ended September 30, 2015, and (ii) the audited consolidated financial statements of the SIAEC Group for the financial year ended March 31, 2015, are shown below.

	1H FY2015/16	**FY2014/15**
(a) Net asset value of the assets to be disposed of, compared with the net asset value of the SIAEC Group (1)	2.8%	2.8%
(b) Net profits attributable to the assets to be disposed of, compared with the net profits of the SIAEC Group (2)	4.9%	6.0%
(c) Aggregate value of the consideration received, compared with SIAEC's market capitalisation (based on the total number of issued shares, excluding treasury shares) (3)	4.8%	

(d) Number of equity securities issued as consideration for an acquisition, compared with the number of equity securities previously in issue	N.A.
(e) Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves (applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets)	N.A.

Notes:

(1) *Computed based on 10% of the net asset value of HAESL of S$37.1 million as at June 30, 2015 and S$36.5 million as at December 31, 2014, compared to the SIAEC Group's net asset value of S$1,341.0 million as at September 30, 2015 and S$1,324.9 million as at March 31, 2015, respectively.*

(2) *Computed based on 10% of the net profits attributable to HAESL of S$4.8 million for the first half ended June 30, 2015 and S$12.3 million for the financial year ended December 31, 2014, compared to the SIAEC Group's net profits of S$97.3 million for the first half ended September 30, 2015 and S$205.4 million for the financial year ended March 31, 2015, respectively. "Net profits" for these purposes means profit or loss before income tax, minority interests and extraordinary items. The SIAEC Group does not equity account the financial results of HAESL for the purposes of its financial statements; only dividends received from HAESL are accounted for in the profit and loss account.*

(3) *Computed based on the market capitalisation of SIAEC of approximately S$4,167.5 million as at November 20, 2015, being the market day immediately preceding the date of this announcement. SIAEC's market capitalisation was determined by multiplying the number of shares in issue (excluding treasury shares) by the closing price of S$3.71 per share on November 20, 2015.*

As the relative figure computed under Rule 1006(b) of the Listing Manual for FY2014/15, based on the net profits attributable to the 10% stake in HAESL, exceeds 5% and is less than 20%, the Company has treated the sale of the 10% stake in HAESL as a discloseable transaction under Chapter 10 of the Listing Manual.

Interests of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Divestments, otherwise than through their interests (if any) in shares of the Company.

Directors' Service Contracts

No person is proposed to be appointed as a Director of the Company in connection with the Divestments. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Divestments.

Document for Inspection

A copy of the Share Purchase Agreement dated 23 November 2015 and entered into among SIAEC, RROH and HAECO is available for inspection during normal business hours at the Company's registered office at 31 Airline Road, Singapore 819831 for a period of three (3) months from the date of this announcement.

About SIA Engineering Company
(Company Registration No. 198201025C)
www.siaec.com.sg

SIA Engineering Company (SIAEC) is a major provider of aircraft maintenance, repair and overhaul (MRO) services in the Asia-Pacific. SIAEC has a client base of more than 80 international carriers and aerospace equipment manufacturers. It provides line maintenance services at 34 airports in 7 countries, as well as airframe and component services on some of the most advanced and widely used commercial aircraft in the world. Apart from MRO services, SIAEC also offers a comprehensive and integrated suite of solutions under its fleet management services.

The 27 ventures with original equipment manufacturers and strategic partners in Singapore, Australia, Hong Kong, Indonesia, Ireland, Philippines, United States, Taiwan and Vietnam increase the depth and breadth of the Company's service offerings. SIAEC has approvals from 29 national aviation regulatory authorities to provide MRO services for aircraft registered in the U.S., Europe, China and other countries.

About Singapore Aero Engine Services Private Limited
(Company Registration No. 199901054Z)
www.saesl.com.sg

Singapore Aero Engine Services Private Limited (SAESL) is a Trent Centre of Excellence specialising in the repair and overhaul of the successful Rolls-Royce Trent aero engine family. The company first started operations in 2001 and has since overhauled more than 1,500 engines that are spread across 15 customers and three continents.

SAESL has an innovative state-of-the-art in-line gantry system that is capable of handling module change and module overhaul work for Trent 500 (Airbus A340), Trent 700 (Airbus A330), Trent 800 (Boeing 777) and Trent 900 (Airbus A380) engines.

About International Engine Component Overhaul Pte Ltd
(Company Registration No. 199701603E)
www.ieco.com.sg

International Engine Component Overhaul Pte Ltd (IECO) is a 50/50 joint venture between Rolls-Royce plc and SIA Engineering Company (SIAEC). Formed in March 1997, IECO's core business is the repair and overhaul of the Rolls-Royce Trent and RB211 Nozzle Guide Vanes and Compressor Vanes. Currently, IECO is the industry leading repair shop for Rolls-Royce Gas Turbine Engines (Commercial and Industrial) Nozzle Guide Vanes and Compressor Vanes, with a worldwide market share in excess of 70%.

Using state-of-the-art technology coupled with a well-trained and dedicated workforce, IECO has always been at the forefront of developing repair capabilities together with Rolls-Royce plc for the new generation of Rolls-Royce engines such as Trent 500, 700, 800, 900, 1000 and XWB to reduce life cycle costs for its global business partners.

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