



(Incorporated in the Republic of Singapore)

Annual General Meeting to be held on 17 July 2020 Responses to Substantial and Relevant Questions

SIA Engineering Company Limited ("SIAEC") would like to thank all Shareholders who submitted their questions in advance of our Annual General Meeting ("AGM") to be convened and held by way of electronic means on 17 July 2020, at 11.00 am (Singapore time).

We have grouped all the questions received into the following key topics:

- A. COVID-19 Impact
- B. Business Strategy
- C. Joint Ventures and Associated Companies
- D. Financials / Capital Structure

Please refer to our responses set out in Appendix 1.

Mr Ng Chin Hwee, Chief Executive Officer of SIAEC, will deliver a presentation to Shareholders at the AGM where he will touch on some of the above-mentioned topics. The presentation slides are also uploaded on SGXNet and made available on our website.

**SIA Engineering Company Limited 38th Annual General Meeting
Responses to Questions from Shareholders**

A	COVID-19 Impact
1.	<p>How is the business affected by COVID-19? When will the Company be profitable?</p> <p>The COVID-19 pandemic has caused an unprecedented adverse impact on the aviation industry and consequently on the MRO business. Drastic cuts in flights operated directly affected our line maintenance business from March 2020. Our fleet management business was similarly impacted due to reduced flying hours of fleet management customer aircraft. Our base maintenance unit and the engine and component segment were not immediately affected, but the expected prolonged period of severe reduction in flying hours will have an adverse impact on all our business segments.</p> <p>The Group's businesses in Singapore continued to operate as essential service providers to support customers. To ensure the safety and health of our staff as well as customers, we implemented comprehensive safe management measures at the workplace in compliance with advisories from various government ministries. Digital solutions and the necessary IT support have empowered most of our support staff to remain connected and provide full support to operations while telecommuting. Robust cyber security and data protection measures have been continually updated to protect our IT systems.</p> <p>The Group responded quickly and decisively. We actively managed the impact of the pandemic on our operations and business, reducing operating costs and deferring non-critical capital expenditure to conserve cash and maintain liquidity. The impact of the pandemic was cushioned by Government support schemes which provided relief for the cost of manpower.</p> <p>Management took pay cuts ranging from 5% to 25% and the Board of Directors stood in solidarity with Management and Staff with the reduction of 25% in fees accruing with effect from 1 April 2020.</p> <p>Staff were redeployed to areas with work demand during this period. These included aircraft disinfection and preservation maintenance to ensure that airline customers' cabin products are maintained in top condition and the aircraft remain airworthy. We stepped up efforts to secure additional business from existing and new customers to ensure a continuous stream of work.</p> <p>Our balance sheet is healthy with a strong cash position and low borrowings. This puts us in a good position to weather the downturn, with careful management of our expenses and cash flow.</p>

	<p>There is no clear visibility on the pace of recovery. In Singapore, it will depend on the return of regional and international air traffic movement at Changi Airport. The Group will continue to proactively monitor the situation and stay nimble to adjust our response to the evolving situation.</p>
2.	<p>What is the impact on maintenance intervals now that many aircraft are grounded?</p> <p>The grounding of aircraft and consequent reduction in flying hours have caused maintenance intervals to be extended. Airline customers may defer base maintenance checks and the repair and overhaul of engines and components, leading to a reduction in demand for MRO services. We are engaging our airline customers to bring forward maintenance checks during this period when fewer aircraft might be needed for their operations.</p>
3.	<p>Please give an update on the utilisation of manpower.</p> <p>The Company made rapid manpower adjustments in response to the evolving situation. Staff were redeployed to areas with work demand while contract services were reduced. We also worked closely with our Unions on the implementation of various measures, such as voluntary and compulsory no-pay leave, and furlough for staff on re-employment contracts.</p> <p>This period also gives us the opportunity to accelerate the upskilling of our staff. We will be equipping our staff with knowledge of Lean management principles to encourage ground-up ideas and apply a consistent methodology for process improvements. We will also be pushing out more programmes to prepare the workforce for a digital-MRO of the future, in addition to the ramp-up of technical skills training for new-generation aircraft for our Engineers and Technicians.</p>
B	Business Strategy
4.	<p>What are the plans to strengthen the Company's position in the market?</p> <p>Innovative solutions have been developed, or are in the pipeline, to capitalise on new business opportunities and meet the evolving demands of our customers in the post-COVID-19 environment. Video inspections are available for airlines to monitor and inspect the progress of maintenance checks. Enhanced methods to improve the effectiveness and efficiency of the aircraft disinfection process are being explored. We are also working with one of our joint venture companies to provide solutions to airlines for the repurposing of passenger aircraft cabins to carry more cargo during this period.</p> <p>We will continue with the next phase of our Transformation journey, with focus on digital transformation and continuous improvement in processes, to strengthen our resilience, agility and competitiveness to ensure sustainable long-term growth ahead.</p>

C	Joint Ventures and Associated Companies
5.	<p>The Company has indicated that it is currently reviewing its portfolio of associates and joint ventures. What is the plan at the moment?</p> <p>We are closely monitoring and reviewing our portfolio of joint ventures under the current environment to ensure the long-term sustainability of our portfolio. We will keep shareholders posted on any material developments.</p>
6.	<p>Is the Company considering acquiring new companies?</p> <p>With our relatively healthy balance sheet, we will continue to seek out new opportunities that will strengthen the Group's capabilities and competitiveness.</p>
D	Financials / Capital Structure
7.	<p>Is there potential fund raising in the near term?</p> <p>The Group continues to maintain a strong cash balance with low borrowings. Nonetheless, given the fluidity of the situation, the Group will remain vigilant and continue to practise prudence in our cash management. We will monitor events closely and take appropriate measures where necessary.</p>

----- End -----