

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*)
William Tan Seng Koon (*President & Chief Executive Officer*)
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

25 June 2014

To: **The Shareholders of
SIA Engineering Company Limited (the "Company")**

Dear Sir/Madam

RENEWAL OF THE MANDATE FOR INTERESTED PERSON TRANSACTIONS

- Background.** We refer to (a) the notice of the 32nd Annual General Meeting (the "**AGM**") of the Company dated 25 June 2014 (the "**Notice**"), accompanying the FY2013/14 Annual Report, convening the 32nd AGM of the Company to be held on 21 July 2014, and (b) Resolution No. 8.2 under the heading "Special Business" set out in the Notice.
- IPT Mandate.** At the Annual General Meeting of the Company held on 19 July 2013 (the "**2013 AGM**"), approval of the Shareholders was obtained, inter alia, for 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" within the meaning of Rule 904(2) of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), in their ordinary course of businesses, to enter into categories of transactions with specified classes of the Company's interested persons ("**Interested Persons**"), provided that such transactions are entered into on an arm's length basis and on normal commercial terms. Particulars of the IPT Mandate were set out in the Appendix to the Letter to Shareholders dated 25 June 2013 and Ordinary Resolution No. 7.3 as set out in the notice of the 2013 AGM.
- Proposed Renewal of the IPT Mandate.** The IPT Mandate which was renewed at the 2013 AGM was to take effect until the conclusion of the next AGM of the Company, being the 32nd AGM, which is scheduled to be held on 21 July 2014. The Directors propose that the IPT Mandate be renewed at the 32nd AGM, to take effect until the next AGM of the Company (the 33rd AGM). The particulars of the interested person transactions in respect of which the IPT Mandate is sought to be renewed remain unchanged.
- Details of the IPT Mandate.** Details of the IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with Interested Persons and other general information relating to Chapter 9 of the Listing Manual, are set out in the appendix (the "**Appendix**") to this Letter.
- Audit Committee Statement.** The Audit Committee, comprising Ron Foo Siang Guan, Manohar Khiatani, Chew Teck Soon and Christina Hon Kwee Fong (Christina Ong) as at 30 May 2014, being the latest practicable date prior to the printing of this Letter (the "**Latest Practicable Date**"), has confirmed that:
 - the methods and procedures for determining the transaction prices under the IPT Mandate have not changed since the 2013 AGM; and
 - such methods and procedures 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.

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6. Directors' and Substantial Shareholders' Interests.

6.1 **Directors' Interests in Shares.** The interests of the Directors in the ordinary shares in the capital of the Company ("Shares") as recorded in the Register of Directors' Shareholdings as at the Latest Practicable Date (and in respect of Tong Chong Heong, as at 1 June 2014), are set out below:

Director	No. of Shares				No. of Shares comprised in outstanding Share Options/Awards
	Direct Interest	% ⁽¹⁾	Deemed Interest ⁽²⁾	% ⁽¹⁾	
Stephen Lee Ching Yen	–	–	–	–	–
Goh Choon Phong	–	–	–	–	–
Ron Foo Siang Guan	15,000	0.0013	25,000	0.0022	–
Oo Soon Hee	–	–	2,000	0.0002	–
Ng Chin Hwee	10,000	0.0009	–	–	–
Manohar Khiatani	–	–	–	–	–
Chew Teck Soon	–	–	–	–	–
Christina Hon Kwee Fong (Christina Ong)	–	–	–	–	–
Tong Chong Heong ⁽³⁾	–	–	–	–	–
William Tan Seng Koon	405,780	0.0363	–	–	530,813 ⁽⁴⁾

Notes:

- (1) Based on 1,117,209,130 Shares in issue as at the Latest Practicable Date.
- (2) Deemed interest means interest determined pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore.
- (3) Tong Chong Heong was appointed to the Board on 1 June 2014, and his interests in the Shares as recorded in the Register of Directors' Shareholdings as set out above (if any) reflect his interests as at 1 June 2014.
- (4) Of the 530,813 Shares:
 - (a) 262,200 Shares are comprised in Share Options granted to William Tan Seng Koon;
 - (b) 147,857 Shares are comprised in conditional Awards (comprising 118,800 Base Awards and 29,057 Final Awards pending release) granted to William Tan Seng Koon pursuant to the SIAEC Restricted Share Plan subject to performance targets and other terms and conditions being met; and
 - (c) 120,756 Shares are comprised in conditional Awards granted to William Tan Seng Koon pursuant to the SIAEC Performance Share Plan subject to performance targets and other terms and conditions being met.

6.2 **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		Deemed Interest ⁽²⁾		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Singapore Airlines Limited ("SIA")	870,000,000	77.87	–	–	870,000,000	77.87
Temasek Holdings (Private) Limited ("Temasek")	–	–	872,000,000	78.05	872,000,000	78.05

Notes:

- (1) Based on 1,117,209,130 Shares in issue as at the Latest Practicable Date.
- (2) Deemed interest means interest determined pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore.

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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) and William Tan Seng Koon, who is the President and Chief Executive Officer as well as the Executive Director of the Company, will abstain from voting their Shares, if any, at the 32nd AGM in respect of Resolution No. 8.2, 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 Resolution No. 8.2 unless that Shareholder appointing him indicates clearly how votes are to be cast in respect of Resolution No. 8.2.

Temasek and its associates (which include SIA and its associates), being Interested Persons (as described in paragraph 2.3 of the Appendix to this Letter), will also abstain from voting their Shares, if any, in respect of Resolution No. 8.2 and will procure that their respective associates will abstain from voting their shareholdings, if any, in respect of Resolution No. 8.2.

8. **Directors' Recommendation.** 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 the Appendix to this Letter) and those Interested Persons (as described in paragraph 2.3 of the Appendix to this Letter) in the ordinary course of their respective businesses will be made to 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 the Appendix to this Letter, the Independent Directors recommend that Shareholders vote in favour of Resolution No. 8.2, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate at the 32nd AGM.

9. **Directors' Responsibility Statement.** The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the IPT Mandate, and the Company and its subsidiaries which are relevant to the proposed renewal of the IPT Mandate, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading.
10. **Advice to Shareholders.** Shareholders who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.
11. **SGX-ST.** The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Letter.

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

Stephen Lee Ching Yen
Chairman

APPENDIX

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 2014, the consolidated NTA of the SIAEC Group was S\$1,306.6 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 2015 are published, 5% of the latest audited consolidated NTA of the SIAEC Group would be S\$65.3 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.
- 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;

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- (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.

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.

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2.1.3 The IPT Mandate will take effect from the date of the passing of Resolution No. 8.2 to be proposed at the 32nd Annual General Meeting (“**AGM**”) of the Company to be held on 21 July 2014, 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.

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;

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- (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;
- (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.

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(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.

(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.

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(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.

(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;

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- (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.

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.

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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.

SIA ENGINEERING COMPANY LIMITED
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Company Registration No. 198201025C

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