

CIRCULAR DATED 25 JUNE 2014

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your shares in the capital of SIA Engineering Company Limited (the "**Company**"), you should hand this Circular, the Notice of Extraordinary General Meeting and the Proxy Form to the purchaser or to the stockbroker or to the bank or to the agent through whom you effected the sale for onward transmission to the purchaser.

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") has granted in-principle approval for the listing and quotation of new ordinary shares in the capital of the Company ("**Shares**") to be issued pursuant to the proposed SIAEC Performance Share Plan 2014 ("**SIAEC PSP 2014**") and the proposed SIAEC Restricted Share Plan 2014 ("**SIAEC RSP 2014**"), subject to separate independent shareholders' approval being obtained for the proposed adoption of the SIAEC PSP 2014 and the SIAEC RSP 2014 and the Company's compliance with the SGX-ST's listing requirements and guidelines. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the SIAEC PSP 2014, the SIAEC RSP 2014, the new Shares, the Company and/or its subsidiaries.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made or opinions expressed in this Circular.



SIA ENGINEERING COMPANY LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 198201025C

CIRCULAR TO SHAREHOLDERS IN RELATION TO

- (1) **the proposed adoption of the SIAEC Performance Share Plan 2014;**
- (2) **the proposed adoption of the SIAEC Restricted Share Plan 2014; and**
- (3) **the proposed adoption of the Share Buy Back Mandate.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	19 July 2014 at 2.45 p.m.
Date and time of Extraordinary General Meeting	:	21 July 2014 at 2.45 p.m. (or as soon thereafter following the conclusion or adjournment of the Thirty-Second Annual General Meeting of the Company to be held at 2.30 p.m. on the same day and at the same place)
Place of Extraordinary General Meeting	:	Marina Mandarin Ballroom Level 1, Marina Mandarin Singapore 6 Raffles Boulevard Marina Square Singapore 039594

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DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

"Articles"	:	The Articles of Association of the Company.
"Award"	:	A contingent award of Shares granted under the SIAEC PSP and/or the SIAEC RSP.
"CDP"	:	The Central Depository (Pte) Limited.
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore.
"Directors"	:	The Directors of the Company for the time being.
"EGM"	:	The extraordinary general meeting of the Company, notice of which is given on pages 34 to 38 of this Circular.
"EPS"	:	Earnings per Share.
"FY"	:	Financial year ended or ending on 31 March of the relevant year.
"Latest Practicable Date"	:	30 May 2014, being the latest practicable date prior to the printing of this Circular.
"Listing Manual"	:	The Listing Manual of the SGX-ST, including any amendments made thereto up to the Latest Practicable Date.
"Market Day"	:	A day on which the SGX-ST is open for trading in securities.
"NTA"	:	Net tangible assets.
"ROE"	:	Return on equity.
"SGX-ST"	:	Singapore Exchange Securities Trading Limited.
"Share Options"	:	Options to acquire Shares pursuant to the SIAEC ESOP.
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term " Shareholders " shall, where the context admits, mean the Depositors whose securities accounts are credited with Shares and excluding, for the avoidance of doubt, persons whose interests in Shares are held through securities sub-accounts maintained with a Depository Agent.
"Shares"	:	Ordinary shares in the capital of the Company.
"SIA"	:	Singapore Airlines Limited.
"SIAEC" or the "Company"	:	SIA Engineering Company Limited.
"SIAEC ESOP"	:	The SIAEC Employee Share Option Plan, as modified or altered from time to time.
"SIAEC Group" or the "Group"	:	SIAEC and its subsidiaries.

DEFINITIONS

"SIAEC PSP"	:	The SIAEC Performance Share Plan, as modified or altered from time to time.
"SIAEC PSP 2014"	:	The proposed SIAEC Performance Share Plan 2014.
"SIAEC RSP"	:	The SIAEC Restricted Share Plan, as modified or altered from time to time.
"SIAEC RSP 2014"	:	The proposed SIAEC Restricted Share Plan 2014.
"Take-over Code"	:	The Singapore Code on Take-overs and Mergers.
"Temasek"	:	Temasek Holdings (Private) Limited.
"S\$", "\$" and "cents"	:	Singapore dollars and cents, respectively.
"%" or "per cent."	:	Per centum or percentage.

The terms **"Depositor"**, **"Depository Agent"** and **"Depository Register"** shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

References to persons shall include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof and/or the respective percentages are due to rounding.

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 Khیاتani (*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**

25 June 2014

Dear Sir/Madam

1. INTRODUCTION

- 1.1 **EGM.** The Directors are convening the EGM to be held on 21 July 2014 to seek Shareholders' approval for the following proposals:
- (a) the proposed adoption of the SIAEC PSP 2014;
 - (b) the proposed adoption of the SIAEC RSP 2014; and
 - (c) the proposed adoption of the Share Buy Back Mandate (as defined in paragraph 3.1 below),
- (together, the "**Proposals**").
- 1.2 **Circular.** The purpose of this Circular is to provide Shareholders with information relating to the Proposals to be tabled at the EGM.
- 1.3 **Listing of New Shares.** The SGX-ST has granted in-principle approval for the listing and quotation of the new Shares to be issued pursuant to the proposed SIAEC PSP 2014 and the proposed SIAEC RSP 2014, subject to separate independent Shareholders' approval being obtained for the proposed adoption of the SIAEC PSP 2014 and the SIAEC RSP 2014 and the Company's compliance with the SGX-ST's listing requirements and guidelines. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the SIAEC PSP 2014, the SIAEC RSP 2014, the new Shares, the Company and/or its subsidiaries.

LETTER TO SHAREHOLDERS

2. THE PROPOSED NEW SHARE PLANS

- 2.1 **Existing and Previous Share Plans.** The Company currently has in place the SIAEC PSP and the SIAEC RSP (together, the “**Existing Share Plans**”). The Existing Share Plans were adopted at an extraordinary general meeting of the Company held on 25 July 2005. The duration of the Existing Share Plans is 10 years commencing on the date of adoption, that is, 10 years commencing on 25 July 2005. The Existing Share Plans are accordingly due to expire on 24 July 2015.

The Company proposes to adopt the new SIAEC PSP 2014 and SIAEC RSP 2014 (together, the “**New Share Plans**”) to replace the existing SIAEC PSP and SIAEC RSP respectively. Details of the New Share Plans are set out in paragraphs 2.4 to 2.9 below. The Existing Share Plans will terminate following the adoption of the New Share Plans by Shareholders at the EGM.

The Company previously also had in place the SIAEC ESOP, which was adopted at an extraordinary general meeting of the Company held on 24 March 2000 and modified at the extraordinary general meetings of the Company held on 7 July 2001, 12 July 2003 and 26 July 2004. The last grant of options made under the SIAEC ESOP was on 1 July 2008 and these options are exercisable up to 30 June 2018. No further options will be granted under the SIAEC ESOP.

- 2.2 **Existing Share Options and Awards.** As at the Latest Practicable Date:

- (a) there are outstanding and unexercised Share Options granted under the SIAEC ESOP to subscribe for up to an aggregate of 22,892,840 Shares (representing approximately 2.05% of the issued Shares as at the Latest Practicable Date), and an aggregate of 113,584,435 Shares (representing approximately 10.17% of the issued Shares as at the Latest Practicable Date) have been delivered upon exercise of Share Options granted since the commencement of the SIAEC ESOP;
- (b) there are outstanding base Awards (“**PSP Base Awards**”) granted to participants under the SIAEC PSP in respect of 398,271 Shares (representing approximately 0.04% of the issued Shares as at the Latest Practicable Date)¹, and an aggregate of 537,683 Shares (representing approximately 0.05% of the issued Shares as at the Latest Practicable Date) have been delivered upon vesting of Awards granted under the SIAEC PSP since the commencement of the SIAEC PSP; and
- (c) there are outstanding base Awards (“**RSP Base Awards**”) granted to participants under the SIAEC RSP in respect of 1,613,400 Shares (representing approximately 0.14% of the issued Shares as at the Latest Practicable Date)², 311,324 Shares (representing approximately 0.03% of the issued Shares as at the Latest Practicable Date) are pending final release pursuant to Awards granted under the SIAEC RSP³, and an aggregate of 3,182,812 Shares (representing approximately 0.28% of the issued Shares as at the Latest Practicable Date) have been delivered upon vesting of Awards granted under the SIAEC RSP since the commencement of the SIAEC RSP.

¹ Depending on the achievement of pre-determined targets over a three-year performance period, an achievement factor will be applied to the PSP Base Awards to determine the final number of Shares to be awarded at the end of the respective performance periods (the “**PSP Final Award**”). The achievement factor could range from 0% to 200%. All the PSP Final Awards will be released to the participants at the end of the three-year performance period.

² Depending on the achievement of pre-determined targets over a two-year performance period, an achievement factor will be applied to the RSP Base Awards to determine the final number of Shares to be awarded at the end of the respective performance periods (the “**RSP Final Award**”). The achievement factor could range from 0% to 150%. Half of the RSP Final Awards will be released to the participants upon vesting. The balance will be released equally over the subsequent two years with fulfilment of service requirements.

³ See footnote 2 above.

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Details of existing Share Options outstanding and unexercised as at the Latest Practicable Date are as follows:

Date of Grant	Exercise Period	Exercise Price (\$\$)	Number of Shares comprised in unexercised Share Options	Number of Participants
01.07.2004	01.07.2005 - 30.06.2014	1.59	277,450	62
01.07.2005	01.07.2006 - 30.06.2015	2.15	2,070,725	376
03.07.2006	03.07.2007 - 02.07.2016	3.34	4,719,248	945
02.07.2007	02.07.2008 - 01.07.2017	4.57	10,050,644	2206
01.07.2008	01.07.2010 - 30.06.2018	3.64	5,710,796	1310

Save as disclosed in this Circular, Share Options outstanding as at the Latest Practicable Date are not subject to any material conditions.

Details of existing PSP Base Awards outstanding and unvested as at the Latest Practicable Date are as follows:

Date of PSP Base Award	Number of Shares comprised in PSP Base Awards ⁴	Number of Participants
01.07.2011	139,171	6
02.07.2012	122,800	6
01.07.2013	136,300	7

Save as disclosed in this Circular, and save for the prescribed performance-based and/or other conditions attached to the PSP Base Awards, the PSP Base Awards outstanding as at the Latest Practicable Date are not subject to any material conditions.

Details of existing RSP Base Awards and RSP Final Awards outstanding and unvested as at the Latest Practicable Date are as follows:

Date of RSP Base Award	Number of Shares comprised in RSP Base Awards ⁵	Number of Shares comprised in RSP Final Awards (Pending Release) ⁶	Number of Participants
01.07.2010	–	157,796	65
01.07.2011	–	153,528	90
02.07.2012	814,800	–	96
01.07.2013	798,600	–	107

Save as disclosed in this Circular, and save for the prescribed performance-based, time-based and/or other conditions attached to the RSP Base Awards and RSP Final Awards, the RSP Base Awards and RSP Final Awards outstanding as at the Latest Practicable Date are not subject to any material conditions.

⁴ See footnote 1 above.

⁵ See footnote 2 above.

⁶ See footnote 2 above.

LETTER TO SHAREHOLDERS

Details of existing Share Options granted to a Director under the SIAEC ESOP which are outstanding and unexercised as at the Latest Practicable Date are as follows:

Name of Director	Date of Grant	Exercise Period	Exercise Price (\$)	Number of Shares comprised in unexercised Share Options
William Tan Seng Koon	01.07.2005	01.07.2006 - 30.06.2015	2.15	40,000
	03.07.2006	03.07.2007 - 02.07.2016	3.34	153,800
	02.07.2007	02.07.2008 - 01.07.2017	4.57	68,400

Details of existing PSP Base Awards granted to a Director under the SIAEC PSP which are outstanding and unvested as at the Latest Practicable Date are as follows:

Name of Director	Date of PSP Base Award	Number of Shares comprised in PSP Base Awards ⁷
William Tan Seng Koon	01.07.2011	41,956
	02.07.2012	32,800
	01.07.2013	46,000

Details of existing RSP Base Awards and RSP Final Awards granted to a Director under the SIAEC RSP which are outstanding and unvested as at the Latest Practicable Date are as follows:

Name of Director	Date of RSP Base Award	Number of Shares comprised in RSP Base Awards ⁸	Number of Shares comprised in RSP Final Awards (Pending Release) ⁹
William Tan Seng Koon	01.07.2010	–	16,169
	01.07.2011	–	12,888
	02.07.2012	51,000	–
	01.07.2013	67,800	–

As at the Latest Practicable Date, an aggregate of 1,249,000 Shares have been delivered to William Tan Seng Koon upon exercise of Share Options granted to him since the commencement of the SIAEC ESOP, an aggregate of 170,149 Shares have been delivered to William Tan Seng Koon upon vesting of Awards granted under the SIAEC PSP since the commencement of the SIAEC PSP and an aggregate of 193,631 Shares have been delivered to William Tan Seng Koon upon vesting of Awards granted under the SIAEC RSP since the commencement of the SIAEC RSP.

No Share Options or Awards have been granted to controlling shareholders of the Company or associates of such controlling shareholders.

⁷ See footnote 1 above.

⁸ See footnote 2 above.

⁹ See footnote 2 above.

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2.3 **Definitions.** For the purposes of paragraphs 2.4 to 2.10 below and in relation to the New Share Plans, the following expressions shall have the following meanings:

"Adoption Date" means the date on which the SIAEC PSP 2014 and the SIAEC RSP 2014 are adopted by the Company in general meeting;

"associated company", in relation to SIA or SIAEC (as the case may be), means a company, not being a subsidiary of SIA or SIAEC (as the case may be), in which (a) the SIA Group or the SIAEC Group (as the case may be) has a long-term interest of not less than 20% in the equity and in whose financial and operating policy decisions the SIA Group or the SIAEC Group (as the case may be) exercises significant influence; or (b) the SIA Group or the SIAEC Group (as the case may be) has a long-term interest of not more than 50% in the equity and has joint control of the company's commercial and financial affairs;

"Auditor" means the auditor of the Company for the time being;

"Award" means a contingent award of Shares granted under the SIAEC PSP 2014 and/or the SIAEC RSP 2014;

"Award Date" means, in relation to an Award, the date on which the Award is granted pursuant to the SIAEC PSP 2014 and/or the SIAEC RSP 2014;

"Award Letter" means a letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee;

"Committee" means a committee comprising Directors duly authorised and appointed by the board of directors of the Company to administer the SIAEC PSP 2014 and the SIAEC RSP 2014;

"Group Employee" means any employee of the Group (including any Group Executive Director) selected by the Committee to participate in the SIAEC PSP 2014 and/or the SIAEC RSP 2014;

"Group Executive Director" means a director of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function;

"Participant" means a Group Employee who has been granted an Award; and

"SIA Group" means SIA and its subsidiaries.

2.4 **Rationale.** The new SIAEC PSP 2014 and SIAEC RSP 2014 are intended to replace the existing SIAEC PSP and SIAEC RSP respectively, both of which are due to expire on 24 July 2015 and which will be terminated following the adoption of the New Share Plans by Shareholders at the EGM.

The New Share Plans are proposed to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance. The New Share Plans will further strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The SIAEC RSP 2014 is intended to apply to a broader base of senior executives while the SIAEC PSP 2014 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SIAEC RSP 2014 and the SIAEC PSP 2014 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

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The New Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the New Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the New Share Plans aim to foster a greater ownership culture within the Group which more directly aligns the interests of key senior management and senior executives with the interests of Shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The New Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for Shareholders. The Company believes that the New Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

The New Share Plans contemplate the award of fully paid Shares, when and after pre-determined performance or service conditions are accomplished.

A Participant's Awards under the New Share Plans will be determined at the sole discretion of the Committee. In considering an Award to be granted to a Participant, the Committee may take into account, *inter alia*, the Participant's performance during the relevant period, and his capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skills set.

2.4.1 *The Proposed SIAEC PSP 2014*

One of the primary objectives of the SIAEC PSP 2014 is to further motivate key senior management to strive for superior performance and to deliver long-term shareholder value. The SIAEC PSP 2014 is targeted at senior management in key positions who shoulder the responsibility for the Company's performance and who are able to drive the growth of the Company through innovation, creativity and superior performance.

Awards granted under the SIAEC PSP 2014 are performance-based. Performance targets set under the SIAEC PSP 2014 are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth. Examples of performance targets to be set include targets based on criteria such as total shareholders' return, economic value added, market share, market ranking or return on sales.

Awards granted under the SIAEC RSP 2014 differ from those granted under the SIAEC PSP 2014 in that an extended vesting period is normally (but not always) imposed for performance-based restricted Awards granted under the SIAEC RSP 2014 beyond the performance target completion date, that is, they also incorporate a time-based service condition as well, to encourage Participants to continue serving the Group beyond the achievement date of the pre-determined performance targets.

2.4.2 *The Proposed SIAEC RSP 2014*

One of the primary objectives of the SIAEC RSP 2014 is to serve as an additional motivational tool to recruit and retain talented senior executives as well as to reward for Company and individual performance. In addition, the SIAEC RSP 2014 acts as an enhancement of the Group's overall compensation packages, strengthening the Group's ability to attract and retain high performing talent.

Awards granted under the SIAEC RSP 2014 will typically vest only after the satisfactory completion of time-based service conditions, that is, after the Participant has served the Group for a specified number of years (time-based restricted Awards) or, where the Award is performance-related (performance-based restricted Awards), after a further period of service beyond the performance target completion date.

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A time-based restricted Award may be granted, for example, as a supplement to the cash component of the remuneration packages of senior executives. A performance-based restricted Award may be granted, for example, with a performance target based on the successful completion of a project, or on the Company meeting certain specified corporate target(s), and thereafter with a further vesting period to encourage the Participant to continue serving the Group for a further period of time following completion of the project.

It is the intention of the Company to award performance-based restricted Awards to ensure that the earning of Shares under the SIAEC RSP 2014 is aligned with the pay-for-performance principle. The use of time-based restricted Awards in such instances will only be made on a case-by-case basis where business needs justify such Awards.

2.4.3 *Flexibility of Grants*

Participants may be granted Awards under both the SIAEC PSP 2014 and the SIAEC RSP 2014. For example, an individual Participant who is a key senior management staff may be granted an Award under the SIAEC PSP 2014 based on specified medium-term critical target objectives (for example, targets relating to market position and Company profitability and growth) over the next three years which vests at the end of the performance period. Concurrently, the individual could also be granted an Award under the SIAEC RSP 2014 based on different performance targets (for example, ensuring that a particular project is successfully completed on time or that the Company meets certain specified corporate target(s)) and with a longer vesting period with the aim of retaining the individual as the Company's employee. It is unlikely that performance targets for any individual Participant under the SIAEC PSP 2014 and the SIAEC RSP 2014 will be identical.

2.5 **Summary of Rules.** The following are summaries of the principal rules of the SIAEC PSP 2014 and the SIAEC RSP 2014.

2.5.1 *Summary of Rules of SIAEC PSP 2014*

Eligibility

Group Employees who have attained the legal age of 21 years and hold such rank as may be designated by the Committee from time to time shall be eligible to participate in the SIAEC PSP 2014, unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders.

Non-executive directors of the Group will not be eligible to participate in the SIAEC PSP 2014.

Awards

Awards represent the right of a Participant to receive fully paid Shares, their equivalent cash value or combinations thereof, free of charge, upon the Participant achieving prescribed performance condition(s). Awards are released at the end of the performance period once the Committee is satisfied that the prescribed performance condition(s) have been achieved.

Participants

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the SIAEC PSP 2014 shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his contribution to the success and development of the Group and the extent of effort and resourcefulness required to achieve the performance condition(s) within the performance period.

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Details of Awards

The Committee shall decide, in relation to each Award to be granted to a Participant:

- (a) the Award Date;
- (b) the number of Shares which are the subject of the Award;
- (c) the prescribed performance condition(s);
- (d) the performance period during which the prescribed performance condition(s) are to be satisfied;
- (e) the extent to which Shares which are the subject of that Award shall be released on the prescribed performance condition(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period; and
- (f) any other condition which the Committee may determine in relation to that Award.

Timing

While the Committee has the discretion to grant Awards at any time in the year, it is anticipated that Awards would in general be made once a year. An Award Letter confirming the Award and specifying (*inter alia*) the prescribed performance condition(s), the performance period during which the prescribed performance condition(s) are to be attained or fulfilled and the extent to which Shares will be released on satisfaction of the prescribed performance condition(s), will be sent to each Participant as soon as is reasonably practicable after the making of an Award.

Events Prior to Vesting

Special provisions for the vesting and lapsing of Awards apply in certain circumstances including the following:

- (a) the Participant ceasing to be in the employment of the Group for any reason whatsoever (other than as specified in sub-paragraphs (e), (f) and (g) below);
- (b) the bankruptcy of a Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;
- (c) the misconduct on the part of a Participant as determined by the Committee in its discretion;
- (d) an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency;
- (e) the retirement of a Participant or the Participant ceasing to be employed by the Group by reason of (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee) or death, (ii) redundancy, or (iii) any other reason approved in writing by the Committee;
- (f) the completion of a fixed term contract for a Participant on a fixed term contract;

LETTER TO SHAREHOLDERS

- (g) the Participant ceasing to be in the employment of the Group by reason of:
 - (i) a transfer of employment to SIA or a subsidiary of SIA;
 - (ii) a transfer of employment to any of SIA's associated companies or any of the Company's associated companies, where such reason for cessation of employment is approved in writing by the Committee;
 - (iii) a subsequent transfer of employment (from time to time) to any of the companies in the SIA Group or any associated companies of SIA or of the Company, following a transfer of employment by a Participant to any of the companies described in sub-paragraphs (i) and (ii) above;
 - (iv) the subsidiary of the Company in which a Participant is employed, or the subsidiary of SIA or the associated company of SIA or of the Company (as the case may be) in which a Participant is employed following transfer(s) of employment by that Participant as described in sub-paragraphs (i), (ii) and (iii) above, being subsequently wholly or partially disposed of by the Company or SIA (as the case may be); or
 - (v) a subsequent transfer to any company within the SIA Group or any of SIA's associated companies (which for the avoidance of doubt shall exclude the Company or any of its subsidiaries or associated companies), upon the Company ceasing to be a subsidiary of SIA;
- (h) any other event approved by the Committee; and
- (i) a take-over, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding-up of the Company (other than as provided in sub-paragraph (d) above or for reconstruction or amalgamation).

Upon the occurrence of any of the events specified in sub-paragraphs (a), (b), (c) and (d) above, an Award then held by a Participant shall, subject as provided in the rules of the SIAEC PSP 2014 and to the extent not yet released, immediately lapse without any claim whatsoever against the Company.

Upon the occurrence of any of the events specified in sub-paragraphs (e), (f), (g) and (h) above, the Committee may, in its absolute discretion, preserve all or any part of any Award and decide either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of any Award until the end of the relevant performance period and subject to the rules of the SIAEC PSP 2014. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by the Participant and the extent to which the applicable performance conditions and targets have been satisfied.

Upon the occurrence of the event specified in sub-paragraph (i) above, the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant. If the Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Committee will have regard to the proportion of the performance period which has elapsed and the extent to which the applicable performance conditions and targets have been satisfied.

LETTER TO SHAREHOLDERS

Operation of the SIAEC PSP 2014

Subject to the prevailing legislation and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

- (a) an issue of new Shares; and/or
- (b) the delivery of existing Shares (including treasury shares).

In determining whether to issue new Shares or to deliver existing Shares to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or delivering existing Shares (including treasury shares).

The financial effects of the above methods are discussed in paragraph 2.10 below.

The Company has the flexibility, and if circumstances require, to approve the release of an Award, wholly or partly, in the form of cash rather than Shares.

New Shares allotted and issued, and existing Shares procured by the Company for transfer, pursuant to the release of any Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

The Committee shall have the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make reference to the audited results of the Company or the Group to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the Committee decides that a changed performance target would be a fairer measure of performance.

2.5.2 **Summary of Rules of SIAEC RSP 2014**

Eligibility

Group Employees who have attained the legal age of 21 years and hold such rank as may be designated by the Committee from time to time shall be eligible to participate in the SIAEC RSP 2014, unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders.

Non-executive directors of the Group will not be eligible to participate in the SIAEC RSP 2014.

Awards

Awards represent the right of a Participant to receive fully paid Shares, their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance condition(s) (if any) are met and upon expiry of the prescribed vesting periods.

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Participants

The selection of a Participant and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the SIAEC RSP 2014 shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his contribution to the success and development of the Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance condition(s) within the performance period.

Details of Awards

The Committee shall decide, in relation to each Award to be granted to a Participant:

- (a) the Award Date;
- (b) the number of Shares which are the subject of the Award;
- (c) in the case of a performance-related Award:
 - (i) the prescribed performance condition(s);
 - (ii) the performance period during which the prescribed performance condition(s) are to be satisfied; and
 - (iii) the extent to which Shares which are the subject of that Award shall be released on the prescribed performance condition(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period;
- (d) the prescribed vesting periods;
- (e) the release schedule setting out the extent to which Shares, which are the subject of that Award, shall be released at the end of each prescribed vesting period; and
- (f) any other condition which the Committee may determine in relation to that Award.

Timing

While the Committee has the discretion to grant Awards at any time in the year, it is anticipated that Awards would in general be made once a year. An Award Letter confirming the Award and specifying (*inter alia*) the vesting period and, in relation to a performance-related Award, the prescribed performance condition(s), the performance period during which the prescribed performance condition(s) are to be attained or fulfilled and the schedule setting out the extent to which Shares will be released on satisfaction of the prescribed performance condition(s), will be sent to each Participant as soon as is reasonably practicable after the making of an Award.

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Events Prior to Vesting

Special provisions for the vesting and lapsing of Awards apply in certain circumstances including the following:

- (a) the Participant ceasing to be in the employment of the Group for any reason whatsoever (other than as specified in sub-paragraphs (e), (f) and (g) below);
- (b) the bankruptcy of a Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;
- (c) the misconduct on the part of a Participant as determined by the Committee in its discretion;
- (d) an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency;
- (e) the retirement of a Participant or the Participant ceasing to be employed by the Group by reason of (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee) or death, (ii) redundancy, or (iii) any other reason approved in writing by the Committee;
- (f) the completion of a fixed term contract for a Participant on a fixed term contract;
- (g) the Participant ceasing to be in the employment of the Group by reason of:
 - (i) a transfer of employment to SIA or a subsidiary of SIA;
 - (ii) a transfer of employment to any of SIA's associated companies or any of the Company's associated companies, where such reason for cessation of employment is approved in writing by the Committee;
 - (iii) a subsequent transfer of employment (from time to time) to any of the companies in the SIA Group or any associated companies of SIA or of the Company, following a transfer of employment by a Participant to any of the companies described in sub-paragraphs (i) and (ii) above;
 - (iv) the subsidiary of the Company in which a Participant is employed, or the subsidiary of SIA or the associated company of SIA or of the Company (as the case may be) in which a Participant is employed following transfer(s) of employment by that Participant as described in sub-paragraphs (i), (ii) and (iii) above, being subsequently wholly or partially disposed of by the Company or SIA (as the case may be); or
 - (v) a subsequent transfer to any company within the SIA Group or any of SIA's associated companies (which for the avoidance of doubt shall exclude the Company or any of its subsidiaries or associated companies), upon the Company ceasing to be a subsidiary of SIA;
- (h) any other event approved by the Committee; and
- (i) a take-over, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding-up of the Company (other than as provided in sub-paragraph (d) above or for reconstruction or amalgamation).

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Upon the occurrence of any of the events specified in sub-paragraphs (a), (b), (c) and (d) above, an Award then held by a Participant shall, subject as provided in the rules of the SIAEC RSP 2014 and to the extent not yet released, immediately lapse without any claim whatsoever against the Company.

Upon the occurrence of any of the events specified in sub-paragraphs (e), (f), (g) and (h) above, the Committee may, in its absolute discretion, preserve all or any part of any Award and decide either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of any Award until the end of the relevant vesting period and subject to the rules of the SIAEC RSP 2014. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by the Participant and, in the case of performance-related Awards, the extent to which the applicable performance conditions and targets have been satisfied.

Upon the occurrence of the event specified in sub-paragraph (i) above, the Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant. If the Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the Committee will have regard to the proportion of the vesting period(s) which has elapsed and, in the case of performance-related Awards, the extent to which the applicable performance conditions and targets have been satisfied.

Operation of the SIAEC RSP 2014

Subject to the prevailing legislation and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon vesting of their Awards by way of:

- (a) an issue of new Shares; and/or
- (b) the delivery of existing Shares (including treasury shares).

In determining whether to issue new Shares or to deliver existing Shares to Participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to the Company of either issuing new Shares or delivering existing Shares (including treasury shares).

The financial effects of the above methods are discussed in paragraph 2.10 below.

The Company has the flexibility, and if circumstances require, to approve the release of an Award, wholly or partly, in the form of cash rather than Shares.

New Shares allotted and issued, and existing Shares procured by the Company for transfer, pursuant to the release of any Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant vesting date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

The Committee shall have the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make reference to the audited results of the Company or the Group to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the Committee decides that a changed performance target would be a fairer measure of performance.

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- 2.6 **Size and Duration.** The total number of Shares which may be delivered pursuant to Awards granted under the New Share Plans (whether in the form of Shares or in the form of cash in lieu of Shares) shall not exceed 5% of the total number of issued Shares (excluding Shares held by the Company as treasury shares) from time to time.

The maximum limit of 5% will provide for sufficient Shares to support the use of Awards in the Company's overall long-term incentive and compensation strategy. In addition, it will provide the Company with the means and flexibility to grant Awards as incentive tools in a meaningful and effective manner to encourage staff retention and to align Participants' interests more closely with those of Shareholders.

As at the Latest Practicable Date, an aggregate of 25,215,835 Shares, representing approximately 2.26% of the issued Shares, are comprised in outstanding options and awards granted under the (already expired) SIAEC ESOP and the (currently existing) SIAEC PSP and SIAEC RSP (see paragraph 2.2 above for details of such outstanding options and awards). The adoption of the New Share Plans will be without prejudice to the rights of holders of such outstanding options and awards. As such, the dilutive impact of the adoption of the New Share Plans on the Company's share capital, after taking into account the options and awards outstanding under the SIAEC ESOP, SIAEC PSP and SIAEC RSP and assuming that new Shares are allotted and issued to settle these options and awards and all Awards granted under the New Plans, will not exceed approximately 7.26% of the issued Shares as at the Latest Practicable Date.

In addition, Resolutions 1 and 2, being the Ordinary Resolutions relating to the adoption of the SIAEC PSP 2014 and the SIAEC RSP 2014 respectively to be proposed at the EGM, will also provide that the total number of Shares under Awards to be granted pursuant to the SIAEC PSP 2014 and the SIAEC RSP 2014 from the EGM to the next annual general meeting (the "**Relevant Year**") shall not exceed 0.5% of the total number of issued Shares (excluding treasury shares) from time to time (the "**Yearly Limit**"), provided that if the Yearly Limit is not fully utilised during the Relevant Year, any unutilised portion of the Yearly Limit may be used by the Directors to make grants of Awards in subsequent years for the duration of the SIAEC PSP 2014 and the SIAEC RSP 2014 respectively.

The New Share Plans shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the New Share Plans are adopted by the Company in general meeting, provided always that the New Share Plans may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the New Share Plans, Awards made to Participants prior to such expiry or termination will continue to remain valid.

- 2.7 **Adjustments and Modifications.** The following describes the adjustment events under, and provisions relating to modifications of, the New Share Plans.

2.7.1 **Adjustment Events**

If a variation in the ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place or if the Company shall make a declaration of a special dividend (whether interim or final and whether in cash or in specie), then:

- (a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or
- (b) the class and/or number of Shares in respect of which future Awards may be granted under the New Share Plans,

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shall be adjusted in such manner as the Committee may, in its absolute discretion, determine to be appropriate.

Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for a private placement of securities or an acquisition, or upon the exercise of any options or conversion of any loan stock or any other securities convertible into Shares or subscription rights of any warrants, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST or any other stock exchange on which the Shares are quoted or listed during the period when a share buy back mandate granted by Shareholders (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditor (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

The adjustment must be made in such a way that a Participant will not receive a benefit that a holder of Shares does not receive.

2.7.2 **Modifications**

Each of the New Share Plans may be modified and/or altered at any time and from time to time by a resolution of the Committee, subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

However, no modification or alteration shall alter adversely the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were released to them, in the case of the SIAEC PSP 2014, upon the performance conditions for their Awards being satisfied in full or, in the case of the SIAEC RSP 2014, upon the expiry of all the vesting periods applicable to their Awards, would become entitled to not less than three-quarters in number of all the Shares which would fall to be vested, in the case of the SIAEC PSP 2014, upon release of all outstanding Awards upon the performance conditions for all outstanding Awards being satisfied in full or, in the case of the SIAEC RSP 2014, upon the expiry of all the vesting periods applicable to all such outstanding Awards.

No alteration shall be made to rules of the New Share Plans which relate to matters contained in Rules 844 to 849 and Rules 853 to 854 of the Listing Manual to the advantage of the holders of the Awards except with the prior approval of Shareholders in general meeting.

2.8 **Disclosures in Annual Reports.** The following disclosures or the appropriate negative statements (as applicable) will be made by the Company in its annual report for so long as the New Share Plans continue in operation:

- (a) the names of the members of the Committee administering the New Share Plans;
- (b) in respect of the following Participants of the New Share Plans:
 - (i) Directors of the Company; and
 - (ii) Participants (other than those in sub-paragraph (i) above) who have received Shares pursuant to the release of Awards granted under the New Share Plans which, in aggregate, represent 5% or more of the total number of Shares available under the New Share Plans collectively,

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the following information:

- (aa) the name of the Participant; and
- (bb) the following particulars relating to Awards released under the New Share Plans:
 - (1) the number of new Shares issued to such Participant during the financial year under review; and
 - (2) the number of existing Shares transferred to such Participant during the financial year under review; and
- (c) in relation to the New Share Plans, the following particulars:
 - (i) the aggregate number of Shares comprised in Awards granted under the New Share Plans since the commencement of the New Share Plans to the end of the financial year under review;
 - (ii) the aggregate number of Shares comprised in Awards which have vested under the New Share Plans during the financial year under review and in respect thereof, the proportion of:
 - (1) new Shares issued; and
 - (2) existing Shares transferred and, where existing Shares were purchased for delivery, the range of prices at which such Shares have been purchased,upon the release of Awards granted under the New Share Plans; and
 - (iii) the aggregate number of Shares comprised in Awards granted under the New Share Plans which have not been released, as at the end of the financial year under review.

2.9 **Role and Composition of the Committee.** The Compensation & HR Committee (“CHRC”) of the Company, whose function is to assist the Board of Directors in reviewing remuneration and human resource matters in the Company as set out in their terms of reference, will be designated as the Committee responsible for the administration of the New Share Plans. The CHRC currently comprises Stephen Lee Ching Yen, Goh Choon Phong and Christina Hon Kwee Fong (Christina Ong), each of them a Director of the Company.

In compliance with the requirements of the Listing Manual, a Participant of the New Share Plans who is a member of the CHRC shall not be involved in its deliberations in respect of Awards to be granted to or held by that member of the CHRC.

2.10 **Financial Effects.** The accounting treatment of the Awards granted under the New Share Plans would be in accordance with Singapore Financial Reporting Standard 102, Share-based payment (“FRS 102”). Participants may receive Shares or their equivalent cash value, or combinations thereof. In the event that the Participants receive Shares, the Awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

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The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the profit and loss account over the period between the grant date and the vesting date of an Award. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the vesting date, with a corresponding credit to reserve account. Before the end of the vesting period, at each balance sheet date, the estimate of the number of Awards that are expected to vest by the vesting date is revised, and the impact of the revised estimate is recognised in the profit and loss account with a corresponding adjustment to equity. After the vesting date, no adjustment to the charge to the profit and loss account is made.

The amount charged to the profit and loss account would be the same whether the Company settles the Awards using new Shares or existing Shares. The amount of the charge to the profit and loss account also depends on whether or not the performance target attached to an Award is a "market condition", that is, a condition which is related to the market price of the Shares. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Shares granted at the grant date, and no adjustments to amounts charged to profit and loss account is made if the market condition is not met. On the other hand, if the performance target is not a market condition, the probability of the target being met is not taken into account in estimating the fair value of the Shares granted at the grant date. Instead, it is subsequently considered at each accounting date in assessing whether the Awards would vest. Thus, where the vesting conditions do not include a market condition, there would be no charge to the profit and loss account if the Awards do not ultimately vest.

The following sets out the financial effects of the New Share Plans.

2.10.1 *Share Capital*

The New Share Plans will result in an increase in the Company's issued ordinary share capital only if new Shares are issued to Participants. The number of new Shares issued will depend on, *inter alia*, the size of the Awards granted under the New Share Plans. In any case, the New Share Plans provide that the total number of Shares which may be delivered pursuant to Awards granted under the New Share Plans (whether in the form of Shares or in the form of cash in lieu of Shares) will be subject to a reduced maximum limit of 5% of the Company's issued Shares (excluding treasury shares) from time to time. If, instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants, the New Share Plans will have no impact on the Company's issued ordinary share capital.

2.10.2 *NTA*

As described below in the paragraph on EPS, the New Share Plans are likely to result in a charge to the Company's profit and loss account over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with FRS 102. If new Shares are issued under the New Share Plans, there would be no effect on the NTA. However, if instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants or the Company pays the equivalent cash value, the NTA would decrease by the cost of the Shares purchased or the cash payment, respectively.

Nonetheless, it should be noted that the delivery of Shares to Participants under the New Share Plans will generally be contingent upon the Participants meeting prescribed performance targets and conditions.

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2.10.3 *EPS*

The New Share Plans are likely to result in a charge to earnings over the period from the grant date to the vesting date, computed in accordance with FRS 102.

Nonetheless, it should again be noted that the delivery of Shares to Participants under the New Share Plans will generally be contingent upon the Participants meeting prescribed performance targets and conditions.

2.10.4 *Dilutive Impact*

It is expected that the dilutive impact of the New Share Plans on the NTA per Share and EPS will not be significant.

The Existing Share Plans currently provide for the issue of new Shares of up to a maximum of 15% of the Company's total issued Shares from time to time. Accordingly, there will be no significant dilution of Shareholders' shareholding percentages as a result of the introduction of the New Share Plans, as the New Share Plans provide that the total number of Shares which may be delivered pursuant to Awards granted under the New Share Plans (whether in the form of Shares or in the form of cash in lieu of Shares) will be subject to a reduced maximum limit of 5% of the Company's issued Shares (excluding treasury shares) from time to time.

3. THE PROPOSED ADOPTION OF THE SHARE BUY BACK MANDATE

- 3.1 **Introduction.** Any purchase or acquisition of Shares by the Company would have to be made in accordance with, and in the manner prescribed by, the Companies Act, the Listing Manual and such other laws and regulations as may, for the time being, be applicable. The Company is also required to obtain approval of its Shareholders at a general meeting if it wishes to purchase or acquire its own Shares. Accordingly, approval is being sought from Shareholders at the EGM for the adoption of a mandate (the "**Share Buy Back Mandate**") to enable the Company to purchase or acquire its issued Shares.

If approved by Shareholders at the EGM, the authority conferred by the Share Buy Back Mandate will continue in force until the next annual general meeting of the Company (whereupon it will lapse, unless renewed at such meeting) or until it is varied or revoked by the Company in general meeting (if so varied or revoked prior to the next annual general meeting).

- 3.2 **Authority and Limits of the Share Buy Back Mandate.** The authority and limitations placed on purchases or acquisitions of Shares by the Company (the "**Share Buy Backs**") pursuant to the Share Buy Back Mandate, if approved at the EGM, are summarised below:

3.2.1 *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 EGM at which the adoption 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.

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3.2.2 *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 EGM at which the adoption 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.

3.2.3 *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.

If the Company wishes to make an Off-Market Equal Access Share Buy Back, it will 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.

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3.2.4 *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 Market 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.

- 3.3 **Rationale for the Share Buy Back Mandate.** The adoption 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 3.2.1 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.

- 3.4 **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.
- 3.5 **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 are summarised below:

3.5.1 *Maximum Holdings*

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

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3.5.2 **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 into treasury shares of a smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

3.5.3 **Disposal and Cancellation**

Where Shares are held as treasury shares, the Company may at any time (but subject always to 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 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.

- 3.6 **Funding of Share Buy Backs.** The Company may use internal or external sources of funds of the Group 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.
- 3.7 **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.

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3.7.1 *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. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) 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.

3.7.2 *Number of Shares Acquired or Purchased*

Based on 1,117,209,130 issued Shares as at the Latest Practicable Date, and assuming no further Shares are issued on or prior to the EGM, 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 22,344,182 Shares.

3.7.3 *Maximum Price Paid for Shares Acquired or Purchased*

Assuming that the Company purchases or acquires 22,344,182 Shares at the Maximum Price of \$5.2017 for each Share (being the price equivalent to 105% of the average last dealt prices of the Shares for the five consecutive Market 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 \$116,227,731.51.

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 2013;
- (b) the Company had on 1 April 2013 purchased 22,344,182 Shares (representing 2% of its issued Shares as at the Latest Practicable Date) at the Maximum Price of \$5.2017 for each Share (being 105% of the average last dealt prices of the Shares for the five consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date); and
- (c) the purchase or acquisition of 22,344,182 Shares was made equally out of profits and capital and either cancelled or held in treasury,

the financial effects of the Share Buy Back on the audited financial statements of the Group and the Company for FY2014 would have been as follows:

LETTER TO SHAREHOLDERS

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 2014	Proforma after Share Buy Back	Per audited financial statements as at 31 March 2014	Proforma after Share Buy Back
(a) Share capital (\$m)	387.4	329.3	387.4	329.3
(b) General reserve (\$m)	1,077.9	1,019.8	748.0	689.9
(c) Net asset value (\$m)	1,360.9	1,244.7	1,159.5	1,043.3
(d) Net asset value per Share (\$)	1.22	1.14	1.04	0.95
(e) Profit / (Loss) attributable to equity holders of the Company (\$m)	265.7	265.7	257.1	257.1
(f) Weighted average no. of issued and paid-up Shares (m)	1,112.8	1,090.4	1,112.8	1,090.4
(g) Basic EPS (cents)	23.9	24.4	23.1	23.6
(h) Total borrowings ⁽¹⁾ (\$m)	21.9	21.9	0	0
(i) Liquid investments, cash and cash equivalents ⁽²⁾ (\$m)	535.7	419.5	517.2	401.0
(j) Net borrowings ⁽³⁾ (\$m)	(513.8)	(397.6)	(517.2)	(401.0)
(k) Equity holders' funds ⁽⁴⁾ (\$m)	1,360.9	1244.7	1,159.5	1043.3
(l) Gearing ⁽⁵⁾ (times)	0.016	0.018	0	0
(m) ROE ⁽⁶⁾ (%)	20.0	20.9	22.6	23.8
(n) Current ratio (times)	3.13	2.71	3.20	2.73

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.

LETTER TO SHAREHOLDERS

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 FY2014, 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, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 2% of its issued Shares. 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.

- 3.8 **Shareholding Limits.** 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 SIA, Temasek and/or such other person or persons with the approval of the Directors) may have an interest.

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 adoption of the Share Buy Back Mandate is approved by the Shareholders at the EGM:

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.**

- 3.9 **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.

3.9.1 ***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.

3.9.2 ***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.

LETTER TO SHAREHOLDERS

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:

- (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.

3.9.3 **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.

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 4.2 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 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.

LETTER TO SHAREHOLDERS

- 3.10 **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 77.87% of the issued Shares and Temasek had a deemed interest in approximately 78.05% of the issued Shares. Approximately 22.03% 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.
- 3.11 **Reporting Requirements.** 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.
- 3.12 **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, 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

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

4.1 **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 (and in respect of Tong Chong Heong, as at 1 June 2014) are set out below:

Director	Number of Shares				Number 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 Khatani	–	–	–	–	–
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 RSP Base Awards and 29,057 RSP Final Awards pending release) granted to William Tan Seng Koon pursuant to the SIAEC RSP 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 PSP subject to performance targets and other terms and conditions being met.

4.2 **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	Number of Shares			
	Direct Interest	% ⁽¹⁾	Deemed Interest ⁽²⁾	% ⁽¹⁾
Singapore Airlines Limited	870,000,000	77.87	–	–
Temasek Holdings (Private) Limited	–	–	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.

LETTER TO SHAREHOLDERS

5. DIRECTORS' RECOMMENDATIONS

- 5.1 **Proposed Adoption of the New Share Plans.** The Directors (other than William Tan Seng Koon, who is eligible to participate, and is therefore interested in, the New Share Plans, and who has accordingly refrained from making any voting recommendation to Shareholders in respect of Resolutions 1 and 2) are of the opinion that the proposed adoption of the New Share Plans is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolutions 1 and 2, being the Ordinary Resolutions relating to the proposed adoption of the New Share Plans to be proposed at the EGM.
- 5.2 **Proposed Adoption of the Share Buy Back Mandate.** The Directors are of the opinion that the proposed adoption of the Share Buy Back Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Resolution 3, being the Ordinary Resolution relating to the proposed adoption of the Share Buy Back Mandate to be proposed at the EGM.

6. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 34 to 38 of this Circular, is being convened to be held at Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Monday, 21 July 2014 at 2.45 p.m. (or as soon thereafter following the conclusion or adjournment of the Thirty-Second Annual General Meeting of the Company to be held at 2.30 p.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing the Ordinary Resolutions set out in the Notice of the EGM.

7. ACTION TO BE TAKEN BY SHAREHOLDERS

- 7.1 **Appointment of Proxies.** If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the office of the Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902 not later than 2.45 p.m. on 19 July 2014. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes.

If a Shareholder attends the EGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the EGM.

- 7.2 **When Depositor regarded as Shareholder.** A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and vote thereat unless his name appears on the Depository Register at least 48 hours before the EGM.
- 7.3 **Abstention from Voting.** Any Shareholder who is eligible to participate in the New Share Plans will abstain from voting in respect of Resolutions 1 and 2, being the Ordinary Resolutions relating to the proposed adoption of the New Share Plans to be proposed at the EGM. Such Shareholder will also not accept nominations to act as proxy, corporate representative or attorney to vote in respect of Resolutions 1 and 2 unless the Shareholder appointing him indicates clearly how votes are to be cast in respect of Resolutions 1 and 2.

LETTER TO SHAREHOLDERS

8. INSPECTION OF DOCUMENTS

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

- (a) the annual report of the Company for FY2013/14;
- (b) the Memorandum and Articles of Association of the Company; and
- (c) the proposed Rules of the New Share Plans.

9. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular 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 Circular misleading.

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

Stephen Lee Ching Yen
Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING

SIA ENGINEERING COMPANY LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 198201025C

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of SIA Engineering Company Limited (the “**Company**”) will be held at Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Monday, 21 July 2014 at 2.45 p.m. (or as soon thereafter following the conclusion or adjournment of the Thirty-Second Annual General Meeting of the Company to be held at 2.30 p.m. on the same day and at the same place) for the purpose of considering and, if thought fit, approving, with or without amendment, the following Resolutions, all of which will be proposed as Ordinary Resolutions:

Resolution 1: Ordinary Resolution **The Proposed Adoption of the SIAEC PSP 2014**

That:

- (a) the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan (together, the “**Existing Share Plans**”) be and are hereby terminated, provided that such termination shall be without prejudice to the rights of holders of awards outstanding under the Existing Share Plans as at the date of such termination;
- (b) a new performance share plan to be known as the “SIAEC Performance Share Plan 2014” (the “**SIAEC PSP 2014**”), the rules of which, for the purpose of identification, have been subscribed to by the Chairman of the Meeting, under which awards (“**PSP Awards**”) of fully paid-up ordinary shares in the capital of the Company (“**Shares**”), their equivalent cash value or combinations thereof will be granted, free of payment, to selected employees (including executive directors) of the Company and/or its subsidiaries, details of which are set out in the Circular to Shareholders dated 25 June 2014 (the “**Circular**”), be and is hereby approved;
- (c) the Directors of the Company be and are hereby authorised:
 - (i) to establish and administer the SIAEC PSP 2014; and
 - (ii) to modify and/or alter the SIAEC PSP 2014 at any time and from time to time, provided that such modification and/or alteration is effected in accordance with the provisions of the SIAEC PSP 2014, and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the SIAEC PSP 2014; and
- (d) the Directors of the Company be and are hereby authorised to grant PSP Awards in accordance with the provisions of the SIAEC PSP 2014 and to allot and issue from time to time such number of fully paid-up Shares as may be required to be delivered pursuant to the vesting of PSP Awards under the SIAEC PSP 2014, provided that:
 - (i) the aggregate number of (1) new Shares allotted and issued and/or to be allotted and issued, (2) existing Shares (including Shares held in treasury) delivered and/or to be delivered, and (3) Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to the SIAEC PSP 2014 and the SIAEC RSP 2014 (as defined in Resolution 2 below), shall not exceed 5% of the total number of issued Shares (excluding treasury shares) from time to time;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) the aggregate number of Shares under PSP Awards and RSP Awards (as defined in Resolution 2 below) to be granted pursuant to the SIAEC PSP 2014 and the SIAEC RSP 2014 respectively during the period (the "**Relevant Year**") commencing from this Extraordinary General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 0.5% of the total number of issued Shares (excluding treasury shares) from time to time (the "**Yearly Limit**"); and
- (iii) if the Yearly Limit is not fully utilised during the Relevant Year, any unutilised portion of the Yearly Limit may be used for the grant of PSP Awards and/or RSP Awards in subsequent years for the duration of the SIAEC PSP 2014 and the SIAEC RSP 2014 respectively.

Resolution 2: Ordinary Resolution **The Proposed Adoption of the SIAEC RSP 2014**

That:

- (a) a new restricted share plan to be known as the "SIAEC Restricted Share Plan 2014" (the "**SIAEC RSP 2014**"), the rules of which, for the purpose of identification, have been subscribed to by the Chairman of the Meeting, under which awards ("**RSP Awards**") of fully paid-up Shares, their equivalent cash value or combinations thereof will be granted, free of payment, to selected employees (including executive directors) of the Company and/or its subsidiaries, details of which are set out in the Circular, be and is hereby approved;
- (b) the Directors of the Company be and are hereby authorised:
 - (i) to establish and administer the SIAEC RSP 2014; and
 - (ii) to modify and/or alter the SIAEC RSP 2014 at any time and from time to time, provided that such modification and/or alteration is effected in accordance with the provisions of the SIAEC RSP 2014, and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the SIAEC RSP 2014; and
- (c) the Directors of the Company be and are hereby authorised to grant RSP Awards in accordance with the provisions of the SIAEC RSP 2014 and to allot and issue from time to time such number of fully paid-up Shares as may be required to be delivered pursuant to the vesting of RSP Awards under the SIAEC RSP 2014, provided that:
 - (i) the aggregate number of (1) new Shares allotted and issued and/or to be allotted and issued, (2) existing Shares (including Shares held in treasury) delivered and/or to be delivered, and (3) Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to the SIAEC RSP 2014 and the SIAEC PSP 2014, shall not exceed 5% of the total number of issued Shares (excluding treasury shares) from time to time;
 - (ii) the aggregate number of Shares under PSP Awards and RSP Awards to be granted pursuant to the SIAEC PSP 2014 and the SIAEC RSP 2014 respectively during the Relevant Year shall not exceed the Yearly Limit; and
 - (iii) if the Yearly Limit is not fully utilised during the Relevant Year, any unutilised portion of the Yearly Limit may be used for the grant of PSP Awards and/or RSP Awards in subsequent years for the duration of the SIAEC PSP 2014 and the SIAEC RSP 2014 respectively.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Resolution 3: Ordinary Resolution The Proposed Adoption of the Share Buy Back Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
- (i) market purchase(s) on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”); and/or
 - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Buy Back Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next Annual General Meeting of the Company is held;
 - (ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and
 - (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Buy Back Mandate are carried out to the full extent mandated;

- (c) in this Resolution:

“**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 market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period;

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein 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 purchase;

“**Maximum Limit**” means that number of issued Shares representing 2% of the total number of issued Shares as at the date of the passing of this Resolution; and

“**Maximum Price**”, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed, whether pursuant to a market purchase or an off-market purchase, 105% of the Average Closing Price of the Shares; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

By Order of the Board

Devika Rani Davar
Company Secretary
25 June 2014
Singapore

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The Chairman of the Extraordinary General Meeting will be exercising his right under Article 64 of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members of the Company at the Extraordinary General Meeting and at any adjournment thereof. Accordingly, each resolution at the Extraordinary General Meeting will be voted on by way of a poll.
2. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies (together with the power of attorney, if any, which it is signed or a certified copy thereof) must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting.
4. The Company may use internal or external sources of funds of the Company and its subsidiaries to finance the purchase or acquisition of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled.

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Buy Back Mandate on the audited financial statements of the Company and the Company and its subsidiaries for the financial year ended 31 March 2014, based on certain assumptions, are set out in paragraph 3.7 of the Circular.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

SIA ENGINEERING COMPANY LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 198201025C

EXTRAORDINARY GENERAL MEETING PROXY FORM

IMPORTANT:

CPF investors

1. For investors who have used their CPF monies to buy the Company's shares, the Circular to Shareholders dated 25 June 2014 is forwarded to them at the request of their CPF approved nominees and is sent solely FOR THEIR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Extraordinary General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company's Registrar (please see Note No. 8 on the reverse side).

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 25 June 2014.

*I/We, _____ (Name)

_____ (NRIC/Passport Number)

of _____ (Address)

being a member/members of SIA Engineering Company Limited ("SIAEC" or the "Company") hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

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or failing *him/her, the Chairman of the Extraordinary General Meeting of the Company, as *my/our *proxy/proxies to attend and vote for *me/us and on *my/our behalf at the Extraordinary General Meeting to be held at Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Monday, 21 July 2014 at 2.45 p.m. (or as soon thereafter following the conclusion or adjournment of the Thirty-Second Annual General Meeting of the Company to be held at 2.30 p.m. on the same day and at the same place) and at any adjournment thereof.

*I/We direct *my/our *proxy/ proxies to vote for or against the Resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Extraordinary General Meeting. If no person is named in the above boxes, the Chairman of the Extraordinary General Meeting shall be *my/our *proxy/proxies to vote, for or against the Resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder, for *me/us and on *my/our behalf at the Extraordinary General Meeting and at any adjournment thereof.

NOTE: The Chairman of the Extraordinary General Meeting will be exercising his right under Article 64 of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members of the Company at the Extraordinary General Meeting and at any adjournment thereof. Accordingly, each resolution at the Extraordinary General Meeting will be voted on by way of a poll.

No.	Ordinary Resolutions	** No. of Votes "For"	** No. of Votes "Against"
1	To approve the proposed adoption of the SIAEC Performance Share Plan 2014.		
2	To approve the proposed adoption of the SIAEC Restricted Share Plan 2014.		
3	To approve the proposed adoption of the Share Buy Back Mandate.		

* Delete accordingly

** If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please insert the relevant number of shares in the boxes provided.

Dated this _____ day of _____ 2014.

Total Number of Shares Held:

Signature(s) of Member(s) or Common Seal

Important: Please read notes on the reverse side

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Notes:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company. The appointment of a proxy or proxies by this instrument shall not preclude a member from attending and voting in person at the Extraordinary General Meeting. If a member attends the Extraordinary General Meeting in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the Extraordinary General Meeting.
2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. This instrument of proxy or proxies must be signed by the appointor or his duly authorised attorney or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or duly authorised officer.
4. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
5. This instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, not less than 48 hours before the time fixed for holding the Extraordinary General Meeting.
6. A member should insert the total number of shares held in this instrument of proxy. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the member.
7. The Company shall be entitled to reject this instrument of proxy or proxies if it is incomplete, or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 48 hours before the time appointed for holding the Extraordinary General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. Agent Banks acting on the request of the CPF investors who wish to attend the Extraordinary General Meeting as Observers are requested to submit in writing, a list with details of the investors' names, NRIC/Passport numbers, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, at least 48 hours before the time fixed for holding the Extraordinary General Meeting.

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Please
Affix
Postage
Stamp

M & C Services Private Limited
Share Registrar for
SIA Engineering Company Limited
112 Robinson Road #05-01
Singapore 068902
Republic of Singapore

3rd fold here