

# SIA ENGINEERING COMPANY LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 198201025C

## LETTER TO SHAREHOLDERS

### Board of Directors:

Tang Kin Fei (*Chairman*)  
Goh Choon Phong (*Non-Independent Director*)  
Manohar Khiatani (*Independent Director*)  
Chew Teck Soon (*Independent Director*)  
Christina Hon Kwee Fong (Christina Ong) (*Independent Director*)  
Raj Thampuran (*Independent Director*)  
Wee Siew Kim (*Independent Director*)  
Chin Yau Seng (*Non-Independent Director*)  
Mak Swee Wah (*Non-Independent Director*)  
Ng Chin Hwee (*Chief Executive Officer*)

### Registered Office:

31 Airline Road  
Singapore 819831

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

25 June 2020

Dear Sir/Madam

### 1. INTRODUCTION

#### 1.1 **Notice of Annual General Meeting.** We refer to:

- (a) the Notice of Annual General Meeting ("**AGM**") of SIA Engineering Company Limited ("**SIAEC**" or the "**Company**") dated 25 June 2020 (the "**Notice**") convening the 38<sup>th</sup> AGM of the Company to be held on 17 July 2020 (the "**2020 AGM**");
- (b) Ordinary Resolution No. 7.3 relating to the proposed renewal of the IPT Mandate (as defined in paragraph 2.1 below, as proposed in the Notice); and
- (c) Ordinary Resolution No. 7.4 relating to the proposed renewal of the Share Buy Back Mandate (as defined in paragraph 3.1 below, as proposed in the Notice).

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

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

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

### 2. THE PROPOSED RENEWAL OF THE MANDATE FOR INTERESTED PERSON TRANSACTIONS

#### 2.1 **Background.** At the AGM of the Company held on 19 July 2019 (the "**2019 AGM**"), Shareholders approved, inter alia, the renewal of a mandate (the "**IPT Mandate**") to enable the Company, its subsidiaries and associated companies which are considered to be "entities at risk" (as that term is defined in Chapter 9 of the Listing Manual of the SGX-ST (the "**Listing Manual**")) to enter into certain interested person transactions with the classes of interested persons (the "**Interested Persons**") as set out in the IPT Mandate.

Particulars of the IPT Mandate were set out in the Appendix to the Company's Letter to Shareholders dated 27 June 2019 (the "**2019 Letter**") and Ordinary Resolution No. 7.3 as set out in the Notice of the 2019 AGM. The IPT Mandate was expressed to take effect until the conclusion of the next AGM of the Company, being the 2020 AGM.

- 2.2 **Renewal of the IPT Mandate.** The Directors propose that the IPT Mandate be renewed at the 2020 AGM to take effect until the 39<sup>th</sup> AGM of the Company. There is no change to the terms of the IPT Mandate which is proposed to be renewed.
- 2.3 **Appendix.** Details of the IPT Mandate, including the rationale for and the benefits to the Company, the review procedures for determining transaction prices with the Interested Persons and other general information relating to Chapter 9 of the Listing Manual, are set out in the Appendix to this Letter. The Appendix has also been updated to take into account amendments to the Listing Manual which took effect on 7 February 2020 (the updates are blacklined in the Appendix for Shareholders' ease of reference).
- 2.4 **Audit Committee Statement.** The Audit Committee of the Company (the "**Audit Committee**"), comprising Chew Teck Soon, Manohar Khiatani, Christina Hon Kwee Fong (Christina Ong), Raj Thampuran and Chin Yau Seng, confirms (with Chin Yau Seng abstaining) that:
- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the 2019 AGM; and
  - (b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

### 3. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

- 3.1 **Background.** At the 2019 AGM, Shareholders approved, inter alia, the renewal of a mandate (the "**Share Buy Back Mandate**") to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company ("**Shares**").

The rationale for, the authority and limitations on, and the financial effects of, the Share Buy Back Mandate were set out in the 2019 Letter and Ordinary Resolution No. 7.4 as set out in the Notice of the 2019 AGM.

The Share Buy Back Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 7.4 at the 2019 AGM and will expire on the date of the 2020 AGM. Accordingly, the Directors propose that the Share Buy Back Mandate be renewed at the 2020 AGM.

As at 9 June 2020 (the "**Latest Practicable Date**"), the Company had not undertaken any purchases or acquisitions of its Shares pursuant to the Share Buy Back Mandate approved by Shareholders at the 2019 AGM.

- 3.2 **Authority and Limits on the Share Buy Back Mandate.** The authority and limitations placed on the purchases or acquisitions of Shares by the Company (the "**Share Buy Backs**") pursuant to the Share Buy Back Mandate, if renewed at the 2020 AGM, are substantially the same as previously approved by Shareholders at the 2019 AGM, save that the definition of "Average Closing Price" (for determining the maximum purchase price for the purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate) has been changed to take into account amendments to the Listing Manual which took effect on 7 February 2020. These 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 2020 AGM at which the renewal of the Share Buy Back Mandate is approved. Treasury shares and subsidiary holdings (as defined in the Listing Manual)<sup>1</sup> will be disregarded for the purposes of computing the 2% limit.

As at the Latest Practicable Date, the Company had 3,802,777 treasury shares and no subsidiary holdings.

<sup>1</sup> "**Subsidiary holdings**" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.

### 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 2020 AGM at which the renewal of the Share Buy Back Mandate is approved, up to:

- (a) the date on which the next AGM 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, Chapter 50 of Singapore ("**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, pursuant to Rule 885 of the Listing Manual, issue an offer document containing at least the following information:

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

### 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 trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of the On-Market Share Buy Back by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Equal Access Share Buy Back, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs during the relevant five-day period and 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

**“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 Share Buy Back Mandate.** The renewal of the Share Buy Back Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake share purchases or acquisitions up to the 2% limit described in paragraph 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 Company and its subsidiaries (the **“Group”**), Management strives to increase Shareholders’ value. Share Buy Backs are one of the ways through which Shareholders’ value may be enhanced. Share Buy Backs are intended to be made as and when the Directors believe them to be of benefit to the Company and/or the Shareholders.

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

While the Share Buy Back Mandate would authorise a purchase or acquisition of Shares up to the 2% limit described in paragraph 3.2.1 above, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate may not be carried out to the full 2% limit as authorised and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial condition of the Company.

- 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<sup>2</sup> cannot at any time exceed 10% of the total number of issued Shares.

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 is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

<sup>2</sup> For these purposes, **“treasury shares”** shall be read as including shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act, Chapter 50 of Singapore.

### 3.5.3 **Disposal and Cancellation**

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

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons<sup>3</sup>;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

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

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

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:

#### 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 so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

#### 3.7.2 **Number of Shares Purchased or Acquired**

Based on 1,124,116,360 issued Shares as at the Latest Practicable Date (out of which 3,802,777 Shares were held in treasury and no Shares were held as subsidiary holdings as at that date), and assuming that on or prior to the 2020 AGM, (i) no further Shares are issued, (ii) no further Shares are purchased or acquired, or held by the Company as treasury shares, and (iii) no Shares are held as subsidiary holdings, the purchase by the Company of up to the maximum limit of 2% of its issued Shares (excluding the 3,802,777 Shares held in treasury) will result in the purchase or acquisition of 22,406,271 Shares.

<sup>3</sup> Currently, only employees of the Group are eligible to participate in the Company's share schemes, namely the SIAEC Performance Share Plan 2014 and the SIAEC Restricted Share Plan 2014.

### 3.7.3 Maximum Price Paid for Shares Purchased or Acquired

Assuming that the Company purchases or acquires the 22,406,271 Shares at the Maximum Price of S\$2.1735 for each Share (being the price equivalent to 105% of the average last dealt prices of the Shares for the five consecutive trading days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for such Share Buy Back is approximately S\$48,700,030.

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 2019;
- (b) the Company had on 1 April 2019 purchased 22,406,271 Shares (representing 2% of its issued Shares (excluding the Shares held in treasury) as at the Latest Practicable Date) at the Maximum Price of S\$2.1735 for each Share (being 105% of the average last dealt prices of the Shares for the five consecutive trading days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date); and
- (c) the purchase or acquisition of 22,406,271 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 the financial year ended 31 March 2020 would have been as follows:

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

|   | Group  |                               | Company  |                               |
|---|--|-------------------------------|--|-------------------------------|
|   | Per audited financial statements as at 31 March 2020 | Proforma after Share Buy Back | Per audited financial statements as at 31 March 2020 | Proforma after Share Buy Back |
| Share capital (\$m)   | 420.0  | 395.7                         | 420.0  | 395.7                         |
| General reserve (\$m)   | 1,211.5  | 1,187.2                       | 894.5  | 870.1                         |
| Net asset value (\$m)   | 1,628.8  | 1,580.1                       | 1,312.4  | 1,263.7                       |
| Net asset value per Share (\$)                                      | 1.45   | 1.44                          | 1.17   | 1.15                          |
| Profit / (Loss) attributable to equity holders of the Company (\$m) | 193.8  | 193.8                         | 150.0  | 150.0                         |
| Weighted average no. of issued and paid-up Shares (M)               | 1,120.0  | 1,097.6                       | 1,120.0  | 1,097.6                       |
| Basic earnings per Share (cents)                                    | 17.3   | 17.7                          | 13.4   | 13.7                          |
| Total borrowings <sup>(1)</sup> (\$m)                               | 112.4  | 112.4                         | 89.4   | 89.4                          |
| Liquid investments, cash and cash equivalents <sup>(2)</sup> (\$m)  | 519.6  | 470.9                         | 474.3  | 425.6                         |
| Net borrowings <sup>(3)</sup> (\$m)                                 | (407.2)  | (358.5)                       | (384.9)  | (336.2)                       |
| Equity holders' funds <sup>(4)</sup> (\$m)                          | 1,628.8  | 1,580.1                       | 1,312.4  | 1,263.7                       |
| Gearing <sup>(5)</sup> (times)                                      | 0.069  | 0.071                         | 0.068  | 0.071                         |
| ROE <sup>(6)</sup> (%)  | 12.3   | 12.5                          | 11.6   | 11.8                          |
| Current ratio (times)   | 4.14   | 3.94                          | 4.47   | 4.23                          |

**Notes:**

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

**SHAREHOLDERS SHOULD NOTE THAT THE FINANCIAL EFFECTS SET OUT ABOVE ARE FOR ILLUSTRATION PURPOSES ONLY (BASED ON THE AFOREMENTIONED ASSUMPTIONS). IN PARTICULAR, IT IS IMPORTANT TO NOTE THAT THE ABOVE ANALYSIS IS BASED ON THE HISTORICAL PROFORMA NUMBERS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020, AND IS NOT NECESSARILY REPRESENTATIVE OF FUTURE FINANCIAL PERFORMANCE.**

Although the Share Buy Back Mandate would authorise the Company to purchase or acquire up to 2% of its issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 2% of its issued Shares (excluding treasury shares and subsidiary holdings). 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 Constitution of the Company currently prescribes a limit of 5% (the “**Prescribed Limit**”) of the issued Shares (excluding treasury shares) in which any single Shareholder or related groups of Shareholders (other than Singapore Airlines Limited (“**SIA**”), Temasek Holdings (Private) Limited (“**Temasek**”) and/or such other person or persons with the approval of the Directors) may have an interest.

As the number of the issued Shares (excluding treasury shares) will be diminished by the number of Shares purchased or acquired by the Company, the shareholding percentage of Shareholders whose Shares are not repurchased or acquired by the Company may increase correspondingly after each Share Buy Back. The Company wishes to draw the attention of the Shareholders to the following consequences of a purchase or acquisition of Shares by the Company pursuant to the Share Buy Back Mandate, if the proposed renewal of the Share Buy Back Mandate is approved by the Shareholders at the 2020 AGM:

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

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

- 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.

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 (excluding treasury shares) as at the Latest Practicable Date.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over 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.

- 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 77.65% of the issued Shares (excluding Shares held in treasury and rounded down to the nearest 0.01%), and Temasek, Tembusu Capital Pte. Ltd. ("**Tembusu**") and Napier Investments Pte. Ltd. ("**Napier**") each had a deemed interest in approximately 77.65% of the issued Shares (excluding Shares held in treasury and rounded down to the nearest 0.01%). Approximately 22.33% of the issued Shares (excluding Shares held in treasury) 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.** Rule 886(1) of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of an On-Market Share Buy Back, on the market day following the day of purchase or acquisition of any of its shares, and (b) in the case of an Off-Market Equal Access Share Buy Back, on the second market day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include, inter alia, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.
- 3.12 **No Purchases During Price or Trade 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 or trade sensitive development has occurred or has been the subject of a decision until the price or trade sensitive information has been publicly announced. In particular, in line with the best practices guide on securities dealing set out in Rule 1207(19)(c) of the Listing Manual, the Company will not purchase or acquire any Shares through on-market or off-market Share Buy Backs during the period of one month immediately preceding the announcement of the Company’s full-year financial statements and the period of two weeks immediately preceding the announcement of the Company’s financial statements for each of the first three quarters of the financial year (if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise), or during the period of one month immediately preceding the announcement of the Company’s full-year and half-year financial statements (if the Company does not announce its quarterly financial statements).

#### 4. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

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

| Director                                   | Number of Shares      |                  |                       |                  | Number of Shares comprised in outstanding Share Options / Awards |
|--|-----------------------|------------------|-----------------------|------------------|--|
|  | Direct Interest       | % <sup>(1)</sup> | Deemed Interest       | % <sup>(1)</sup> |  |
| Tang Kin Fei                               | –                     | –                | 20,000 <sup>(2)</sup> | 0.0018           | –  |
| Goh Choon Phong                            | –                     | –                | –                     | –                | –  |
| Manohar Khiatani                           | –                     | –                | –                     | –                | –  |
| Chew Teck Soon                             | –                     | –                | –                     | –                | –  |
| Christina Hon Kwee Fong<br>(Christina Ong) | –                     | –                | –                     | –                | –  |
| Raj Thampuran                              | –                     | –                | –                     | –                | –  |
| Wee Siew Kim                               | –                     | –                | –                     | –                | –  |
| Chin Yau Seng                              | –                     | –                | –                     | –                | –  |
| Mak Swee Wah                               | –                     | –                | –                     | –                | –  |
| Ng Chin Hwee                               | 10,000 <sup>(3)</sup> | 0.0009           | –                     | –                | –  |

**Notes:**

- (1) Based on 1,120,313,583 Shares in issue as at the Latest Practicable Date (this is based on 1,124,116,360 Shares in issue as at the Latest Practicable Date, excluding the 3,802,777 Shares held in treasury as at the Latest Practicable Date).
- (2) Tang Kin Fei is deemed to be interested in the 20,000 Shares held by his spouse.
- (3) 10,000 Shares held in the name of DBS Nominees (Private) Limited.

- 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               | Direct      |                  | Number of Shares           |                  | Total       |                  |
|---------------------------------------|-------------|------------------|----------------------------|------------------|-------------|------------------|
|                                       | Interest    | % <sup>(1)</sup> | Deemed Interest            | % <sup>(1)</sup> | Interest    | % <sup>(1)</sup> |
| Singapore Airlines Limited            | 870,000,000 | 77.65            | –                          | –                | 870,000,000 | 77.65            |
| Napier Investments Pte. Ltd.          | –           | –                | 870,000,000 <sup>(2)</sup> | 77.65            | 870,000,000 | 77.65            |
| Tembusu Capital Pte. Ltd.             | –           | –                | 870,030,000 <sup>(3)</sup> | 77.65            | 870,030,000 | 77.65            |
| Temasek Holdings<br>(Private) Limited | –           | –                | 870,030,000 <sup>(4)</sup> | 77.65            | 870,030,000 | 77.65            |

**Notes:**

- (1) Based on 1,120,313,583 Shares issued as at the Latest Practicable Date (this is based on 1,124,116,360 Shares in issue as at the Latest Practicable Date, excluding the 3,802,777 Shares held in treasury as at the Latest Practicable Date), rounded down to the nearest 0.01%.
- (2) Napier holds a direct interest of 33.27% in SIA. Accordingly, Napier is deemed to have an interest in 870,000,000 Shares held by SIA by virtue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA").
- (3) Tembusu holds 100% of the equity interest in Napier and is therefore deemed to have an interest in the Shares that Napier is deemed to have an interest in by virtue of Section 4 of the SFA. Tembusu is also deemed to have an interest in a further 30,000 Shares that its subsidiary, SeaTown Holdings Pte. Ltd. ("SeaTown"), has an interest in on behalf of a client. Tembusu is a subsidiary of Temasek.
- (4) Temasek's deemed interest arises from the aggregation of the interests of SIA and SeaTown as follows:
  - (A) Temasek's deemed interest through SIA
    - (i) SIA has a direct interest in 77.656% of Shares.
    - (ii) SIA is a subsidiary of Temasek.
  - (B) Temasek's deemed interest through SeaTown
    - (i) SeaTown has an interest in 0.002% of Shares on behalf of a client.
    - (ii) SeaTown is an indirect subsidiary of Temasek.

## 5. DIRECTORS' RECOMMENDATIONS

- 5.1 **Proposed Renewal of IPT Mandate.** The Directors who are considered independent for the purposes of the proposed renewal of the IPT Mandate are Tang Kin Fei, Manohar Khiatani, Chew Teck Soon, Christina Hon Kwee Fong (Christina Ong), Raj Thampuran and Wee Siew Kim (the "**Independent Directors**"). The Independent Directors are of the opinion that the entry into of the interested person transactions between the EAR Group (as described in paragraph 2.1.2 of the Appendix to this Letter) and those Interested Persons (as described in paragraph 2.3 of the Appendix to this Letter) in the ordinary course of their respective businesses will enhance the efficiency of the EAR Group and are in the best interests of the Company.

For the reasons set out in paragraphs 2.1 and 2.6 of the Appendix to this Letter, the Independent Directors recommend that Shareholders vote in favour of Ordinary Resolution No. 7.3, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the 2020 AGM.

- 5.2 **Proposed Renewal of Share Buy Back Mandate.** The Directors are of the opinion that the proposed renewal of the Share Buy Back Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 7.4, being the Ordinary Resolution relating to the proposed renewal of the Share Buy Back Mandate to be proposed at the 2020 AGM.

### 6. ABSTENTION FROM VOTING

Goh Choon Phong, Chin Yau Seng and Mak Swee Wah (each of whom hold an executive position in SIA) and Ng Chin Hwee (who is a Director and the Chief Executive Officer (“CEO”) of the Company) will abstain from voting their Shares, if any, at the 2020 AGM in respect of Ordinary Resolution No. 7.3, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate. The Company will disregard any votes cast by each such Director in respect of their Shares, if any, in respect of Ordinary Resolution No. 7.3.

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

The Chairman of the 2020 AGM will accept appointment as proxy for any other Shareholder to vote in respect of Ordinary Resolution No. 7.3, where such Shareholder has given specific instructions in a validly completed and submitted Proxy Form as to voting, or abstentions from voting, in respect of Ordinary Resolution No. 7.3.

### 7. INSPECTION OF DOCUMENTS

The Annual Report FY2019/20 and the 2019 Letter may be accessed at the URLs [http://www.siaec.com.sg/annual\\_report.html](http://www.siaec.com.sg/annual_report.html) and [http://www.siaec.com.sg/shareholder\\_meetings.html](http://www.siaec.com.sg/shareholder_meetings.html), respectively.

### 8. RESPONSIBILITY STATEMENT

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

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

**Tang Kin Fei**  
Chairman

# THE APPENDIX

## THE IPT MANDATE

### 1. CHAPTER 9 OF THE LISTING MANUAL

- 1.1 Chapter 9 of the Listing Manual (“**Chapter 9**”) governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company’s interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the same financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for that transaction.
- 1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and hence are excluded from the ambit of Chapter 9, immediate announcement and shareholders’ approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company’s latest audited consolidated net tangible assets (“**NTA**”)) are reached or exceeded. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:
- (a) 5% of the listed company’s latest audited consolidated NTA; or
  - (b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9) during the same financial year.
- 1.3 Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 March 2020, the consolidated NTA of the Group was S\$1,576.9 million. In relation to SIAEC, and for the purposes of complying with Chapter 9, in the current financial year and until such time as the consolidated audited financial statements of the Group for the financial year ending 31 March 2021 are published, 5% of the latest audited consolidated NTA of the Group would be S\$78.8 million.
- 1.4 Chapter 9 permits a listed company, however, to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company’s interested persons.
- 1.5 Under the Listing Manual:
- (a) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9;
  - (b) (in the case of a company) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder includes an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;
  - (c) an “**associated company**” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;
  - (d) “**control**” means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company;
  - (e) a “**controlling shareholder**” means a person who (i) holds directly or indirectly 15% or more of the total number of issued shares in the company excluding treasury shares and subsidiary holdings (the SGX-ST may determine that such person is not a controlling shareholder); or (ii) in fact exercises control over a company;

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## THE IPT MANDATE

- (f) an “**entity at risk**” means:
- (i) the listed company;
  - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
  - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has control over the associated company;
- (g) (in the case of a company) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder. The SGX-ST may also deem any person or entity to be an interested person if the person or entity has entered into, or proposes to enter into (i) a transaction with an entity at risk, and (ii) an agreement or arrangement with an interested person in connection with that transaction; and
- (h) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

## 2. THE IPT MANDATE

### 2.1 Rationale for the IPT Mandate

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

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

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

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

2.1.3 The IPT Mandate will take effect from the date of the passing of Ordinary Resolution No. 7.3 to be proposed at the 2020 AGM, and will (unless revoked or varied in general meeting) continue in force until the next AGM of the Company. Thereafter, approval from Shareholders for a renewal of the IPT Mandate will be sought at each subsequent AGM of the Company, subject to the satisfactory review by the Audit Committee of its continued application to the transactions with Interested Persons.

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## THE IPT MANDATE

### 2.2 Scope of the IPT Mandate

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

2.2.2 The IPT Mandate will not cover any transaction by a company in the EAR Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 would not apply to such transactions. The IPT Mandate would, however, cover Interested Person Transactions with values below S\$100,000 entered into during the same financial year and which are aggregated by the SGX-ST under Chapter 9 of the Listing Manual and treated as if they were one Interested Person Transaction which has a value of S\$100,000 or more.

### 2.3 Classes of Interested Persons

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

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

### 2.4 Interested Person Transactions

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

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

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

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

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

(a) **Review Procedures**

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

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

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

The review procedures are:

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

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

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

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

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

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

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

(iii) **Treasury Transactions**

(aa) Placements

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

(bb) Borrowings

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

(cc) Debt Securities and Preference Shares

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

In relation to the issue or sale to Interested Persons of debt securities or preference shares, the EAR Group will issue or sell such debt securities or preference shares to Interested



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

(dd) Forex, Swaps, Options

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

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

(b) **Threshold Limit**

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

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

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

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

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

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

### 2.6 Benefit to Shareholders

- 2.6.1 The IPT Mandate and its subsequent renewal on an annual basis would eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential Interested Person Transactions with a specific class of Interested Persons arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives or adversely affecting the business opportunities available to the Company.
- 2.6.2 The IPT Mandate is intended to facilitate transactions in the normal course of business of the EAR Group which are transacted from time to time with the specified classes of Interested Persons, provided that they are carried out on the normal commercial terms of the relevant company in the EAR Group and are not prejudicial to the Shareholders.
- 2.6.3 Pursuant to Rules 907 and 920(1) of the Listing Manual, the Company will:
- (a) announce the aggregate value (as determined by the Board) of transactions entered into with Interested Persons pursuant to the IPT Mandate, for the ~~quarterly~~ quarterly financial periods which it is required to report on pursuant to the Listing Manual, and within the time required for the announcement of such report; and
  - (b) disclose the IPT Mandate in the annual report of SIAEC, giving details of the aggregate value of Interested Person Transactions entered into pursuant to the IPT Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a Shareholders' mandate for Interested Person Transactions is in force or as otherwise required by the provisions of the Listing Manual.

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

| Name of interested person | <u>Nature of relationship</u> | Aggregate value of all interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual) | Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000) |
|---------------------------|-------------------------------|---|--|
|                           |                               |   |  |

# THE APPENDIX

## THE IPT MANDATE

### 2.7. Audit Committee's Statement

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

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

