

**SINGAPORE AIRLINES LIMITED**

(Incorporated in the Republic of Singapore)  
Company Registration No. 197200078R

**LETTER TO SHAREHOLDERS**

**Board of Directors:**

Peter Seah Lim Huat (*Chairman*)  
Goh Choon Phong (*Chief Executive Officer*)  
Gautam Banerjee (*Independent Director*)  
Simon Cheong Sae Peng (*Independent Director*)  
Dominic Ho Chiu Fai (*Independent Director*)  
Hsieh Tsun-yan (*Independent Director*)  
Lee Kim Shin (*Independent Director*)  
Helmut Gunter Wilhelm Panke (*Independent Director*)

**Registered Office:**

Airline House  
25 Airline Road  
Singapore 819829

To: The Shareholders of  
Singapore Airlines Limited

28 June 2018

Dear Sir/Madam

**1. INTRODUCTION**

**1.1 Notice of AGM.** We refer to:

- (a) the Notice of Annual General Meeting of Singapore Airlines Limited (the “**Company**”) dated 28 June 2018 (the “**Notice**”), accompanying the FY2017/18 Annual Report, convening the Forty-Sixth Annual General Meeting of the Company to be held on 27 July 2018 (the “**2018 AGM**”);
- (b) Ordinary Resolution No. 7 relating to, *inter alia*, the proposed alterations to the SIA Restricted Share Plan 2014 (as proposed in the Notice);
- (c) Ordinary Resolution No. 8 relating to the proposed renewal of the IPT Mandate (as defined in paragraph 3.1 below, as proposed in the Notice); and
- (d) Ordinary Resolution No. 9 relating to the proposed renewal of the Share Buy Back Mandate (as defined in paragraph 4.1 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, 8 and 9 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 ALTERATIONS TO THE SIA RESTRICTED SHARE PLAN 2014

2.1 **Background.** The SIA Restricted Share Plan 2014 was adopted by Shareholders at the Extraordinary General Meeting of the Company held on 30 July 2014. Awards granted under the SIA Restricted Share Plan 2014 represent the right of a participant to receive fully paid ordinary shares of the Company (“**Shares**”), their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance conditions (if any) are met and/or upon expiry of the prescribed vesting periods.

2.2 **Proposed Alterations.** Eligibility to participate in the SIA Restricted Share Plan 2014 is currently limited to employees of the Company and its subsidiaries (the “**Group**”) (including executive directors), who have attained the legal age of 21 years and who hold such rank as may be designated by the committee appointed to administer the SIA Restricted Share Plan 2014 (the “**Committee**”). The SIA Restricted Share Plan 2014 is proposed to be altered to enable non-executive directors of the Company and/or its subsidiaries (“**Group Non-Executive Directors**”) to participate in the SIA Restricted Share Plan 2014. The Company is also taking this opportunity to update the SIA Restricted Share Plan 2014 to take into account the changes to the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) introduced pursuant to the Companies (Amendment) Act 2014, to ensure consistency with the listing rules of the SGX-ST as at 1 June 2018 (the “**Latest Practicable Date**”), and to streamline and rationalise certain other provisions.

2.3 **Rationale.** The purpose of the proposed alterations to the SIA Restricted Share Plan 2014 is to permit grants of fully paid Shares to be made to Group Non-Executive Directors as part of their remuneration in respect of their office as such in lieu of cash or, where the Committee deems appropriate, to give recognition to the contributions made or to be made by such Group Non-Executive Directors to the success of the Group, in order to improve the alignment of the interests of the Group Non-Executive Directors with the interests of Shareholders.

Where an award is to be made to a Group Non-Executive Director under the SIA Restricted Share Plan 2014 as part of his directors’ remuneration in lieu of cash, the current intention is that approximately 30% (or such other percentage as may be determined by the Committee) of his remuneration for a particular financial year will be paid out in the form of Shares comprised in such awards (with the balance being paid out in cash). The current intention is that these awards will consist of the grant of fully paid Shares outright, with no performance conditions attached and no vesting periods imposed. The Committee may, however, impose any other conditions (for example, a minimum shareholding requirement or a moratorium period) as it may determine in relation to such awards. Non-executive directors of the Company would eventually be required to hold Shares (including Shares obtained by other means) worth a minimum of the annual basic retainer fees (currently S\$90,000) as the Shares paid out to them as part of their remuneration in lieu of cash accumulate over time.

Where Shareholders’ approval for directors’ fees payable to the non-executive directors of the Company is sought at an Annual General Meeting and where the intention is that such fees will comprise a share component, the formula for converting the relevant amount from cash into Shares (which will be based on the market price of the Shares) will be disclosed

in the Notice of that Annual General Meeting, along with information on the quantum, conditions, timing, etc. for the share awards.

For the directors' fees payable to the non-executive directors of the Company for the financial year ending 31 March 2019, subject to the passing of Ordinary Resolution No. 7 at the 2018 AGM (and Ordinary Resolution No. 4 on directors' fees), the share component (comprising approximately 30% of the directors' fees) is intended to be paid after the Forty-Seventh Annual General Meeting (the "**2019 AGM**") is held in 2019, with the actual number of Shares to be awarded to each such non-executive director holding office at the time of the payment to be determined by reference to the volume weighted average price of a Share on the SGX-ST over the 10 trading days from (and including) the day on which the Shares are first quoted ex-dividend after the 2019 AGM (or, if no final dividend is proposed at the 2019 AGM, or the resolution to approve any such final dividend is not approved at the 2019 AGM, over the 10 trading days immediately following the date of the 2019 AGM). The number of Shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his directors' fees for that financial year (calculated on a pro-rated basis, where applicable) in cash.

2.4 **Directors' Authority.** Ordinary Resolution No. 7, being the Ordinary Resolution relating to the proposed alterations to the SIA Restricted Share Plan 2014 to be proposed at the 2018 AGM, also includes an authorisation for the directors of the Company (the "**Directors**") to grant awards pursuant to the SIA Performance Share Plan 2014 and/or the SIA Restricted Share Plan 2014 (as proposed to be altered) and to allot and issue Shares pursuant to the SIA Performance Share Plan 2014 and/or the SIA Restricted Share Plan 2014 (as proposed to be altered) provided that:

- (a) the total number of new Shares which may be delivered pursuant to the SIA Performance Share Plan 2014 and the SIA Restricted Share Plan 2014 (as proposed to be altered) (whether in the form of Shares or in the form of cash in lieu of Shares) does not exceed 5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time; and
- (b) the total number of Shares under awards to be granted pursuant to the SIA Performance Share Plan 2014 and the SIA Restricted Share Plan 2014 (as proposed to be altered) from the 2018 AGM to the next Annual General Meeting of the Company (the "**Relevant Year**") does not exceed 0.5% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 SIA Performance Share Plan 2014 and the SIA Restricted Share Plan 2014 (as proposed to be altered) respectively.

2.5 **Appendix 1.** The text of the Rules of the SIA Restricted Share Plan 2014 which are proposed to be altered is set out in Appendix 1 to this Letter, with the proposed alterations blacklined. The proposed alterations to the SIA Restricted Share Plan 2014 are subject to Shareholders' approval.

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

- 3.1 **Background.** At the Annual General Meeting of the Company held on 28 July 2017 (the “**2017 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 30 June 2017 (the “**2017 Letter**”) and Ordinary Resolution No. 9 as set out in the Notice of the 2017 AGM. The IPT Mandate was expressed to take effect until the conclusion of the next Annual General Meeting of the Company, being the 2018 AGM which is scheduled to be held on 27 July 2018.

- 3.2 **Renewal of the IPT Mandate.** The Directors propose that the IPT Mandate be renewed at the 2018 AGM to take effect until the Forty-Seventh Annual General Meeting of the Company. There is no change to the scope and terms of the IPT Mandate which is proposed to be renewed.
- 3.3 **Appendix 2.** 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 Appendix 2 to this Letter.
- 3.4 **Audit Committee Statement.** The Audit Committee of the Company, comprising Gautam Banerjee, Dominic Ho Chiu Fai and Hsieh Tsun-yan, confirms that:
- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the 2017 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.

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

- 4.1 **Background.** At the 2017 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 Shares.

The rationale for, the authority and limitations on, and the financial effects of, the Share Buy Back Mandate were set out in the 2017 Letter and Ordinary Resolution No. 10 as set out in the Notice of the 2017 AGM.

The Share Buy Back Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 10 at the 2017 AGM and will expire on the date of the forthcoming 2018 AGM which is scheduled to be held on 27 July 2018. Accordingly, the Directors propose that the Share Buy Back Mandate be renewed at the 2018 AGM.

As at the Latest Practicable Date, the Company had not purchased or acquired any Shares pursuant to the Share Buy Back Mandate approved by Shareholders at the 2017 AGM.

4.2 **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 2018 AGM, are substantially the same as previously approved by Shareholders at the 2017 AGM and are summarised below:

4.2.1 **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 5% of the issued Shares as at the date of the 2018 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 5% limit.

As at the Latest Practicable Date, the Company had 17,318,177 treasury shares and no subsidiary holdings.

4.2.2 **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 2018 AGM at which the renewal 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.

4.2.3 **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.

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<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.

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.

#### 4.2.4 **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 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.

- 4.3 **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 5% limit described in paragraph 4.2.1 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.

While the Share Buy Back Mandate would authorise a purchase or acquisition of Shares up to the 5% limit described in paragraph 4.2.1 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 5% 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.

- 4.4 **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.
- 4.5 **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:

4.5.1 ***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.

4.5.2 ***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

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<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.

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.

#### 4.5.3 **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;
- (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.

4.6 **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.

4.7 **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.



#### 4.7.1 ***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.

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

Based on 1,199,851,018 issued Shares as at the Latest Practicable Date (out of which 17,318,177 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 2018 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 5% of its issued Shares (excluding the 17,318,177 Shares held in treasury) will result in the purchase or acquisition of 59,126,642 Shares.

#### 4.7.3 ***Maximum Price Paid for Shares Purchased or Acquired***

Assuming that the Company purchases or acquires the 59,126,642 Shares at the Maximum Price of S\$12.17 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\$719.57 million.

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 2017;
- (b) the issued share capital as at 1 April 2017 was the same as the issued share capital as at the Latest Practicable Date, that is, 1,199,851,018 issued Shares (out of which 17,318,177 Shares were held in treasury and no Shares were held as subsidiary holdings);
- (c) the Company had on 1 April 2017 purchased 59,126,642 Shares (representing 5% of its issued Shares (excluding the Shares held in treasury) as at the Latest Practicable Date) at the Maximum Price of S\$12.17 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

- (d) the purchase or acquisition of 59,126,642 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 2018 would have been as follows:

**Share Buy Back of up to a maximum of 5% made equally out of profits (2.5%) and capital (2.5%) and either cancelled or held in treasury**

	Group		Company	
	Per audited financial statements as at 31 March 2018	Proforma after Share Buy Back	Per audited financial statements as at 31 March 2018	Proforma after Share Buy Back
(a) Share capital (\$m)	1,856.1	1,496.3	1,856.1	1,496.3
(b) General reserve (\$m)	12,500.4	12,140.6	11,491.4	11,131.6
(c) Net asset value (\$m)	14,251.2	13,531.6	13,472.0	12,752.4
(d) Net asset value per Share (\$)	12.05	12.05	11.39	11.35
(e) Profit attributable to equity holders of the Company (\$m)	892.9	892.9	789.3	789.3
(f) Weighted average no. of issued and paid-up Shares <sup>(1)</sup> (m)	1,182.2	1,123.1	1,182.2	1,123.1
(g) Basic Earnings per Share ("EPS") (cents)	75.5	79.5	66.8	70.3
(h) Total borrowings <sup>(2)</sup> (\$m)	3,127.3	3,127.3	3,030.1	3,030.1
(i) Liquid investments, cash and cash equivalents <sup>(3)</sup> (\$m)	2,726.1	2,006.5	2,233.3	1,513.7
(j) Net borrowings <sup>(4)</sup> (\$m)	401.2	1,120.8	796.8	1,516.4
(k) Equity holders' funds <sup>(5)</sup> (\$m)	14,251.2	13,531.6	13,472.0	12,752.4
(l) Gearing <sup>(6)</sup> (times)	0.22	0.23	0.22	0.24
(m) ROE <sup>(7)</sup> (%)	6.5	6.7	6.1	6.2
(n) Current ratio (times)	0.76	0.65	0.60	0.49

**Notes:**

- (1) For the purpose of calculating EPS, in the case where Shares are bought back and held in treasury, the "weighted average number of issued and paid-up Shares" excludes Shares held in treasury.
- (2) "Total borrowings" means short term and long term notes payable, loans, and finance lease commitments.
- (3) "Liquid investments, cash and cash equivalents" means short term investments, cash and bank balances.
- (4) "Net borrowings" means total borrowings less liquid investments, cash and cash equivalents.
- (5) "Equity holders' funds" means the aggregate of issued share capital and reserves.

(6) "Gearing" is defined as the ratio of total borrowings to equity holders' funds.

(7) "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 2018, 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 5% 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 5% 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.

- 4.8 **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 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 2018 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.**

- 4.9 **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.

#### 4.9.1 ***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.

#### 4.9.2 ***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.

#### 4.9.3 ***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 5.2 below, Temasek will not 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 5% 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.

- 4.10 **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, Temasek, a substantial Shareholder of the Company, had a direct and deemed interest in approximately 55.71% of the issued Shares (excluding Shares held in treasury). Approximately 44.21% 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 5% 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.
- 4.11 **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.

4.12 **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, 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 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.

## 5. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

5.1 **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 are set out below:

Director	Number of Shares				Number of Shares comprised in outstanding Share Awards
	Direct Interest	% <sup>(1)</sup>	Deemed Interest	% <sup>(1)</sup>	
Peter Seah Lim Huat	–	–	–	–	–
Goh Choon Phong	889,554	0.08	–	–	404,635 <sup>(3)</sup>
Gautam Banerjee	–	–	–	–	–
Simon Cheong Sae Peng	1,870	nm <sup>(2)</sup>	–	–	–
Dominic Ho Chiu Fai	–	–	–	–	–
Hsieh Tsun-yan	–	–	–	–	–
Lee Kim Shin	–	–	–	–	–
Helmut Gunter Wilhelm Panke	–	–	–	–	–

### Notes:

- (1) Based on 1,182,532,841 Shares issued as at the Latest Practicable Date (this is based on 1,199,851,018 Shares in issue as at the Latest Practicable Date, excluding the 17,318,177 Shares held in treasury as at the Latest Practicable Date).
- (2) “nm” means not meaningful.
- (3) Of the 404,635 Shares:
  - (a) 42,000 Shares are comprised in conditional awards granted to Goh Choon Phong pursuant to the SIA Restricted Share Plan 2014 (“SIA RSP 2014”), subject to performance targets and other terms and conditions being met;
  - (b) 92,585 Shares are comprised in final awards pending release granted to Goh Choon Phong pursuant to the SIA RSP 2014;
  - (c) 222,750 Shares are comprised in conditional awards granted to Goh Choon Phong pursuant to the SIA Performance Share Plan 2014, subject to performance targets and other terms and conditions being met; and
  - (d) 47,300 Shares are comprised in conditional deferred share awards granted to Goh Choon Phong pursuant to the SIA RSP 2014, subject to performance targets and other terms and conditions being met.

- 5.2 **Substantial Shareholders' Interests in Shares.** The interests of the substantial Shareholder 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	% <sup>(1)</sup>	Deemed Interest	% <sup>(1)</sup>
Temasek Holdings (Private) Limited	657,306,600	55.58	1,508,705 <sup>(2)</sup>	0.13

**Notes:**

- (1) Based on 1,182,532,841 Shares issued as at the Latest Practicable Date (this is based on 1,199,851,018 Shares in issue as at the Latest Practicable Date, excluding the 17,318,177 Shares held in treasury as at the Latest Practicable Date).
- (2) Temasek Holdings (Private) Limited is deemed interested in 1,508,705 Shares in which its subsidiary and associated company have direct or deemed interests.

## 6. DIRECTORS' RECOMMENDATIONS

- 6.1 **Proposed Alterations to SIA Restricted Share Plan 2014.** All the Directors will be eligible to participate in the SIA Restricted Share Plan 2014 (as proposed to be altered). Accordingly, they have refrained from making any voting recommendation to Shareholders in respect of Ordinary Resolution No. 7, being the Ordinary Resolution relating to, *inter alia*, the proposed alterations to the SIA Restricted Share Plan 2014 to be proposed at the 2018 AGM.

The Directors will abstain from voting their Shares (if any) on Ordinary Resolution No. 7, and the Company will disregard any votes cast by the Directors in respect of their Shares (if any) on Ordinary Resolution No. 7. The Directors will also decline to accept appointment as proxies for Shareholders to vote in respect of Ordinary Resolution No. 7, unless the Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution No. 7.

The Company will procure persons who are eligible to participate in the SIA Restricted Share Plan 2014 to abstain from voting their Shares on Ordinary Resolution No. 7, and will disregard any votes cast by such person in respect of their Shares on Ordinary Resolution No. 7. The Company will also procure such persons to decline to accept appointment as proxies for Shareholders to vote in respect of Ordinary Resolution No. 7, unless the Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution No. 7.

- 6.2 **Proposed Renewal of IPT Mandate.** The Directors are of the opinion that the entry into of the interested person transactions between the SIA EAR Group (as described in paragraph 2.2 of Appendix 2 to this Letter) and those Interested Persons (as described in paragraph 4.1 of Appendix 2 to this Letter) in the ordinary course of their respective businesses will enhance the efficiency of the SIA EAR Group and are in the best interests of the Company.

For the reasons set out in paragraphs 2 and 7 of Appendix 2 to this Letter, the Directors recommend that Shareholders vote in favour of Ordinary Resolution No. 8, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the 2018 AGM.

Temasek and its associates, being Interested Persons, will abstain from voting their Shares, if any, in respect of Ordinary Resolution No. 8. The Company will disregard any votes cast by Temasek and its associates on Ordinary Resolution No. 8.

- 6.3 **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. 9, being the Ordinary Resolution relating to the proposed renewal of the Share Buy Back Mandate to be proposed at the 2018 AGM.

## 7. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at Airline House, 25 Airline Road, Singapore 819829 during normal business hours from the date of this Letter up to the date of the 2018 AGM:

- (a) the FY2017/18 Annual Report;
- (b) the Rules of the SIA Restricted Share Plan 2014;
- (c) the Constitution of the Company; and
- (d) the 2017 Letter.

The FY2017/18 Annual Report and the 2017 Letter may also be accessed at the URL <http://www.singaporeair.com/shareholder>.

## 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  
Singapore Airlines Limited

Peter Seah Lim Huat  
Chairman



## APPENDIX 1

### THE PROPOSED ALTERATIONS TO THE SIA RESTRICTED SHARE PLAN 2014

Set out below are Rules 2, 3, 4, 5, 6, 7, 8, 12 and 13 of the SIA Restricted Share Plan 2014, with the proposed alterations blacklined.

#### 1. Rule 2

#### 2. DEFINITIONS

2.1 In the Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:

<b>“Act”</b>	:	The Companies Act, Chapter 50 of Singapore.
<b>“Adoption Date”</b>	:	The date on which the Plan is adopted by the Company in general meeting.
<b>“Articles”</b>	:	<del>The Articles of Association of the Company, as amended from time to time.</del>
<b>“associated company”</b>	:	In relation to any company, means a company, not being a subsidiary of the Company, in which (a) the Group has a long-term interest of not less than 20% in the equity and in whose financial and operating policy decisions the Group exercises significant influence; or (b) the Group 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.
<b>“Auditors”</b>	:	The auditors of the Company for the time being.
<b>“Award”</b>	:	<del>A contingent</del> <u>An</u> award of Shares granted under Rule 5.
<b>“Award Date”</b>	:	In relation to an Award, the date on which the Award is granted pursuant to Rule 5.
<b>“Award Letter”</b>	:	A letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee.
<b>“CDP”</b>	:	The Central Depository (Pte) Limited.
<b>“Committee”</b>	:	A committee comprising directors of the Company duly authorised and appointed by the board of directors of the Company to administer the Plan.

<b>“Communication”</b>	:	An Award, including the Award Letter and/or any correspondence made or to be made under the Plan (individually or collectively).
<b>“Company” or “SIA”</b>	:	Singapore Airlines Limited, a company incorporated in the Republic of Singapore.
<b><u>“Constitution”</u></b>	:	<u>The Constitution of the Company, as amended from time to time.</u>
<b>“Group”</b>	:	The Company and the Subsidiaries.
<b>“Group Employee”</b>	:	Any employee of the Group (including any Group Executive Director) selected by the Committee to participate in the Plan in accordance with Rule 4.
<b>“Group Executive Director”</b>	:	A director of the Company and/or any of the Subsidiaries, as the case may be, who performs an executive function.
<b><u>“Group Non-Executive Director”</u></b>	:	<u>A director of the Company and/or any of the Subsidiaries, as the case may be, other than a Group Executive Director.</u>
<b>“Listing Manual”</b>	:	The Listing Manual of the Singapore Exchange.
<b>“Market Day”</b>	:	A day on which the Singapore Exchange is open for trading in securities.
<b>“Market Value”</b>	:	In relation to a Share, on any day: <ul style="list-style-type: none"> <li>(a) the volume-weighted average price of a Share on the Singapore Exchange over the five (5) immediately preceding Market Days on which the Shares are transacted on the Singapore Exchange; or</li> <li>(b) if the Committee is of the opinion that the Market Value as determined in accordance with (a) above is not representative of the value of a Share, such price as the Committee may determine, such determination to be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.</li> </ul>
<b>“Participant”</b>	:	A Group Employee <u>or Group Non-Executive Director</u> who has been granted an Award.
<b>“Performance-related Award”</b>	:	An Award in relation to which a Performance Condition is specified.

<b>“Performance Condition”</b>	:	In relation to a Performance-related Award, the condition specified on the Award Date in relation to that Award.
<b>“Performance Period”</b>	:	In relation to a Performance-related Award, a period, the duration of which shall be determined by the Committee on the Award Date, during which the Performance Condition is to be satisfied.
<b>“Plan”</b>	:	The SIA Restricted Share Plan 2014, as the same may be modified or altered from time to time.
<b>“Release”</b>	:	In relation to an Award, the release, <del>at the end of the Vesting Period relating to that Award</del> of all or some of the Shares to which that Award relates in accordance with Rule 7 and, to the extent that any Shares which are the subject of the Award are not released pursuant to Rule 7, the Award in relation to those Shares shall lapse accordingly and <b>“Released”</b> shall be construed accordingly.
<b>“Release Schedule”</b>	:	In relation to an Award, a schedule <u>(if any)</u> in such form as the Committee shall approve, in accordance with which Shares which are the subject of that Award shall be Released <del>at the end of each Vesting Period</del> .
<b>“Released Award”</b>	:	An Award which has been Released in full or in part in accordance with Rule 7.
<b><u>“Retention Period”</u></b>	:	<u>In relation to an Award, such period commencing on the Vesting Date in relation to that Award as may be determined by the Committee on the Award Date.</u>
<b>“Security Device”</b>	:	Any smartcard, digital certificate, digital signature, encryption device, electronic key, logon identifier, password, personal identification number, and/or other code or any access procedure incorporating any one or more of the foregoing, designated by the Company for use in conjunction with the Plan.
<b>“Shares”</b>	:	Ordinary shares <del>in the capital</del> of the Company.
<b>“SIA PSP 2014”</b>	:	The SIA Performance Share Plan 2014 adopted or to be adopted by the Company, as the same may be modified or altered from time to time.
<b>“Singapore Exchange”</b>	:	The Singapore Exchange Securities Trading Limited.

<b>“Subsidiaries”</b>	:	Subsidiaries (as defined in the Act) of the Company, other than SIA Engineering Company Limited (a company incorporated in the Republic of Singapore) and any subsidiaries whose shares may be listed on the Singapore Exchange or any other recognised stock exchange after the Adoption Date and their respective subsidiaries.
<b>“Vesting”</b>	:	In relation to Shares which are the subject of a Released Award, the absolute entitlement to all or some of the Shares which are the subject of a Released Award and <b>“Vest”</b> and <b>“Vested”</b> shall be construed accordingly.
<b>“Vesting Date”</b>	:	In relation to Shares which are the subject of a Released Award, the date (as determined by the Committee and notified to the relevant Participant) on which those Shares have Vested pursuant to Rule 7.
<b>“Vesting Period”</b>	:	In relation to an Award, each period <u>(if any)</u> , the duration of which shall be determined by the Committee on the Award Date, after the expiry of which Shares which are subject to the applicable period shall be Vested to the relevant Participant on the relevant Vesting Date, subject to Rule 7.
<b>“\$”</b>	:	Singapore dollar.
<b>“%”</b>	:	Per centum or percentage.

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

2.3 Any reference to a time of a day in the Plan is a reference to Singapore time unless otherwise stated.

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

## 2. Rule 3

### 3. OBJECTIVES OF THE PLAN

The Plan is a share incentive scheme. The Plan is proposed on the basis that it is important to retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to outstanding employees and executive directors of the Group who have contributed to the growth of the Group. The Plan will

also enable grants of fully paid Shares to be made to non-executive directors of the Group as part of their remuneration in respect of their office as such in lieu of cash, or where the Committee deems appropriate, to give recognition to the contributions made or to be made by such non-executive directors to the success of the Group. The Plan will give Participants an opportunity to have a personal equity interest in the Company and will help to achieve the following positive objectives:

- (a) motivate Participants to optimise their performance standards and efficiency, maintain a high level of contribution to the Group and strive to deliver long-term shareholder value;
- (b) align the interests of employees and non-executive directors with the interests of the shareholders of the Company;
- (c) retain key employees and executive directors of the Group whose contributions are key to the long-term growth and profitability of the Group;
- (d) instil loyalty to, and a stronger identification by employees with the long-term prosperity of, the Company; and
- (e) attract potential employees with relevant skills to contribute to the Group and to create value for the shareholders of the Company.

### 3. Rule 4

#### 4. ELIGIBILITY OF PARTICIPANTS

~~Group Employees who have attained the legal age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time shall be eligible to participate in the Plan at the absolute discretion of the Committee. The following persons, 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, shall be eligible to participate in the Plan at the absolute discretion of the Committee:~~

- (a) Group Employees who have attained the legal age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and
- (b) Group Non-Executive Directors.

### 4. Rule 5

#### 5. GRANT OF AWARDS

- 5.1 Subject as provided in Rule 8, the Committee may grant Awards to Group Employees and/or Group Non-Executive Directors, in each case, as the Committee may select, in its absolute discretion, at any time during the period when the Plan is in force.
- 5.2 The number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan shall be determined at the absolute discretion of the Committee, which shall take into account such criteria as it considers fit, including (but not limited to), in the case of a Group Employee, 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 (in the case of a Performance-related Award) the extent of effort and resourcefulness required to achieve the Performance Condition within the Performance Period and, in the case of a Group Non-Executive Director, his board and committee appointments and attendance, and his contribution to the success and development of the Group.

5.3 In relation to an Award, the Committee shall decide:

- (a) the Participant;
- (b) the Award Date;
- (c) the number of Shares which are the subject of the Award;
- (d) in the case of a Performance-related Award:
  - (i) the Performance Condition;
  - (ii) the Performance Period; and
  - (iii) the extent to which Shares which are the subject of that Award shall be Released on the Performance Condition being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the Performance Period;
- (e) the Vesting Period(s), if any;
- (f) the Release Schedule, if any;
- (g) the Retention Period in relation to any or all of the Shares comprised in the Award, if any; and
- (gh) any other condition which the Committee may determine in relation to that Award.

5.4 The Committee may amend or waive the Vesting Period(s), the Release Schedule, the Retention Period and/or any condition applicable to an Award and, in the case of a Performance-related Award, the Performance Period and/or the Performance Condition in respect of an Award:

- (a) in the event of a take-over offer being made for the Shares or a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies being approved by shareholders of the Company and/or sanctioned by the court under the Act or in the event of an order being made or a resolution passed for the winding-up of the Company (other than as provided in Rule 6.1(d) or for reconstruction or amalgamation) or a proposal to sell all or substantially all of the assets of the Company; or
- (b) in the case of a Performance-related Award, if anything happens which causes the Committee to conclude that:
  - (i) a changed Performance Condition would be a fairer measure of performance, and would be no less difficult to satisfy; or
  - (ii) the Performance Condition should be waived,

and shall notify the Participants of such change or waiver.

- 5.5 As soon as reasonably practicable after making an Award the Committee shall send to each Participant an Award Letter confirming the Award and specifying in relation to the Award:
- (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 Performance Condition;
    - (ii) the Performance Period; and
    - (iii) the extent to which Shares which are the subject of that Award shall be Released on the Performance Condition 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 Vesting Period(s), if any;
  - (e) the Release Schedule, if any;
  - (f) the Retention Period in relation to any or all of the Shares comprised in the Award, if any; and
  - (fg) any other condition which the Committee may determine in relation to that Award.
- 5.6 Participants are not required to pay for the grant of Awards.
- 5.7 An Award or Released Award shall be personal to the Participant to whom it is granted and, prior to the allotment and/or transfer to the Participant of the Shares to which the Released Award relates, shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an Award or Released Award, that Award or Released Award shall immediately lapse.
- 5.8 No Performance-related Awards may be granted to Group Non-Executive Directors under the Plan.

## 5. Rule 6

### 6. EVENTS PRIOR TO THE VESTING DATE

- 6.1 An Award shall, to the extent not yet Released, immediately lapse without any claim whatsoever against the Company in any of the following events, namely:
- (a) where the Participant is a Group Employee, the Participant ceasing to be in the employment of the Group for any reason whatsoever (other than as specified in Rule 6.2 (a), ~~(b)~~ and ~~(c)~~ 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; or

- (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.

6.2 In any of the following events, namely:

(a) where the Participant is a Group Employee:

(i) the retirement of a Participant or the Participant ceasing to be employed by the Group by reason of (i1) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee) or death, (ii2) redundancy, or (iii3) any other reason approved in writing by the Committee;

(ii) the completion of a fixed term contract for a Participant on a fixed term contract;

(iii) the Participant ceasing to be in the employment of the Group by reason of:

(i1) a transfer of employment to another subsidiary of the Company which is not a Subsidiary;

(ii2) a transfer of employment to any of the Company's associated companies, where such reason for cessation of employment is approved in writing by the Committee;

(iii3) a subsequent transfer of employment (from time to time) to another subsidiary or, as the case may be, associated company (if the transfer to the associated company is approved in writing by the Committee), following a transfer of employment by a Participant to any of the companies described in sub-paragraphs (i1) and (ii2) above; or

(iv4) the Subsidiary in which a Participant is employed, or the subsidiary or associated company 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 (i1), (ii2) and (iii3) above, being subsequently wholly or partially disposed of by the Company; or

(b) where the Participant is a Group Non-Executive Director, the Participant ceasing to be a director of the Company, or as the case may be, the relevant Subsidiary, for any reason whatsoever; or

(c) any other event approved by the Committee,

then the Committee may, in its absolute discretion, preserve all or any part of any Award and decide as soon as reasonably practicable following such event 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 each Vesting Period and subject to the provisions of the Plan. 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 that Participant and, in the case of Performance-related Awards, the extent to which the Performance Condition has been satisfied.



- 6.3 For the purpose of Rule 6, a Participant shall be deemed to have ceased to be employed by the Company or any of its subsidiaries or associated companies (as the case may be) as of the last day of his employment with such company.
- 6.4 Without prejudice to the provisions of Rule 5.4, if before the Vesting Date, any of the following occurs:
- (a) a take-over offer for the Shares becomes or is declared unconditional;
  - (b) a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies being approved by shareholders of the Company and/or sanctioned by the court under the Act; or
  - (c) an order being made or a resolution passed for the winding-up of the Company (other than as provided in Rule 6.1(d) or for amalgamation or reconstruction),

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 (if applicable) 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 Performance Condition has been satisfied. Where Awards are Released, the Committee will, as soon as practicable after the Awards have been Released, procure the allotment or transfer to each Participant of the number of Shares so determined, such allotment or transfer to be made in accordance with Rule 7. If the Committee so determines, the Release of Awards may be satisfied in cash as provided in Rule 7.

## 6. Rule 7

### 7. RELEASE OF AWARDS

#### 7.1 Review of Performance Condition, in relation to Performance-related Awards

7.1.1 In relation to each Performance-related Award, as soon as reasonably practicable after the end of the relevant Performance Period, the Committee shall review the Performance Condition specified in respect of each Award and determine at its discretion whether it has been satisfied and, if so, the extent to which it has been satisfied, and (subject to Rule 6) **provided that** the relevant Participant has continued to be a Group Employee from the Award Date up to the end of the Performance Period, shall Release to that Participant all or part (as determined by the Committee at its discretion in the case where the Committee has determined that there has been partial satisfaction of the Performance Condition) of the Shares to which his Award relates in accordance with the Performance Condition specified in respect of his Award on the Vesting Date. If not, the Awards shall lapse and be of no value. If the Committee determines in its sole discretion that the Performance Condition has not been satisfied or (subject to Rule 6) if the relevant Participant has not continued to be a Group Employee from the Award Date up to the end of the relevant Performance Period, that Award shall lapse and be of no value and the provisions of Rules 7.2 to 7.5 shall be of no effect.

7.1.2 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 Condition if the Committee decides that a changed performance target would be a fairer measure of performance.

## **7.2 Vesting Period(s)**

7.2.1 Subject to the Committee having determined that, in relation to a Performance-related Award, the Performance Condition and, in relation to all Awards, any condition applicable thereto have been satisfied and (subject to Rule 6) provided, in relation to all Awards, that the relevant Participant has continued to be a Group Employee or a Group Non-Executive Director, as the case may be, from the Award Date up to the end of the relevant Vesting Period (if any) and provided further that, in the opinion of the Committee, the job performance of the relevant Participant has been satisfactory, upon the expiry of each Vesting Period in relation to an Award (if any), the Company shall Release to the relevant Participant the Shares to which his Award relates in accordance with the Release Schedule (if any) specified in respect of his Award on the relevant Vesting Date(s).

7.2.2 Shares which are the subject of a Released Award shall be Vested to a Participant on the Vesting Date, which shall be:

- (a) in the case of an Award which is subject to a Vesting Period or Vesting Periods, a Market Day falling as soon as practicable after the last day of the relevant Vesting Period;
- (b) in the case of a Performance-related Award which is not subject to any Vesting Period, a Market Day falling as soon as practicable after the last day of the relevant Performance Period; and
- (c) in the case of an Award (other than a Performance-related Award) which is not subject to any Vesting Period, a Market Day falling as soon as practicable after the last day of the relevant Award Date,

~~a Market Day falling as soon as practicable after the last day of the relevant Vesting Period~~ and, on the Vesting Date, the Committee will procure the allotment or transfer to each Participant of the number of Shares (which may, in the case of a transfer of Shares, include Shares held by the Company as treasury shares) so determined.

7.2.3 Where new Shares are allotted upon the Vesting of any Award, the Company shall, as soon as practicable after such allotment, apply to the Singapore Exchange for permission to deal in and for quotation of such Shares.

## **7.3 Release of Award**

Shares which are allotted or transferred on the Release of an Award to a Participant shall be issued in the name of, or transferred to, CDP to the credit of the securities

account of that Participant maintained with CDP or the securities sub-account of that Participant maintained with a Depository Agent, in each case, as designated by that Participant.

#### **7.4 Ranking of Shares**

New Shares allotted and issued, and existing Shares procured by the Company for transfer, on the Release of an Award shall:

- (a) be subject to all the provisions of the ~~Articles and the Memorandum of Association of the Company Constitution~~; and
- (b) 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.

In this Rule 7.4, “**Record Date**” means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

#### **7.5 Cash Awards**

The Committee may determine to make a Release of Award (other than an Award granted to a Group Non-Executive Director as part of his directors’ remuneration in lieu of cash), wholly or partly, in the form of cash rather than Shares, in which event the Participant shall receive on the Vesting Date, in lieu of all or part of the Shares which would otherwise have been allotted or transferred to him on Release of his Award, the aggregate Market Value of such Shares on the Vesting Date.

#### **7.6 Retention Period**

If a Retention Period is specified in relation to an Award, Shares which are allotted or transferred on the Release of an Award to a Participant shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, during such Retention Period, except to the extent set out in the Award Letter or with the prior approval of the Committee. The Company shall be at liberty to take any steps which it considers necessary or appropriate to enforce or give effect to the restriction on the transfer, charge, assignment, pledge or disposal of Shares during the Retention Period otherwise than in accordance with the Award Letter or as approved by the Committee.

### **7. Rule 8**

#### **8. LIMITATION ON THE SIZE OF THE PLAN**

8.1 The total number of Shares which may be delivered pursuant to Awards granted under the Plan (whether in the form of Shares or in the form of cash in lieu of Shares) on any date, when added to:

- (a) the total number of new Shares allotted and issued and/or to be allotted and issued, issued Shares (including treasury shares) delivered and/or to be

delivered, and Shares Released and/or to be Released in the form of cash in lieu of Shares, pursuant to Awards granted under the Plan; and

- (b) the total number of new Shares allotted and issued and/or to be allotted and issued, issued Shares (including treasury shares) delivered and/or to be delivered, and Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to awards granted under the SIA PSP 2014,

shall not exceed 5% of the total number of issued Shares (excluding ~~Shares held by the Company as treasury shares and subsidiary holdings (as defined in the Listing Manual)~~) on the date preceding the date of the relevant Award.

- 8.2 Shares which are the subject of Awards which have lapsed for any reason whatsoever may be the subject of further Awards granted by the Committee under the Plan.

## 8. Rule 12

### 12. MODIFICATIONS TO THE PLAN

- 12.1 Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:

- (a) no modification or alteration shall adversely affect 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 upon the expiry of all the Vesting Periods applicable to their Awards, would thereby become entitled to not less than three-quarters in number of all the Shares which would fall to be Vested upon Release of all outstanding Awards upon the expiry of all the Vesting Periods applicable to all such outstanding Awards;
- (b) the definitions of “Committee”, “Group”, “Group Employee”, “Group Executive Director”, “Group Non-Executive Director”, “Participant”, “Performance Period”, “Subsidiaries” and “Vesting Period” and the provisions of Rules 4, 5, 6, 7, 8, 9, 10 and this Rule 12 shall not be altered to the advantage of Participants except with the prior approval of the Company’s shareholders in general meeting; and
- (c) no modification or alteration shall be made without the prior approval of the Singapore Exchange, and such other regulatory authorities as may be necessary.

For the purposes of Rule 12.1(a), the opinion of the Committee as to whether any modification or alteration would adversely alter the rights attached to any Award shall be final, binding and conclusive. For the avoidance of doubt, nothing in this Rule 12.1 shall affect the right of the Committee under any other provision of the Plan to amend or adjust any Award.

- 12.2 Notwithstanding anything to the contrary contained in Rule 12.1, the Committee may at any time by resolution (and without any other formality, save for the prior approval of the Singapore Exchange) amend or alter the Plan in any way to the extent necessary or desirable, in the opinion of the Committee, to cause the Plan to comply with, or take into account, any statutory provision (or any amendment or modification

thereto, including amendment of or modification to the Act) or the provision or the regulations of any regulatory or other relevant authority or body (including the Singapore Exchange).

- 12.3 Written notice of any modification or alteration made in accordance with this Rule 12 shall be given to all Participants.

**9. Rule 13**

**13. TERMS OF EMPLOYMENT UNAFFECTED**

The terms of employment of a Participant (being a Group Employee) shall not be affected by his participation in the Plan, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

## APPENDIX 2

### THE IPT MANDATE

#### 1. Chapter 9 of the Listing Manual

- 1.1 Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company’s interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for that transaction.
- 1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and hence are excluded from the ambit of Chapter 9 of the Listing Manual, 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 which exceeds:
- (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 of the Listing Manual) during the same financial year.
- 1.3 Based on the latest audited consolidated financial statements of Singapore Airlines Limited (“**SIA**” or the “**Company**”) and its subsidiaries (the “**SIA Group**”) for the financial year ended 31 March 2018, the consolidated NTA of the SIA Group was S\$13,815.9 million. In relation to SIA, for the purposes of Chapter 9 of the Listing Manual, in the current financial year and until such time as the consolidated audited financial statements of the SIA Group for the financial year ending 31 March 2019 are published, 5% of the latest audited consolidated NTA of the SIA Group would be S\$690.8 million.
- 1.4 Chapter 9 of the Listing Manual permits a listed company, however, to seek a 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 of the Listing Manual;
  - (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 “**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;
- (d) (in the case of a company) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder; and
- (e) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

## 2. Rationale for the IPT Mandate

2.1 It is anticipated that the SIA EAR Group (as defined 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 are described in paragraph 5 below.

2.2 Owing to the time-sensitive nature of commercial transactions, the obtaining of the mandate (the “**IPT Mandate**”) pursuant to Chapter 9 of the Listing Manual will enable:

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

(together, the “**SIA EAR Group**”), or any of them, in the ordinary course of their businesses, to enter into the categories of transactions (“**Interested Person Transactions**”) set out in paragraph 5 below with the specified classes of SIA’s interested persons (the “**Interested**

**Persons**) set out in paragraph 4.1 below, provided such transactions are made at arm's length and on the SIA EAR Group's normal commercial terms.

- 2.3 The IPT Mandate will take effect from the date of the passing of the Ordinary Resolution relating thereto to be proposed at the Annual General Meeting ("**AGM**") to be held on 27 July 2018 until the next AGM of the Company and shall apply in respect of the Interested Person Transactions to be entered into from and including 27 July 2018 to the next AGM of the Company. Thereafter, approval from shareholders of the Company ("**Shareholders**") for a renewal of the IPT Mandate will be sought at each subsequent AGM of the Company.

### **3. Scope of the IPT Mandate**

- 3.1 The SIA EAR Group engages in a range of activities, principally those relating to the business of the carriage of passengers, baggage and freight. For such purposes, the SIA EAR Group also engages in the business of travel agents, building management as well as the lease, hire, charter, repair, purchase and sale of aeroplanes, engines and aviation equipment.
- 3.2 The IPT Mandate will not cover any transaction by a company in the SIA EAR Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions.

### **4. Classes of Interested Persons**

- 4.1 The IPT Mandate will apply to the Interested Person Transactions (as described in paragraph 5 below) which are carried out with Temasek Holdings (Private) Limited ("**Temasek**") and its associates (the "**Temasek Group**").
- 4.2 Transactions with Interested Persons which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

### **5. Interested Person Transactions**

The Interested Person Transactions relate to the provision to, or the obtaining from, Interested Persons of products and services in the normal course of the business of the SIA EAR Group or which are necessary for the day-to-day operations of the SIA EAR Group or which are of a revenue or trading nature (but not in respect of the purchase or sale of assets, undertakings or businesses) comprising:

- (a) the sale and purchase of aircraft, aircraft engines, aircraft spares, parts and components, electronic and electrical and engineering equipment;
- (b) the charter and/or lease of aircraft, aircraft engines, equipment, parts and components;
- (c) the repair, modification, maintenance servicing, overhaul and other engineering and technical services relating to aircraft, aircraft engines, equipment, parts and components;
- (d) the obtaining and/or provision of security services, freight services, ground handling services, lounge and inflight catering services, laundry and linen services;
- (e) the obtaining and/or lease of computer equipment and the obtaining, provision, licensing and/or development of computer maintenance services and systems,



computer software programmes, ticketing and reservation systems, cargo community systems, material handling systems and other related services;

- (f) the sale and/or purchase of tickets, tours, airway bills and other instruments for the carriage of passengers, baggage and freight;
- (g) the rental of space, both as lessor and lessee, and the provision of building maintenance services, and the lease and development of property for investment purposes;
- (h) the obtaining and/or provision of management, support and other related services;
- (i) the obtaining of insurances and the underwriting of risks;
- (j) the obtaining or purchase of utilities and fuel; and
- (k) any other transaction relating to the provision, or obtaining from Interested Persons, of products and services related to the SIA EAR Group's principal and ancillary activities as stated in paragraph 3.1 above in the normal course of their businesses and on normal commercial terms.

## **6. Review Procedures for Mandated Interested Person Transactions**

6.1 The SIA EAR Group has established the following procedures to ensure that mandated Interested Person Transactions are undertaken on an arm's length basis and on the SIA EAR Group's normal commercial terms:

### **(a) Review Procedures**

There are procedures established by the SIA EAR Group to ensure that mandated Interested Person Transactions are undertaken on an arm's length basis and on the SIA EAR Group's normal commercial terms, consistent with the SIA 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:

- (1) 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 no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms; and
- (2) 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 SIA EAR Group's pricing for such services to be provided or products to be sold to Interested

Persons is determined in accordance with the SIA EAR Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the SIA EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties taking into consideration factors such as, but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract and strategic purposes of the transaction; and

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

All purchases made by the SIA 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. Most invitations for bids include a specimen contract to preclude negotiations on the terms of supply after the successful vendor is selected. The terms of supply are contained in a written contract. The review procedures require:

- (1) an open tender for bids to be called if there are 6 or more known vendors for the item unless this requirement is waived by the tenders committee in exceptional circumstances, in which case a closed tender will be called. If there are less than 6 known vendors, a closed tender for bids will be called inviting all the known vendors to bid. 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; and
- (2) where it is not possible or practicable for a tender to be called (for example, where the product is a proprietary item or where the product is required urgently such as an aircraft-on-ground situation), an authorised senior management staff of the relevant company in the SIA EAR Group who does not have an interest in the transaction will determine whether the price and terms offered by the Interested Person are fair and reasonable.

**(b) Threshold Limits**

In addition to the review procedures, the following approval procedures will be implemented to supplement existing internal control procedures for Interested Person Transactions:

- (i) Interested Person Transactions equal to or exceeding S\$100,000 but less than S\$1 million in value will be reviewed and approved by a Senior Vice President designated for such purpose by the Chief Executive Officer (“**CEO**”);
- (ii) Interested Person Transactions equal to or exceeding S\$1 million but less than S\$3 million in value will be reviewed and approved by an Executive Vice President designated for such purpose by the CEO;

- (iii) Interested Person Transactions equal to or exceeding S\$3 million but less than S\$30 million in value will be reviewed and approved by the CEO;
- (iv) Interested Person Transactions equal to or exceeding S\$30 million in value shall be reviewed and approved by the Directors and the audit committee of the Company (the “**Audit Committee**”);
- (v) where the aggregate value of all Interested Person Transactions (including the latest Interested Person Transaction to be approved) with the same Interested Person in the current financial year is equal to or exceeds S\$100,000 but below S\$1 million, the latest and all future Interested Person Transactions equal to or above S\$100,000 but below S\$1 million in value will be reviewed and approved by the Senior Vice President designated for such purpose by the CEO;
- (vi) where the aggregate value of all Interested Person Transactions (including the latest Interested Person Transaction to be approved) with the same Interested Person in the current financial year is equal to or exceeds S\$1 million but below S\$3 million, the latest and all future Interested Person Transactions equal to or above S\$100,000 but below S\$3 million in value will be reviewed and approved by the Executive Vice President designated for such purpose by the CEO;
- (vii) where the aggregate value of all Interested Person Transactions (including the latest Interested Person Transaction to be approved) with the same Interested Person in the current financial year is equal to or exceeds S\$3 million but below S\$30 million, 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 the CEO; and
- (viii) where the aggregate value of all Interested Person Transactions (including the latest Interested Person Transaction to be approved) with the same Interested Person in the current financial year is equal to or exceeds S\$30 million, the latest and all future Interested Person Transactions equal to or above S\$100,000 in value will be reviewed and approved by the Directors and the Audit Committee.

If any person specified above has an interest in a transaction falling within a category of transactions to be reviewed and approved by him, he will abstain from any decision making in respect of that transaction, and such transaction will be reviewed and approved by other persons who are authorised to review and approve that category of transactions, if any, who do not have any interest in that transaction.

If not, the transaction must be approved by the person(s) who has (have) authority for reviewing and approving the immediately following category of transactions in terms of value.

All Interested Person Transactions entered into pursuant to the IPT Mandate shall be tabled to the Audit Committee for information on a quarterly basis.

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 (v) to (viii) above.

- 6.2 A register will be maintained by SIA to record all Interested Person Transactions which are entered into pursuant to the IPT Mandate. The annual internal audit plan will incorporate a review of all 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 adhered to.
- 6.3 The SIA Board of Directors (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.
- 6.4 The Board and the Audit Committee shall have overall responsibility for the determination of the review procedures 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.

## **7. Benefit to Shareholders**

- 7.1 The renewal of the IPT Mandate 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 and adversely affecting the business opportunities available to the SIA EAR Group.
- 7.2 The IPT Mandate is intended to facilitate transactions in the normal course of business of the SIA EAR Group which are transacted from time to time with the specified classes of Interested Persons, provided that they are carried out at arm’s length and on the SIA EAR Group’s normal commercial terms and are not prejudicial to Shareholders.
- 7.3 SIA will announce the aggregate value of transactions conducted with Interested Persons pursuant to the IPT Mandate for the quarterly financial periods which SIA is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.
- 7.4 Disclosure will also be made in the annual report of SIA of the aggregate value of Interested Person Transactions conducted pursuant to the IPT Mandate during the current financial year, and in the annual reports for the subsequent financial years during which an IPT Mandate is in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

## **8. Audit Committee’s Statements**

- 8.1 The Audit Committee (currently comprising Gautam Banerjee, Dominic Ho Chiu Fai and Hsieh Tsun-yan) 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.

8.2 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 normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, SIA will revert to Shareholders for a fresh mandate based on new methods and procedures for transactions with Interested Persons.

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