

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*)
David John Gledhill (*Independent Director*)
Goh Swee Chen (*Independent Director*)
Dominic Ho Chiu Fai (*Independent Director*)
Hsieh Tsun-yan (*Independent Director*)
Lee Kim Shin (*Independent Director*)

Registered Office:

Airline House
25 Airline Road
Singapore 819829

To: The Shareholders of
Singapore Airlines Limited

28 June 2019

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 2019 (the “**Notice**”), accompanying the FY2018/19 Annual Report, convening the Forty-Seventh Annual General Meeting of the Company to be held on 29 July 2019 (the “**2019 AGM**”);
- (b) Ordinary Resolution No. 9 relating to the proposed renewal of the IPT Mandate (as defined in paragraph 2.1 below, as proposed in the Notice);
- (c) Ordinary Resolution No. 10 relating to the proposed renewal of the Share Buy Back Mandate (as defined in paragraph 3.1 below, as proposed in the Notice); and
- (d) Ordinary Resolution No. 11 relating to the proposed renewal of the authorisation to issue redeemable cumulative preference shares of the Company pursuant to Article 10 of the Constitution of the Company (“**ASA Shares**”) (as described in paragraph 4 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. 9, 10 and 11 proposed in the Notice (collectively, the “**Proposals**”).
- 1.3 **SGX-ST.** The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.
- 1.4 **Advice to Shareholders.** If a Shareholder is in any doubt as to the course of action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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

- 2.1 **Background.** At the Annual General Meeting of the Company held on 27 July 2018 (the “**2018 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 Appendix 2 to the Company’s Letter to Shareholders dated 28 June 2018 (the “**2018 Letter**”) and Ordinary Resolution No. 8 as set out in the Notice of the 2018 AGM. The IPT Mandate was expressed to take effect until the conclusion of the next Annual General Meeting of the Company, being the 2019 AGM which is scheduled to be held on 29 July 2019.

- 2.2 **Renewal of the IPT Mandate.** The Directors propose that the IPT Mandate be renewed at the 2019 AGM to take effect until the Forty-Eighth 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.
- 2.3 **The Appendix.** Details of the IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with the Interested Persons and other general information relating to Chapter 9 of the Listing Manual, are set out in the Appendix to this Letter.
- 2.4 **Audit Committee Statement.** The Audit Committee of the Company, comprising Gautam Banerjee, Goh Swee Chen, 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 2018 AGM; and
 - (b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

3. THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

- 3.1 **Background.** At the 2018 AGM, Shareholders approved, *inter alia*, the renewal of a mandate (the “**Share Buy Back Mandate**”) to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company (“**Shares**”).

The rationale for, the authority and limitations on, and the financial effects of, the Share Buy Back Mandate were set out in the 2018 Letter and Ordinary Resolution No. 9 as set out in the Notice of the 2018 AGM.

The Share Buy Back Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 9 at the 2018 AGM and will expire on the date of the forthcoming 2019 AGM which is scheduled to be held on 29 July 2019. Accordingly, the Directors propose that the Share Buy Back Mandate be renewed at the 2019 AGM.

As at 3 June 2019 (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 2018 AGM.

- 3.2 **Authority and Limits on the Share Buy Back Mandate.** The authority and limitations placed on the purchases or acquisitions of Shares by the Company (the “**Share Buy Backs**”) pursuant to the Share Buy Back Mandate, if renewed at the 2019 AGM, are substantially the same as previously approved by Shareholders at the 2018 AGM and are summarised below:

3.2.1 **Maximum Number of Shares**

Only Shares which are issued and fully paid may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buy Back Mandate is limited to that number of Shares representing not more than 5% of the issued Shares as at the date of the 2019 AGM at which the renewal of the Share Buy Back Mandate is approved. Treasury shares and subsidiary holdings (as defined in the Listing Manual)¹ will be disregarded for the purposes of computing the 5% limit.

As at the Latest Practicable Date, the Company had 16,185,885 treasury shares and no subsidiary holdings.

3.2.2 **Duration of Authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2019 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

¹ “**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.

- (c) the date on which purchases and acquisitions of Shares pursuant to the Share Buy Back Mandate are carried out to the full extent mandated,

whichever is the earliest.

3.2.3 **Manner of Share Buy Backs**

A Share Buy Back may be made by way of:

- (a) an on-market Share Buy Back (“**On-Market Share Buy Back**”), transacted on the SGX-ST through the SGX-ST’s trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) an off-market Share Buy Back in accordance with an equal access scheme (“**Off-Market Equal Access Share Buy Back**”) effected pursuant to Section 76C of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”).

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy Back Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Equal Access Share Buy Back must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Equal Access Share Buy Back, it will, pursuant to Rule 885 of the Listing Manual, issue an offer document containing at least the following information:

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

3.2.4 **Purchase Price**

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the committee constituted for the purposes of effecting Share Buy Backs. The

purchase price to be paid for the Shares pursuant to Share Buy Backs (both On-Market Share Buy Backs and Off-Market Equal Access Share Buy Backs) must not exceed 105% of the Average Closing Price of the Shares (excluding related expenses of the purchase or acquisition) (the “**Maximum Price**”).

For the above purposes:

“**Average Closing Price**” means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of the On-Market Share Buy Back by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Equal Access Share Buy Back, and deemed to be adjusted, in accordance with the Listing Manual, for any corporate action that occurs after the relevant five-day period; and

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for an Off-Market Equal Access Share Buy Back, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Equal Access Share Buy Back.

3.3 Rationale for 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 3.2.1 above at any time, subject to market conditions, during the period when the Share Buy Back Mandate is in force.

In managing the business of the Company and its subsidiaries (the “**Group**”), management strives to increase Shareholders’ value. Share Buy Backs are one of the ways through which Shareholders’ value may be enhanced. Share Buy Backs are intended to be made as and when the Directors believe them to be of benefit to the Company and/or the Shareholders.

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

While the Share Buy Back Mandate would authorise a purchase or acquisition of Shares up to the 5% limit described in paragraph 3.2.1 above, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate may not be carried out to the full 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.

3.4 Status of Purchased Shares. Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

3.5 **Treasury Shares.** Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

3.5.1 ***Maximum Holdings***

The number of Shares held as treasury shares² cannot at any time exceed 10% of the total number of issued Shares.

3.5.2 ***Voting and Other Rights***

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

3.5.3 ***Disposal and Cancellation***

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

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (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

² 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.

number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

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

3.7 Financial Effects. The financial effects of a Share Buy Back on the Group and the Company will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled. The financial effects on the audited financial statements of the Group and the Company will depend, *inter alia*, on the factors set out below.

3.7.1 Purchase or Acquisition out of Profits and/or Capital

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

3.7.2 Number of Shares Purchased or Acquired

Based on 1,199,851,018 issued Shares as at the Latest Practicable Date (out of which 16,185,885 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 2019 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 16,185,885 Shares held in treasury) will result in the purchase or acquisition of 59,183,256 Shares.

3.7.3 Maximum Price Paid for Shares Purchased or Acquired

Assuming that the Company purchases or acquires the 59,183,256 Shares at the Maximum Price of S\$9.61 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\$568.75 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 2018;
- (b) the issued share capital as at 1 April 2018 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 16,185,885 Shares were held in treasury and no Shares were held as subsidiary holdings);
- (c) the Company had on 1 April 2018 purchased 59,183,256 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\$9.61 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 59,183,256 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 2019 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 2019 | Proforma after Share Buy Back | Per audited financial statements as at 31 March 2019 | Proforma after Share Buy Back |
| (a) Share capital (\$m) | 1,856.1 | 1,571.7 | 1,856.1 | 1,571.7 |
| (b) General reserve (\$m) | 11,275.1 | 10,990.7 | 10,631.0 | 10,346.6 |
| (c) Net asset value (\$m) | 13,286.8 | 12,718.0 | 11,773.4 | 11,204.6 |
| (d) Net asset value per Share (\$) | 11.22 | 11.31 | 9.95 | 9.96 |
| (e) Profit attributable to equity holders of the Company (\$m) | 682.7 | 682.7 | 779.1 | 779.1 |
| (f) Weighted average no. of issued and paid-up Shares ⁽¹⁾ (m) | 1,183.3 | 1,124.1 | 1,183.3 | 1,124.1 |
| (g) Basic Earnings per Share ("EPS") (cents) | 57.7 | 60.7 | 65.8 | 69.3 |
| (h) Total borrowings ⁽²⁾ (\$m) | 6,654.4 | 6,654.4 | 6,133.4 | 6,133.4 |
| (i) Liquid investments, cash and cash equivalents ⁽³⁾ (\$m) | 3,060.8 | 2,492.0 | 2,784.5 | 2,215.7 |
| (j) Net borrowings ⁽⁴⁾ (\$m) | 3,593.6 | 4,162.4 | 3,348.9 | 3,917.7 |

| | Group | | Company | |
|--|--|-------------------------------|--|-------------------------------|
| | Per audited financial statements as at 31 March 2019 | Proforma after Share Buy Back | Per audited financial statements as at 31 March 2019 | Proforma after Share Buy Back |
| (k) Equity holders' funds ⁽⁵⁾ (\$m) | 13,286.8 | 12,718.0 | 11,773.4 | 11,204.6 |
| (l) Gearing ⁽⁶⁾ (times) | 0.50 | 0.52 | 0.52 | 0.55 |
| (m) ROE ⁽⁷⁾ (%) | 5.2 | 5.3 | 6.5 | 6.6 |
| (n) Current ratio (times) | 0.75 | 0.67 | 0.66 | 0.58 |

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 2019, 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.

3.8 Shareholding Limits. The Constitution of the Company currently prescribes a limit of 5% (the "**Prescribed Limit**") of the issued Shares (excluding treasury shares) in which any single Shareholder or related groups of Shareholders (other than 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 2019 AGM:

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

(A) SEEK PRIOR WRITTEN APPROVAL OF THE DIRECTORS TO HOLD SHARES IN EXCESS OF THE PRESCRIBED LIMIT IN THE EVENT OF A SHARE BUY BACK; OR

(B) TAKE ACTION TO SELL PART OF THEIR HOLDING OF SHARES AT THE APPROPRIATE TIME TO AVOID VIOLATING THE PRESCRIBED LIMIT.

3.9 **Take-over implications arising from Share Buy Backs.** Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

3.9.1 ***Obligation to make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

3.9.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

(a) the following companies:

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

(v) the associated companies of any of (i), (ii), (iii) or (iv);

- (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and
 - (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

3.9.3 ***Effect of Rule 14 and Appendix 2***

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy Back Mandate.

Based on the interests of substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date as set out in paragraph 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.

- 3.10 **Listing Status of the Shares.** The Listing Manual requires a listed company to ensure that at least 10% of the equity securities (excluding treasury shares, preference shares and convertible equity securities) must be held by public shareholders. As at the Latest Practicable Date, Temasek, a substantial Shareholder of the Company, had a direct and deemed interest in approximately 55.83% of the issued Shares (excluding Shares held in treasury). Approximately 44.08% 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.
- 3.11 **Reporting Requirements.** Rule 886(1) of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of an On-Market Share Buy Back, on the market day following the day of purchase or acquisition of any of its shares, and (b) in the case of an Off-Market Equal Access Share Buy Back, on the second market day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.
- 3.12 **No Purchases During Price 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.

4. THE PROPOSED RENEWAL OF THE AUTHORISATION TO ISSUE ASA SHARES

4.1 **Background.** The Company's ability to operate its existing route network and flight frequency is derived solely from and dependent entirely on the air services agreements entered into between the Government of Singapore and the governments of other countries for regulating the conduct of air services between Singapore and the respective countries (the "**Air Services Agreements**"). The Air Services Agreements are therefore critical to the Company's operations. In almost all the Air Services Agreements, it is a condition that the Company must at all times be "effectively controlled" and "substantially owned" by Singapore nationals for the tenure of the respective Air Services Agreements.

Prior to 1999, the Company's ability to satisfy the "substantial ownership" requirements of the Air Services Agreements was facilitated by a limit on the ownership by foreign shareholders of Shares and the trading of the Shares in two tranches on the Main Board of the SGX-ST. In 1999, this foreign shareholding limit was removed and trading of local and foreign Shares was merged into a single tranche on the SGX-ST.

With the share merger and the removal of the foreign shareholding limit, it is conceivable that foreigners may come to own the majority of the issued share capital of the Company at some future date. This in turn may potentially result in a breach of the condition under the Air Services Agreements that the Company must be "effectively controlled" and "substantially owned" by Singaporeans. Such a breach of the Air Services Agreements may potentially result in the Company losing its rights to operate many of its air services.

In order to ensure that all conditions under the Air Services Agreements can continue to be met and that the "**Operating Rights**" (that is, all or any part of any authority, permission, licence or privilege whether granted or enjoyed pursuant to an Air Services Agreement or otherwise, which enables an air service to be operated) are not prejudiced, a new class of non-tradable redeemable cumulative preference shares, namely, the ASA Shares, was created. At the same time, Shareholders' approval was obtained at an extraordinary general meeting of the Company held on 11 September 1999 for the issue of the ASA Shares to the Minister for Finance (the "**Minister**"), and authority was granted to the Directors to issue such number of ASA Shares to the Minister as they deemed appropriate.

This authorisation to the Directors was subsequently renewed by Shareholders:

- (a) on 14 July 2001, as part of a capital reduction exercise undertaken by the Company, which resulted in a change to the par value of the ASA Shares;
- (b) on 29 July 2004, being the fifth anniversary of the original authority granted to the Directors by Shareholders in September 1999;
- (c) on 31 July 2009, following the extension of the undertaking from the Minister that it would subscribe for the ASA Shares for a further period of five years commencing from 31 July 2009; and
- (d) on 30 July 2014, following the extension of the undertaking from the Minister that it would subscribe for the ASA Shares for a further period of five years commencing from 30 July 2014.

Details of the background to the ASA Shares and the capital reduction exercise are set out in:

- (i) the Circular to Shareholders dated 18 August 1999 (the “**1999 Circular**”);
- (ii) the Circular to Shareholders dated 21 June 2001;
- (iii) the Letter to Shareholders dated 23 June 2004 (the “**2004 Letter**”) and Notice of Annual General Meeting of the Company held on 29 July 2004;
- (iv) the Letter to Shareholders dated 25 June 2009 (the “**2009 Letter**”) and Notice of Annual General Meeting of the Company held on 31 July 2009; and
- (v) the Circular to Shareholders dated 1 July 2014 (the “**2014 Circular**”) and the Notice of Extraordinary General Meeting of the Company held on 30 July 2014.

In consideration of the agreement by Shareholders for the issue of the ASA Shares to the Minister, the undertaking referred to in sub-paragraph (c) above was given by the Minister to the Company in 1999, valid for a period of five years from 1999, that it would subscribe for any ASA Shares that the Directors resolved to issue in accordance with Article 4A (which is now Article 10 of the Constitution of the Company). The Minister, pursuant to a letter dated 29 July 2004, extended the undertaking for a further period of five years and agreed to enter negotiations with the Company in good faith to extend the undertaking for further consecutive five-year periods. Thereafter, the Minister, pursuant to a letter dated 31 July 2009, extended the undertaking for a further five years from 31 July 2009. Pursuant to a letter dated 30 July 2014, the undertaking was again extended for a further five years from 30 July 2014.

The undertaking is due for renewal in 2019 and the Minister has agreed to extend the undertaking, which will be valid for a further period of five years, commencing from the date of the shareholders’ resolution approving the authorisation to the Directors to issue the ASA Shares to the Minister. The Minister has also given the Company assurance that it will not exercise its voting rights under the ASA Shares save to the extent necessary to ensure that the Company remains “substantially owned” by Singapore nationals.

The Company will agree not to change the price or terms of issue of the ASA Shares without prior consent from the Minister. The Company will also agree that for so long as there are any ASA Shares outstanding, the Board will, as and when requested by the Minister so to do, review whether such ASA Shares continue to be required in order to protect the Company’s Operating Rights (as described in this Letter) or to avoid an Intervening Act (as described in this Letter), and report the Board’s findings to the Minister.

- 4.2 **Renewal of Authorisation to Issue ASA Shares.** The Directors are therefore seeking Shareholder approval for the renewal of the authorisation to the Directors to allot and issue ASA Shares from time to time and at any time to the Minister. In this respect, it is proposed that ASA Shares be issued to the Minister partly paid at the price of S\$0.01 per ASA Share. This proposal was similarly made and approved by Shareholders in 1999, and subsequently renewed by Shareholders in 2001, 2004, 2009 and 2014. Other than for the proposed renewal of this authorisation, no separate approvals will be sought from Shareholders for any ASA Shares which are subsequently issued in accordance with such renewed authorisation.

The Directors believe that the renewal of the authorisation to the Directors to allot and issue ASA Shares, from time to time and at any time to the Minister, if approved by Shareholders, will allow the Company to react quickly and effectively to any threat to its Operating Rights resulting from potential breaches of the “effective control” and “substantive ownership” requirements under the Air Services Agreements arising from foreign Shareholders acquiring a majority stake in the Company.

The Directors wish to reiterate that their ability to allot and issue ASA Shares will be restricted to circumstances when it is necessary or desirable to protect the Company’s Operating Rights and to overcome, prevent, avoid or reduce, the risk of an Intervening Act (as defined in paragraph 4.3(i)(1) below). The Directors may not allot and issue ASA Shares for any other purpose. Also, the maximum number of ASA Shares that may be issued shall not exceed the issued Shares at the time of the issue.

4.3 Terms of ASA Shares. Detailed terms of the ASA Shares are set out in the Constitution of the Company, and in the 1999 Circular, the 2004 Letter, the 2009 Letter and the 2014 Circular.

For ease of reference, the principal terms of the ASA Shares are set out below:

| | | |
|------------------------|---|--|
| Issuer | : | The Company |
| Subscriber | : | The Minister |
| Instrument | : | Redeemable cumulative preference shares at S\$0.50 each in the capital of the Company |
| Issue Size | : | To be determined by the Directors from time to time, subject to the total number of ASA Shares issued and outstanding not exceeding the number of issued Shares at the time of issue of ASA Shares. The number of ASA Shares to be issued to the Minister will depend on the level of ownership of the Company’s issued share capital by Singapore nationals |
| Issue Price | : | At S\$0.50 per ASA Share, or in the event of a liquidation of the Company, at the certified liquidation value per ordinary share, whichever value is higher |
| Payment of Issue Price | : | ASA Shares shall be partly paid at the price of S\$0.01 per share upon issue, with the balance being payable on redemption or in the event of a liquidation of the Company, whichever is earlier |

Redemption : All outstanding ASA Shares shall be redeemed by the Company, either in part or in full, no later than five years from the date of issue of ASA Shares (or such later date as the Directors deem appropriate). ASA Shares must be fully paid up before redemption

Redemption of issued ASA Shares does not preclude the further issue of ASA Shares should the need arise

Early Redemption : The Company shall have the right to redeem ASA Shares, in part or in full, at any time subject to 30 days' prior written notice to the Minister

Rights : The Minister shall have the right to:

- (a) receive a preferential gross dividend of 1 per cent. per annum based on the paid-up amount per ASA Share, in priority to any dividend payable on the ordinary shares;
- (b) receive copies of the same documents and notices received by holders of ordinary shares;
- (c) attend general meetings and to speak and vote (with one vote per ASA Share) at such meetings. The Minister has given the Company the assurance that it will not exercise its voting rights under the ASA Shares save to the extent necessary to ensure that the Company remains "substantially owned" by nationals of Singapore; and
- (d) participate, in the event of a winding-up of the Company, rateably with the ordinary shares in/for:
 - (i) return of capital paid up; and
 - (ii) residue of the surplus assets of the Company

The Minister does not have any other right to profits or asset value other than those mentioned above and in the Constitution of the Company

The Company agrees not to change the price or terms of issue of the ASA Shares without the prior written consent of the Minister

The Company also agrees that for so long as there are any ASA Shares outstanding, the Board will, as and when requested by the Minister so to do, review whether such ASA Shares continue to be required in order to protect the Company's Operating Rights (as described in this Letter) or to avoid an Intervening Act (as described in this Letter), and report the Board's findings to the Minister.

Undertaking : The Minister has agreed to subscribe for all ASA Shares as and when they are issued

Since the passing of Ordinary Resolution 8.2 at the Thirty-Second Annual General Meeting in 2004, the par value for shares was abolished in a legislative amendment to the Companies Act in 2005. The Directors have determined that the abolishment of the par value will not affect the issue price of ASA Shares, which will remain unchanged at S\$0.50 each.

The Directors wish to reiterate to Shareholders that ASA Shares will only be issued by the Directors as and when the level of foreign shareholding of the shares of the Company is such that the Company has breached or could potentially breach the condition under the Air Services Agreements to be "substantially owned" by Singapore nationals and where any of the rights and privileges of the Company granted by or pursuant to the Air Services Agreements are put at risk.

Specifically, the Constitution of the Company provides that ASA Shares may only be allotted and issued if the Directors determine that:

- (i) such allotment and issue of ASA Shares is necessary in order to protect any Operating Right by reason of the fact that:
 - (1) there has taken place, a refusal, withholding, suspension or revocation of any Operating Right or the imposition of any condition or limitation upon any such Operating Right by reason of the nationality of persons owning or controlling the Company (that is, an "**Intervening Act**");
 - (2) an Intervening Act is contemplated, threatened, intended or may take place;
 - (3) the foreign shareholding is such that an Intervening Act may occur; or
 - (4) the ownership or control of the Company is otherwise such that an Intervening Act may occur; and
- (ii) such allotment and issue of ASA Shares is necessary or desirable to overcome, prevent or avoid an Intervening Act.

ASA Shares may not be allotted and issued if the above requirements are not complied with, as determined by the Directors. In addition, the Company may redeem any outstanding ASA Shares in the event that the Directors determine that such shares are no longer required in order to protect the Company's Operating Rights or to overcome, prevent or avoid an Intervening Act. All ASA Shares shall in any event be redeemed by the Company on the date falling five years from the respective dates of issue of ASA Shares, (or such later date as the Directors deem appropriate), provided that any redemption of ASA Shares will not preclude a further or future issue of ASA Shares in accordance with the Constitution of the Company.

ASA Shares will not be listed or quoted on the SGX-ST or other stock exchanges and will not be transferable without the prior approval of the Directors and the Company in general meeting.

As disclosed in the 1999 Circular, the Company has received approval from the Minister to treat the payment by the Company on the redemption of ASA Shares as a return of capital and not as a payment of dividends. The Company's contributed capital after any redemption would be correspondingly reduced by the amount of redemption.

The Directors wish to highlight that ASA Shares will not be issued immediately after the 2019 AGM but are intended to be issued to the Minister only when the Directors determine that the Company faces a threat on its Air Services Agreements by reason of the nationality of the majority of its shareholders. The Directors also wish to highlight that the Minister has also given the Company assurance that it will not exercise its voting rights under ASA Shares save to the extent necessary to ensure that the Company remains “substantially owned” by Singapore nationals.

- 4.4 **Take-over obligations.** The Directors wish to highlight that at the extraordinary general meeting held in 1999, Shareholders had also approved a one-off whitewash resolution to waive their rights to receive a mandatory take-over offer from the Minister in the event that the issue of ASA Shares to the Minister resulted in a transfer of the effective control of the Company to the Minister. This whitewash waiver continues in effect indefinitely. However, Shareholders should note that in the event that the Minister exercises its votes under ASA Shares other than to the extent necessary to ensure that the Company remains “substantially owned” by Singapore nationals, the Minister will incur an obligation to make a mandatory offer in accordance with the requirements of the Take-over Code and the conditions imposed by the Securities Industry Council.

Further details of the whitewash waiver are set out in the 1999 Circular.

- 4.5 **Effect of Issue of ASA Shares.** As at the Latest Practicable Date, the issued share capital of the Company was S\$1,614,164,364.32 comprising 1,183,665,133 Shares (excluding treasury shares). Assuming (a) no new Shares are issued after the Latest Practicable Date, (b) no Shares are purchased or acquired by the Company pursuant to the Share Buy Back Mandate after the Latest Practicable Date, or held by the Company as treasury shares or as subsidiary holdings, (c) there is a threat on an Air Services Agreement by reason of the nationality of the majority of Shareholders, and (d) the maximum number of 1,183,665,133 ASA Shares are issued and the Minister exercises its full voting rights under the ASA Shares, the voting rights of the holders of Shares will be halved.

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 | % ⁽¹⁾ | Deemed Interest | % ⁽¹⁾ | |
| Peter Seah Lim Huat | – | – | – | – | – |
| Goh Choon Phong | 981,379 | 0.08 | – | – | 484,593 ⁽³⁾ |
| Gautam Banerjee | – | – | – | – | – |
| Simon Cheong Sae Peng | 1,870 | nm ⁽²⁾ | – | – | – |
| David John Gledhill | – | – | – | – | – |
| Goh Swee Chen | – | – | – | – | – |
| Dominic Ho Chiu Fai | – | – | – | – | – |
| Hsieh Tsun-yan | – | – | – | – | – |
| Lee Kim Shin | – | – | – | – | – |

Notes:

- (1) Based on 1,183,665,133 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 16,185,885 Shares held in treasury as at the Latest Practicable Date).
- (2) "nm" means not meaningful.
- (3) Of the 484,593 Shares:
 - (a) 60,000 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) 78,300 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;
 - (d) 57,460 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; and
 - (e) 66,083 Shares are comprised in conditional transformation 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 | % ⁽¹⁾ | Deemed Interest | % ⁽¹⁾ |
| Temasek Holdings (Private) Limited | 657,306,600 | 55.53 | 3,565,732 ⁽²⁾ | 0.30 |

Notes:

- (1) Based on 1,183,665,133 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 16,185,885 Shares held in treasury as at the Latest Practicable Date).
- (2) Temasek Holdings (Private) Limited is deemed interested in 3,565,732 Shares in which its subsidiary and associated company have direct or deemed interests.

6. DIRECTORS' RECOMMENDATIONS

- 6.1 **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 the Appendix to this Letter) and those Interested Persons (as described in paragraph 4.1 of the Appendix 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 the Appendix to this Letter, the Directors recommend that Shareholders vote in favour of Ordinary Resolution No. 9, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the 2019 AGM.

Temasek and its associates, being Interested Persons, will abstain from voting their Shares, if any, in respect of Ordinary Resolution No. 9. The Company will disregard any votes cast by Temasek and its associates on Ordinary Resolution No. 9.

- 6.2 **Proposed Renewal of Share Buy Back Mandate.** The Directors are of the opinion that the proposed renewal of the Share Buy Back Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 10, being the Ordinary Resolution relating to the proposed renewal of the Share Buy Back Mandate to be proposed at the 2019 AGM.
- 6.3 **Proposed Renewal of Authorisation to Issue ASA Shares.** The Directors believe that it is in the interests of both the Company and Shareholders to preserve the rights and privileges granted to the Company by the Air Services Agreements. Shareholders had recognised this in 1999, 2001, 2004, 2009 and 2014, when they authorised the Directors to issue ASA Shares to the Minister where necessary. The Directors are also of the opinion that it is important and prudent to continue to have in place measures to ensure that “effective control” and “substantial ownership” of the Company remain in the hands of Singapore nationals. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 11, being the Ordinary Resolution relating to the proposed renewal of the authorisation to the Directors to issue ASA Shares to be proposed at the 2019 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 2019 AGM:

- (a) the FY2018/19 Annual Report;
- (b) the Constitution of the Company; and
- (c) the 2018 Letter.

The FY2018/19 Annual Report and the 2018 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

THE APPENDIX

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 2019, the consolidated NTA of the SIA Group was S\$12,835.5 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 2020 are published, 5% of the latest audited consolidated NTA of the SIA Group would be S\$641.8 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 29 July 2019 until the next AGM of the Company and shall apply in respect of the Interested Person Transactions to be entered into from and including 29 July 2019 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, Goh Swee Chen, 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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