



## SATS Ltd.

(Incorporated in the Republic of Singapore)  
Company Registration No. 197201770G

### LETTER TO SHAREHOLDERS

#### Directors:

Ms Euleen Goh Yiu Kiang  
*(Non-Executive Chairman and Independent Director)*  
Mr Alexander Charles Hungate  
*(Executive Director and President & Chief Executive Officer)*  
Mr Achal Agarwal *(Non-Executive, Independent Director)*  
Mr Chia Kim Huat *(Non-Executive, Independent Director)*  
Mr Michael Kok Pak Kuan *(Non-Executive, Independent Director)*  
Ms Jenny Lee Hong Wei *(Non-Executive, Independent Director)*  
Ms Jessica Tan Soon Neo *(Non-Executive, Independent Director)*  
Mr Tan Soo Nan *(Non-Executive, Independent Director)*  
Mr Yap Chee Meng *(Non-Executive, Independent Director)*  
Mr Yap Kim Wah *(Non-Executive, Independent Director)*

#### Registered Office:

20 Airport Boulevard  
SATS Inflight Catering Centre 1  
Singapore 819659

19 June 2019

To: The Shareholders of SATS Ltd.

Dear Sir/Madam

#### 1. INTRODUCTION

##### 1.1 Notice of 2019 AGM. We refer to:

- (a) the Notice of Annual General Meeting (the “**Notice**”) of SATS Ltd. (the “**Company**”) dated 19 June 2019, accompanying the Annual Report 2018-19, convening the 46<sup>th</sup> Annual General Meeting of the Company to be held on 18 July 2019 (the “**2019 AGM**”);
- (b) Ordinary Resolution No. 10 relating to (*inter alia*) the proposed alterations to the SATS Restricted Share Plan (as proposed in the Notice);
- (c) Ordinary Resolution No. 11 relating to the proposed renewal of the IPT Mandate (as defined below, as proposed in the Notice); and
- (d) Ordinary Resolution No. 12 relating to the proposed renewal of the Share Purchase Mandate (as defined 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. 10, 11 and 12 proposed in the Notice (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.** Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

## 2. THE PROPOSED ALTERATIONS TO THE SATS RESTRICTED SHARE PLAN

2.1 **Background.** The SATS Restricted Share Plan was approved and adopted at the Extraordinary General Meeting of the Company held on 19 July 2005 for an initial duration of 10 years and subsequently at the 41<sup>st</sup> Annual General Meeting of the Company held on 23 July 2014, was extended for a further period of 10 years up to 18 July 2025. Awards granted under the SATS Restricted Share Plan 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 SATS Restricted Share Plan 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 SATS Restricted Share Plan (the “**Committee**”). The SATS Restricted Share Plan is proposed to be altered to enable non-executive directors of the Company and/or its subsidiaries (“**Non-Executive Directors**”) to participate in the SATS Restricted Share Plan. The Company is also taking this opportunity to alter the SATS Restricted Share Plan to take into account the changes to the Listing Manual of the SGX-ST (the “**Listing Manual**”) and the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), as well as to streamline and rationalise certain other provisions.

2.3 **Rationale.** The purpose of the proposed alterations to the SATS Restricted Share Plan is to permit grants of fully paid Shares to be made to Non-Executive Directors as part of their remuneration in respect of their office as such in lieu of cash, in order to improve the alignment of the interests of the Non-Executive Directors with the interests of Shareholders.

Where an award is to be made to a Non-Executive Director under the SATS Restricted Share Plan as part of his/her directors’ remuneration in lieu of cash, the current intention is that not more than 30% (or such other percentage as may be determined by the Committee) of his/her remuneration for a particular financial year will be paid out in the form of Shares comprised in such awards. The formula for converting the relevant amount from cash into Shares will be disclosed as and when such awards are proposed to be made. 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.

The Company does not anticipate that the number of Shares which may be awarded to an independent Director as part of his/her Directors’ fees for any financial year in lieu of cash would be significant to the extent that his/her independence may be compromised.

2.4 **Directors' Fees for FY2019-20 and FY2018-19.** For the Directors' fees for the current financial year ending 31 March 2020 ("**FY2019-20**"), subject to the passing of Ordinary Resolution No. 10 at the 2019 AGM (and Ordinary Resolution No. 7 on Directors' fees), the Share component (approximately 30%) is intended to be paid after the 47<sup>th</sup> Annual General Meeting in the year 2020 (the "**2020 AGM**") is held, with the actual number of Shares to be awarded to each Non-Executive Director of the Company 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 after the 2020 AGM or the release of the Company's first quarter financial results for the financial year ending 31 March 2021, whichever is later, rounded down to the nearest hundred Shares, and any residual balance will be settled in cash. The Share component of the Directors' fees will be increased from 15% for the last financial year, as the Company believes that this will further align the interests of Non-Executive Directors with the interests of Shareholders.

For the Directors' fees for the previous financial year ended 31 March 2019 ("**FY2018-19**") which was approved at the 45<sup>th</sup> Annual General Meeting of the Company held on 19 July 2018 (the "**2018 AGM**"), the Company had disclosed in the notice convening the 2018 AGM that the intention at that time was for the Share component of such fees (approximately 15%) to be purchased from the market on the first trading day immediately after the release of the Company's first quarter financial results for FY2019-20 or as soon as practicable thereafter. After further deliberation, subject to the passing of Ordinary Resolution No. 10 at the 2019 AGM, the Company now intends for the Share component of the Directors' fees for FY2018-19 to be paid out in the form of awards under the SATS Restricted Share Plan (as proposed to be altered) instead, with the actual number of Shares to be awarded to each Non-Executive Director of the Company 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 after the 2019 AGM or the release of the Company's first quarter financial results for FY2019-20, whichever is the later, rounded down to the nearest hundred Shares, and any residual balance will be settled in cash. The exact amount of Directors' fees paid or to be paid to each Director for FY2018-19 can be found under the heading "Non-Executive Directors' Remuneration" in the Corporate Governance Report in the SATS Annual Report for FY2018-19.

In both cases, the awards will consist of fully paid Shares with no performance conditions attached and no vesting periods imposed. The Non-Executive Directors will be required to retain a base shareholding worth up to one year's retainer fee (meaning, the basic fee for appointment as Director) for as long as he/she is on the Board of the Company, and for a period of one year after stepping down as a Director. A Non-Executive Director who steps down before the payment of the Share component of his/her fees will receive all of his/her fees (calculated on a pro-rated basis, where applicable) in cash.

If the proposed alterations to the SATS Restricted Share Plan are not approved at the 2019 AGM, all of the Directors' fees for FY2019-20 and FY2018-19 will be paid in cash.

Further details regarding the Directors' fees (such as the scale of fees, including the basic fee for appointment as Director) can be found under the heading "Non-Executive Directors' Remuneration" in the Corporate Governance Report in the SATS Annual Report for FY2018-19.

- 2.5 **Directors' Authority.** Ordinary Resolution No. 10, being the Ordinary Resolution relating to the proposed alterations to the SATS Restricted Share Plan to be proposed at the 2019 AGM, also includes an authorisation for the Directors to grant awards pursuant to the SATS Performance Share Plan and/or the SATS Restricted Share Plan (as proposed to be altered) and to allot and issue Shares pursuant to the SATS Performance Share Plan and/or the SATS Restricted Share Plan (as proposed to be altered) provided that:
- (a) the aggregate number of new Shares to be allotted and issued pursuant to the SATS Performance Share Plan, the SATS Restricted Share Plan (as proposed to be altered) and the SATS Employee Share Option Plan, does not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time; and
  - (b) the aggregate number of Shares under awards to be granted pursuant to the SATS Performance Share Plan and/or the SATS Restricted Share Plan (as proposed to be altered) from the 2019 AGM to the next Annual General Meeting of the Company does not exceed 1% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time.
- 2.6 **Appendix 1.** The text of the Rules of the SATS Restricted Share Plan 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 SATS Restricted Share Plan are subject to Shareholders' approval.
- 2.7 **SGX-ST.** The clearance by the SGX-ST of this Letter shall not be taken as an indication of the merits of the proposed alterations to the SATS Restricted Share Plan.

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

- 3.1 **Background.** At 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 used in Chapter 9 of the Listing Manual) (the "EAR Group") 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 Letter to Shareholders dated 20 June 2018 (the "2018 Letter") and Ordinary Resolution No. 9 as set out in the notice convening 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 18 July 2019.

- 3.2 **Proposed Renewal of the IPT Mandate.** The Directors propose that the IPT Mandate be renewed at the 2019 AGM, to take effect until the 2020 AGM. 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 the IPT Mandate, 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 Mr Yap Chee Meng, Mr Tan Soo Nan, Mr Yap Kim Wah and Ms Jessica Tan Soon Neo, 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.

#### 4. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

4.1 **Background.** At the 2018 AGM, Shareholders approved, *inter alia*, the renewal of a mandate (the “**Share Purchase Mandate**”) to enable the Company to purchase or otherwise acquire issued Shares. The rationale for, and the authority and limitations of, the Share Purchase Mandate were set out in the 2018 Letter and Ordinary Resolution No. 10 as set out in the notice convening the 2018 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 10 at the 2018 AGM and will expire on the date of the next Annual General Meeting of the Company, being the 2019 AGM which is scheduled to be held on 18 July 2019. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the 2019 AGM.

As at 23 May 2019 (the “**Latest Practicable Date**”), the Company had purchased or acquired an aggregate of 2,559,400 Shares by way of Market Purchases (as defined in paragraph 4.3.3(a) below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2018 AGM. The highest and lowest price paid was S\$4.93 and S\$4.55 per Share respectively and the total consideration paid for all purchases was S\$12,251,433.70, excluding commission, brokerage and goods and services tax.

4.2 **Rationale for the Share Purchase Mandate.** The rationale for the Company to undertake the purchase or acquisition of its Shares, as previously stated in the 2018 Letter, is as follows:

- (a) repurchased Shares which are held in treasury may be transferred for the purposes of, or pursuant to, share schemes implemented by the Company. Where Shares held in treasury are used for this purpose, such schemes will not have any dilutive effect to the extent that no new Shares are issued;
- (b) in managing the business of the Group, management will strive to increase Shareholders’ value by improving, *inter alia*, the return on equity (“**ROE**”) of the Company. Share purchases may be considered by the Directors as one of the ways through which the ROE of the Company may be enhanced;
- (c) the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner; and
- (d) the Share Purchase Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

The purchase or acquisition of Shares will only be undertaken if it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 2% limit described in paragraph 4.3.1 below. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the financial condition of the Group as a whole.

4.3 **Authority and Limits on the Share Purchase Mandate.** The authority and limitations placed on purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, if renewed at the 2019 AGM, are the same as those previously approved by Shareholders at the 2018 AGM and are summarised below:

4.3.1 ***Maximum Number of Shares***

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company is limited to that number of Shares representing not more than 2% of the total number of Shares as at the date of the 2019 AGM at which the renewal of the Share Purchase Mandate is approved. Treasury shares and subsidiary holdings (as defined in the Listing Manual)<sup>1</sup> will be disregarded for purposes of computing the 2% limit.

As at the Latest Practicable Date, the Company had 9,697,355 treasury shares and no subsidiary holdings.

Purely for illustrative purposes, on the basis of 1,124,056,275 issued Shares and excluding 9,697,355 Shares held in treasury as at the Latest Practicable 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 by the Company, or held as treasury shares, and (iii) no Shares are held as subsidiary holdings, the purchase or acquisition by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 22,287,178 Shares.

4.3.2 ***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 Purchase 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 Purchase Mandate is revoked or varied; or
- (c) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

---

<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.

#### 4.3.3 **Manner of Purchases or Acquisitions of Shares**

Purchases or acquisitions of Shares may be made by way of:

- (a) on-market purchases (“**Market Purchases**”) transacted on the SGX-ST through one or more duly licensed dealers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchases**”) in accordance with an equal access scheme.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase 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 equal access scheme 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 Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

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

#### 4.3.4 **Purchase Price**

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for a Share will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors, in the case of a Market Purchase and an Off-Market Purchase pursuant to an equal access scheme, must not exceed 105% of the Average Closing Price of the Shares, in either case, excluding related expenses of the purchase or acquisition (the “**Maximum Price**”).

For the above purposes:

“**Average Closing Price**” means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action 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 the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

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. At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company which are cancelled and 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 allowed. A subdivision or consolidation of any treasury share is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

---

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



#### 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.

Under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST 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 **Source of Funds.** The Company may purchase or acquire its own Shares out of capital, as well as from its profits.

The Company intends to use internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance purchases or acquisitions of its Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that it would materially affect the working capital requirements of the Group.

- 4.7 **Financial Effects.** The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, the number of Shares purchased or acquired and the price paid for such Shares. The financial effects on the Group and the Company, based on the audited consolidated financial statements of the Group and the Company for the financial year ended 31 March 2019, are based on the assumptions set out below:

##### 4.7.1 **Purchase or Acquisition out of Capital or Profits**

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, the amount available for the distribution of cash dividends by the Company will be correspondingly reduced. 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 the number of issued and paid-up Shares as at the Latest Practicable Date (excluding treasury shares) and on the assumptions set out in paragraph 4.3.1 above, the purchase or acquisition by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 22,287,178 Shares.

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

Assuming that the Company purchases or acquires 22,287,178 Shares at the Maximum Price, in the case of both Market Purchases and Off-Market Purchases of S\$5.35 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of 22,287,178 Shares is approximately S\$119,236,402.

#### 4.7.4 **Illustrative Financial Effects**

The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the proposed Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 4.7.1 to 4.7.3 above, the financial effects on the consolidated financial statements of the Group and the financial statements of the Company for the financial year ended 31 March 2019 would have been as follows:

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
Total equity <sup>(1)</sup> (S\$ million)	1,649.2	1,530.0	1,523.2	1,403.9
Net asset value per Share (S\$)	1.48	1.40	1.37	1.29
Profit attributable to equity holders of the Company (S\$ million)	248.4	248.4	N.A.	N.A.
Weighted average no. of issued and paid up Shares (million)	1,114.8	1,092.5	N.A.	N.A.
Basic earnings per Share (cents)	22.3	22.7	N.A.	N.A.
Total borrowings <sup>(2)</sup> (S\$ million)	95.7	95.7	133.9	133.9
Cash and cash equivalents (S\$ million)	349.9	230.6	176.5	57.3
Net borrowings <sup>(3)</sup> (S\$ million)	(254.2)	(134.9)	(42.6)	76.6
Gearing <sup>(4)</sup> (times)	0.06	0.06	0.09	0.10
Current ratio (times)	1.82	1.52	1.17	0.70

**Notes:**

- (1) "Total equity" means equity attributable to equity holders of the Company.
- (2) "Total borrowings" means short term and long term loans and finance lease commitments.
- (3) "Net borrowings" means total borrowings less cash and cash equivalents. A negative figure denotes net cash balance.
- (4) "Gearing" is defined as the ratio of total borrowings to total equity.

**Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical numbers for the financial year ended 31 March 2019, and is not necessarily representative of future financial performance.**

It should be noted that although the Share Purchase Mandate would authorise the Company to purchase or acquire up to 2% of the issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 2% of the issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel or hold in treasury all or part of the Shares purchased or acquired. The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

**4.8 Tax Implications.** Shareholders who are in doubt as to their respective tax positions or the tax implications of share repurchases by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

**4.9 Listing Rules.** 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 a Market Purchase, 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 Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement 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 the 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.

While the Listing Manual does not expressly prohibit any purchase or acquisition 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 proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced.

In particular, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during 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, and during the period of one month immediately preceding the announcement of the Company's annual results.

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by public shareholders. As at the Latest Practicable Date, Temasek Holdings (Private) Limited (“**Temasek**”), a substantial Shareholder of the Company, has a deemed interest in 446,532,946 Shares, representing approximately 40.07% of the issued Shares (excluding treasury shares). Temasek is wholly-owned by the Minister for Finance. As at the Latest Practicable Date, approximately 54.24% of the issued Shares (excluding treasury shares) are held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 2% limit pursuant to the proposed Share Purchase 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 to affect orderly trading.

- 4.10 **Shareholding Limit.** The Constitution of the Company provides that no person or related group of persons may, without prior approval of the Directors, have an interest (directly or indirectly) in 10% or more of the issued Shares for the time being, excluding treasury shares (the “**Shareholding Limit**”). Temasek (the “**Approved Shareholder**”) is currently entitled to have an interest in Shares in excess of the Shareholding Limit under the Constitution.

The percentage of Shares in which a person has an interest will increase immediately following any purchase or acquisition of Shares where the Shares which are the subject of the purchase or acquisition are not Shares in which that person has an interest. Similarly, the percentage of voting rights of a Shareholder whose Shares are not the subject of a purchase or acquisition by the Company will increase immediately following any purchase or acquisition of Shares by the Company.

**THE COMPANY WISHES TO DRAW THE ATTENTION OF SHAREHOLDERS TO THE FOLLOWING CONSEQUENCES OF A PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY PURSUANT TO THE SHARE PURCHASE MANDATE, IF SHAREHOLDERS APPROVE THE RENEWAL OF THE SHARE PURCHASE MANDATE AT THE 2019 AGM.**

**A PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY MAY INADVERTENTLY CAUSE THE INTEREST IN THE SHARES OF ANY PERSON (OTHER THAN THE APPROVED SHAREHOLDER) TO REACH OR EXCEED THE SHAREHOLDING LIMIT (IN PARTICULAR, ANY SUCH PERSON WHOSE INTEREST IN SHARES IS CURRENTLY CLOSE TO THE SHAREHOLDING LIMIT).**

**ACCORDINGLY, PERSONS WHOSE INTERESTS IN SHARES ARE CLOSE TO THE SHAREHOLDING LIMIT AND WHOSE INTERESTS MAY EXCEED THE SHAREHOLDING LIMIT BY REASON OF ANY PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY WOULD HAVE TO SEEK THE PRIOR APPROVAL OF THE DIRECTORS TO CONTINUE TO HAVE, ON SUCH TERMS AS MAY BE IMPOSED BY THE DIRECTORS, AN INTEREST IN THE SHARES REPRESENTING THE NUMBER OF SHARES IN EXCESS OF THE SHAREHOLDING LIMIT, AS A CONSEQUENCE OF A SHARE PURCHASE OR ACQUISITION BY THE COMPANY.**

4.11 **Take-over Implications.** 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:

4.11.1 ***Obligation to Make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in the change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

4.11.2 ***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), cooperate, 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 following persons, *inter alia*, will be presumed to be acting in concert:

- (a) 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); and
- (b) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

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

4.11.3 ***Effect of Rule 14 and Appendix 2 of the Take-over Code***

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, the Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, 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 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company 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 Ordinary Resolution authorising the Share Purchase Mandate.

Based on the interests of substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date, none of the substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of the maximum limit of 2% of its issued Shares (excluding treasury shares) as at the Latest Practicable Date.

**Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a general offer would arise by reason of any purchase or acquisition of Shares by the Company.**

## 5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Directors	Direct Interest		Deemed Interest <sup>(1)</sup>		No. of Shares comprised in outstanding awards
	Number of Shares	% <sup>(2)</sup>	Number of Shares	% <sup>(2)</sup>	
Ms Euleen Goh Yiu Kiang	22,774	0.0020	—	—	—
Mr Alexander Charles Hungate	2,273,836	0.2040	—	—	193,200 <sup>(3)</sup> 1,440,000 <sup>(4)</sup>
Mr Achal Agarwal	—	—	—	—	—
Mr Chia Kim Huat	2,190	0.0002	—	—	—
Mr Michael Kok Pak Kuan	30,000	0.0027	—	—	—
Ms Jenny Lee Hong Wei	—	—	—	—	—
Ms Jessica Tan Soon Neo	—	—	—	—	—
Mr Tan Soo Nan	10,000	0.0009	—	—	—
Mr Yap Chee Meng	—	—	—	—	—
Mr Yap Kim Wah	—	—	—	—	—

**Notes:**

(1) Deemed interests refer to interests determined pursuant to section 4 of the Securities and Futures Act, Chapter 289 of Singapore.

(2) Based on 1,114,358,920 issued Shares (excluding treasury shares) as at the Latest Practicable Date.

(3) 193,200 restricted Shares to be vested under the SATS Restricted Share Plan.

(4) 1,440,000 performance Shares to be vested under the SATS Performance Share Plan.

5.2 **Substantial Shareholders' Interests in Shares.** The interests of the substantial Shareholders in Shares as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date are set out below:

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
Temasek Holdings (Private) Limited	–	–	446,532,946 <sup>(2)</sup>	40.07	446,532,946	40.07
Tembusu Capital Pte. Ltd.	–	–	446,123,158 <sup>(2)</sup>	40.03	446,123,158	40.03
Napier Investments Pte. Ltd.	–	–	446,123,158 <sup>(2)</sup>	40.03	446,123,158	40.03
Venezio Investments Pte. Ltd.	446,123,158	40.03	–	–	446,123,158	40.03
BlackRock, Inc.	–	–	55,776,168 <sup>(3)</sup>	5.00	55,776,168	5.00
The PNC Financial Services Group, Inc.	–	–	55,776,168 <sup>(3)</sup>	5.00	55,776,168	5.00

**Notes:**

- (1) Based on 1,114,358,920 issued Shares (excluding treasury shares) as at the Latest Practicable Date.
- (2) Tembusu Capital Pte. Ltd. ("**Tembusu**") is the holding company of Napier Investments Pte. Ltd. ("**Napier**"), which is in turn the holding company of Venezio Investments Pte. Ltd. ("**Venezio**"). Tembusu and Napier are deemed to be interested in the Shares held by Venezio by virtue of section 4 of the Securities and Futures Act, Chapter 289 of Singapore. Temasek is the holding company of Tembusu and the ultimate holding company of Venezio. Accordingly, Temasek has a deemed interest in all the Shares held by Venezio. In addition, based on the figures in the Form 3 Notification Form for Substantial Shareholders dated 9 March 2018, Temasek is deemed to be interested in a further 409,788 Shares in which its other subsidiaries and associated companies have or are deemed to have an interest pursuant to section 4 of the Securities and Futures Act, Chapter 289 of Singapore.
- (3) BlackRock, Inc. is deemed to have an interest in 55,776,168 Shares held through its various subsidiaries. The PNC Financial Services Group, Inc. is deemed to have an interest in the same Shares through its over 20% interest in BlackRock, Inc.

## 6. DIRECTORS' RECOMMENDATIONS

6.1 **Proposed Alterations to SATS Restricted Share Plan.** All the Directors will be eligible to participate in the SATS Restricted Share Plan (as proposed to be altered). Accordingly, they have refrained from making any voting recommendation to Shareholders in respect of Ordinary Resolution No. 10, being the Ordinary Resolution relating to (*inter alia*) the proposed alterations to the SATS Restricted Share Plan to be proposed at the 2019 AGM.

The Directors will abstain from voting their Shares (if any) on Ordinary Resolution No. 10, and the Company will disregard any votes cast by Directors in respect of their Shares (if any) on Ordinary Resolution No. 10. The Directors will decline to accept appointment as proxies for Shareholders to vote in respect of Ordinary Resolution No. 10, 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. 10.

The Company will procure persons who are eligible to participate in the SATS Restricted Share Plan (as proposed to be altered) to abstain from voting their Shares on Ordinary Resolution No. 10, and will disregard any votes cast by such persons in respect of their Shares on Ordinary Resolution No. 10. The Company will also procure such persons to decline to accept appointment as proxies for Shareholders to vote in respect of Ordinary Resolution No. 10, 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. 10.

6.2 **Proposed Renewal of IPT Mandate.** The Directors are of the opinion that the entry into of the interested person transactions between the EAR Group (as described in paragraph 2.1.2 of Appendix 2 to this Letter) and those Interested Persons (as described in paragraph 2.3.1 of Appendix 2 to this Letter) in the ordinary course of their respective businesses will be made to enhance the efficiency of the EAR Group and are in the best interests of the Company. For the reasons set out in paragraphs 2.1 and 2.6 of Appendix 2 to this Letter, the Directors recommend that Shareholders vote in favour of Ordinary Resolution No. 11, 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 in respect of their holdings of Shares (if any) on Ordinary Resolution No. 11. The Company will disregard any votes cast by Temasek and its associates on Ordinary Resolution No. 11.

6.3 **Proposed Renewal of Share Purchase Mandate.** The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 12, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate 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 20 Airport Boulevard, SATS Inflight Catering Centre 1, Singapore 819659 during normal business hours from the date of this Letter up to the date of the 2019 AGM:

- (a) the Annual Report 2018-19 of the Company;
- (b) the Rules of the SATS Restricted Share Plan;
- (c) the Constitution of the Company; and
- (d) the 2018 Letter.

The Annual Report 2018-19 and the 2018 Letter may also be accessed at the URL <http://www.sats.com.sg>.

## 8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the 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  
SATS Ltd.

**Ms Euleen Goh Yiu Kiang**  
Chairman



# APPENDIX 1

## THE PROPOSED ALTERATIONS TO THE SATS RESTRICTED SHARE PLAN

Set out below are Rules 2, 3, 4, 5, 6, 7, 8, 12 and 13 of the SATS Restricted Share Plan, 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 SATS, means a company, not being a subsidiary of SATS, in which (a) the Group has an 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 an 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 “SATS”</b>	:	SATS Ltd., 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 its 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 its subsidiaries, as the case may be, who performs an executive function.
<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><u>“Non-Executive Director”</u></b>	:	<u>A director of the Company and/or any of its subsidiaries, as the case may be, other than a Group Executive Director.</u>
<b>“Participant”</b>	:	A Group Employee <u>or 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 is to be determined by the Committee on the Award Date, during which the Performance Condition is to be satisfied.
<b>“Plan”</b>	:	The SATS Restricted Share Plan, as the same may be modified or altered from time to time.

- “Release”** : In relation to an Award, the release, ~~at the end of the Vesting Period relating to that Award~~ 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 **“Released”** shall be construed accordingly.
- “Release Schedule”** : In relation to an Award, a schedule (if any) in such form as the Committee shall approve, in accordance with which Shares which are the subject of that Award shall be Released at the end of each Vesting Period.
- “Released Award”** : An Award which has been Released in full or in part in accordance with Rule 7.
- “SATS ESOP”** : The SATS Employee Share Option Plan adopted by the Company, as the same may be modified or altered from time to time.
- “SATS PSP”** : The SATS Performance Share Plan adopted or to be adopted by the Company, as the same may be modified or altered from time to time.
- “Security Device”** : 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.
- “Shares”** : Ordinary shares in the capital of the Company.
- “Singapore Exchange”** : The Singapore Exchange Securities Trading Limited.
- “Vesting”** : 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 **“Vest”** and **“Vested”** shall be construed accordingly.
- “Vesting Date”** : 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.
- “Vesting Period”** : In relation to an Award, each period (if any), the duration of which is to 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.
- “\$”** : Singapore dollar.
- “%”** : 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 employees 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. 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 ~~Participant~~employees 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

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, shall be eligible to participate in the Plan at the absolute discretion of the Committee 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; and~~

(b) 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 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 such as it considers fit, including (but not limited to):

(a) in the case of a Group Employee, his rank, job performance, 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

(b) in the case of a Non-Executive Director, his board and board committee appointments and attendance, and his contribution as a director to the success and development of the Group.

No Performance Conditions may be specified, and no Vesting Periods may be imposed, in relation to Awards granted to Non-Executive Directors under the Plan.

5.3 The Committee shall decide in relation to an Award:

(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; and

(g) 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 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 if, under the Act, the court sanctions 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 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; and
  - (f) 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. 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) the Participant (being a Group Employee) 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) the retirement of a Participant (being a Group Employee) or the Participant (being a Group Employee) ceasing to be employed by the Group by reason of (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee) or death, (ii) redundancy, or (iii) any other reason approved in writing by the Committee;
- (b) the completion of a fixed term contract for a Participant (being a Group Employee) on a fixed term contract;
- (c) the Participant (being a Group Employee) ceasing to be in the employment of the Group by reason of:
  - (i) 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;
  - (ii) a subsequent transfer of employment (from time to time) to any Associated Companies of the Company, following a transfer of employment by a Participant to any of the companies described in sub-paragraph (i) above; or
  - (iii) the subsidiary of the Company in which a Participant is employed, or the Associated Company of the Company in which a Participant is employed following transfer(s) of employment by that Participant as described in sub-paragraphs (i) and (ii) above, being subsequently wholly or partially disposed of by the Company; ~~or~~
- (d) the Participant (being a Non-Executive Director) ceasing to be a director of the Company or the relevant subsidiary of the Company, for any reason whatsoever;  
or
- (~~e~~) 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 (being a Group Employee) shall be deemed to have ceased to be employed by any company within the Group 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) the court sanctions 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 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.



7.1.2 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.

7.1.3 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) of Award**

7.2.1 SubjectIn relation to the Vesting of Awards granted under the Plan:

(a) in the case of an Award granted to a Group Employee, 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~~conditions 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 from the Award Date up to the end of the relevant Vesting Period 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, the Company shall Release to the relevant Participant the Shares to which his Award relates in accordance with the Release Schedule specified in respect of his Award on the Vesting Date; and

(b) in the case of an Award granted to a Non-Executive Director, subject to the Committee having determined that any conditions applicable thereto have been satisfied and (subject to Rule 6) provided that the relevant Participant has continued to be a Non-Executive Director from the Award Date up to the Vesting Date, the Company shall Release to the relevant Participant the Shares to which his Award relates in accordance with the Release Schedule specified in respect of his Award on the Vesting Date.

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; and

(b) in the case of an Award which is not subject to any Vesting Period, a Market Day falling as soon as practicable after the relevant Award Date,

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 in treasury) 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, in its absolute discretion, may determine to make a Release of ~~Award~~an Award (other than an Award granted to a 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. Rule 8**

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

- 8.1 The aggregate number of new Shares which may be issued pursuant to Awards granted under the Plan on any date, when added to the number of new Shares issued and issuable in respect of (a) all Awards granted under the Plan and (b) all options or awards granted under the SATS ESOP and the SATS PSP, shall not exceed 15% of the total number of issued Shares of the Company (excluding ~~Shares held by the Company as treasury shares and subsidiary holdings (as defined in the Listing Manual)~~) on the day preceding that date.
- 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 of 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", "Non-Executive Director", "Participant", "Performance Period" 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 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) 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 same interested person during the same financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for that transaction.
- 1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and hence are excluded from the ambit of Chapter 9 of the Listing Manual (“**Chapter 9**”), immediate announcement and shareholders’ approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company’s latest audited consolidated net tangible assets (“**NTA**”)) are reached or exceeded. In particular, shareholders’ approval is required for an interested person transaction of a value equal to, or exceeding:
- (a) 5% of the listed company’s latest audited consolidated NTA; or
  - (b) 5% of the listed company’s latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9) during the same financial year.
- 1.3 Based on the latest audited consolidated financial statements of SATS Ltd. (“**SATS**” or the “**Company**”) and its subsidiaries (collectively, the “**SATS Group**”) for the financial year ended 31 March 2019, the consolidated NTA of the SATS Group was approximately S\$1,256.6 million. In relation to SATS, and for the purposes of complying with Chapter 9, in the current financial year and until such time as the consolidated audited financial statements of the SATS Group for the financial year ending 31 March 2020 are published, 5% of the latest audited consolidated NTA of the SATS Group would be approximately S\$62.8 million.
- 1.4 Chapter 9 permits a listed company, however, to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company’s interested persons.
- 1.5 Under the Listing Manual:
- (a) an “**approved exchange**” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9;
  - (b) (in the case of a company) an “**associate**” in relation to an interested person who is a director, chief executive officer or controlling shareholder means 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 and his immediate family, the chief executive officer and his immediate family or controlling shareholder and his immediate family have an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;

- (c) an “**associated company**” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;
- (d) “**control**” means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company;
- (e) a “**controlling shareholder**” means a person who (i) holds directly or indirectly 15% or more of the total number of issued shares in the company excluding treasury shares and subsidiary holdings (the SGX-ST may determine that such person is not a controlling shareholder) or (ii) in fact exercises control over a company;
- (f) an “**entity at risk**” means:
  - (i) the listed company;
  - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
  - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the “**listed group**”), or the listed group and its interested person(s), has control over the associated company;
- (g) (in the case of a company) an “**interested person**” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder; and
- (h) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

## 2. THE IPT MANDATE

### 2.1 Rationale for the IPT Mandate

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

deregulation, it may be beneficial for the EAR Group to enter into such transactions with the relevant Interested Persons to take advantage of such competition in terms of pricing, products and services.

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

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

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

2.1.3 The IPT Mandate will take effect from the date of the passing of the ordinary resolution relating thereto, to be proposed at the Annual General Meeting of the Company to be held on 18 July 2019 and will (unless revoked or varied in general meeting) continue in force until the next Annual General Meeting (“**AGM**”) of the Company. Thereafter, approval from Shareholders for a renewal of the IPT Mandate will be sought at each subsequent AGM of the Company or Extraordinary General Meeting of the Company, as the case may be, subject to the satisfactory review by the Audit Committee of the Company (the “**Audit Committee**”) of its continued application to the transactions with Interested Persons.

## **2.2 Scope of the IPT Mandate**

2.2.1 The EAR Group provides a whole range of services, including air freight and ground handling services, inflight meal and food catering services, laundry and linen services and security services, to Singapore Airlines Limited (“**SIA**”) and its subsidiaries. The EAR Group also provides certain security and other services to SIA Engineering Company Limited.

2.2.2 The IPT Mandate will not cover any transaction by a company in the EAR Group with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 would not apply to such transactions.

## **2.3 Classes of Interested Persons**

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

2.3.2 Transactions with Interested Persons which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of the Listing Manual. The IPT Mandate does not apply to Interested Person Transactions with the President & Chief Executive Officer of the Company (the “**CEO**”), the Directors, and their respective associates, for which separate Shareholders’ approval will be obtained if it becomes necessary to do so.

## 2.4 Interested Person Transactions

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

- (a) air freight, logistics and other cargo-related services, and passenger, baggage and other ground handling services, food supply, inflight meal and food catering services, food testing services, laundry and linen services and security services;
- (b) provision of central purchasing, financial and treasury support (including borrowing of funds from, and placement of funds with, Interested Persons, entry into forex, swap and option transactions with or through Interested Persons for hedging purposes, subscription of debt securities issued by Interested Persons, and provision of fund management services), tax, internal audit, staff training and centrally organised activities and meetings for staff and management, staff transportation and other personnel-related or staff welfare-related services, provision of management and corporate support, staff pooling, technical support, central reservations and other telecommunications systems and support, and other related services;
- (c) provision of technical and information technology services, including the acquisition and leasing of computer equipment, provision of computer maintenance services and systems, development, licensing and acquisition of computer software programmes, and other information technology-related equipment, goods and services;
- (d) rental and licensing of space, both as lessor/lessee and licensor/licensee, provision of building maintenance services, property management services, and the development of property for investment purposes;
- (e) the obtaining of insurances and the underwriting of risks;
- (f) the obtaining of electricity and other power sources and utilities; and
- (g) any other transaction relating to the provision of or obtaining from or through, Interested Persons, or the joint transacting with Interested Persons for, products and services related to the EAR Group's principal and ancillary activities in the normal course of its business and on normal commercial terms.

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

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

### (a) *Review Procedures*

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

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

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

The review procedures are:

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

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

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

In the case where a tender exercise is conducted, the invitation for bids will generally include a specimen contract to preclude negotiations by the vendor on the terms of supply after the successful vendor is selected by the tenders committee. There will be written contractual terms of supply applicable to each tender. The tender review procedures require:

- (aa) (in the case of the SATS Group) an open tender for bids to be called if there are more than 6 known vendors for the contract or item unless this requirement is waived by the tenders committee in exceptional circumstances, in which case a closed tender will be called; if there are 6 or fewer known vendors, a closed tender for bids will be called inviting all the known vendors to bid; and



- (bb) (in the case of the associated company of the Company forming part of the EAR Group) an open tender for bids to be called if the value of the contract exceeds a specified amount; if it does not exceed such amount, a closed tender for bids will be called inviting all known vendors to bid.

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

(iii) *Treasury Transactions*

(aa) Placements

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

(bb) Borrowings

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

(cc) Debt Securities and Preference Shares

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

In relation to the issue or sale to Interested Persons of debt securities or preference shares, the EAR Group will issue or sell such debt securities or preference shares to Interested Persons provided that the price(s) at which the EAR Group issues or sells such debt securities or preference shares is

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

(dd) Forex, Swaps, Options

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

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

(b) *Threshold Limits*

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

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

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

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

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

2.5.3 The Board and the Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures to monitor Interested Person Transactions have been complied with.

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

## **2.6 Benefit to Shareholders**

2.6.1 The IPT Mandate and its subsequent renewal on an annual basis would eliminate the need to convene separate general meetings from time to time to seek Shareholders’ approval as and when potential Interested Person Transactions with a specific class of Interested Persons arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives or adversely affecting the business opportunities available to the Company.

2.6.2 The IPT Mandate is intended to facilitate transactions in the normal course of business of the EAR Group which are transacted from time to time with the specified classes of Interested Persons, provided that they are carried out on the normal commercial terms of the relevant company in the EAR Group and are not prejudicial to the Shareholders.

2.6.3 Pursuant to Rules 907 and 920(1) of the Listing Manual, the Company will:

- (a) announce the aggregate value (as determined by the Board) of transactions entered into with Interested Persons pursuant to the IPT Mandate, for the quarterly financial periods which it is required to report on pursuant to the Listing Manual, and within the time required for the announcement of such report; and
- (b) disclose the IPT Mandate in the annual report of SATS, giving details of the aggregate value of Interested Person Transactions entered into pursuant to the IPT Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a shareholders’ mandate for interested person transactions is in force or as otherwise required by the provisions of the Listing Manual.

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions pursuant to the IPT Mandate (or a shareholders' mandate for interested person transactions under Rule 920 of the Listing Manual))	Aggregate value of all interested person transactions under the IPT Mandate (or a shareholders' mandate for interested person transactions under Rule 920 of the Listing Manual) during the financial year under review (excluding transactions less than S\$100,000)

## 2.7 Audit Committee's Statements

- 2.7.1 The Audit Committee has reviewed the terms of the IPT Mandate, as proposed to be renewed, and is satisfied that the methods and procedures for determining the transaction prices as set out in the IPT Mandate are sufficient to ensure that Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.
- 2.7.2 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 guidelines 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, the Company will revert to Shareholders for a fresh mandate based on new methods and procedures for transactions with Interested Persons.