



## **SATS Ltd.**

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

### **LETTER TO SHAREHOLDERS**

#### **Directors:**

Mr Edmund Cheng Wai Wing  
*(Non-Executive Chairman and Independent Director)*  
Mr Alexander Charles Hungate  
*(Executive Director and President & Chief Executive Officer)*  
Mr David Zalmon Baffsky *(Non-Executive, Independent Director)*  
Ms Euleen Goh Yiu Kiang *(Non-Executive, Independent Director)*  
Mr Nihal Vijaya Devadas Kaviratne CBE *(Non-Executive, Independent Director)*  
Mr Koh Poh Tiong *(Non-Executive, Independent Director)*  
Mr Michael Kok Pak Kuan *(Non-Executive, Independent Director)*  
Mr Yap Chee Meng *(Non-Executive, Independent Director)*

#### **Registered Office:**

20 Airport Boulevard  
SATS Inflight Catering Centre 1  
Singapore 819659

23 June 2015

To: The Shareholders of SATS Ltd.

Dear Sir/Madam

#### **1. INTRODUCTION**

##### **1.1 Notice of 2015 AGM.** We refer to:

- (a) the Notice of Annual General Meeting (the “**Notice**”) of SATS Ltd. (the “**Company**”) dated 23 June 2015, accompanying the Summary Report 2014-15, convening the 42nd Annual General Meeting of the Company to be held on 21 July 2015 (the “**2015 AGM**”);
- (b) Ordinary Resolution No. 9 relating to the Proposed Change of Auditors (as defined below, as proposed in the Notice);
- (c) Ordinary Resolution No. 12 relating to the proposed renewal of the IPT Mandate (as defined below, as proposed in the Notice); and
- (d) Ordinary Resolution No. 13 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 to Shareholders (“**Letter**”) is to provide shareholders of the Company (the “**Shareholders**”) with information relating to Ordinary Resolution Nos. 9, 12 and 13 proposed in the Notice (the “**Proposals**”).

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

- 1.3 **SGX-ST.** 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.

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

- 2.1 **Background.** At the 41st Annual General Meeting of the Company held on 23 July 2014 (the “**2014 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 “**Listing Manual**”) of the SGX-ST) (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 25 June 2014 (the “**2014 Letter**”) and Ordinary Resolution No. 13 as set out in the notice convening the 2014 AGM.

The IPT Mandate was expressed to take effect until the conclusion of the next Annual General Meeting of the Company, being the 2015 AGM which is scheduled to be held on 21 July 2015.

- 2.2 **Proposed Renewal of the IPT Mandate.** The directors of the Company (the “**Directors**”) propose that the IPT Mandate be renewed at the 2015 AGM, to take effect until the 43rd Annual General Meeting of the Company. There is no change to the terms of the IPT Mandate which is proposed to be renewed.

- 2.3 **The Appendix.** 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 the Appendix to this Letter.

- 2.4 **Audit Committee Statement.** The Audit Committee of the Company, comprising Ms Euleen Goh Yiu Kiang, Mr Nihal Vijaya Devadas Kaviratne CBE, Mr Koh Poh Tiong and Mr Yap Chee Meng, confirms that:

- (a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the 2014 AGM; and
- (b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

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

- 3.1 **Background.** At the 2014 AGM, Shareholders had approved, *inter alia*, the renewal of a mandate (the “**Share Purchase Mandate**”) to enable the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the “**Shares**”). The rationale for, and the authority and limitations of, the Share Purchase Mandate were set out in the 2014 Letter and Ordinary Resolution No. 14, as set out in the notice convening the 2014 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 14 at the 2014 AGM and will expire on the date of the next Annual General Meeting of the Company, being the 2015 AGM which is scheduled to be held on 21 July 2015. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the 2015 AGM.

As at 25 May 2015, being the latest practicable date prior to the printing of this Letter (the “**Latest Practicable Date**”), the Company had purchased or acquired an aggregate of 19,271,700 Shares by way of Market Purchase (as defined in paragraph 3.3.3(a) below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2014 AGM. The highest and lowest price paid was S\$3.10 and S\$2.83 per Share respectively and the total consideration paid for all purchases was S\$57,461,788.19, excluding commission, brokerage and goods and services tax.

As at the Latest Practicable Date, 19,423,249 Shares purchased or acquired by the Company were held as treasury shares.

- 3.2 **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 2014 Letter, is as follows:

- (a) repurchased Shares which are held in treasury may be transferred for the purposes of, or pursuant to, employees’ share schemes implemented by the Company (or when the Companies (Amendment) Act passed on 8 October 2014 (the “**CAA**”) comes into force, for the purposes of, or pursuant to, any share scheme, whether for employees, directors or other persons). 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 Company and its subsidiaries, 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 3.3.1 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 Company and its subsidiaries as a whole (the “**Group**”).

3.3 **Authority and Limits of 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 2015 AGM, are the same as were previously approved by Shareholders at the 2014 AGM and are summarised below:

3.3.1 **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 2015 AGM at which the renewal of the Share Purchase Mandate is approved. If the Company has, at any time during the period commencing from the date on which the last Annual General Meeting of the Company was held (or, when the CAA comes into force, the date of the 2015 AGM being the date on which the Share Purchase Mandate is passed, if approved by Shareholders) and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier, after the date the resolution relating to the Share Purchase Mandate is passed (the “**Relevant Period**”), reduced its share capital by a special resolution under Section 78C of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), or the court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, the total number of Shares shall be taken to be the total number of Shares as altered by the special resolution of the Company or the order of the court, as the case may be. Any Shares which are held as treasury shares will be disregarded for purposes of computing the 2% limit.

Purely for illustrative purposes, on the basis of 1,104,633,026 issued Shares (excluding 19,423,249 shares held in treasury) as at the Latest Practicable Date, and assuming that no further Shares are issued and no further Shares are purchased or acquired by the Company, on or prior to the 2015 AGM, the purchase by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 22,092,660 Shares.

3.3.2 **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 2015 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.

### 3.3.3 **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; (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and (3) 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.

### 3.3.4 **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.

3.4 **Status of Purchased Shares.** Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. 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.

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

3.5.1 ***Maximum Holdings***

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

3.5.2 ***Voting and Other Rights***

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

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a smaller amount (or when the CAA comes into force, a greater or smaller number) is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before, as the case may be.

3.5.3 ***Disposal and Cancellation***

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

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of, or pursuant to, an employees' share scheme (or when the CAA comes into force, for the purpose 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.

- 3.6 **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.

- 3.7 **Financial Effects.** The financial effects on the Company and the Group 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 Company and the Group, based on the audited consolidated financial statements of the Company and the Group for the financial year ended 31 March 2015, are based on the assumptions set out below:

3.7.1 ***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.

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.



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

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 3.3.1 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 22,092,660 Shares.

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

Assuming that the Company purchases or acquires 22,092,660 Shares at the Maximum Price, in the case of both Market Purchases and Off-Market Purchases of S\$3.54 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 22,092,660 Shares is approximately S\$78,208,016.40.

### 3.7.4 **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 3.7.1 to 3.7.3 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 2015 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)	1,441.1	1,362.9	1,381.9	1,303.7
Net asset value per Share (S\$)	1.30	1.26	1.25	1.20
Profit attributable to equity holders of the Company (S\$ million)	195.7	195.7	NA	NA
Weighted average no. of issued and paid up Shares (million)	1,115.9	1,093.8	NA	NA
Basic earnings per Share (cents)	17.5	17.9	NA	NA
Total borrowings <sup>(2)</sup> (S\$ million)	105.2	105.2	89.2	89.2
Cash and cash equivalents <sup>(3)</sup> (S\$ million)	429.7	351.5	289.8	211.6
Net borrowings <sup>(4)</sup> (S\$ million)	(324.5)	(246.3)	(200.6)	(122.4)
Gearing <sup>(5)</sup> (times)	0.07	0.08	0.06	0.07
Current ratio (times)	2.29	2.07	1.72	1.32



**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) "Cash and cash equivalents" includes cash transferred to assets held for sales.
- (4) "Net borrowings" means total borrowings less cash and cash equivalents. A negative figure denotes net cash balance.
- (5) "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 2015, 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), 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). 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.

**3.8 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.

**3.9 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 announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held 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, where such purchase or acquisition will be in contravention of the insider trading laws and regulations contained in the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**"), as amended or modified from time to time.

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 479,874,521 Shares, representing approximately 43.44% of the issued Shares (excluding treasury shares). Temasek is wholly-owned by the Minister for Finance. As at the Latest Practicable Date, approximately 56.29% 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.

- 3.10 **Shareholding Limit.** The Articles of Association of the Company (the "**Articles**") provide that no person or related group of persons may, without prior approval of the Directors, have an interest (directly or indirectly) in more than 5% of the issued Shares for the time being (the "**Shareholding Limit**"). Temasek (the "**Approved Shareholder**") is currently entitled to have an interest in Shares in excess of the Shareholding Limit under the Articles. As at the Latest Practicable Date, Temasek has a deemed interest in 479,874,521 Shares, representing approximately 43.44% of the issued Shares (excluding treasury shares).

The percentage of Shares in which a person has an interest (other than the Approved Shareholder) will increase immediately following any purchase or acquisition of Shares and if the Company cancels the Shares so purchased or acquired, 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 2015 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.**

3.11 **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:

3.11.1 ***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.

3.11.2 ***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.

3.11.3 ***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, 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 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.**

#### **4. THE PROPOSED CHANGE OF AUDITORS**

- 4.1 **Background.** The Company's existing auditors, Ernst & Young LLP ("**Ernst & Young**"), have been auditors of the Company since the inception of the Company. The existing audit engagement partner of Ernst & Young has been the engagement partner in-charge of auditing the Company since the financial year ended 31 March 2011 and, in accordance with Rule 713(1) of the Listing Manual, is due for rotation at the conclusion of the 2015 AGM. Ernst & Young were last re-appointed as auditors of the Company at the 2014 AGM to hold office until the conclusion of the 2015 AGM.

The Company proposes to seek Shareholders' approval at the 2015 AGM for KPMG LLP ("**KPMG**") to be appointed as the auditors of the Company, in place of the retiring auditors of the Company, Ernst & Young (the "**Proposed Change of Auditors**").

- 4.2 **Rationale for the Proposed Change of Auditors.** Ernst & Young were last re-appointed as auditors of the Company at the 2014 AGM to hold office until the conclusion of the 2015 AGM. In accordance with Guideline 12.4(d) of the Code of Corporate Governance 2012, the Audit Committee reviews the independence and objectivity of the auditors of the Company annually.

As part of ongoing good corporate governance initiatives, the Directors are of the view that it would be timely to invite large established accounting firms to participate in a request for proposal as the auditors of the Company for the financial year ending 31 March 2016. After due deliberation, the Audit Committee and the Directors recommend that KPMG be appointed as the auditors of the Company for the financial year ending 31 March 2016.

In recommending the appointment of KPMG to replace Ernst & Young as auditors of the Company, the Directors and the Audit Committee have taken into consideration various factors, such as, that KPMG have adequate resources and experience to handle the audit,

the audit engagement partner assigned to the audit has the appropriate level of experience and there will be an adequate number of suitably experienced supervisory and professional staff to be assigned to the audit, having due regard to the size and complexity of the Group. For the foregoing reasons, the Directors and the Audit Committee are of the opinion that KPMG will be able to meet the audit requirements of the Company and Rules 712 and 715 of the Listing Manual will be complied with.

For the purposes of Rule 715 of the Listing Manual, KPMG will be auditing the accounts of the Company and its Singapore-incorporated subsidiaries, and the relevant member firms within the international KPMG network will be auditing the Company's significant foreign-incorporated subsidiaries. The scope of audit services to be provided by KPMG will be comparable to the services currently provided by Ernst & Young.

Following the above, KPMG had, on 5 June 2015, given their written consent to be appointed as auditors of the Company, subject to approval of the Shareholders at the 2015 AGM.

In view of the above, Ernst & Young will not be seeking re-appointment as auditors of the Company at the 2015 AGM, being the end of their current term. To this end, the Company had, on 2 June 2015, received a letter from Ernst & Young giving notice that they would not be seeking re-appointment as auditors of the Company at the 2015 AGM.

The Directors wish to express their appreciation for the past services rendered by Ernst & Young.

Pursuant to Section 205(11) of the Companies Act, the Company has received a notice of nomination of KPMG as the proposed new auditors of the Company dated 21 May 2015 from a Shareholder (the "**Notice of Nomination**"). A copy of the Notice of Nomination is enclosed at the Annex to this Letter. The appointment of KPMG would be effective upon obtaining the approval of Shareholders at the 2015 AGM for the Proposed Change of Auditors. Upon the appointment, KPMG will hold office until the conclusion of the next Annual General Meeting of the Company.

4.3 **Listing Rules.** In accordance with the requirements of Rule 1203(5) of the Listing Manual, the Company confirms that:

- (a) there were no disagreements with Ernst & Young on accounting treatments within the last 12 months of the date of this Letter;
- (b) save as disclosed in this Letter, it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders;
- (c) the specific reasons for the Proposed Change of Auditors are disclosed in paragraph 4.2 above; and
- (d) it complies with Rules 712 and 715 of the Listing Manual in relation to the proposed appointment of KPMG as auditors of the Company.

In accordance with the requirements of Rule 1203(5) of the Listing Manual, Ernst & Young has confirmed, by way of their letter dated 5 June 2015, that they are not aware of any professional reasons why KPMG should not accept the appointment as the auditors of the Company.

4.4 **Information on KPMG.** KPMG in Singapore is part of a global network of professional firms providing audit, tax and advisory services. The independent member firms of the KPMG network operate in 155 countries and have more than 162,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative, a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG member firms adhere to high levels of professional excellence and offer clients the scale, industry insights and range of services they demand. KPMG employs standardised audit approaches and methodologies worldwide. KPMG in Singapore currently has a staff strength of over 2,500, which includes more than 2,300 professional staff. The firm has demonstrated vigorous growth and developed a reputation for service excellence since establishment in 1941. For more information about KPMG, please visit [www.kpmg.com.sg](http://www.kpmg.com.sg).

4.5 **Audit Committee's Statement.** The Audit Committee has reviewed the Proposed Change of Auditors and recommends the appointment of KPMG, in place of Ernst & Young, as the new auditors of the Company, having satisfied itself of the suitability of KPMG and ensuring compliance with the Listing Manual.

4.6 **Consents.** Each of Ernst & Young and KPMG have given and have not withdrawn their written consent to the issue of this Letter with the inclusion of their name and all references thereto, in the form and context in which they appear in this Letter.

## 5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Directors	Direct Interest		Deemed Interest <sup>(1)</sup>		No. of Shares comprised in outstanding share options/ awards
	Number of Shares	% <sup>(2)</sup>	Number of Shares	% <sup>(2)</sup>	
Mr Edmund Cheng Wai Wing	–	–	–	–	–
Mr Alexander Charles Hungate	203,700	0.0184	–	–	264,536 <sup>(3)</sup> 380,000 <sup>(4)</sup>
Mr David Zalmon Baffsky	–	–	–	–	–
Ms Euleen Goh Yiu Kiang	2,774	0.0003	–	–	–
Mr Nihal Vijaya Devadas Kaviratne CBE	–	–	–	–	–
Mr Koh Poh Tiong	–	–	–	–	–
Mr Michael Kok Pak Kuan	30,000	0.0027	–	–	–
Mr Yap Chee Meng	–	–	–	–	–

**Notes:**

- (1) Deemed interest refers to interests determined pursuant to Section 4 of the Securities and Futures Act.
- (2) Based on 1,104,633,026 issued Shares (excluding treasury shares) as at the Latest Practicable Date.
- (3) 264,536 restricted shares to be vested under SATS Restricted Share Plan.
- (4) 380,000 performance shares to be vested under 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	–	–	479,874,521 <sup>(2)</sup>	43.44	479,874,521	43.44
Tembusu Capital Pte. Ltd.	–	–	479,096,858 <sup>(2)</sup>	43.37	479,096,858	43.37
Napier Investments Pte. Ltd.	–	–	479,096,858 <sup>(2)</sup>	43.37	479,096,858	43.37
Venezio Investments Pte. Ltd.	479,096,858	43.37	–	–	479,096,858	43.37

**Notes:**

- (1) Based on 1,104,633,026 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. 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, Temasek is deemed to be interested in 777,663 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.

## 6. DIRECTORS' RECOMMENDATIONS

6.1 **Proposed Renewal of IPT Mandate.** The Directors are of the opinion that the entry into of the interested person transactions between the EAR Group (as described in paragraph 2.1.2 of the Appendix to this Letter) and those Interested Persons (as described in paragraph 2.3.1 of the Appendix 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 the Appendix to this Letter, the Directors recommend that Shareholders vote in favour of Ordinary Resolution No. 12, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the 2015 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. 12.

6.2 **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. 13, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2015 AGM.

6.3 **Proposed Change of Auditors.** Having considered the rationale and benefit of the Proposed Change of Auditors, the Directors are of the opinion that the appointment of KPMG as auditors of the Company is in the best interests of the Company and Shareholders. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 9, being the Ordinary Resolution relating to the Proposed Change of Auditors to be proposed at the 2015 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 2015 AGM:

- (a) the Summary Report 2014-15 of the Company;
- (b) the Memorandum and Articles of Association of the Company;
- (c) the 2014 Letter;
- (d) the letter from Ernst & Young, giving notice that they would not be seeking re-appointment as auditors of the Company at the 2015 AGM subject to the approval of Shareholders at the 2015 AGM; and
- (e) the letter from KPMG, giving their consent to act as auditors of the Company subject to the approval of Shareholders at the 2015 AGM.

## **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.

**Mr Edmund Cheng Wai Wing**  
Chairman

**THE ANNEX**  
**NOTICE OF NOMINATION**

**VENEZIO INVESTMENTS PTE. LTD.**  
(Regn. No. 200913043C)

60B Orchard Road  
#06-18 Tower 2  
The Atrium@Orchard  
Singapore 238891  
Tel: 6828 6828  
Fax: 6821 1159

21 May 2015

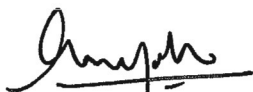
The Board of Directors  
SATS Ltd.  
20 Airport Boulevard  
SATS Inflight Catering Centre 1  
Singapore 819659

Dear Sirs

**Notice of Nomination**

Pursuant to the provisions of Section 205 of the Companies Act, Chapter 50, we, Venezia Investments Pte. Ltd., in our capacity as a member of SATS Ltd. ("SATS"), hereby give notice of our nomination of KPMG LLP of 16 Raffles Quay #22-00, Hong Leong Building, Singapore 048581 for appointment as Auditors of SATS in place of the retiring Auditors, Ernst & Young LLP, at the forthcoming Annual General Meeting of SATS.

Yours faithfully



Ms Goh Bee Kheng (Grace)  
Corporate Representative of  
Venezio Investments Pte. Ltd.

## THE APPENDIX

### THE IPT MANDATE

#### 1. CHAPTER 9 OF THE LISTING MANUAL

- 1.1 Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company’s interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the 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 accounts of SATS Ltd. (“**SATS**” or the “**Company**”) and its subsidiaries (collectively, the “**SATS Group**”) for the financial year ended 31 March 2015, the consolidated NTA of the SATS Group was approximately S\$1,186.3 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 accounts of the SATS Group for the financial year ending 31 March 2015 are published, 5% of the latest audited consolidated NTA of the SATS Group would be approximately S\$59.3 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 (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 21 July 2015 and will (unless revoked or varied in general meeting) continue in force until the next Annual General Meeting of the Company. Thereafter, approval from Shareholders for a renewal of the IPT Mandate will be sought at each subsequent Annual General Meeting 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 Singapore Airlines Limited (“**SIA**”) and its subsidiaries provide a whole range of services to the EAR Group including technical and information technology services, central purchasing and other support services, whilst the EAR Group provides, *inter alia*, air freight and ground handling services, inflight meal and food catering services, laundry and linen services and security services to SIA and its subsidiaries, including SilkAir (Singapore) Private Limited, Singapore Airlines Cargo Pte Ltd and Scoot Pte. Ltd.. 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:

<b>Name of interested person</b>	<b>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))</b>	<b>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)</b>

## **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.

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