SATS LTD.
Annual Report 2017-18

Enabling Growth

sats

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Our strategy of Feeding and Connecting Asia is gaining traction. Investments in technology and people have led to process innovations and improved productivity. Driven by data and analytics, we have developed innovative products and services that have enabled our customers, business partners, and ourselves to grow.

Backed by dedicated staff that are skilled in these technological innovations, SATS has increased connectivity and scalability throughout our network to maintain high quality and service standards.

Through collaborative partnerships with our customers and partners, we have expanded our presence in key markets and developed new digital capabilities to facilitate growth. Together, these strategic measures contribute towards future-proofing our business for long-term sustainability.

Contents

Online Version
For more information, please visit
www.sats.com.sg/InvestorRelations

All values in the tables, graphs and charts are expressed in Singapore currency unless otherwise stated. Any discrepancies in the tables, graphs and charts included in this report between the listed amounts and total thereof are due to mathematical rounding. Where applicable, measurements in square metres ("sq m") are converted to square feet ("sq ft") and vice versa based on the conversion rate of 1 sq m = 10.7639 sq ft.

Our Hubs in the Region and Beyond

An integrated service provider, SATS has expertise in both Food Solutions and Gateway Services. Working with industry leaders, we have invested in technology and developed platforms to help our customers manage the nerve centre of their hub operations. We deliver quicker turnaround and seamless connectivity to enable our customers to achieve scale efficiencies.

OMAN

OMAN

Enhanced connectivity for cargo customers across Asia by providing cargo handling services with Oman as a transit hub.

KUALA LUMPUR

KUALA LUMPUR

AirAsia

Extended regional reach by partnering AirAsia in a joint venture to provide ground handling services in fast-growing ASEAN countries. Through the development of new technologies and this partnership, SATS is able to boost AirAsia's performance and gain access to

15 airports

handling **26 million passengers**

in Malaysia today.

HONG KONG

TAIPEI

TAIPEI

Eva Air

Turnkey hub operations in Taipei comprising gateway services and food solutions powers seamless connectivity for the Greater China region.

HONG KONG

Formed a joint venture company with a subsidiary of Hong Kong Airlines to enhance scale of operations and offer hub operation services to Hong Kong International Airport.

SINGAPORE

SINGAPORE

Singapore Airlines

Entered into a points of agreement with SIA and DFASS to deliver an omni-channel e-commerce travel retail experience for SIA's customer base of more than

30 million travellers.

Partnered Singapore Chefs' Association and signed on the National Culinary Team to explore new menu ideas.

SATS' revolutionary Air Cargo Tracking System enables visibility and end-to-end tracking of shipments, enhancing SIA's commitment for cargo shipped with Swiftrider XPS (Express).

FIVE-YEAR GROUP FINANCIAL AND OPERATIONAL SUMMARY

	FY2017-18	FY2016-17	FY2015-16	FY2014-15	FY2013-14
Income Statement ($ million)					
Total revenue	**1,724.6**	1,729.4	1,698.2	1,753.2	1,786.7
Operating profit	**226.4**	230.6	214.7	178.0	171.0
Share of results of associates/joint ventures, net of tax	**71.2**	65.2	48.0	48.1	47.2
Profit after tax	**265.5**	260.8	218.4	190.7	182.1
Profit attributable to owners of the Company	**261.5**	257.9	220.6	195.7	180.4
Underlying net profit	**236.1**	234.3	218.1	195.9	183.0
Statement of Financial Position ($ million)					
Equity holders' funds	**1,634.1**	1,603.5	1,490.8	1,441.1	1,416.8
Non-controlling interests	**132.5**	87.7	74.3	76.5	97.6
Total Equity	**1,766.6**	1,691.2	1,565.1	1,517.6	1,514.4
Property, plant and equipment	**560.1**	538.7	516.8	551.7	567.9
Investment properties	**8.9**	10.4	13.9	7.0	9.2
Other non-current assets	**1,044.3**	873.8	745.4	668.3	718.1
Current assets	**735.0**	856.5	829.6	792.7	724.6
Total assets	**2,348.3**	2,279.4	2,105.7	2,019.7	2,019.8
Non-current liabilities	**179.1**	193.1	70.3	156.3	175.9
Current liabilities	**402.6**	395.1	470.3	345.8	329.5
Total liabilities	**581.7**	588.2	540.6	502.1	505.4
Net Assets	**1,766.6**	1,691.2	1,565.1	1,517.6	1,514.4
Financial Ratios					
Return on equity (%)	**16.2**	16.7	15.0	13.7	12.8
Return on total assets (%)	**11.5**	11.9	10.6	9.4	9.1
Net margin (%)	**15.4**	15.1	12.9	10.9	10.2
Debt-equity ratio (times)	**0.07**	0.07	0.07	0.07	0.08
Economic value added (EVA) ($ million)	**101.1**	92.4	79.6	49.9	39.9
Productivity and Employee Data					
Value added ($ million)	**1,125.6**	1,142.0	1,068.9	1,022.0	1,011.4
Value added per employee ($)	**85,620**	83,127	76,635	71,704	69,222
Value added per $ employment cost (times)	**1.59**	1.54	1.48	1.43	1.43
Revenue per employee ($)	**131,182**	125,882	121,749	123,004	122,284
Staff costs per employee ($)	**53,803**	54,102	51,653	50,134	48,254
Average number of employees	**13,147**	13,738	13,948	14,253	14,611

	FY2017-18	FY2016-17	FY2015-16	FY2014-15	FY2013-14
Per Share Data (cents)					
Earnings after tax					
- Basic	**23.4**	23.2	19.9	17.5	16.1
- Diluted	**23.2**	23.0	19.7	17.4	16.0
Net asset value per share	**146.4**	143.9	134.4	130.4	126.6
Dividends					
Interim dividend per share (cents)	**6.0**	6.0	5.0	5.0	5.0
Final and special dividends per share (cents)	**12.0**	11.0	10.0	9.0	8.0
Dividend cover (times)	**1.3**	1.4	1.3	1.3	1.2
Dividend payout (%)	**76.9**	73.7	75.7	79.6	80.9
Cash Flows ($ million)					
Cash flows from operations	**298.4**	351.8	309.9	272.8	288.3
Free cash flow	**146.3**	220.8	221.9	175.1	189.8
Capital expenditure	**99.2**	88.1	51.2	61.3	57.1
Operating Statistics					
Cargo/mail processed (million tonnes)	**1.83**	1.72	1.60	1.57	1.50
Passengers handled (million)	**54.30**	51.53	48.45	44.76	45.66
Gross meals produced (million)	**70.51**	67.61	64.34	58.94	58.54
Flights handled (thousand)	**165.94**	171.38	162.24	153.95	164.71
Ship calls handled	**189**	147	110	94	108

Notes:

1 SATS' financial year is from 1 April to 31 March. Throughout this report, all financial figures are stated in Singapore Dollars and include both continuing and discontinued operations, unless otherwise stated.
2 Underlying net profit refers to profit attributable to owners of the Company excluding one-off items.
3 Return on equity is profit attributable to owners of the Company expressed as a percentage of the average equity holders' funds.
4 Debt-equity ratio is gross debt divided by equity attributable to owners of the Company at 31 March.
5 Average number of employees refers to the number of full time equivalent employees, including participants in the flexible-hour work scheme that was introduced since FY2014-15.
6 Basic earnings per share is computed by dividing profit attributable to owners of the Company by the weighted average number of fully paid shares in issue.
7 Diluted earnings per share is computed by dividing profit attributable to owners of the Company by the weighted average number of fully paid shares in issue after adjusting for dilution of shares under the various employee share plans.
8 Net asset value per share is computed by dividing equity attributable to owners of the Company by the ordinary shares (excluding treasury shares) in issue at 31 March.
9 Dividend cover is derived by dividing profit attributable to owners of the Company by total dividend (net of tax).
10 Dividend payout ratio is derived by dividing total dividend (net of tax) by profit attributable to owners of the Company.
11 Free cash flow comprises cash flows from operating activities less cash purchases of capital expenditure.
12 Final dividend for FY2017-18 is subject to shareholders' approval at the forthcoming Annual General Meeting.
13 Operating statistics cover SATS and its subsidiaries, but does not include associates and joint ventures.
14 Passengers handled comprises full service and low cost carrier as well as cruise ship passengers.
15 Gross meals include both inflight and institutional catering meals.

Managing Scale Efficiently

SATS deploys innovative technology and highly-skilled staff to scale its operations. Digital platforms enhance connectivity for SATS, enabling scale efficiencies across its network.

01.
IMPROVED PRODUCTIVITY

Technology-driven, people-led productivity initiatives have improved Value Added per Employment Cost by 11.2% over a five-year period.

02.
KITCHEN AUTOMATION

Technological innovations in the kitchen such as Dolly (an AGV food delivery trolley) and the Waterjet Cutter improve productivity and enhance quality of service in Food Solutions.

03.
SMART GLASS

Smart Glass cuts cargo and baggage loading from 60 minutes to 45 minutes, enabling a quicker turnaround for planes.

04.
SATS COOLPORT

SATS handled 293,000 tonnes of perishable cargo in FY2017-18 and created new trade flows between the South West Pacific and European Union for its meat transshipment services.

Growing with Our Partners

Combining more than 70 years of experience with technological innovation, we collaborate with our partners to develop innovative products and services that enhance service standards and enable growth.

01.

SIA DFASS SATS COLLABORATION

Singapore Airlines, DFASS, and SATS entered into a points of agreement that will harness the strengths of three partners to create an omni-channel e-commerce travel retail experience for SIA's customer base of more than 30 million travellers.

02.

SATS AirAsia PARTNERSHIP

SATS partnered AirAsia to boost the airline's ground handling capabilities and grow third-party business in ASEAN markets. The partnership enables both parties to expand their presence in Singapore and Malaysia.

03.

JETSTAR ASIA MAX AIRPORT SERVICE

SATS provides seamless connectivity for Jetstar Asia travellers through the use of iPads equipped with the Max Airport application to assist travellers with document checks and the purchase of add-on items such as extra luggage.

04.

EXPANSION OF INFLIGHT KITCHEN

The completion of C2+, a highly automated kitchen equipped with automated sauce and ingredient dispensers as well as robotic wok paddles, will help to meet higher demand for meals brought about by the robust growth in passenger traffic at Changi Airport.

Technology -driven, People-led

SATS adopts people-led innovations that enable our dedicated teams to raise the bar for our service standards. Coupled with specialised training and up-skilling, our people can handle higher value jobs in a technology-driven environment with ease.

01.

SMART WHEELCHAIR

Our smart wheelchair is an example of SATS' people-led innovation. Using follow-me technology, three wheelchairs form an autonomous convoy to take travellers requiring assistance around the airport, easing the need for additional manpower.

02.

RESPONSIVE HUB

Use of iPAX technology provides our Customer Service Assistants with real-time event monitoring to facilitate resource planning and improve our responsiveness. It also allows us the flexibility of enabling ground fulfilment in any location within the airport.

03.

DIGITISING THE TRAVEL EXPERIENCE

SATS' Ready To Travel mobile app provides useful and timely information to help travellers navigate within 12 airports and integrates customised service options such as airport lounge access, concierge services, insurance coverage and overseas data connectivity to enhance the travelling experience.

CHAIRMAN AND PCEO'S STATEMENT

from left to right

Euleen Goh
Chairman

Alex Hungate
President and
Chief Executive Officer

Dear Shareholders,

This year, a favourable macroeconomic environment together with continued urbanisation, drove stronger demand for air travel, high quality, authentic food, and e-commerce in Asia.

Global air passenger volumes grew 7.2%, with the Asia Pacific region leading the way at 9.0% growth. However, persistent overcapacity and higher oil prices have constrained airline profitability, resulting in pricing pressure on SATS.

We continue to manage this challenging environment by innovating new capabilities with our customers and using technology to gain more productivity from our scale.

With this financial performance in mind, taking into account the opportunities for new investments to achieve our long-term growth objectives, your Board of Directors has proposed a final ordinary dividend of 12 cents per share. Including the interim ordinary dividend payment of 6 cents per share paid on 27 November 2017, the total dividend will be 18 cents per share (FY16-17: 17 cents). If approved at the forthcoming Annual General Meeting on 19 July 2018, the proposed dividend will be paid on 17 August 2018.

Revenue

-0.3% from FY2016-17 $1.7b

ENABLING GROWTH

SATS has experienced strong volume growth across all segments of the business this year, thanks to our footprint in fast-growing markets across Asia. However, this volume growth did not translate fully into revenue growth due to pricing pressures. We also faced an escalation in operating costs from rising oil prices and the cessation of rebates from Changi Airport concession fees that had been in place for the last two years.

PATMI

+1.4% from FY2016-17 $261.5m

Against this backdrop, SATS made good progress with our strategy to deploy technological innovations and expand our geographical footprint. For the financial year in review, we achieved revenue of $1.7 billion, a marginal decline of 0.3% from the year before, due largely to a divestment of 51% of our stake in SATS Hong Kong to Voltaire Capital Investment Limited, as explained further below. Operating profit declined 1.8% to $226.4 million. However, profits after tax rose 1.8% to $265.5 million on the back of strong growth from our overseas investments. Productivity, measured by value added per employment cost, increased 3.2% year-on-year. Return on equity remains creditable at 16.2% (FY2016-17: 16.7%).

Our results in FY2017-18 demonstrate agility as we continue to operate successfully in a competitive and changing environment. Our strategy to feed and connect Asia is showing progress, with strong overseas growth cushioning the impact of lower yields.

PARTNERING FOR EXPANSION

To enhance connectivity across Asia, we began by investing in new digital capabilities and technology for the apron, passenger, and cargo operations in our Singapore hub that will strengthen our long-term partnership with our core customer groups and attract new airline partners.

We also formed a joint venture, Ground Team Red Holdings, with AirAsia. SATS owns 49% of Ground Team Red Sdn Bhd in Malaysia, and 60% of SATS Ground Services, an entity that offers ground services at Changi Airport Terminal 4. This Malaysian joint venture expanded our footprint into 15 new airports in November 2017, when it began operations ahead of the completion of the transaction in January 2018.

In India, we expanded our network through a new joint venture with Cargo Services Centre to build

CHAIRMAN AND PCEO'S STATEMENT

an international cargo terminal in Mumbai that started operations in April 2018.

Expanding our network further west, we have signed a binding Memorandum of Agreement with Turkish Airlines, to build what will be the world's largest in-flight kitchen, in Istanbul New Airport. When fully completed in 2028, the airport will have the capacity to serve 150 million passengers.

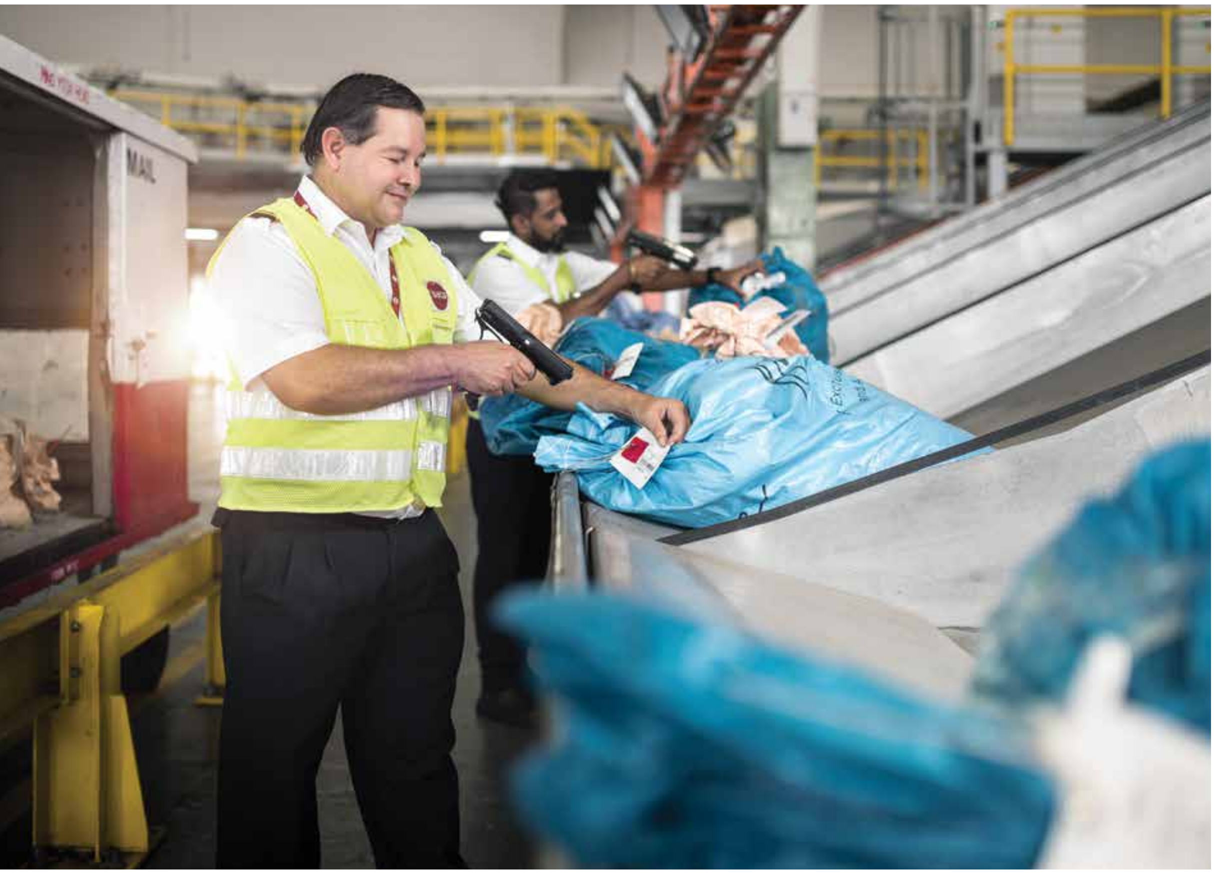
In an established market, Hong Kong, we have improved our competitiveness through divesting 51% of our stake in SATS Hong Kong to Voltaire Capital Investment Limited, a wholly owned subsidiary of Hong Kong Airlines. The partnership will provide our Hong Kong associate with a baseload to improve the scale of our operations and deliver better operating leverage.

In the year, we also restructured the Jilin pig farming joint venture to reduce our stake from 30% to 21%. We generated a one-off gain of $7 million from both our divestments in Hong Kong and Jilin.

Our investment activities have added 13 new airports and eight new cities to our network. SATS now has a presence in 60 airports across 62 cities.

APPLYING INNOVATION AND TECHNOLOGY

We continue to look for opportunities to use technology to increase connectivity for customers across our operations and enhance productivity. For instance, we have digitised many of our processes to enable quicker turnaround, greater accuracy, and efficiency. Our highly automated eCommerce AirHub reduces the processing time of airmail packages by 50% and can handle as many as 1,800 mail bags a day. We are deploying augmented reality smart glasses across our ramp operations with the goal of reducing cargo and baggage loading time by 25%. In our cargo operations, we have also launched an innovative Smartgate Volumetric Scanner that allows the weight and volume of shipments to be measured and recorded simultaneously within seconds.



Our eCommerce AirHub cuts the processing time of airmail packages by 50% and can handle up to 1,800 mail bags daily.

Global air travel continues on a growth trajectory. It is projected to double by 2035 and Asia will be the biggest driver of that demand. With our vision to feed and connect Asia, SATS will continue to invest in technology and our people. We will continue to expand both locally and into overseas markets to build scale and capabilities that enable our customers, partners, and ourselves to harness opportunities for growth

Food Solutions is reducing the cost of preparing high quality, authentic food by automating production and logistics processes. For example, they launched an award-winning, automated guided food delivery trolley that requires only a single person to deliver several carts to airport lounges at one go. Our smart wheelchair deploys a similar technology to allow a convoy of wheelchairs with only one person leading them to take travellers in need of assistance around the airport.

With greater convenience for travellers in mind, we have launched a mobile app, Ready To Travel, to enrich their travelling experience. The app provides useful and timely information to help them navigate within 12 airports (with more to come) and integrates customised service options such as airport lounge access, concierge services, insurance coverage, and overseas data connectivity to enhance the travellers' experience.

These integrated information systems help to make our services seamless for customers. At the same time, we are investing in cybersecurity across systems, people, and processes to help keep their data safe.

TECHNOLOGY-DRIVEN, PEOPLE-LED

As Asia's leading provider of Food Solutions and Gateway Services, our activities have helped airports, airlines, and businesses in the region to grow. Beyond enabling the growth of the industry, we cherish the role that we play in connecting and reuniting friends and families efficiently from all over the world and facilitating the trade flows that drive economic success.

By putting our people at the heart of our strategy to Feed and Connect Asia, we are confident that we can continue to play a vital role in Asia's future growth. Our technology-driven, people-led approach recognises that the reputation and success of our company is powered by their ideas and passion.

To provide a focus for their innovation efforts, we launched TechnIC@SATS with funding from Civil Aviation Authority of Singapore and the Economic Development Board in May last year. TechnIC@SATS has become a resource for our people to harness the power of technology, to reimagine services and redesign processes and job roles.

Productivity Value Added Per Employment Cost

+3.2% from FY2016-17 1.59

CHAIRMAN AND PCEO'S STATEMENT

The adoption of technology has created opportunities for our people to enhance their skills and benefit from our Progressive Wage Model. For example, 104 Apron Equipment Operators and 216 Catering Loading Assistants and Operations Assistants have been able to advance their skills and compensation.

We encourage all of our people to commit to a journey of lifelong learning. We believe that the development of new skills and capabilities should be celebrated, and have inaugurated awards that recognise their achievements. For example, in Singapore, we have SkillsFuture Fellowships for those who have displayed skills mastery as well as the personal commitment to mentorship and the skills development of others. The monetary award of S$10,000 will support them in their lifelong journey of skills mastery. We also work collaboratively with our unions to guide our employees to make the best use of their SkillsFuture credit so that they remain competitive and relevant in the workforce. In India, AISATS has a similar programme with Unnathi Protection of Human Rights Society on skills upgrading.

Return on Equity

(FY2016-17: 16.7%) 16.2%

Debt-to-Equity Ratio

(FY2016-17: 0.07times) 0.07

To develop our future leaders, we have launched the Global Leadership Programme, with a focus on increasing agility, resilience, and the ability to work successfully across cultures. We plan to take 48 leaders through this programme by the end of 2022.

HEALTHIER COMMUNITIES

In Asia's bustling cities, people have less and less time to prepare food at home and are becoming more dependent on prepared food. Our culinary team works with our food science experts to develop great tasting, nutritious food that can be cooked in large batches without the use of preservatives. In this way, we are proud to be able to contribute towards healthier communities. For example, in China, SATS Yihai Kerry provides freshly prepared meals to Hema Supermarket, Alibaba's O2O store. The Singapore Health Promotion Board endorses our subsidiary, SATS Food Services, which supplies freshly cooked food to schools and institutions in Singapore, as Healthier Caterer of the Year. SATS Catering has, in the year, also obtained Marine Stewardship Council's MSC certification for buying from sustainable fisheries. 7% of the seafood in meals prepared by SATS in Singapore is sourced from MSC-certified sources.

We have made progress in converting to the use of renewable energy and water. To reduce carbon emissions, we have a four-year master plan to turn all diesel-fuelled ground equipment to electric power. Currently, 48 hybrid tractors are being used for our operations in Changi Airport Terminal 2 and 3. A solar panel installation in our Airfreight Terminal 5 and 6 provides 4.5GWh/year of electricity for our activities. In India, our associate, AISATS, has also introduced solar panels on some of their ground handling equipment.

> **"We encourage all of our people to commit to a journey of lifelong learning. We believe that the development of new skills and capabilities should be celebrated, and have inaugurated awards that recognise their achievements."**

By 2020, we aim to convert 59% of our diesel ground support equipment (GSE) to electric ones.

SUSTAINABLE SUCCESS

SATS now produces 171,200,000 meals and manages 661,000 flights, 106,700,000 passengers and 4,705,000 tonnes of cargo a year. Looking ahead, robust growth in passenger and cargo traffic and increased demand for high-quality food across Asia will present exciting opportunities for SATS. Our strategy is gaining traction and we believe that SATS is on a path to sustainable success in the future.

We recognise that our future must be anchored on the strength of partnership with our customers and business associates. We appreciate their confidence in us and look to continue to serve and thrive together with them. We thank our SATS Board members for their valuable guidance and commitment, the executive management team for their strong leadership, SATS union for the close collaboration, our employees for their new ideas and hard work, and you, our shareholders, for your trust in us.

Two of our fellow directors, Koh Poh Tiong and Thierry Breton have decided to step down at the forthcoming AGM. We would like to thank Poh Tiong and Thierry for their invaluable contributions and active participation. We will miss their wise counsel.

Euleen Goh
Chairman

Alex Hungate
President and Chief Executive Officer

23 May 2018

AWARDS AND INNOVATIONS

Awards

IFSA 'Caterer of the Year' 2017

SATS garnered industry recognition for our culinary expertise and efforts to redefine the in-flight dining experience through innovative technologies that enhance meal quality, consistency, and taste. With our team of internationally acclaimed chefs from over 20 countries, we continuously deliver delicious cuisines that are curated to enhance passengers' onboard experience.

Priority Pass 'Asia Pacific Lounge of the Year' 2017

The SATS Premier Lounge at Singapore Changi Airport's Terminal 2 was named Asia Pacific Lounge of the Year by lounge membership programme, Priority Pass, at its Lounge of the Year Awards. Featuring our signature Laksa meal, orchid displays, Peranakan artwork and porcelain, as well as cultural events, the lounge is known for an immersive Singaporean experience.

SATS' continuous pursuit of excellence is rooted in our goal to maintain high quality and service standards. Our investments in technology have developed innovations, built data and analytics to drive productivity, and boosted connectivity and scalability across our network.

Innovations

Dolly (Food Delivery AGV)

Our automated food delivery trolleys use Light Detection and Ranging (LIDAR) technology to map food transport routes to lounges in the airport. With Dolly's help, our staff can now move multiple trolleys weighing nearly 200 kg each with the push of a button, instead of making several trips.

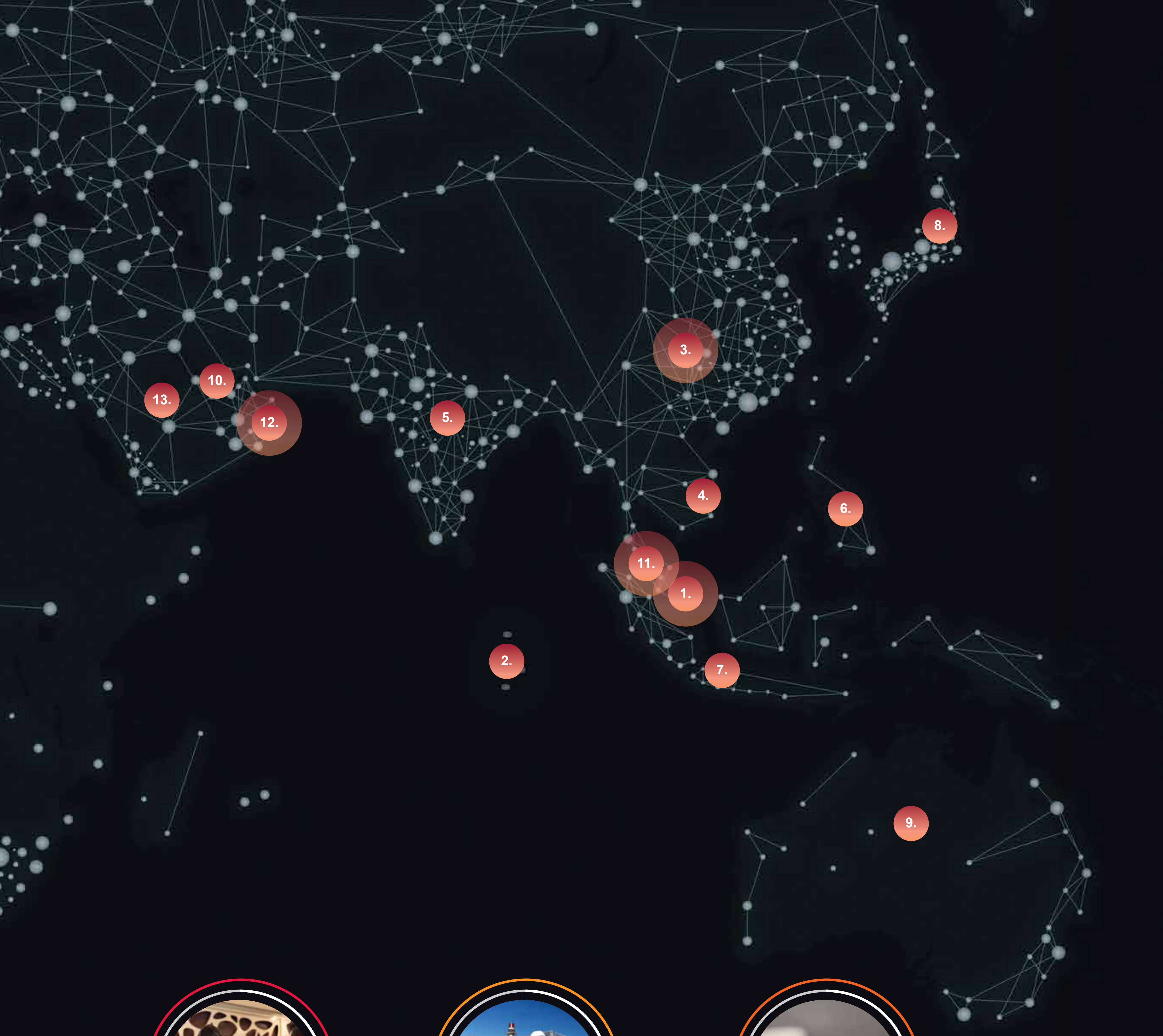
Smart Wheelchair System

The Smart Wheelchair System uses visual markers for up to three wheelchairs to follow each other autonomously in a convoy fashion. Our staff controls the first one with a remote to guide the convoy of wheelchairs following behind.

AR Smart Glasses

These augmented reality (AR) smart glasses enable greater efficiency and accuracy for baggage and cargo loading. Ramp handling operations staff are able to access critical information such as loading instructions in real-time to cut loading time by up to 15 minutes.

GEOGRAPHICAL PRESENCE



Passengers Handled*

106,700,000

Flights Handled*

661,000

Meals Served*

171,200,000^

* Based on FY2017-18 statistics for Singapore & overseas operations
^ Change in calculation methodology

- Hub
- Country

60 airports

62 cities

Cargo Handled (Tonnes)*

4,705,000

Food Solutions | Gateway Services | Food Solutions + Gateway Services

1. SINGAPORE
- Singapore

2. MALDIVES
- Male

3. GREATER CHINA
- Beijing
- Taipei
- Tianjin
- Jilin
- Macau
- Shanghai
- Shenyang
- Hong Kong
- Kaohsiung
- Taichung

4. VIETNAM
- Ho Chi Minh City

5. INDIA
- Bangalore
- New Delhi
- Mumbai
- Amritsar
- Chennai
- Goa
- Kolkata
- Hyderabad
- Mangalore
- Trivandrum

6. PHILIPPINES
- Manila

7. INDONESIA
- Denpasar
- Jakarta
- Asam-Asam
- Batu Kajang
- Bontang
- Muara Teweh
- Sesayap, Tarakan
- Balikpapan
- Bandung
- Batam
- Lombok
- Makassar
- Manado
- Medan
- Padang
- Palembang
- Pekanbaru
- Semarang
- Solo
- Surabaya
- Timika
- Yogyakarta

8. JAPAN
- Tokyo

9. AUSTRALIA
- Brisbane
- Rockhampton

10. UNITED ARAB EMIRATES
- Abu Dhabi
- Dubai

11. MALAYSIA
- Kuala Lumpur
- Penang
- Alor Setar
- Johor Bahru
- Kota Bharu
- Kota Kinabalu
- Kuala Terengganu
- Kuching
- Miri

12. OMAN
- Muscat

13. SAUDI ARABIA
- Dammam

BOARD OF DIRECTORS

01. Euleen Goh
02. Alex Hungate
03. Yap Kim Wah
04. Thierry Breton
05. Chia Kim Huat

06. Koh Poh Tiong
07. Michael Kok
08. Jessica Tan
09. Yap Chee Meng
10. Tan Soo Nan
11. Achal Agarwal

BOARD OF DIRECTORS

As at 23 May 2018

EULEEN GOH YIU KIANG

Chairman
Non-Executive and Independent Director

Date of first appointment as a Director
1 August 2013
Date of last re-election as a Director
21 July 2017
Length of service as a Director
4 years 9 months

Board committee(s) served on

- Chairman, Board Executive Committee
- Chairman, Remuneration and Human Resource Committee
- Member, Nominating Committee

Present directorships

Listed companies

- CapitaLand Limited
- DBS Group Holdings Ltd.
- Royal Dutch Shell plc

Others

- Chairman, DBS Foundation Ltd.
- DBS Bank Ltd.
- Singapore Health Services Pte. Ltd.

Major appointments (other than directorships)

- Chairman, NorthLight School Board of Governors
- Chairman, Governing Council of Singapore Institute of Management
- Trustee, Singapore Institute of International Affairs Endowment Fund
- Trustee, Temasek Trust
- Rector, Cinnamon College, National University of Singapore

Past directorships in listed companies held over the preceding three years

Nil

Past key appointments

- Director, Singapore Airlines Limited
- Group Head, Corporate & Institutional Banking Sales, Standard Chartered Bank
- Chief Executive Officer, Standard Chartered Bank Singapore

Achievements

- Her World Woman of the Year 2005
- Public Service Medal at the Singapore National Day awards 2005
- Public Service Star at the Singapore National Day awards 2012

Academic and professional qualification(s)

- Associate, Institute of Chartered Accountants in England & Wales
- Member, The Chartered Institute of Taxation, UK
- Associate member, Institute of Financial Services, UK
- Fellow, Institute of Singapore Chartered Accountants
- Fellow, Singapore Institute of Directors

ALEXANDER CHARLES HUNGATE

Executive Director, President and Chief Executive Officer

Date of first appointment as a Director
27 July 2011
Date of last re-election as a Director
19 July 2016
Length of service as a Director
6 years 10 months

Board committee(s) served on

- Member, Board Executive Committee

Present directorships

Listed companies

- United Overseas Bank Limited

Others

- Chairman, Asia Airfreight Terminal Company Limited
- Chairman, Food and Allied Support Services Corporation Pte. Ltd.
- Chairman, SATS BRF Food Pte. Ltd.
- Chairman, TFK Corporation
- Air India SATS Airport Services Private Limited
- Mumbai Cargo Services Centre Airport Private Limited
- SATS (India) Co. Private Limited
- SATS Investments Pte. Ltd.
- SATS Investments (II) Pte. Ltd.
- SATS Yihai Kerry Kunshan Food Co., Ltd.
- SATS Food Turkey Gıda Hizmetleri Anonim Şirketi
- SATS Investments Turkey Havacılık Yatırımları Anonim Şirketi

Major appointments (other than directorships)

- Member, Singapore Economic Development Board
- Council Member, National Youth Achievement Award Association Advisory Board

Past directorships in listed companies held over the preceding three years

Nil

Past key appointments

- Group Managing Director, Personal Financial Services, HSBC
- Member, HSBC Group Management Board and Risk Management Committee
- Chief Executive Officer, The Hongkong and Shanghai Banking Corporation Limited, Singapore
- Director, The Hong Kong and Shanghai Banking Corporation Limited and its group of companies
- Chairman, Factiva
- Chairman, HSBC Bank Turkey A.S.
- Managing Director, Reuters, Asia Pacific

Academic and professional qualification(s)

- Master of Arts in Engineering, Economics and Management, Oxford University, UK
- Master of Business Administration (Baker Scholar), Harvard Business School, USA

ACHAL AGARWAL
Non-Executive and Independent Director

Date of first appointment as a Director
1 September 2016
Date of last re-election as a Director
21 July 2017
Length of service as a Director
1 year 8 months

Board committee(s) served on
- Member, Audit Committee

Present directorships
Listed companies
Nil

Others
- Kimberly-Clark Asia Pacific Headquarters Pte Ltd
- Kimberly-Clark India Private Limited
- Asia Venture Philanthropy Network Limited (AVPN)
- World Wide Fund for Nature (WWF) Singapore
- Singapore International Chamber of Commerce

Major appointments (other than directorships)
- President, Asia Pacific, Kimberly-Clark Corporation
- Member of Advisory Board, Antai College of Economics & Management – Shanghai Jiao Tong University
- Council Member, Singapore Business Federation

Past directorships in listed companies held over the preceding three years
Nil

Past key appointments
- Business Unit General Manager, PepsiCo

Achievements
- CNBC Asia Business Leader of the Year 2016

Academic and professional qualification(s)
- BA (Hons), History, University of Delhi
- MBA, University of Delhi
- AMP, Wharton Business School

THIERRY BRETON
Non-Executive and Independent Director

Date of first appointment as a Director
1 October 2015
Date of last re-election as a Director
19 July 2016
Length of service as a Director
2 years 8 months

Board committee(s) served on
Nil

Present directorships
Listed companies
- Chairman and Chief Executive Officer, Atos S.E.
- Chairman, Worldline S.A.
- Carrefour S.A.
- Sonatel S.A.

Others
- Chairman, ANRT (the French National Association for Research and Technology)

Major appointments (other than directorships)
- Council Member, Bank of America Global Advisory
- Member, National Academy of Technologies (France)

Past directorships in listed companies held over the preceding three years
Nil

Past key appointments
- Minister of Economy, Finance and Industry, France
- Professor at Harvard Business School
- Chairman and Chief Executive Officer, France Telecom
- Chairman and Chief Executive Officer, Thomson
- Vice Chairman and Chief Executive Officer, Honeywell Bull Group

Achievements
- French Legion d'Honneur (Commandeur) in 2015
- French National Order of Merit (Grand Officier) in 2012
- European Business Leader of the year in 2004

Academic and professional qualification(s)
- Master Degree in Electrical Engineering and Computer Science
- French Institute for Higher National Defense (IHEDN)

CHIA KIM HUAT
Non-Executive and Independent Director

Date of first appointment as a Director
15 March 2017
Date of last re-election as a Director
21 July 2017
Length of service as a Director
1 year 2 months

Board committee(s) served on
- Member, Board Risk and Safety Committee

Present directorships
Listed companies
Nil

Others
- Ascendas Hospitality Fund Management Pte. Ltd.
- Ascendas Hospitality Trust Management Pte. Ltd.
- R&T Corporate Services Pte. Ltd.
- The Financial Board of Singapore Chinese Chamber of Commerce
- Singapore Centre for Chinese Language Limited

Major appointments (other than directorships)
- Vice-Chairman, SCCCI External Relations Committee
- School Advisory Board Member, Dunman High School
- Council Member, SCCCI
- Council Member, Teochew Poit Ip Huay Kuan
- Committee Member, FutureChina & GoEast, Business China
- Legal Advisor, Embassy of the People's Republic of China in Singapore
- Legal Advisor, Basketball Association of Singapore
- Secretary, The Financial Board of Singapore Chinese Chamber of Commerce

Past directorships in listed companies held over the preceding three years
- Ascendas China Commercial Fund Management Limited
- Ascendas Funds Management (S) Limited (Manager of A-REIT)
- PEC Ltd

Past key appointments
- Vice-Chairman, SCCCI Young Entrepreneur Network
- Management Committee Member, Singapore Chinese Chamber Institute of Business
- Member, Singapore-Liaoning Economic & Trade Council

Achievements
- "Eminent Practitioner" in Chambers Asia Pacific
- "Leaders in their Field" for Chambers Global
- "Market-Leading Lawyer" in Asialaw Leading Lawyers
- "Leading Lawyer" in Best Lawyers
- Who's Who Legal: Corporate / M&A
- Who's Who Legal: Capital Markets (Debt & Equity)

Academic and professional qualification(s)
- LLB (Hons), National University of Singapore
- Advocate & Solicitor, Supreme Court of Singapore

BOARD OF DIRECTORS

As at 23 May 2018

KOH POH TIONG

Non-Executive and Independent Director

Date of first appointment as a Director
1 November 2011
Date of last re-election as a Director
19 July 2016
Length of service as a Director
6 years 6 months

Board committee(s) served on
- Chairman, Nominating Committee
- Member, Board Executive Committee
- Member, Remuneration and Human Resource Committee

Present directorships
Listed companies
- Chairman, Bukit Sembawang Estates Limited
- Chairman, Saigon Beer Alcohol Beverage Corporation
- Director and Adviser, Fraser and Neave Limited
- Delfi Limited
- Raffles Medical Group Ltd

Others
- Chairman, Times Publishing Limited
- Chairman, Yunnan Yulinquan Liquor Company Ltd
- Great Eastern Life Assurance (Malaysia) Berhad
- Great Eastern General Insurance (Malaysia) Berhad

Major appointments (other than directorships)
- Chairman, Singapore Kindness Movement
- Chairman, National Kidney Foundation

Past directorships in listed companies held over the preceding three years
- Chairman and Senior Advisor, Ezra Holdings Limited
- United Engineers Limited

Past key appointments
- Chairman, Agri-Food & Veterinary Authority
- Chairman of School Advisory Committee, Gan Eng Seng School
- Chief Executive Officer, Asia Pacific Breweries Limited
- Chief Executive Officer, Food and Beverage, Fraser and Neave Limited
- Director, National Healthcare Group Pte. Ltd.
- Director, PSA Corporation Limited
- Director, PSA International Pte. Ltd.
- Member of Resource Panel, Government Parliamentary Committee (Finance, Trade & Industry)
- Director, The Great Eastern Life Assurance Company Limited

Achievements
- Public Service Star Award from the Singapore Government (Singapore Kindness Movement)
- Public Service Medal from the Singapore Government (Agri-food & Veterinary Authority)
- Service to Education Award by the Ministry of Education
- Outstanding CEO Award from Singapore Business Awards organised by DHL/ The Business Times

Academic and professional qualification(s)
- Bachelor of Science, University of Singapore

MICHAEL KOK PAK KUAN

Non-Executive and Independent Director

Date of first appointment as a Director
6 March 2015
Date of last re-election as a Director
21 July 2017
Length of service as a Director
3 years 2 months

Board committee(s) served on
- Member, Board Executive Committee
- Member, Remuneration and Human Resource Committee

Present directorships
Listed companies
- Dairy Farm International Holdings Limited
- Jardine Cycle and Carriage Limited
- Mapletree Greater China Commercial Trust Management Ltd

Others
- Chairman, SATS Yihai Kerry Kunshan Food Co., Ltd.
- KPK & Son Realty Pte Ltd

Major appointments (other than directorships)
Nil

Past directorships in listed companies held over the preceding three years
Nil

Past key appointments
- Dairy Farm Management Services Limited
- Foodworld Supermarkets Private Limited (formerly known as Foodworld Supermarkets Ltd)
- GCH Retail (Malaysia) Sdn. Bhd.
- Giant Hypermarket (Ulu Kelang) Sdn. Bhd.
- Giant South Asia (Vietnam) Ltd
- Hayselton Enterprises Limited
- Health and Glow Retailing Private Ltd (formerly known as RPG Guardian Private Ltd)
- Maxim's Caterers Ltd
- Mindset Limited
- Teng Mini Market Centre Sdn. Bhd.
- The Consumer Goods Forum
- The Dairy Farm Company Limited
- Trustee, Dairy Farm Education Trust

Achievements
- Outstanding Chief Executive Officer (Overseas) 2008 by the Singapore Business Awards
- Lifetime Achievement Award from the World Retail Congress, and inducted into World Retail Hall of Fame in 2013

Academic and professional qualification(s)
- Senior Executive Programme, London Business School, UK
- Advanced Management Program, Harvard Business School, USA

JESSICA TAN SOON NEO

Non-Executive and Independent Director

Date of first appointment as a Director
17 April 2017
Date of last re-election as a Director
21 July 2017
Length of service as a Director
1 year 1 month

Board committee(s) served on
- Member, Nominating Committee

Present directorships
Listed companies
- CapitaLand Commercial Trust Management Limited

Others
- Changi Health Fund (Ltd.)
- RM Network Pte Ltd

Major appointments (other than directorships)
- Member of Parliament, East Coast GRC, Singapore
- Chairman, East Coast-Fengshan Town Council
- Chairman, Public Accounts Committee (PAC)
- President, Netball Singapore
- Chairman, Information Technology Advisory Committee of Nanyang Polytechnic
- Board Member and Deputy Chairman, Nanyang Polytechnic Board of Governors
- Group Commercial Director, Raffles Medical Group Ltd
- Member, Home Affairs, Law and Manpower Government Parliamentary Committees
- Member, Board of Advisory, The School of Information Systems, Singapore Management University

Past directorships in listed companies held over the preceding three years
Nil

Past key appointments
- Chairman, Finance, Trade and Industry Government Parliamentary Committee
- First Deputy Chairman, Singapore International Chamber of Commerce
- Managing Director, Microsoft Singapore
- General Manager, Enterprise and Partner Group, Microsoft Asia Pacific
- Director, Networking Services, IBM Global Services Asia Pacific Region
- Director, Integrated Technology Services IBM Global Services ASEAN/SA
- Non-Executive Director, St. Joseph's Institution International Ltd., Singapore
- Non-Executive Director, St. Joseph's Institution International Elementary School Ltd., Singapore
- Member of the Advisory Board, The SAF Learning Transformation Advisory Board
- Board Member, Singapore Tourism Board
- Council Member, Singapore Sports Council
- Member, Social and Family Development Government Parliamentary Committee

Achievements
- 2015 Singapore Computer Society IT Leader Award
- Received Two Times Gold Star Awards, Microsoft
- Achieved Eight Hundred Percent Clubs, IBM
- 1992 Golden Circle Award, IBM

Academic and professional qualification(s)
- Bachelor of Social Sciences (Honours), National University of Singapore
- Bachelor of Arts (Economics and Sociology), National University of Singapore

TAN SOO NAN

Non-Executive and Independent Director

Date of first appointment as a Director
25 April 2016
Date of last re-election as a Director
19 July 2016
Length of service as a Director
2 years 1 month

Board committee(s) served on
- Chairman, Board Risk and Safety Committee
- Member, Audit Committee

Present directorships
Listed companies
- Raffles Medical Group Ltd
- Engro Corporation Limited

Others
- Raffles Health Insurance Pte. Ltd.
- ICE Futures Singapore Pte. Ltd.
- ICE Clear Singapore Pte. Ltd.
- ICE Singapore Holdings Pte. Ltd.
- Temasek Foundation Management Services CLG Limited
- Woh Hup Trust
- SPD (Serving People with Disabilities)

Major appointments (other than directorships)
- Chairman, Raffles Country Club
- Chairman, The Advisory Board and Executive Committee of The Photographic Society of Singapore
- Chairman, President's Challenge Social Enterprise Award Committee
- Member, Singapore Symphony Orchestra Council

Past directorships in listed companies held over the preceding three years
- OSIM International Pte. Ltd. (Delisted on 29 August 2016)

Past key appointments
- Chairman, Asia Pacific Lottery Association
- Co-Chair, Responsible Gambling Forum
- Chief Executive, Singapore Totalisator
- Board Member / Chief Executive Officer, Singapore Pools (Private) Limited
- Executive Committee Member, World Lottery Association
- Special Advisor, Singapore Pools (Private) Limited
- Member, High Performance Sport Steering Committee
- Vice President, The Football Association of Singapore
- Director, Caring Fleet Services Limited
- Director, Selegie Management Pte. Ltd.
- Director, Temasek Education Foundation CLG Limited
- Co-opted Executive Committee Member, Singapore National Olympic Council
- Singapore Totalisator Board SCO Trust
- Sporting Singapore Fund Board of Trustees

Achievements
- Lottery Industry Hall of Fame 2014

Academic and professional qualification(s)
- Bachelor of Business Administration, University of Singapore
- Associate, IFS School of Finance (formerly the Chartered Institute of Bankers)
- Program for Management Development, Harvard Business School

YAP CHEE MENG

Non-Executive and Independent Director

Date of first appointment as a Director
1 October 2013
Date of last re-election as a Director
21 July 2017
Length of service as a Director
4 years 7 months

Board committee(s) served on
- Chairman, Audit Committee
- Member, Board Risk and Safety Committee

Present directorships
Listed companies
Nil

Others
- Non-Executive Chairman, RHB Asset Management Group
- Non-Executive Chairman, AXA Insurance Pte. Ltd.
- The Esplanade Co Ltd
- Keppel Land Limited
- Pavilion Gas Pte Ltd
- RHB Investment Bank Berhad
- RHB Securities Singapore Pte. Ltd.

Major appointments (other than directorships)
Nil

Past directorships in listed companies held over the preceding three years
- Keppel Land Limited (Delisted on 16 July 2015)
- SMRT Corporation Ltd (Delisted on 31 October 2016)

Past key appointments
- Non-Executive Chairman, AXA Insurance Singapore Pte. Ltd.
- Board Member, National Research Foundation, PMO Singapore
- Chief Operating Officer for the Asia Pacific Region, KPMG International
- Member, KPMG International's Global Executive Team
- Regional Head of Financial Services, KPMG Asia Pacific
- Senior Partner / Leadership Team, KPMG Singapore
- Country Head of Financial Services & Real Estates, KPMG Singapore
- Member, various Committees, ACRA and ICPAS

Academic and professional qualification(s)
- Fellow, Institute of Chartered Accountants in England & Wales
- Fellow, Institute of Singapore Chartered Accountants

YAP KIM WAH

Non-Executive and Independent Director

Date of first appointment as a Director
20 July 2016
Date of last re-election as a Director
21 July 2017
Length of service as a Director
1 year 10 months

Board committee(s) served on
- Member, Audit Committee
- Member, Board Risk and Safety Committee

Present directorships
Listed companies
- Nil

Others
- Deputy Chairman & Executive Director, Baking Industry Training College Pte. Ltd.
- SMRT Corporation Ltd.
- SMRT Trains Ltd.

Major appointments (other than directorships)
Nil

Past directorships in listed companies held over the preceding three years
- SMRT Corporation Ltd (Delisted on 31 October 2016)

Past key appointments
- Chairman, Tradewind Tours & Travel Pte. Ltd.
- Deputy Chairman and Chief Executive Officer, Hyflux Caprica Pte. Ltd.
- Executive Director & Board Member, Raffles Education Corporation Limited
- Board Member, Singapore Land Authority
- Board Member, Virgin Holidays Ltd.
- Member, Committee of Sporting Singapore, MCCS
- Member, Panel of Judges, Annual Public Service Quality Award
- Member, Quality Service Advisory Committee, Public Service Commission
- Member, Management Committee, Singapore Turf Club
- Member, Management Committee, Singapore Sports School

Academic and professional qualification(s)
- Bachelor of Engineering (First Class Honours), University of Singapore
- Registered Engineer (Mechanical), Professional Engineers Board, Singapore
- Executive Development Program, Houston University
- Advanced Management Program, Harvard Business School

OPERATIONS REVIEW

Food Solutions

We are strengthening our Food Solutions capability with greater automation and culinary innovation. Committed to serving sustainable food in-flight, we have obtained Aquaculture Stewardship Council (ASC) Chain of Custody Certification and Marine Stewardship Council (MSC) Chain of Custody Certification for seafood.

DOLLY

An AGV that uses Light Detection and Ranging (LIDAR) technology to enable follow-me technology that allows up to three food carts to be transported at one time by one employee.

SUSTAINABLE SUPPLY CHAIN

SATS attained the Marine Stewardship Council (MSC) consumer-facing organisation (CFO) Multi-site Chain of Custody (CoC) standard (MSC-C-55971) and the Aquaculture Stewardship Council (ASC) CFO Multi-site CoC standard (ASC-C-01503) in 2017.

OPERATIONS REVIEW | FOOD SOLUTIONS

Meal volume for Food Solutions grew 4.3% in FY2017-18, mitigating the impact pricing pressure on revenue and operating profit. Revenue declined 2.7% to end the year at $946.6 million. Operating profit fell 11.3% to $150 million. Share of after-tax profits from associates and joint ventures also dipped marginally by 0.6% to $25.5 million.

DEEPENING CULINARY EXPERTISE

We continue to grow our culinary expertise to create menu excitement for our customers. Extending the engagement of SATS chefs in coaching and mentoring the National Culinary Team that won a gold medal in the 2016 Culinary Olympics, we partnered Singapore Chefs Association and signed on the National Culinary Team to develop new menu ideas.

In the year, we also obtained Aquaculture Stewardship Council (ASC) Chain of Custody Certification and Marine Stewardship Council (MSC) Chain of Custody Certification for seafood. Enhancing our capability to produce great-tasting, nutritious meals, SATS Food Services has been endorsed by Singapore Health Promotion Board as a Healthier Caterer.

Meal Volume

+4.3% from FY2016-17

70.51m^

^ The data above covers SATS and its subsidiaries, but does not include joint ventures and associates.

GROWING NEW CUSTOMERS

SATS' culinary expertise and reputation for running large central kitchens efficiently has opened up options to create new partnerships in key cities. The growth in passenger traffic across Asia has given us opportunities to win new customers and deepen our relationships with existing ones.

New wins in the year included Qantas Airlines in Beijing, Qatar Airlines and China Southern Airlines in Kuala Lumpur, Air Canada in Tokyo, Hebei Airlines and Norwegian Air in Singapore, Xiamen Airlines and Royal Brunei Airlines in the Philippines, Air France and Alitalia in Maldives, and AirAsia in India.

MEETING DEMAND FOR QUALITY, SAFE FOOD

In China where the food industry is growing at an accelerated rate, we have started central kitchen operations in Kunshan and are quickly growing our customer base from Quick Service Restaurants to O2O stores.

Brahim's SATS Food Services in Malaysia has expanded into non-aviation catering to provide meals on board Keretapi Tanah Melayu Berhad's electric train services as well as rail cafes at its stations and terminals.

FASSCO, in Saudi Arabia, has also won a new hospital contract to expand our non-aviation business in the Middle East to Dubai. In Singapore, SATS Food Services added the new 1,400-bed Sengkang General & Community Hospitals to its list of customers and expanded catering to childcare centres.

ENHANCING PRODUCTIVITY WITH AUTOMATION

The building of kitchen extension, C2+, at SATS Inflight Catering Centre 2 (SICC 2) was completed in February 2018. Equipped with automated sauce and ingredient dispensers as well as robotic wok paddles, the highly automated kitchen operations at

C2+ will add 10% more capacity to current meal production in Singapore. This will help to meet the higher demand for meals brought about by the robust growth in passenger traffic at Changi Airport.

Our ware wash has also been automated to allow segregation and stacking of various types of wares automatically.

To further increase productivity, we automated food delivery trolleys that transport food to the lounges at the airport. With automation, one employee can now move up to three carts weighing up to 200 kg each at one go without the need to push them.

AWARDS AND ACCOLADES

We are proud of the following achievements: SATS won Caterer of the Year for IFSA 2017 Compass Awards, Brahim's SATS Food Services won Best In Class for Malaysia Productivity Corporation's Malaysia Business Excellence Framework, Maldives Inflight Catering won a gold in the Top 100 companies in the Maldives, TajSATS in Bombay won a gold in All Nippon Airways Best Caterer Worldwide Award, TFK was awarded Best Service by Air China and Best Caterer for Mid and Short-Haul Routes by Korean Air, Beijing Airport Inflight Kitchen achieved excellent on time performance award by Malaysian Airlines and Best Catering Services Award from Sichuan Airlines.

SATS' culinary expertise and our reputation for running large central kitchens efficiently has created new partnerships in key cities.

OPERATIONS REVIEW

Gateway Services

We expanded our network connectivity and digitised our processes to provide travellers with a seamless travel experience, on the ground and in the air. Digitisation has also enabled us to develop innovative products and services that will enhance service quality for our customers.

eCOMMERCE AIRHUB

At SATS eCommerce AirHub, processing capacity for mail packages has tripled to enable 50% quicker turnaround time.

SMART GLASS

We are deploying augmented reality smart glasses across our ramp operations with the goal of reducing cargo and baggage loading time by 25%.

OPERATIONS REVIEW | GATEWAY SERVICES

FY2017-18 was a busy year for Gateway Services. We forged new partnerships, added nine new airports to our network and strengthened our presence in the markets we serve. We delivered a strong performance for the year in review. Revenue grew 2.9% or $21.9 million to $776.5 million. Operating profit leapt 22.1% to $78.3 million. Share of after-tax profits from associates and joint ventures rose 15.5% to $45.7 million.

FUELLING GROWTH MOMENTUM IN DOMESTIC MARKET

Volume in all segments of Gateway Services increased on the back of higher passenger and cargo traffic at Singapore Changi Airport. The highly automated Terminal 4 opened at the end of October, adding more capacity to Changi Airport. We formed a new partnership to provide lounge services in this new terminal with Plaza Premium Group, a leader in airport lounge services.

The growth of cruise tourism has led to an exponential increase in SATS' cruise business. In addition to Royal Caribbean and Princess Cruises, Genting Dream with a thrice-weekly call is homeporting at Marina Bay Cruise Centre today.

The growing demand for fresh food has also created growth opportunities for SATS Gateway. Tapping into the increased trade flow between New Zealand and the European Union (EU), we are the first in the world to receive the EU's approval as an authorised establishment for the provision of meat transshipment services between New Zealand and the EU.

SATS Tracer allows piece level track and trace for air cargo, providing greater visibility and tracking from end to end.

ACCELERATING GROWTH WITH OVERSEAS EXPANSION

New opportunities exist for SATS to deepen our partnerships in overseas markets, as airports in the region expand to cope with the burgeoning growth in passenger and cargo traffic. In the year, we formed a joint venture with AirAsia to handle their own ground operations, as well as jointly pursue third-party business in Malaysia and Singapore Changi Airport Terminal 4. In India, we deepened our footprint by forming a joint venture with Cargo Services Centre to manage an international cargo terminal in Mumbai.

Beijing Ground Services in China delivered markedly improved performance, following deregulation of ground handling rates. In Indonesia, we partnered PT JAS to manage a new international lounge that will open in June 2018 at Juanda International Airport Terminal 2 in Surabaya. In Dammam, Saudi Arabia, we have already started serving our first customer from an interim facility even before construction of our new air cargo terminal is completed.

Divestment of 51% of SATS' share in SATS HK to a wholly owned subsidiary of Hong Kong Airlines has brought significant new volumes and operating scale to our Hong Kong hub.

STRENGTHENING BRAND LEADERSHIP WITH NEW CAPABILITIES

Taking a technology-driven, people-led approach, we have digitised several of our processes, replicated new capabilities in key hubs, and developed the unique competencies required to manage these new capabilities.

We are grateful for the opportunities to collaborate with our customers on their various initiatives to transform the passenger journey. Early this year, we partnered Jetstar Asia on their launch of Max Airport Service where iPads are used to assist travellers with document checks and purchase of add-on items. We have also commenced the handling of Jetstar Asia's onboard F&B retail programme from August. We will continue to collaborate with Jetstar Asia, both on ground and in-flight, to deliver a seamless travel experience for their passengers travelling through their Southeast Asia hub in Singapore.

Revenue

+2.9% from FY2016-17 $776.5m

In the year, we continued to enhance the standard of passenger services by introducing new technologies like Smart Wheelchairs and upgrading our Baggage Reconciliation information systems. We also launched the SATS Affinity booking portal in April that allows customers to book personalised airport services in Singapore and Jakarta airports. We are working on extending the service to other airports that we manage.

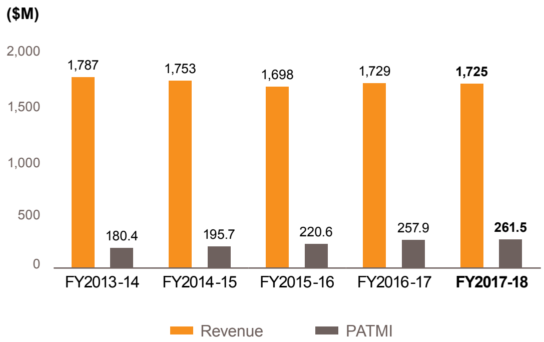
Value-added services from our specialised air cargo facilities, such as the SATS eCommerce AirHub and SATS Coolport, have helped to attract new air freight volumes. The increase in eCommerce traffic, and shift in airfreight cargo traffic from computer and electronics to fresh food, is increasing demand for these specialised services. We are attracting new business by offering high quality service corridors to customers across the network. For example, our associate, Beijing Ground Services, is upgrading their cold room facility and going through training to be accredited by the IATA Centre of Excellence for Independent Validators. They are also be rolling out Tracer, a piece-level track and trace system for eCommerce packages using RFID technology.

AWARDS AND ACCOLADES

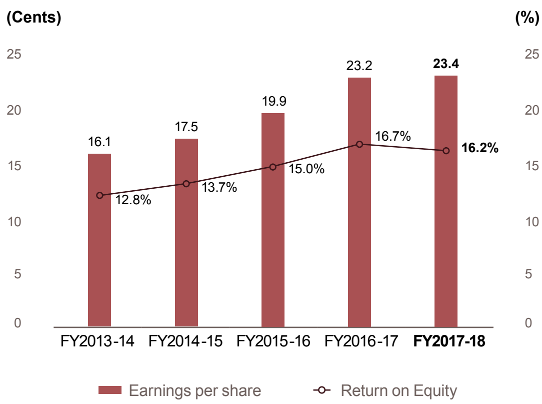
We are proud of the following achievements: SATS Premier Lounge in Changi Airport Terminal 2 has been awarded Priority Pass' Asia Pacific Airport Lounge of the Year; Marina Bay Cruise Centre Singapore won Cruise Passenger's Best Cruise Port Award; SATS Cargo was awarded the Industry Choice Winner for the Ground Handler of the Year 2017 by Payload Asia; SATS Technical Ramp Smart Watch initiative clinched IATA's IGHC Innovator Award 2018, AISATS won Best Air Cargo and Best Ground Handling Service Provider from Wings India.

FINANCIAL REVIEW

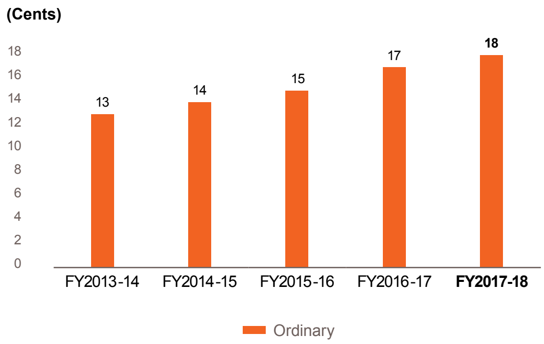
Revenue and Profitability



Earnings Per Share and Return on Equity



Dividend Per Share



HIGHLIGHTS

The Group posted revenue of $1,724.6 million for the full year ended 31 March 2018, $4.8 million or 0.3% lower than last financial year. Food Solutions' revenue fell 2.7% while Gateway Services recorded a 2.9% increase in revenue propelled by the strong passenger and cargo demand. Excluding the impact of the deconsolidation of SHK, the Group's underlying revenue would have increased $25.8 million or 1.5% while Gateway Services' revenue would have grown $52.5 million or 7.3%.

The lower revenue led to a 1.8% decline in operating profit from $230.6 million to $226.4 million, yielding an operating profit margin of 13.1% compared with 13.3% achieved in the prior year.

Profit from associates/joint ventures grew 9.2% year-on-year to reach $71.2 million. This accounted for over 27% of total Group PATMI compared to approximately 25% for the prior year, and the increased contribution validates the Group's strategy to expand our footprint across Asia. During the year under review, the Group has continued to execute this strategy by embarking upon several new overseas ventures.

The Group's non-operating income increased $10.8 million year-on-year primarily from the gain of $15.5 million on disposal of assets held for sale as well as write back of $4.5 million for the earn-out consideration. In comparison, a gain of $9.3 million from the disposal of its assets held for sale was included in the prior year's results.

Consequently, the Group achieved profit attributable to owners of the Company of $261.5 million, an increase of $3.6 million or 1.4%. Excluding the non-recurring gains in FY2017-18, profit attributable to owners of the Company would have shown an improvement of 0.8% to $236.1 million in FY2017-18 as compared to last year.

Return on equity was 16.2%, 0.5 percentage points lower than last year due to movements in average shareholder's equity.

As at 31 March 2018, the Group maintained a healthy balance sheet with total assets of $2.3 billion and cash and short term deposits of $373.3 million. Free cash flow generated during the year was $146.3 million and debt-to-equity ratio remained healthy at 0.07 times.

EARNINGS PER SHARE

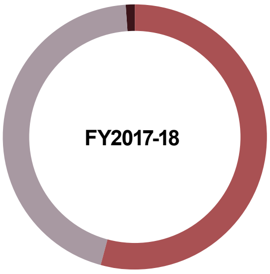
The Group's earnings per share was 23.4 cents compared to 23.2 cents a year ago, an increase of 0.9% year-on-year.

DIVIDENDS

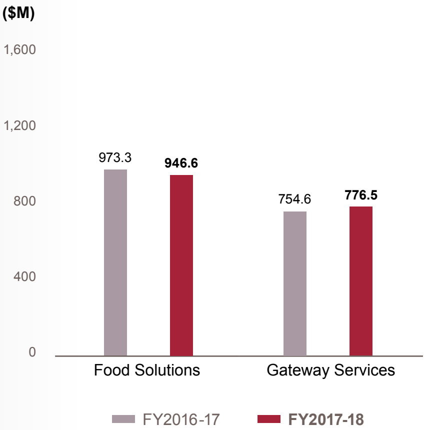
During the year, the Company paid an interim dividend of 6 cents per share amounting to $67.2 million. The Board of Directors is pleased to recommend a final ordinary dividend of 12 cents per share, subject to shareholders' approval at the forthcoming Annual General Meeting. If approved, the total ordinary dividend for FY2017-18 will be 18 cents per share.

REVENUE – BY BUSINESS, INDUSTRY AND GEOGRAPHICAL LOCATION

BUSINESS



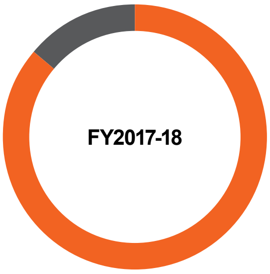
Food Solutions	54.9%
Gateway Services	45.0%
Others	0.1%



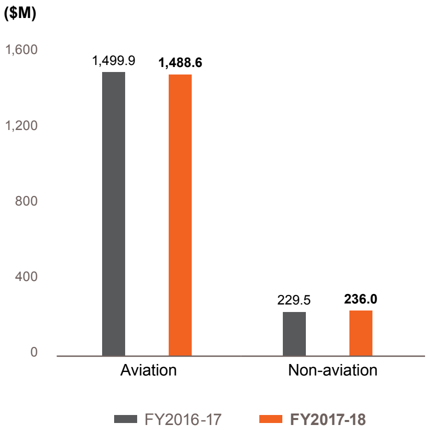
Notes:

- Food Solutions: revenue from inflight catering, institutional catering, chilled, frozen and retort food manufacturing, hospitality services and airline linen and laundry services.
- Gateway Services: revenue from airport and cruise terminal services, including ground and cargo handling, passenger and security services, baggage handling, apron services and cargo logistics services.
- Others: revenue mainly from the corporate services.

INDUSTRY



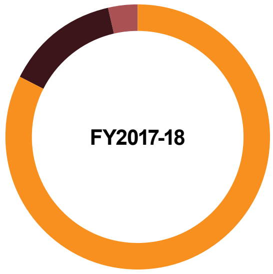
Aviation	86.3%
Non-aviation	13.7%



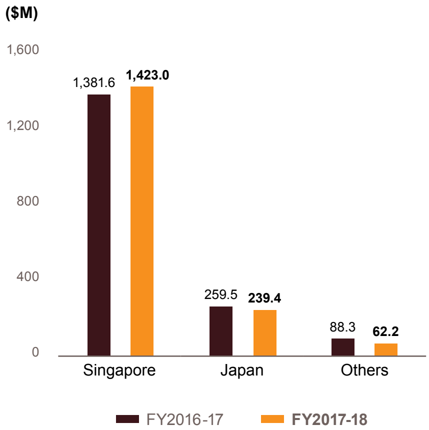
Notes:

- Aviation: revenue from aviation-related businesses in Food Solutions and Gateway Services.
- Non-aviation: revenue from SATS Food Services group, Food and Allied Support Services Corporation group, SATS-Creuers Cruise Services, SATS Yihai Kerry and corporate services.

GEOGRAPHICAL LOCATION



Singapore	82.5%
Japan	13.9%
Others	3.6%

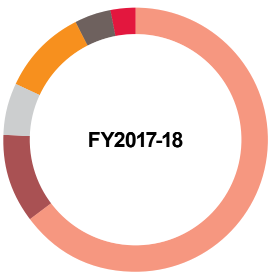


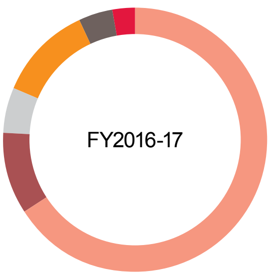
Notes:

- Singapore: revenue from Food Solutions and Gateway Services within Singapore.
- Japan: revenue from TFK.
- Others: revenue from SATS Food Services group (Australia), Food and Allied Support Services Corporation group (Abu Dhabi and Dubai), SHK, SATS Yihai Kerry and SATS Saudi.

COMBINED REVENUE BY GEOGRAPHICAL LOCATION*

FY2017-18	
Singapore	64.9%
Greater China	10.9%
Asean (ex-Singapore)	6.4%
Japan	10.3%
India	4.7%
Others	2.8%





FY2016-17	
Singapore	66.3%
Greater China	9.6%
Asean (ex-Singapore)	5.6%
Japan	11.5%
India	4.3%
Others	2.7%

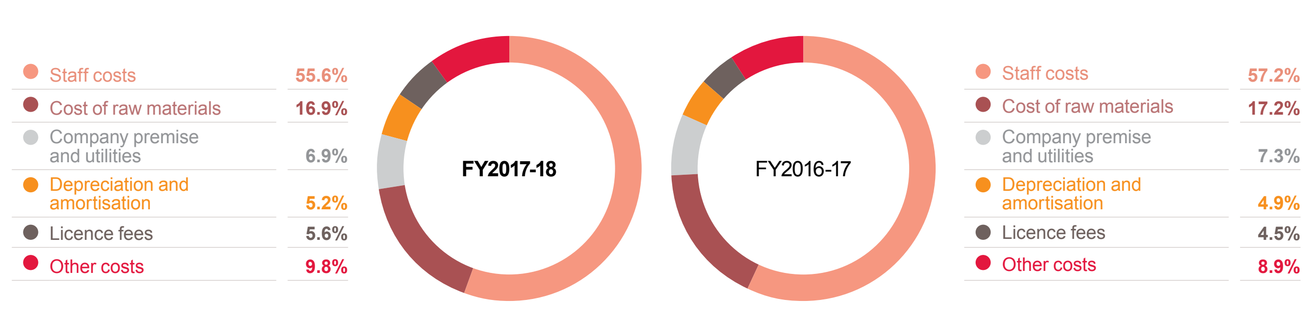
* Combined revenue is the aggregate of the total consolidated revenue and proportionate share of associates/joint ventures.

The Group's combined revenue increased 4.1% year-on-year with overseas contributions growing from 33.7% to 35.1%.

FINANCIAL REVIEW

EXPENDITURE

For the full year ended 31 March 2018, the Group incurred lower operating expenditure of $0.6 million from $1,498.8 million to $1,498.2 million. Lower expenditure was registered for staff costs, cost of raw materials as well as company premise and utilities while other expenditures have increased. The decrease in staff costs and premise expenses were mainly due to the deconsolidation of SHK. Conversely, licence fees increased largely due to cessation of rebates by Changi Airport, while depreciation and amortisation expenses increased in line with higher capital expenditure.



FINANCIAL POSITION

Total equity attributable to the owners of the Company increased to $1,766.6 million as at 31 March 2018 due to profits generated during the year and higher non-controlling interest, partly offset by dividends paid and higher foreign currency translation reserved losses.

The higher non-controlling interests were mainly due to $32.6 million of capital contribution by AirAsia Berhad ("AirAsia") for its interest in SATS Ground Services Pte. Ltd. ("SGSS").

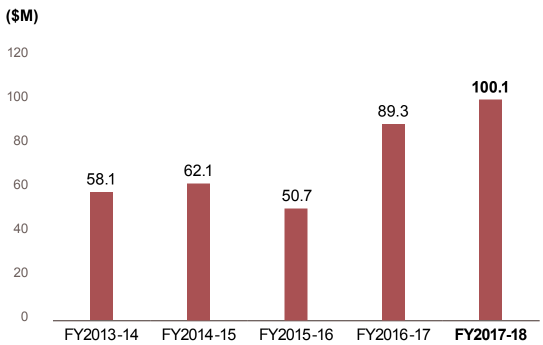
Total assets increased $68.9 million to $2,348.3 million as at 31 March 2018. The increase comprised mainly $190.4 million investment in associates/joint-ventures as well as property, plant and equipment. This was partially offset by lower long-term investments. Capital expenditure of $100.1 million was $10.8 million (12.1%) higher than last year. The Group's net asset value per share as at end of current financial year was $1.46, an improvement of 1.7% over last year.

The Group's cash and cash equivalents has decreased by $135.1 million to $373.3 million as at 31 March 2018. The decrease was mainly due to investments in associates/joint ventures, higher dividends paid to shareholders, coupled with capital expenditure. These cash outflows were compensated by proceeds from disposal of assets held for sale and the absence of long-term investment made in the last financial year.

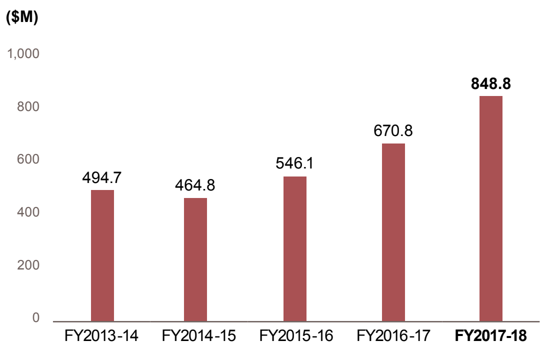
Net cash from operating activities in this financial year dropped by $63.4 million to $245.5 million due to movement in working capital, despite higher profits generated during the year.

Net cash used in investing activities of $182.2 million for FY2017-18 was higher by $62.6 million as compared with $119.6 million a year ago. This was mainly due to higher capital expenditure and investment in associates/joint ventures, in addition to lower dividends received from associates/joint ventures. These were partly

Investment in Capital Expenditure



Carrying Value of Investment in Associates/Joint Ventures



Balances as at end of financial year

compensated by increase in proceeds from disposal of assets held for sale, coupled with the absence of long-term investment of $24 million made in last financial year.

Net cash used in financing activities in FY2017-18 was $196.8 million, $24 million higher than last year, comprised mainly of higher dividends paid to shareholders and purchase of treasury shares, partially offset by capital contributions from non-controlling interests and absence of loan repayment made last year.

Free cash flow generated during the year was $146.3 million, a drop of $74.5 million as compared to prior year.

VALUE ADDED

The Group's value added was $1,125.6 million, a drop of $16.4 million or 1.4% compared to the preceding year. The distribution for FY2017-18 is reflected in the chart below.

Value Added Statement ($ million)	**FY2017-18**	**FY2016-17**	**FY2015-16**	**FY2014-15**	**FY2013-14**
Total Revenue	**1,724.6**	1,729.4	1,698.2	1,753.2	1,786.7
Less: Purchase of goods and services	**712.4**	682.0	692.6	792.4	833.4
	1,012.2	1,047.4	1,005.6	960.8	953.3
Add/(less):					
Interest income	**4.2**	4.6	3.5	1.6	1.1
Share of profits before tax of associates/joint ventures	**88.5**	80.1	59.7	61.3	57.9
Gain/(loss) on disposal of property, plant and equipment	**0.4**	0.6	(0.4)	(2.2)	–
Gain on disposal of assets held for sale	**15.5**	9.3	–	–	–
Write-back of earn-out consideration	**4.5**	–	–	–	–
Gain on sales of investment	**0.3**	–	–	–	–
Income from long-term investments	**–**	0.7	–	0.7	1.9
Exceptional items *	**–**	(0.7)	0.5	(0.2)	(2.8)
Total value added available for distribution	**1,125.6**	1,142.0	1,068.9	1,022.0	1,011.4
Applied as follows:					
To employees					
- Salaries and other staff costs	**707.3**	743.3	720.5	714.6	705.0
To government					
- Corporate taxes **	**73.4**	63.3	58.5	47.3	44.2
To supplier of capital					
- Dividends	**190.3**	178.2	155.5	145.6	168.4
- Interest on borrowings	**0.8**	1.2	1.1	1.2	2.9
Retained for future capital requirements					
- Depreciation and amortisation	**78.5**	73.5	70.4	68.2	77.2
- Non-controlling interests	**4.1**	2.8	(2.2)	(5.0)	1.7
- Retained profits	**71.2**	79.7	65.1	50.1	12.0
Total value added	**1,125.6**	1,142.0	1,068.9	1,022.0	1,011.4
Value added per $ revenue	**0.65**	0.66	0.63	0.58	0.57
Value added per $ employment cost	**1.59**	1.54	1.48	1.43	1.43
Value added per $ investment in fixed assets	**0.70**	0.75	0.71	0.67	0.67

Notes:

* Exceptional items refer to
(i) Loss on divestment/dilution of interest in associates (FY2017-18: nil, FY2016-17: $0.7 million)

** Includes share of tax of associates and joint ventures.

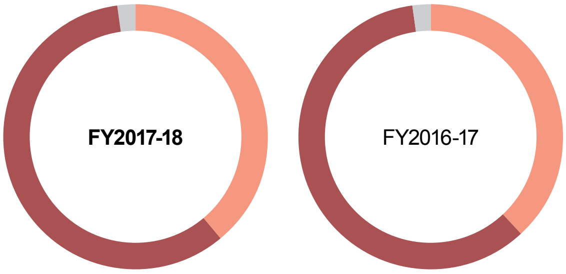
FINANCIAL REVIEW

STAFF STRENGTH AND PRODUCTIVITY

The Group's average full-time equivalent number of employees as at 31 March 2018 was 13,147, a decrease of 4.3% from last year. This was partly due to the deconsolidation of SHK as well as the Group's focus on harnessing technology to improve productivity and service.

The breakdown of the average number of employees is as follows:

	FY2017-18
Food Solutions	5,130
Gateway Services	7,746
Others	271
Total	**13,147**



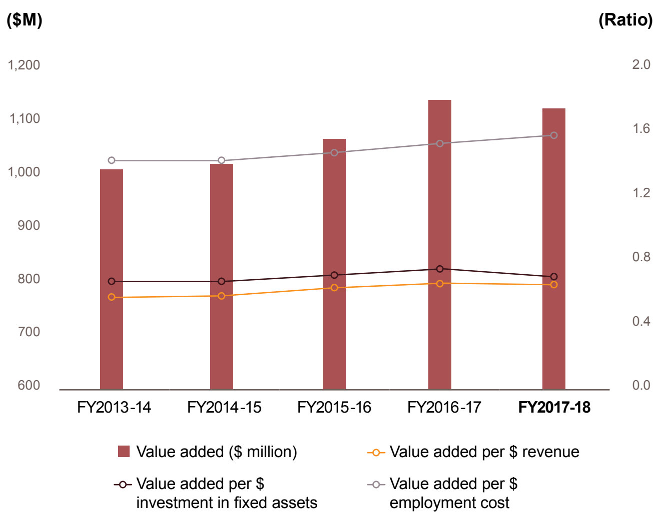
	FY2016-17
Food Solutions	5,244
Gateway Services	8,226
Others	268
Total	**13,738**

Staff productivity achieved during the year, measured by value added per employment cost, increased 3.2% from 1.54 times to 1.59 times as the Group benefitted from the successful deployment of new technologies and the training and development of its people.

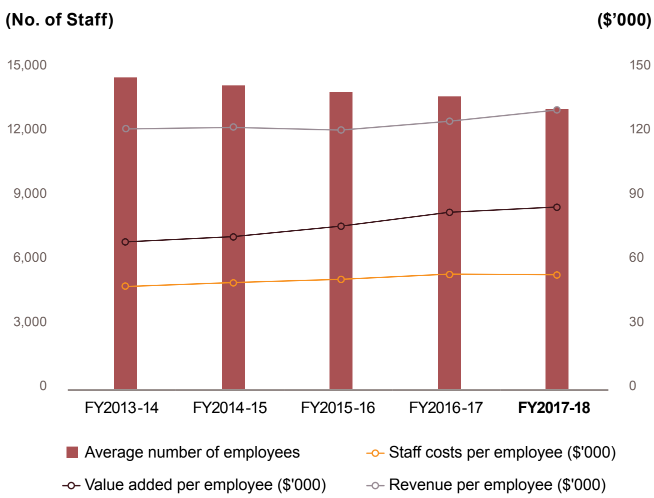
Productivity Analysis	FY2017-18	FY2016-17	FY2015-16	FY2014-15	FY2013-14
Value added ($ million)	**1,125.6**	1,142.0	1,068.9	1,022.0	1,011.4
Value added per employee ($)	**85,620**	83,127	76,635	71,704	69,222
Value added per $ employment cost (times)	**1.59**	1.54	1.48	1.43	1.43
Revenue per employee ($)	**131,182**	125,882	121,749	123,004	122,284
Staff costs per employee ($) **	**53,803**	54,102	51,653	50,134	48,254

Note:
** Staff costs exclude cost of contract labour.

Group Value Added Productivity Ratios



Group Staff Strength and Productivity



ECONOMIC VALUE ADDED (EVA)

EVA for the Group was $101.1 million, a growth of $8.7 million or 9.4% over the preceding financial year resulting from improved operating performance.

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 31 MARCH 2018

2017

21 JUL	• Announcement of 1Q FY2017-18 results • Results conference call with live webcast
11 AUG	• Payment of final dividend
9 NOV	• Announcement of 2Q FY2017-18 results • Results conference call with live webcast
8 DEC	• Payment of interim dividend

2018

13 FEB	• Announcement of 3Q FY2017-18 results • Results conference call with live webcast
30 MAY	• Announcement of 4Q FY2017-18 results • Results briefing for analysts and media with live webcast
20 JUN	• Despatch of Notice of Annual General Meeting to shareholders
3 JUL	• Digital Annual Report to go live
19 JUL	• 45th Annual General Meeting
3 AUG	• Book closure date
17 AUG	• Proposed payment of final dividend

FINANCIAL YEAR ENDING 31 MARCH 2019

2018

19 JUL	• Proposed announcement of 1Q FY2018-19 results
8 NOV	• Proposed announcement of 2Q FY2018-19 results

2019

FEB	• Proposed announcement of 3Q FY2018-19 results
MAY	• Proposed announcement of 4Q FY2018-19 results

EXECUTIVE MANAGEMENT

01.
Bob Chi
Senior Vice President, Sales and Marketing

02.
Denis Marie
Senior Vice President, Apron Services and Security Services

03.
Nazri Othman
Senior Vice President, Passenger Services

04.
Goh Siang Han
Chief Operating Officer, Singapore Food Solutions

05.
Pauline Tan
Senior Vice President, Technology

06.
Yacoob Piperdi
Executive Vice President, Gateway Services

07.
Prema Subramaniam
Senior Vice President, Legal and Secretariat, General Counsel and Company Secretary

08.
Albert Pozo
Chief Digital Officer

09.
Wong Chee Meng
Senior Vice President, Cargo Services

10.
Alvin Foh
Senior Vice President, Food Solutions, China

11.
Tan Chuan Lye
Chairman, Food Solutions

12.
Manfred Seah
Chief Financial Officer

13.
Tan Li Lian
Senior Vice President, Human Capital

14.
Alex Hungate
President and Chief Executive Officer

15.
Helen Chan
Senior Vice President, Integrated Supply Chain

16.
Eugene Cheng
Executive Vice President, Group Services

17.
Thomas Ching
Senior Vice President, Institutional Catering

EXECUTIVE MANAGEMENT

ALEXANDER CHARLES HUNGATE

Mr Hungate is the President and Chief Executive Officer of SATS, with overall responsibility for leading the SATS Group. He is a Board Director and a member of the Board Executive Committee. Mr Hungate joined SATS as Executive Director in July 2013 and assumed his current role on 1 January 2014.

Prior to that, Mr Hungate was the Chief Executive Officer of HSBC Singapore. He joined HSBC in 2007 as Group Managing Director of Personal Financial Services and Marketing, based in London. With over 25 years of global leadership experience, Mr Hungate also served as the Managing Director, Asia Pacific for Reuters, based in Hong Kong, and Co-Chief Executive Officer, Americas and Global Chief Marketing Officer for Reuters, based in New York.

Mr Hungate first joined the SATS board as an Independent Director in July 2011.

He is currently an Independent Director of United Overseas Bank (UOB) Limited and a Board Member of the Singapore Economic Development Board (EDB).

Mr Hungate holds a Masters degree in Engineering, Economics and Management from Oxford University and graduated as a Baker Scholar from the Master of Business Administration (MBA) programme at Harvard.

TAN CHUAN LYE

Mr Tan is the Chairman, Food Solutions of SATS since January 2014. Prior to this, he was its President and Chief Executive Officer from April 2012 to December 2013.

Mr Tan joined SATS in May 1976. In a career spanning over 40 years, he has held managerial positions in SIA Ground Services and SATS Airport Services Pte Ltd, and was responsible for both SIA's and SATS' Changi Airport Terminal 2 operations. He was SATS' Executive Vice President, Food Solutions from October 2009 to March 2012, overseeing and growing its aviation and non-aviation food businesses.

Mr Tan is the Chairman of SATS Food Services Pte. Ltd., SFI Manufacturing Private Limited, and SATS Delaware North Pte. Ltd.

Mr Tan sits on various Boards of SATS' subsidiaries and associate companies. He graduated from the University of Singapore with a Bachelor of Social Science (Honours) degree, majoring in Economics.

EUGENE CHENG CHEE MUN

Mr Cheng is SATS' Executive Vice President, Group Services. He joined SATS in May 2017, and oversees the Group's business development, strategic investments and mergers and acquisitions, corporate strategy, legal and secretariat, risk and safety as well as corporate admin and support services functions. He is responsible for working closely with SATS' business units and leading the acceleration of its strategy of feeding and connecting Asia.

Prior to this, Mr Cheng was the Chief Corporate Officer of IMC Industrial Group where he led its business planning, controllership, financial management, process management, legal, corporate secretarial, insurance, health, safety and security divisions. He was concurrently the Managing Director of IMC's Marine & Offshore Engineering Group, where he had overall responsibility for strategy and business development, as well as resource planning to achieve the Company's strategic, business and financial objectives.

Mr Cheng brings with him many years of professional experience spanning strategic and financial corporate leadership, investment banking advisory as well as accounting. He was previously the Group Chief Financial Officer of Ezra Holdings Limited. Mr Cheng has also worked in investment banks that include JP Morgan and Citigroup (formerly Salomon Smith Barney) and accounting firm Arthur Anderson.

Mr Cheng graduated from Nanyang Technological University with a Bachelor of Accountancy (First Class Honours) and a Master of Accountancy degree. He has published papers in renowned accounting and financial journals.

YACOOB BIN AHMED PIPERDI

Mr Piperdi is SATS' Executive Vice President, Gateway Services since January 2014. Prior to this, he was its Executive Vice President, Food Solutions.

Mr Piperdi joined SATS in April 1981. He has assumed various positions including Senior Vice President, Cargo Services; Vice President, Apron Services; Vice President, Cargo Services; and Vice President, Inflight Catering Centre 2. He also held other managerial positions in apron and baggage, passenger services, marketing, and SIA Ground Services, where he was responsible for network procedures and ground handling contracts. During his terms in Food Solutions and Gateway Services, he spearheaded the Group's entry into the sports catering, cruise terminal management and inflight duty-free and duty-paid retail sales businesses.

Mr Piperdi sits on various Boards of SATS' subsidiaries and associate companies. He is the Chairman of DFASS SATS Pte. Ltd., Chairman of SATS-Creuers Cruise Services Pte. Ltd. and the Vice President Commissioner of PT Jasa Angkasa Semesta Tbk. Mr Piperdi is a member of Saudi Arabia's Private Sector Logistics Advisory Team.

He graduated from the National University of Singapore with a Bachelor of Arts (Honours) degree, majoring in English.

ALBERT POZO HERNANDEZ

Mr Pozo joined SATS as Chief Digital Officer on 2 May 2018 to spearhead the digital transformation of the Group's products, processes, and technology in order to achieve productivity gains and innovate new services.

Prior to this, Mr Pozo was President of Amadeus Asia Pacific, responsible for leading over 4,000 employees in the region and generating EUR 700 million revenues. Mr Pozo first joined Amadeus in 1993 and has held a variety of roles including Vice President, Global Customer Group, Managing Director of Amadeus Germany, Director of Product Marketing, Senior Manager, Airlines Sales and Direction. Prior to Amadeus, Mr Pozo worked for Swissair for five years.

Mr Pozo holds an Honours degree in Linguistics from Universitat Autonoma de Barcelona, and has also completed executive programmes at INSEAD and the University of St Gallen.

MANFRED SEAH KOK KHONG

Mr Seah joined SATS as Chief Financial Officer in September 2017. He oversees the finance, treasury and insurance, investor relations, public affairs and branding functions of the Group.

Mr Seah has over 25 years of investment banking, direct investments and financial management experience. He has held senior leadership roles in corporate finance, investment management and has conducted corporate advisory and mergers and acquisitions activities in Asia.

Before joining SATS, Mr Seah was the Chief Financial Officer of SMRT Corporation Ltd, where he was primarily responsible for driving changes to the business and financing structure of the Group. At SMRT, Mr Seah led a special task force that developed and facilitated the transition of SMRT Trains Limited to the new rail financing framework, and managed the subsequent privatisation of SMRT by Temasek Holdings in 2016.

Mr Seah sits on various Boards of SATS' subsidiaries. Mr Seah graduated with a Bachelor of Science (First Class Honours) in Mathematics from Queen Mary College, University of London and obtained his Masters degree in Business Administration from the London Business School. He was professionally trained in London, where he qualified as a Chartered Accountant, and has been conferred an Advanced Diploma in Corporate Finance (CF) and a Fellow of the Institute of Chartered Accountants in England and Wales (FCA).

HELEN CHAN YIN FOONG

Ms Chan is SATS' Senior Vice President of Integrated Supply Chain since January 2018. She is responsible for driving the integration and digitisation strategy of SATS' supply chain. She joined the company in August 2011 as Group Financial Controller and was promoted to Senior Vice President of Finance in October 2013 where she managed both the corporate and regional finance functions of the Group. Ms Chan was also the Acting Chief Financial Officer of SATS from December 2016 to August 2017.

Ms Chan has more than 20 years of experience in the field of Finance. Prior to joining SATS, she was the Finance Director of NCS Pte Ltd and the Financial Controller of Singapore Computer Systems Limited.

Ms Chan sits on the Board of a SATS' subsidiary. She graduated from the National University of Singapore with a Bachelor's degree in Accountancy. She is a Chartered Accountant (Singapore) and a member of the Institute of Singapore Chartered Accountants.

BOB CHI CHENG BOCK

Mr Chi is the Senior Vice President, Sales and Marketing of SATS. He joined SATS in August 1988 and was promoted to his current position in January 2016. He is responsible for airline network marketing and the management of key accounts and ground handling contracts in Singapore.

Prior to this position, he was Chief Executive Officer of SATS-Creuers Cruise Services Pte. Ltd., where he was responsible for the management of the cruise terminal at Marina Bay Cruise Centre Singapore.

Mr Chi has held other executive and managerial positions in SATS, where he served in various capacities in cargo, marketing as well as catering services. He was instrumental in setting up SATS Asia-Pacific Star Private Limited, a wholly-owned

EXECUTIVE MANAGEMENT

subsidiary of SATS which provides ground handling and inflight catering services to low-cost carriers at Singapore Changi Airport.

Mr Chi holds a Masters degree in Business Administration from Leicester University and graduated as a Public Services Scholar from the National University of Malaysia (UKM).

THOMAS CHING CHUN FOONG

Mr Ching is the Senior Vice President, Institutional Catering of SATS since June 2015. Prior to this, he was SATS' Vice President, Catering Marketing and was responsible for expanding the customer base of its aviation catering business.

Mr Ching joined SATS in March 1992, starting his career in its subsidiary, SATS Aero Laundry Pte. Ltd. He held various managerial positions and was responsible for managing its operations and growing its aviation and non-aviation customer base.

Mr Ching sits on various Boards of SATS' subsidiaries. He graduated from the National University of Singapore with a Bachelor of Business Administration degree.

FOH CHI DONG (ALVIN)

Mr Foh is SATS' Senior Vice President of Food Solutions, China, where he oversees the operations of SATS Yihai Kerry Kunshan Food Co., Ltd., a subsidiary specialising in supplying high quality and safe food to the growing Chinese middle class population. He is responsible for the setup of the first central kitchen in Kunshan, and its subsequent expansion into the major cities in China.

Mr Foh joined SATS in July 2000 and has assumed various senior leadership positions in SATS' overseas joint ventures in China, India and Indonesia.

Mr Foh sits on various Boards of SATS' subsidiaries and associate companies. He graduated from the National University of Singapore with a Bachelor of Engineering degree.

GOH SIANG HAN

Mr Goh is the Chief Operating Officer, Singapore Food Solutions of SATS. He was promoted to his current position in April 2018 and oversees all of SATS' food businesses in Singapore. He joined SATS in January 1991 and held the position as Senior Vice President, Inflight Catering from July 2014 to March 2018.

Prior to this, Mr Goh has assumed various positions in passenger services, ramp handling, baggage services and human capital.

Mr Goh sits on various Boards of SATS' subsidiaries and associate companies. He graduated from the National University of Singapore with a Bachelor of Business Administration (Honours) degree.

DENIS SURESH KUMAR MARIE

Mr Marie is the Senior Vice President, Apron Services of SATS since June 2012. He concurrently oversees the operations of SATS Security Services Private Limited.

Prior to this, he was Senior Vice President, Passenger Services. He joined SATS in October 2001 as General Manager of SATS Security Services. Mr Marie has a wealth of experience in security and law enforcement. Before joining SATS, he held senior positions in training and security management, including the appointment as Deputy Assistant Commissioner with CISCO.

Mr Marie sits on various Boards of SATS' subsidiaries. He graduated from the Oklahoma City University in the US with a Bachelor of Science degree, majoring in Business Administration.

NAZRI BIN OTHMAN

Mr Othman is the Senior Vice President, Passenger Services of SATS since June 2015. Prior to this, he was seconded to PT Jasa Angkasa Semesta Tbk from July 2004 to May 2015, where he held the position of Vice President Director and Chief Operating Officer.

Mr Othman joined SATS in July 1994 and took on various positions in baggage and apron transport, passenger services, and cargo services.

Mr Othman sits on various Boards of SATS' subsidiaries and he is also a member in the Board of Commissioner of PT Jasa Angkasa Semesta Tbk. He graduated from the National University of Singapore with a Bachelor of Social Science (Honours) degree, majoring in Sociology.

PREMA D/O K SUBRAMANIAM

Ms Subramaniam is SATS' General Counsel and Senior Vice President, Legal and Secretariat since July 2012. She is concurrently the Company Secretary of SATS and its various subsidiaries. She is responsible for legal and corporate secretarial affairs and supports the Board of Directors and the various Board Committees in ensuring that all legal, corporate governance and regulatory matters are in compliance with the Listing

Manual of the Singapore Exchange Securities Trading Limited as well as the Companies Act.

Ms Subramaniam brings with her a wealth of experience in the legal and corporate secretarial fields. She was formerly the General Counsel of Fortis Healthcare International Pte Limited; Vice President, Corporate Secretariat & Legal of SMRT Corporation Ltd; and Vice President, Legal of ST Engineering Land Systems Ltd.

Ms Subramaniam sits on various Boards of SATS' subsidiaries. She graduated from the National University of Singapore with a Bachelor of Laws (Honours) degree and is a member of the Singapore Academy of Law.

TAN LI LIAN

Ms Tan is the Senior Vice President, Human Capital of SATS. She joined the company in August 2010 as Vice President, Human Capital and was promoted to her current position in April 2012.

Ms Tan leads the Human Capital team in talent attraction and resource planning, rewards and performance management, human capital development, employee relations, organisation development and all other human capital related programmes across the SATS Group.

Before joining SATS, Ms Tan held various senior Human Capital appointments in KPMG Consulting Asia Pacific, Singapore Computer Systems Limited and Singapore Telecommunications Ltd. Ms Tan has a wealth of experience in the field of human capital and is currently the Treasurer in the Human Capital Board of Singapore. She is a member of Singapore's Institute of Technical Education's Business & Services Academic Advisory Committee and was a recipient of the SHRI Leading HR Leader Award in 2015.

Ms Tan sits on the Board of a SATS' subsidiary. She graduated from Texas A&M University with a Bachelor's degree in Business Administration, majoring in Finance.

PAULINE TAN POH LIN

Ms Tan is SATS' Senior Vice President, Technology since August 2014. She is responsible for creating solutions to realise the Group's strategy through the delivery of the technology roadmap for SATS which includes process and product innovation.

Prior to this, Ms Tan was Senior Vice President, Group Information Technology of Neptune Orient Lines Limited and Senior Director at the Infocomm Development Authority of Singapore.

She graduated from the National University of Singapore with a Bachelor of Science degree.

WONG CHEE MENG

Mr Wong is SATS' Senior Vice President, Cargo Services since April 2015. Prior to this, he was Senior Vice President of Company Planning and Projects.

Mr Wong joined SATS in April 1989 and has assumed various positions in catering, human capital and airport services. In January 2011, he was seconded to SATS' subsidiary, TFK Corporation, as its Executive Vice President and Representative Director, overseeing its inflight catering operations in Narita and Haneda airports. He was also previously posted to Beijing Airport Inflight Kitchen Ltd and Air Macau.

Mr Wong sits on various Boards of SATS' subsidiaries and associate companies. He graduated from the University of Singapore with a Bachelor of Science (Honours) degree, majoring in Building.

CORPORATE GOVERNANCE REPORT

We are fully committed to upholding the highest standards of corporate governance. Our corporate governance principles reflect our commitment to strong leadership, effective internal controls, a robust corporate culture and accountability to shareholders.

For the financial year ended 31 March 2018 (FY2017-18), we have complied in all material aspects with the principles laid down by the Code of Corporate Governance 2012 (Code).

BOARD OF DIRECTORS

Key features of our Board:
- *Separation of the role of Chairman and President & Chief Executive Officer (PCEO)*
- *All of our Directors (other than the PCEO) are independent non-executive Directors*
- *None of our Directors have served for more than 7 years*
- *Two out of our eleven Directors are female*

ROLE OF THE BOARD

The Board is responsible for overseeing the business, financial performance and affairs of the Group. The Board has adopted a set of guidelines on matters that require its approval and its key functions include:

- Setting the overall business strategies, directions and long-term goals of the Group to be implemented by Management, and ensuring that adequate resources including financial and human resources are available
- Setting the values and standards (including ethical standards) of the Group, and ensuring that obligations to shareholders and other stakeholders are met
- Providing sound leadership and guidance to the PCEO and Management
- Overseeing the business, financial performance and affairs of the Group, and monitoring the performance of Management
- Evaluating and approving important matters such as major investments, funding needs and expenditure
- Having overall responsibility for the corporate governance, strategy, risk management and financial performance of the Group, including the processes of evaluating the adequacy of internal controls, risk management systems, financial reporting and compliance (including legal and regulatory compliance)
- Ensuring effective communication with stakeholders
- Protecting and enhancing the reputation of the Group
- Considering sustainability issues as part of the Group's strategy

The Board engages with and provides leadership to Management in the development and execution of strategies, stakeholder engagement, as well as a wide range of matters in the areas of business, strategy, operational issues, governance and risk management. There is a written Financial and Operating Approval Authority Matrix setting out the approval limits of the Board, the Board Executive Committee and the Management.

BOARD CODE OF CONDUCT

All Directors aim to objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of SATS. The Board has adopted a Code of Conduct as a means to guide the Directors on the areas of ethical risk, and help nurture an environment where integrity and accountability are key.

Our Board Code of Conduct includes the following key principles:

- Directors must avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of SATS
- Directors should consult the Chairman of the Board and the Chairman of the Nominating Committee before accepting any appointments to the board of directors of another public or private company
- Directors are to exercise due care and maintain the confidentiality of information entrusted to them by SATS or other parties who have business dealings with SATS
- Directors must carry out their responsibilities in compliance with SATS guidelines and policies, and applicable laws, rules and regulations
- Directors must not trade in the securities of SATS if, at the relevant time, they are in possession of non-public materially price-sensitive information

BOARD COMPOSITION

We have eleven Directors on our Board, ten of whom (including the Chairman) are independent non-executive Directors (IDs). The PCEO is the only non-independent Director.

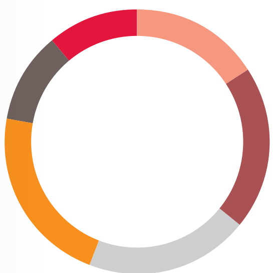
Under the Code, independent Directors should make up at least one-third of the Board. We are not required to have at least half of our Board to be made up of independent Directors, nor to have a lead independent director, because our Chairman, who is independent, and our PCEO are not the same person and are not immediate family members, and our Chairman is not part of the Management team. The proportion of IDs on our Board nevertheless exceeds the recommendations in the Code.

Our Directors are business leaders and professionals with financial, banking, sales and marketing, consumer business, human resource, operational, IT/technology, legal, mergers and acquisitions, compliance and accounting backgrounds. They also have extensive experience in jurisdictions outside Singapore. We believe that the size and composition of the Board are currently appropriate given the size and geographic spread of our operations.

Directors' Expertise and Experience Matrix

Finance & Accounting	12%
Legal	1%
Strategy & Analytics	15%
Information Technology	7%
Sales & Marketing	13%
Human Resource	13%
Risk Management	9%
Food Solutions	5%
Economics	8%
Supply Chain Management & Logistics	5%
Others: Consumer Marketing, Banking, Branding, Customer Service	12%

Directors' Expertise and Experience by Geography



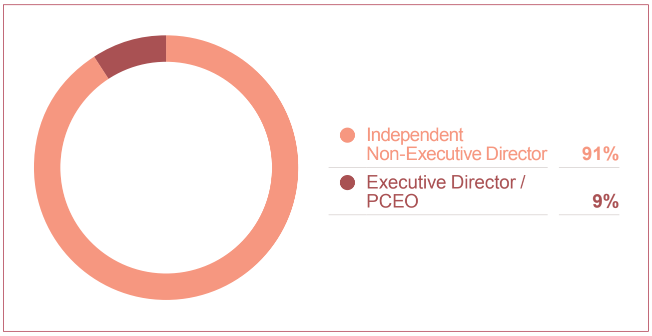
India / Middle East	16%
China / North Asia	20%
Other Parts of Asia-Pacific	20%
Local - Singapore	22%
US / UK Europe	11%
Others: Japan, Australia, Korea, Latin America, Egypt, Pakistan	11%

CORPORATE GOVERNANCE REPORT

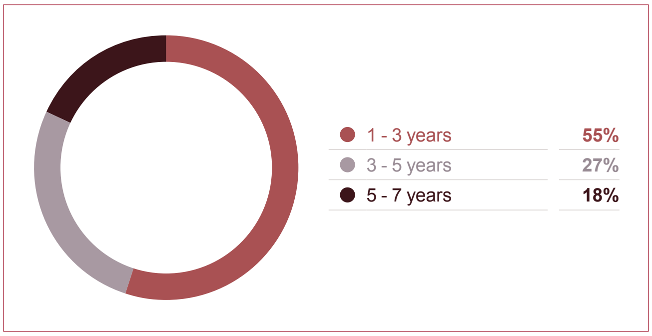
There is a process of refreshing the Board progressively over time which enables the Board to draw upon the experience of longer-serving Directors while at the same time tapping into the new external perspectives and insights which more recent appointees can bring. None of our Directors have served for more than seven years.

Mr Koh Poh Tiong, who has served for more than six years as an independent non-executive Director, has notified the Board that he will not be seeking re-election as a Director of the Company at the AGM. Accordingly, he will be retiring at the forthcoming Annual General Meeting (AGM).

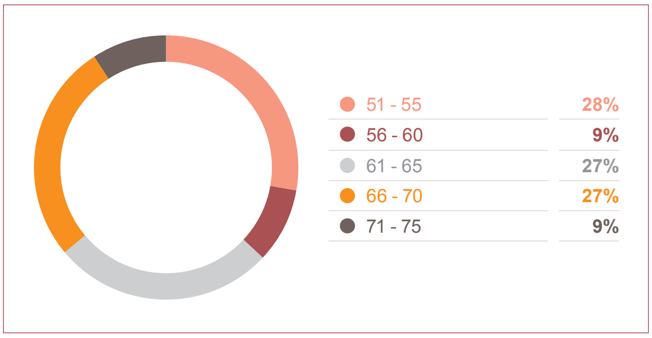
Independence



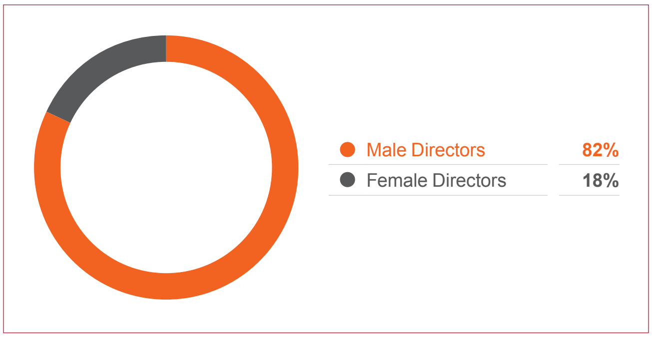
Length of Service



Age of Directors



Gender Diversity



BOARD DIVERSITY

We are committed to building an open, inclusive and collaborative culture and recognise the benefits of having a Board with diverse backgrounds and experience. We have adopted a Board Diversity Policy which focuses on the importance of an appropriate balance of skills, experience, gender, industry and geographic knowledge and professional qualifications in building an effective Board with the ability to guide and support us in achieving our strategic objectives and for sustainable growth and development. Such diversity will allow the Board to better identify potential risks, raise challenging questions, and contribute to problem-solving.

Under our Board Diversity Policy, the Nominating Committee will, in reviewing the Board's composition, rotation and retirement of Directors and succession planning, consider aspects such as professional qualifications, industry and geographic knowledge, skills, length of service and the needs of the Company. In particular, we consider gender to be an important aspect of diversity and strive to ensure that there is adequate female representation on the Board. All Board appointments will be based on merit of candidates, and will be considered against objective criteria and having due regard for the benefits of diversity on the Board, our needs and our core values.

The current make-up of our Board reflects our commitment to diversity in gender, nationality, ethnicity, skills and knowledge. We also have Directors of varying ages on our Board as shown above.

ROLE OF THE CHAIRMAN AND THE PCEO

The roles of our Chairman (Ms Euleen Goh) and PCEO (Mr Alex Hungate) are clearly separated to ensure appropriate checks and balances, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the PCEO have a relationship of trust, and collaborate with each other on the development and communication of strategies and performance monitoring. The Chairman and the PCEO are not related to each other.

The responsibilities of the Chairman and the PCEO are clearly established and documented in writing in formal Role Statements, which have been adopted by the Board. The Chairman provides support and advice to the PCEO while at the same time respecting executive responsibility. The PCEO seeks support and advice from the Chairman while at the same time respecting the independence of the Chairman.

The Chairman heads the Board and acts independently of Management. Her primary role is to provide leadership to the Board and its committees and to monitor the translation of the Board's decisions into executive action. In particular, the Chairman is responsible for the following:

Leadership, Strategy and Culture
- Leading the Board and upholding the highest standards of integrity and probity
- Ensuring that the Board plays a full and constructive part in the development and determination of our strategy, overall objectives and sustenance and growth of our business
- Enhancing our standing with the outside world
- Ensuring an appropriate balance between the interests of our shareholders and other stakeholders such as employees, regulators and customers
- Promoting high standards of corporate governance

Board Matters
- Ensuring that the Board is properly organised, functions effectively and meets its obligations and responsibilities, including ensuring the Directors receive accurate, timely and clear information
- Setting the agenda for Board meetings
- Ensuring effective liaison and communication and encouraging constructive relations within the Board and between Board and Management
- Ensuring that the Directors have enough time and information to engage Management and to discuss various matters, and to facilitate the effective contribution of all the Directors
- Ensuring the responsibilities of the Board are well understood by both the Board and Management and the boundaries between the Board and Management are clearly understood and respected
- Ensuring that new Directors participate in a tailored orientation programme and that Directors are able to continually update their skills and knowledge
- Ensuring that the performance of the Board and each Director is evaluated at least once a year

Relationship with Shareholders, Regulators and Key Customers
- Ensuring effective communication with shareholders
- Representing the Board at official functions and meetings with shareholders
- Ensuring that the views of shareholders are communicated to the Board
- Promoting our interests when engaging with the regulators and key customers

The PCEO, assisted by the Executive Vice Presidents (EVPs) and senior management, makes strategic proposals to the Board and after robust and constructive Board discussions, executes the agreed strategy, manages and develops the Group's businesses and implements the Board's decisions.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND ACTIVITIES

The Board has adopted a set of guidelines on matters that require its approval, which include all matters of strategic importance, corporate governance practices, legal and regulatory compliance, risk management, maintenance of performance standards, corporate strategy, approval of business plans, approval of manpower establishment, operating and capital expenditure budgets, and approval and monitoring of major investments and strategic commitments. The Board has also implemented a written Financial and Operating Approval Authority Matrix setting out the approving authority for purchases, disposals, selection of vendors, write-offs, etc., based on established financial thresholds.

The Board meets regularly and, to facilitate meaningful participation, our Board and Board Committee meetings are planned and scheduled in advance. In addition, *ad hoc* Board meetings are convened if and when there are pressing matters requiring the Board's deliberation and decision in between the scheduled meetings. Board approvals for more routine matters may sometimes be obtained by the circulation of written resolutions, outside of Board meetings.

Board Meetings

- The agenda for Board meetings is decided by the Chairman in consultation with the PCEO, and is planned to allow for sufficient time to address all items
- Matters requiring decision and approval and matters which are for the Board's information is clearly set out in the detailed agenda
- As part of good corporate governance, key matters requiring Board approval are largely reserved for resolution at Board meetings rather than by circulation to facilitate discussion amongst Board members and Management
- As far as possible, all relevant information, papers and materials are made available to the Directors at least a week prior to the meeting; this would enable any Director who is unable to attend a meeting to provide input and raise queries on the agenda items
- Board papers are detailed and give the background, explanatory information, justification, risks and mitigation measures for each agenda item and mandate sought by Management, including, where applicable, relevant budgets, business plans, forecasts and projections
- Directors can ask for additional information as needed to make informed decisions
- All materials for Board and Board Committee meetings are uploaded onto a secure online portal which can be readily accessed on tablet devices provided to Directors
- A separate resource folder in the online portal contains the terms of reference of all Board committees and all operating policies of the Group for the Directors' reference
- The Chairman encourages openness and debate at Board meetings and Directors participate actively in Board discussions and share their insights on issues and matters tabled
- In the event of conflicts of interest, Directors disclose their interests and abstain from such discussions or decisions
- The Company Secretary attends all Board meetings and minutes the proceedings
- The General Counsel, the Chief Financial Officer (CFO) and EVPs are usually invited and are present at meetings of the Board and the Board Executive Committee
- The Board and Board Committees may invite any other member of the Management team to be present at their meetings
- External professionals may also be invited to present updates on corporate governance, legal and/or accounting matters, listing rules and other relevant topics
- If a Director is unable to attend a meeting in person, he can participate by telephone or video conference as this is permitted under the SATS' Constitution
- Minutes of meetings are prepared and circulated to the Directors, as far as practicable, within one week of the relevant meeting, and are archived in a separate folder on the secure online portal for easy access by the Directors

Strategy and Other Meetings

- Since 2003, the Board has conducted annual Board Strategy meetings in order to have more focused discussions on key strategic issues
- Board members lend their experience and expertise by being part of and contributing to strategy discussions which may be country or business specific outside of formal Board and Board Committee meetings
- Board members also meet regularly with and without the presence of Management and review and monitor the performance of Management in meeting the goals and objectives set for them
- Where appropriate, Board members are included in strategy discussions ahead of the Board Strategy Meeting to help formulate the strategies that will be presented at the meeting
- Board members also participate with Management in ongoing discussions on specific geographical or business topics where they as individuals have particular expertise

Access to Information

- Board members receive information papers on material matters and issues being dealt with by Management, monthly financial reports covering operating statistics, Group operating expenses, geographical and industry performance, performance of each business segment, associate and joint-venture and an update on the Balance Sheet. The Board also receives quarterly reports on the financial performance of the Group, strategy implementation updates, key operational matters, market updates, human resource developments, business development activities and updates on potential investment opportunities
- In addition, Board Committee members receive minutes and reports from Management relating to their specific areas of oversight, which may contain more detailed and specific information
- Queries by individual Directors on circulated papers are directed to Management who will respond accordingly and where relevant, Directors' queries and Management's responses are circulated to all Board members for their information

Access to Management and Company Secretary

- The Board has separate and independent access to the PCEO, EVPs, CFO, General Counsel and Company Secretary and other key Management, as well as to the internal and external auditors
- The Board also has separate and independent access to the Company Secretary, who supervises, monitors and advises on all governance matters, and on compliance with the Constitution, applicable laws and regulations, the Code, and the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST). The Company Secretary communicates with relevant regulatory authorities and shareholders, facilitates communication between the Board, its committees and Management, and helps with orientation and the professional development of the Directors. The appointment and removal of the Company Secretary are subject to the approval of the Board
- There is also a Board-endorsed procedure for Directors, either individually or collectively, in furtherance of their duties, to take independent professional advice, if necessary, at SATS' expense

Non-Executive Directors

- We have put in place processes to ensure that our non-executive Directors are well supported by accurate, complete and timely information, unrestricted access to Management, and have sufficient time and resources to discharge their oversight function effectively, and to constructively challenge Management and help develop proposals on strategy
- To facilitate open discussion and review of the performance and effectiveness of Management, our non-executive Directors meet up about four times a year for informal discussions prior to the scheduled Board meetings, and from time to time where required, without Management being present

Non-Executive Directors' Remuneration

Every Director receives a basic fee. In addition, he/she receives a Chairman's fee if he/she is the Chairman of the Board, as well as the relevant Board Committee fee (depending on whether he/she served in the capacity as the Chairman or as a member of the relevant Board Committee) for each position held on a Board Committee. Non-executive Directors who cease to be a director during any part of the financial year are paid pro-rated fees for the term of their office. Each Director also receives an attendance fee for each Board meeting and Board Committee meeting attended by him/her during the financial year. The attendance fees for Board and Board Committee meetings vary according to whether the meeting is held in the state/country in which the Director is ordinarily resident and whether the Director is attending in person or via teleconference/video conference.

Whilst the Remuneration and Human Resource Committee is of the view that non-executive Directors should not be over-compensated, it is mindful that competitive and equitable remuneration will attract, motivate and retain Directors with the necessary experience and capabilities and desired attributes who can contribute to the Company's future development and growth. The revised scale of fees takes into consideration factors such as the scope and extent of a director's responsibilities and obligations, the level of contribution, the effort and time spent by the Directors and the Chairman, and also references against comparable benchmarks of similar sized companies.

At the forthcoming AGM, approval of the shareholders will be sought for the payment of an aggregate sum of up to S$1,300,000 as Directors' fees for the non-executive Directors for the financial year ending 31 March 2019 (FY2018-19). There is no increase in the amount of the fees from the previous financial year although, if approved, the scale of fees payable to the non-executive Directors will be revised as set out below for FY2018-19 onwards. The total amount of Directors' fees and scale of fees have not been changed since 2010 (FY2009-10). There is no change to the meeting attendance fees.

CORPORATE GOVERNANCE REPORT

Types of Appointment	Old Scale of Directors' fees (FY2017-18) S$	New Scale of Directors' fees (FY2018-19) S$
Board of Directors		
Basic fee	45,000	**55,000**
Board Chairman's fee	40,000	**85,000**
Board Deputy Chairman's fee	30,000	**40,000**
Audit Committee		
Committee Chairman's fee	30,000	**36,000**
Member's fee	20,000	**23,000**
Board Executive Committee		
Committee Chairman's fee	30,000	**36,000**
Member's fee	10,000	**23,000**
Other Board Committees		
Committee Chairman's fee	20,000	**25,000**
Member's fee	10,000	**13,000**
Board Meeting Attendance Fee		
Attendance via teleconference/videoconference	1,000	**1,000**
Attendance in person in home city (up to 4 hours for travel within home city)	2,500	**2,500**
Attendance in person outside home city	5,000	**5,000**
Board Committee Meeting Attendance Fee		
Attendance via teleconference/videoconference	500	**500**
Attendance in person in home city (up to 4 hours for travel within home city)	1,200	**1,200**
Attendance in person outside home city	2,500	**2,500**

The aggregate amount of Directors' fees paid to the non-executive Directors for FY2017-18 was S$987,632.79 (breakdown given below). The non-executive Directors did not receive any salary, performance-related income/bonuses, benefits in kind, stock options, share-based awards or other long term incentives for FY2017-18.

The proposed fees for FY2018-19, if approved, will facilitate the payment of Directors' fees during the financial year in which such fees are incurred, in accordance with the revised scale of fees set out above. The amount of Directors' fees has been computed on the basis of the anticipated number of Board and Board Committee meetings for FY2018-19, assuming attendance in person by all the Directors at such meetings, and also caters for additional fees (if any) which may be payable due to additional board representations on the Company's subsidiary(ies) and/or joint ventures, or to additional Board of Board Committee members being appointed in the course of FY2018-19.

If approved, each of the non-executive Directors (including the Chairman) will receive approximately 85 percent of his/her total Directors' fees for FY2018-19 in cash and approximately 15 percent in the form of ordinary shares of the Company (Shares). The current intention is for such Shares to be purchased from the market on the first trading day immediately after the release of the Company's first quarter financial results for the financial year ending 31 March 2020 or as soon as practicable thereafter. The cash component of the Directors' fees for FY2018-19 is currently intended to be paid half-yearly in arrears. The non-executive Directors will be required to retain a base shareholding worth up to one year's retainer fee 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, in order to better align the interests of non-executive Directors with the interests of shareholders. 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.

Details on the Directors' fees paid for FY2017-18, date of first appointment to the Board, date of last re-election, membership on Board Committees and attendance at Board and Board Committee meetings and at the last AGM are set out below.

Name of Director	Date of first appointment to the Board	Date of last re-election to the Board	Board Meeting (including BSM)	Board Committee Meetings					AGM 2017	Total Directors' fees for FY2017-18 (SGD)
			Attendance rate (1 April 2017 to 31 March 2018)							
			BOD[1]	NC[2]	EXCO[3]	AC[4]	BRSC[5]	RHRC[6]		
			No. of meeting held (1 April 2017 to 31 March 2018)							
			7	2	4	4	4	3		
a) Executive Director										
Mr Alex Hungate	27 Jul 2011	19 Jul 2016	7	–	4	–	–	–	1	No Fee*
b) Non-Executive and Independent Director										
Ms Euleen Goh	1 Aug 2013 (Director) 19 Jul 2016 (Chairman)	21 Jul 2017	7	2	4	–	–	3	1	$171,800.00
Mr Achal Agarwal	1 Sept 2016	21 Jul 2017	7	–	–	4	–	–	1	$85,800.00
Mr Thierry Breton	1 Oct 2015	19 Jul 2016	3	–	–	–	–	–	1	$56,000.00
Mr Chia Kim Huat	15 Mar 2017	21 Jul 2017	7	–	–	–	2/2[a]	–	1	$70,339.89
Mr Koh Poh Tiong	1 Nov 2011	19 Jul 2016	7	2	4	–	–	3	1	$113,300.00
Mr Michael Kok	6 Mar 2015	21 Jul 2017	7	–	4	–	2/2[b]	3	1	$113,360.11**
Ms Jessica Tan	17 Apr 2017	21 Jul 2017	6[c]	0/1[c]	–	–	–	–	1	$64,972.68
Mr Tan Soo Nan	25 Apr 2016	19 Jul 2016	7	1/1[d]	–	4	4	–	1	$116,360.11
Mr Yap Chee Meng	1 Oct 2013	21 Jul 2017	7	–	–	4	4	–	1	$112,100.00
Mr Yap Kim Wah	20 Jul 2016	21 Jul 2017	7	–	–	4	4	–	1	$100,600.00

Notes:

(1) Board of Directors (BOD) meetings included a 2 day Board Strategy Meeting (BSM) held from 24 to 25 Aug 2017 at Marina Bay Cruise Centre Singapore
(2) Nominating Committee (NC)
(3) Board Executive Committee (EXCO)
(4) Audit Committee (AC)
(5) Board Risk and Safety Committee (BRSC)
(6) Remuneration and Human Resource Committee (RHRC)

(a) Mr Chia Kim Huat was appointed as a member of the BRSC with effect from 22 July 2017. He attended 2 out of 2 BRSC meetings held during his term as a member of the BRSC in FY2017-18.
(b) Mr Michael Kok stepped down as a member of the BRSC with effect from 22 July 2017. He attended 2 out of 2 BRSC meetings held during his term as a member of the BRSC in FY2017-18.
(c) Ms Jessica Tan was appointed as a member of the NC with effect from 22 July 2017. She attended 6 out of 7 Board meetings in FY2017-18 and did not attend the one NC meeting which was held during her term as a member of the NC in FY2017-18.
(d) Mr Tan Soo Nan stepped down as a member of the NC with effect from 22 July 2017. He attended 1 out of 1 NC meeting held during his term as a member of the NC in FY2017-18.

* No Directors' fees were paid to the PCEO, Mr Alex Hungate.
** Mr Michael Kok is the Chairman of SATS Food Services Pte. Ltd.'s (SFS) joint venture subsidiary, SATS Yihai Kerry Kunshan Food Co., Ltd.. He is paid a retainer fee of S$15,000 p.a. and meeting attendance fees of S$2,000 per meeting, by SFS. The joint venture subsidiary held a Board meeting on 21 March 2018.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board is supported in its functions by, and has delegated authority to, the following Board Committees which have been established to assist in the discharge of the Board's oversight function, based on written and clearly defined terms of reference:

- Board Executive Committee
- Audit Committee
- Nominating Committee
- Remuneration and Human Resource Committee
- Board Risk and Safety Committee

During FY2017-18, the Board Committees reviewed its terms of reference and the revised terms of reference were adopted by the Board on 19 July 2017.

The composition of our Board Committees is as follows:

Board Committee	Composition	Members
Board Executive Committee	• Four members • Three out of four (including Chairman) are IDs	• Ms Euleen Goh (Chairman) • Mr Alex Hungate • Mr Koh Poh Tiong • Mr Michael Kok
Audit Committee	• Four members • All IDs	• Mr Yap Chee Meng (Chairman) • Mr Achal Agarwal • Mr Tan Soo Nan • Mr Yap Kim Wah
Nominating Committee	• Three members • All IDs	• Mr Koh Poh Tiong (Chairman) • Ms Euleen Goh • Ms Jessica Tan Soon Neo
Remuneration and Human Resource Committee	• Three members • All IDs	• Ms Euleen Goh (Chairman) • Mr Koh Poh Tiong • Mr Michael Kok
Board Risk and Safety Committee	• Four members • All IDs	• Mr Tan Soo Nan (Chairman) • Mr Chia Kim Huat • Mr Yap Chee Meng • Mr Yap Kim Wah

BOARD EXECUTIVE COMMITTEE (EXCO)

The EXCO is chaired by Ms Euleen Goh and its members are Mr Alex Hungate, Mr Koh Poh Tiong and Mr Michael Kok.

Key Responsibilities of the EXCO

- Guide Management on business, strategic and operational issues
- Review and monitor key strategic and legal risks, financial policy and risk appetite limits
- Undertake initial review of the three to five year forecast/business plans and annual capital and operating expenditure budgets for the Group
- Grant initial or final approval (depending on the value) of transactions relating to the acquisition or disposal of businesses, assets or undertakings, joint ventures, mergers and acquisitions, amalgamations or similar corporate transactions
- Establish bank accounts
- Grant powers of attorney
- Affix common seal
- Nominate Board members to SATS' subsidiaries and associated companies

EXCO Meetings

The EXCO is required under its terms of reference to meet at least once in each financial year. The EXCO met four times in FY2017-18. Regular reports are presented at each meeting of the EXCO and matters such as the financial performance of the Group, status of strategy implementation, post investment reviews of significant investments and potential investments are discussed prior to seeking the relevant Board approvals and guidance. The General Counsel, the CFO and the EVPs are usually invited and are present at the meetings of the EXCO. Minutes of the meetings of the EXCO are forwarded to all Directors for their information. All circular resolutions of the EXCO are brought to the Board for notation at each quarterly Board meeting.

AUDIT COMMITTEE (AC)

The AC is chaired by Mr Yap Chee Meng, and its members are Mr Achal Agarwal, Mr Tan Soo Nan and Mr Yap Kim Wah. All of the AC members (including the AC Chairman) are independent.

The AC members collectively have extensive experience in finance, accounting, strategy and analytics, in the airline industry, in consumer marketing, and in banking, finance and investments. The Board is of the view that the members of the AC have the necessary and appropriate expertise to effectively discharge their duties as members of the AC.

In particular, at least two members of the AC (including the AC Chairman), namely Mr Yap Chee Meng and Mr Tan Soo Nan, have recent and relevant accounting or related financial management expertise or experience.

Mr Yap Chee Meng, the AC Chairman has extensive and practical accounting and financial management expertise and experience and is well qualified to chair the AC. He was a senior partner of KPMG Singapore, the Chief Operating Officer of KPMG International for the Asia Pacific Region and a member of its Global Executive Team in the period between 1 October 2010 to 30 September 2013. He is a Fellow of the Institute of Singapore Chartered Accountants and the Institute of Chartered Accountants in England and Wales.

Mr Tan Soo Nan has relevant financial management expertise and experience to discharge his responsibilities as an AC member. He is currently an executive and non-independent director of Raffles Medical Group Ltd and Raffles Health Insurance Pte. Ltd., and an independent director of Engro Corporation Ltd. He is an Associate of the IFS School of Finance and holds a Bachelor of Business Administration degree from the University of Singapore. He has more than 40 years of experience in various sectors including banking, finance and investments.

None of the AC members were partners or directors of SATS' existing external audit firm within the previous 12 months prior to their appointment to the AC and none of the AC members have any financial interest in SATS' existing external audit firm.

Key Responsibilities of the AC

The AC's primary role is to assist the Board to ensure the integrity of financial reporting and sound internal control systems. It has the explicit authority to investigate any matter within its terms of reference, full access to and co-operation of Management, and full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to discharge its functions. SATS' internal audit team, and the external auditors, report their findings and recommendations to the AC independently. The external auditors also update and keep the AC informed about relevant changes to accounting standards and issues which have a material impact on the financial statements.

Its key responsibilities include the review of:

Financial Reporting

- Quarterly and annual financial statements and financial results announcements
- Revisions/additions/updates to the accounting policies for write-offs, capital expenditure, disposal of assets and investments, and other financial policies

CORPORATE GOVERNANCE REPORT

Internal Controls

- Compliance and information technology (financial reporting) risks
- The adequacy and effectiveness of the internal controls at least annually, with Management and the internal and/or external auditors, and report annually to the Board, on the adequacy and effectiveness of the internal controls, including financial, operational, accounting, compliance and information technology controls
- The Board's Risk Management and Internal Controls Statement in conjunction with the Board Risk and Safety Committee
- The policy and arrangements by which our employees and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters
- Any suspected fraud or irregularity or suspected infringement of any Singapore law, rule or regulation of which the AC is aware, which has or is likely to have a material impact on our operating results or financial position, and the findings of any internal investigations and Management's response thereto

External Audit

- The external audit plan, the external auditors' management letter, the scope and results of the external audit, and Management's response thereto
- The assistance given by the executive officers of the Group and the Company Secretary to the external auditors
- The independence and objectivity of the external auditors
- The appointment, re-appointment or removal of the external auditors, the audit fee, and making recommendation to the Board on the proposal to shareholders for the selection of external auditors

Internal Audit

- The adequacy of resources for the internal audit function, ensuring the appropriate standing of the internal audit function within SATS and its primary line of reporting to the Chairman of the AC (with secondary administrative reporting to the PCEO)
- The adequacy and effectiveness of the internal audit function, scope of internal audit work, audit programme and the internal audit charter
- The hiring, removal, evaluation and compensation of the Head of Internal Audit
- Major findings on internal audit during the year and Management's responses thereto, difficulties encountered during the course of the audit, significant changes to the audit programme and compliance with relevant professional internal audit standards

Interested Person Transactions

- Interested person transactions as required under the Listing Manual of the SGX-ST and our mandate for interested person transactions

The AC is also tasked to perform all other functions and responsibilities of an audit committee that may be imposed by the Companies Act, the Listing Manual of the SGX-ST, the Code and other relevant laws and regulations.

During the year, the AC reviewed the Group's financial statements before the announcement of the quarterly and full-year results. In the process, it reviewed the key areas of management judgment, critical accounting policies, and any significant changes that would have a material impact on the financial statements.

The Key Audit Matters are set out below:

Key Audit Matters (KAM)	AC commentary on the KAMs, how the matters were reviewed and what decisions were taken
Impairment of goodwill	The AC reviewed the outcomes of the goodwill impairment process and discussed the details of the review with Management, focusing on the key assumptions applied in the determination of the value-in-use of the cash generating units (CGUs). The AC considered the findings of the external auditors, including their assessment of the suitability of valuation methodologies and the underlying key assumptions applied in the determination of the value-in-use of the CGUs. The AC was satisfied with the impairment review process, the approach and methodology used and the assessment that no impairment of goodwill was required at this time.
Impairment of associates and joint ventures	The AC considered Management's approach and methodology applied to the impairment of associates and joint ventures, focusing on those with indicators of impairment and the key assumptions used in the determination of their value-in-use, including the macroeconomic outlook and other key drivers of cash flow projections. The AC was periodically briefed on the developments in the key associates and joint ventures. The AC received detailed reporting from the external auditors on their assessment of the value-in-use of the associates and joint ventures with indicators of impairment. The AC was satisfied with the impairment review process, the approach and methodology used, and the assessment that no impairment of associates and joint ventures was required at this time.
Accounting for business combinations	The AC reviewed Management's processes for the review and determination of the accounting for its business combinations, including the treatment of contingent consideration and goodwill where significant estimates and judgments were involved. The AC was regularly briefed on Management's plans for its investments and divestments. The AC considered the findings of the external auditors in relation to the accounting for business combinations. The AC was satisfied with the accounting and disclosures in the financial statements for the Group's investments and divestments.

AC Meetings

The AC is required under its terms of reference to meet at least four times a year. The AC met four times in FY2017-18, and once without the presence of Management.

The AC meets with the external auditors and with the internal auditors, in each case without the presence of Management, at least annually.

CORPORATE GOVERNANCE REPORT

Review of Independence and Objectivity of External Auditors

The AC reviews the independence and objectivity of the external auditors annually. It has also reviewed the nature and volume of non-audit services provided by the external auditors to the Group, KPMG LLP, during FY2017-18, and the fees, expenses and emoluments paid or made to them, and is satisfied that they have no significant impact on the independence and objectivity of the external auditors. The total fees payable to KPMG LLP for FY2017-18, and the breakdown of fees for audit and non-audit services, are as follows:

Fees for FY2017-18	S$(m)
For audit services	0.8
For non-audit services	0.1
Total	0.9

At the recommendation of the AC and as approved by the Board, the re-appointment of KPMG LLP as the external auditors is subject to shareholders' approval at the forthcoming AGM.

The Company has complied with Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to its auditing firms.

Accountability

Shareholders are presented with the quarterly and full-year financial results respectively within 45 days of the end of the quarter and 60 days of the end of the financial year. Through the release of its financial results, the Board aims to present the shareholders with a balanced and understandable assessment of SATS' performance, position and prospects. The Company has in place a process to support Management's representations to the Board on the integrity of the Group's financial statements and internal control systems in relation to the requirement under the Listing Manual of the SGX-ST for the Board to issue a negative assurance statement that accompanies the Company's announcement of its quarterly and full-year financial statements.

Monthly management accounts of the Group (covering, inter alia, consolidated unaudited profit and loss accounts, consolidated balance sheet and explanatory notes explaining any variance) are circulated to the Board for their information.

Independent Internal Audit Function

The Group's Internal Audit Department's (IAD) objectives, scope of authority and responsibilities are defined in the Group's Internal Audit Charter, which is approved by the AC. IAD is independent of the activities it audits, and does not undertake any operational responsibility or authority over any of the activities within its audit scope.

IAD serves to provide the AC with reasonable assurance that the Group maintains adequate and effective internal controls, through assessing the design and operating effectiveness of key internal controls and procedures that govern key business processes and risks identified in the overall risk framework of the Group.

IAD adopts a risk-based approach in formulating the annual internal audit plan that aligns its activities to the key risk areas across the Group. The annual audit plan is developed based on a documented risk and control assessment framework, which considers inherent risk and control effectiveness of each auditable entity or process in the Group, and includes consideration of inputs and expectations from Management and the Board. Audit projects are planned based on the results of the assessment, with priority given to auditing higher risk areas. The annual internal audit plan is reviewed and approved by the AC. The AC conducts an annual review of the adequacy and effectiveness of the internal audit function and ensures that IAD has appropriate standing within the Group to perform its function effectively.

Audit reports containing identified issues and corrective action plans are reported to the AC and senior management. Progress of the corrective action plans is monitored and past due action plans are included in regular reports to senior management and the AC. IAD works closely with the external auditors to coordinate audit efforts and updates the external auditors of all relevant audit matters.

IAD is headed by Vice President, Internal Audit, and staffed by suitably qualified and experienced executives. Internal auditors report to the Head of Internal Audit, who reports functionally to the AC and administratively to the PCEO. In the execution of its audit activities, IAD is authorised to obtain the assistance of specialist or specialised services (such as technology audits) from within or outside the organisation or to outsource audit projects to reputable firms with project-appropriate resources and specialised skills. In situations where the audit work to be carried out by IAD may potentially give rise to conflicts of interest, it will be brought to the attention of the AC. The AC may authorise such audit work to be carried out by an independent third party as it deems appropriate.

Under the Group's Internal Audit Charter, IAD has full access to the AC and unrestricted access to all the Group's documents, records, properties and personnel. Restrictions to these accesses imposed by any employee or management of the Group, which prevents IAD from performing its duties, will be reported immediately to PCEO or directly to the AC, based on circumstances as determined by the Head of Internal Audit.

IAD is a corporate member of the Singapore chapter of the Institute of Internal Auditors (IIA). It is guided by the Standards for the Professional Practice of Internal Auditing set by the IIA. Training and development opportunities are provided for IAD staff to ensure their technical knowledge and skill sets remain current and relevant. Support is also given to IAD staff to achieve and maintain their certification and relevant professional accreditations (eg. Certified Internal Auditor, Certified Fraud Examiner, Certified Information Systems Auditor, Chartered Accountant, etc.). A structured programme is in place for professional service providers engaged by the Group to regularly share their knowledge and expertise with IAD staff. IAD staff also attend external trainings and seminars conducted by reputable public accounting and auditing firms, and professional associations such as IIA, Association of Certified Fraud Examiners, and Singapore Accountancy Commission.

Review of Interested Person Transactions

The Group has established policies and procedures for reviewing and approving interested person transactions in accordance with the general mandate from shareholders that such transactions are made on normal commercial terms and will not be prejudicial to the interests of SATS and its minority shareholders.

The Group also complies with the provisions on interested person transactions under the Listing Manual of the SGX-ST.

NOMINATING COMMITTEE (NC)

The NC is chaired by Mr Koh Poh Tiong, and its members are Ms Euleen Goh and Ms Jessica Tan Soon Neo. All of the NC members (including the NC Chairman) are independent. A new Chairman of the NC will be appointed following the retirement of Mr Koh Poh Tiong as a Director of the Company at the conclusion of the forthcoming AGM.

Key Responsibilities of the NC

- Implement and monitor the Board Diversity Policy and review and make recommendations to the Board on the diversity of skills, experience, gender, knowledge, size and composition of the Board
- Make recommendations to the Board regarding the process for identification and selection of new Directors, including recommending Directors for appointment to the Board Committees
- Make recommendations to the Board on re-nominations and re-appointments of existing Directors
- Review succession planning of Board and Board Committee members, including the Chairman of the Board
- Evaluate the independence of Directors on an annual basis, and as and when circumstances require
- Determine if Directors who hold directorships on other boards are able to and have been adequately carrying out their duties as Directors of SATS
- Develop and carry out the process for assessing the effectiveness of the Board as a whole and the effectiveness of the Board Committees, and assessing the contributions made by the Chairman of the Board. The assessment of each individual Director's contribution to the effectiveness of the Board is a joint responsibility of the NC Chairman and the Board Chairman
- Review the training and professional development programmes for the Board
- Such other authorities and duties as provided in the Code

NC Meetings

The NC met three times in FY2017-18, which exceeded the requirement under its terms of reference. The NC terms of reference requires the NC to meet at least once a year.

CORPORATE GOVERNANCE REPORT

Review of Board Composition and Size

The Board, through the NC, reviews the diversity of skills, experience, gender, knowledge, size and composition of the Board. The NC has developed a set of principles to guide it in carrying out its responsibilities of reviewing and determining an appropriate Board size and composition, and implements and monitors the Board Diversity Policy. The NC reviews the composition of the Board to ensure that the Board comprises Directors who as a group provide core competencies, in areas such as accounting, finance, legal, business, management (including human capital development and management) experience, industry knowledge, technology, strategic planning experience, and customer-based experience/knowledge, required for the Board to be effective.

The Board, in concurrence with the NC, is of the view that, taking into account the nature and scope of our operations, the requirements of our businesses and to facilitate effective decision-making, the appropriate size of the Board should range from eight to twelve members, with independent Directors making up at least one-third of the Board. No individual or small groups of individuals dominate the Board's decision-making.

No alternate Directors were appointed during FY2017-18. The Board will generally avoid approving the appointment of alternate Directors, in line with the principle that Directors must be able to commit time to SATS' affairs.

Each Director brings to the Board a myriad of technical, professional, business and geographical experience and competencies to SATS, as can be seen from the chart on "Directors' Expertise and Experience Matrix" set out above.

Selection and Appointment of New Directors

The NC regularly reviews the existing attributes and competencies of the Board in order to determine the desired experience or expertise required to strengthen or supplement the Board. A Directors' Expertise and Experience Matrix is prepared, which provides an overview of the Directors' expertise and experience and serves as a guide for the NC when sourcing and identifying suitable candidates for the Board.

The NC is in charge of making recommendations to the Board regarding the identification and selection of new Directors. Taking into consideration the desired qualifications, skill sets, competencies and experience which are required to supplement the Board's existing attributes, if need be, the NC may seek assistance from external search consultants for the selection of potential candidates. No external search consultant was engaged during FY2017-18. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration. The NC, together with the Chairman of the Board, then meet with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations as to the appointment of any candidate to the Board for its approval.

Review of Directors' Independence

The NC is tasked to determine on an annual basis, and as and when circumstances require, whether or not a Director is independent, having regard to the definition of an "independent Director" and guidance as to the types of relationships which would deem a Director not to be independent, under the Code. The relationships referred to in the Code describe relationships between a Director and SATS, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of SATS.

The Directors complete an annual confirmation of independence, whereby they are required to critically assess their independence, which the NC takes into account for the purposes of this review. The Directors are mindful, however, that the relationships identified in the annual confirmation of independence are only indicators of possible situations where independent judgment may be impaired, but are not in themselves conclusive. Independence is often only meaningful in the context of each particular relationship considering the business environment, shareholding, organisational structure and operating constraints.

The NC and the Board have determined that the independent Directors are Ms Euleen Goh, Mr Achal Agarwal, Mr Thierry Breton, Mr Chia Kim Huat, Mr Koh Poh Tiong, Mr Michael Kok, Ms Jessica Tan, Mr Tan Soo Nan, Mr Yap Chee Meng and Mr Yap Kim Wah.

Mr Alex Hungate is the PCEO, and is the only executive Director on the Board. He is thus a non-independent Director. The nature of our business and operations merit the continuity of an executive Director on the Board to provide independent Directors with the requisite background and knowledge to facilitate their independent judgment and decision-making.

Review of Directors' Time Commitments

The NC determines annually whether a Director has been adequately carrying out his duties as a Director of SATS, taking into consideration the number of that Director's other listed company board representations and other principal commitments. In respect of FY2017-18, the NC is of the view that the number of each Director's other directorships was in line with our guideline that the maximum number of listed company board representations which any Director may hold should range from five to seven. The NC is of the view that each Director has been able to effectively discharge his duties as a Director of SATS.

The role of the Chairman, in particular, requires significant time commitment. As Chairman, Ms Euleen Goh plays a crucial role as she is required to provide leadership to the Board and to ensure that the Board plays a full and constructive part in the development and determination of the Group's strategies, objectives and growth. Although Ms Goh also currently serves on the boards of three other listed companies, the NC and the Board (each, without Ms Goh's participation) were of the view that she has managed her other time commitments appropriately and has enough capacity to discharge her obligations as our Chairman. This was reflected in her full attendance of all relevant meetings and the time spent in the conduct of her various duties as outlined in this report.

The meeting attendance records of all Directors, their list of directorships and other principal commitments are fully disclosed in our Annual Report.

Assessment of Board Performance

The Board, with the assistance of the NC, has implemented a process for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contributions by the Chairman of the Board.

The Chairman of the Board meets with the Chairman of the NC to discuss the assessment of each individual Director's contribution to the effectiveness of the Board.

Assessment of Board and Board Committees and individual Director's performance is carried out annually through evaluation questionnaires. The questionnaire has evaluations on the Board and Board Committees, on peer performance, and on self-assessment on independence. Issues such as Board composition, Board independence, Board dynamics and culture, Board processes, information management, investor relations and corporate social responsibility, oversight of strategy and performance, support and recognition of Management, effectiveness of the Board in fulfilling its role of creating and delivering sustainable value to shareholders (while also keeping other stakeholders' interests in balance), benchmarking with industry peers, effectiveness of Board Committees, PCEO performance and succession planning, Directors' development and management and risk management are covered. For the peer evaluation, the Directors are encouraged to provide comments about the contribution of their peers.

The results from the questionnaires and the feedback obtained from the Directors were collated by the Company Secretary and shared with the Board Chairman and the NC Chairman, and subsequently with the entire Board. Based on the feedback received from the Directors, the following aspects of the Board stood out:

- The decisiveness of and the good relationship fostered by the Chairman
- The independence, engagement and commitment of all Directors
- The Board is well represented across capabilities, experience and skills to contribute effectively
- The Directors shared understanding of, and respect the difference between, Board stewardship and the role of the PCEO
- Effective mechanisms are in place to resolve conflicts between Board members
- Strong partnership between the Chairman and the PCEO
- Management's support and professionalism
- Quality of Directors and overall guidance provided to Management
- Broadened skill sets with new Board members
- Improved communication between Board members and with Management
- Greater transparency especially on PCEO compensation and Board nomination
- Adequate Board focus and involvement on governance and compliance
- Board is adequately involved in strategy and there is good partnership with Management on strategy, alignment and achievement
- Appropriate participation of the Board in performance review and management
- Improvement in financial reporting and risk assessment in mergers and acquisitions

CORPORATE GOVERNANCE REPORT

The Board Chairman held discussions with each individual Director on any concerns which the Director might have, provided him or her with feedback on his or her performance, and also sought his or her feedback on the Chairman's performance. A clear action plan was then discussed with the Board and acted upon. The Board discussed the findings of the evaluation and agreed to follow-up on the action items.

Orientation and Training for Directors

The NC exercises oversight on the orientation, training and professional development of Directors.

We have a formal and structured orientation framework. Newly-appointed Directors attend a two-day familiarisation exercise whereby they undergo a comprehensive and tailored programme, including visits to major businesses and joint ventures, site visits to the kitchens, apron and cargo terminals, abattoirs, etc., as well as presentations by members of Management, to facilitate the Directors' understanding of the Group's objectives, strategic plans, businesses, operations and processes. Each of the newly-appointed Directors is also sent a formal appointment letter setting out directors' duties and obligations, and requesting the Director to sign the prescribed undertaking to use his best endeavours to comply with the requirements of the SGX-ST Listing Manual. Copies of the minutes of immediate past Board and Board Committee meetings are made available on the online portal. They are also provided with other materials relating to the Board and Board Committees, including the terms of reference of the various Board Committees on which they are appointed as well as relevant guidelines and policies.

The Directors are provided with continuing education particularly on relevant new laws, regulations and changing commercial risks. They are briefed by the Company Secretary in areas such as directors' duties and responsibilities under the Companies Act, Listing Manual of the SGX-ST, Securities and Futures Act, etc. to enable them to carry out their statutory and fiduciary duties as well as to update and refresh them on matters that may affect and/or enhance their performance as Board members.

As part of the Directors' ongoing training, Directors are encouraged to attend training, conferences, courses and seminars conducted by external organisations such as the Singapore Institute of Directors and Temasek Management Services Pte. Ltd. on corporate governance, leadership and industry-related subjects. The registration process is facilitated by SATS and the course fees are borne by SATS.

During FY2017-18, the Directors visited ramp operations at the airport to understand our augmented reality smart glasses and smart watch in action, and the BRSC members were briefed on the Cybersecurity Bill. Mr Chia Kim Huat attended the "Directors-in-Dialogue Forum - Wise Power in Governance" organised by Human Capital Leadership Institute on 20 March 2018 and Mr Yap Kim Wah attended the "ACRA-SGX-SID Audit Committee Seminar 2018 - Rebooting Corporate Governance" on 16 January 2018.

Review of Board Tenure

The NC reviews the tenure of the non-executive Directors. With effect from FY2010-11, newly appointed non-executive Directors are appointed to serve an initial term of three years and such initial term of office may be renewed for a subsequent term or terms of up to a total of three years, expiring at the AGM closest to the sixth anniversary of their initial appointment. The tenure of each Director would be considered at that juncture, taking into account the recommendations of the NC and subject to the Board's approval.

Mr Koh Poh Tiong was appointed on 1 November 2011, and has served for more than six years as an independent non-executive Director. He will be retiring by rotation at the forthcoming Annual General Meeting, and has notified the Board that he will not be seeking re-election as a Director at the AGM.

Rotation and Re-Election of Directors

The NC reviews and recommends to the Board the rotation and re-election of Directors at the AGM.

One-third (or the number nearest one-third rounded upwards to the next whole number) of the Directors are required to retire from office at each AGM. All Directors (including the PCEO) are required to retire from office at least once every three years. Retiring Directors are selected based on those who have been longest in office since their last election, and as between those persons who became or who were re-appointed Directors on the same day, selection is by agreement or by lot. Retiring Directors are eligible for re-election. All new Directors appointed by the Board during the financial year hold office only until the next AGM, but will be eligible for re-appointment at that AGM.

The Directors who are retiring by rotation under Article 90 of the Constitution of the Company and standing for re-election at the forthcoming AGM are Mr Alex Hungate and Mr Tan Soo Nan. The NC (after having taken into consideration the principles for the determination of the Board size and composition adopted by it and the duration of their appointments to the Board) recommends their retirement and re-election as Directors, after assessing their contribution and performance (including attendance, preparedness, participation and candor) as Directors and the Board has endorsed the recommendation. Both Mr Alex Hungate and Mr Tan Soo Nan and their immediate family members are not related to the other Directors, the Company or its 10% shareholders.

Mr Koh Poh Tiong and Mr Thierry Breton are retiring by rotation at the forthcoming AGM and have notified the Board that they will not be seeking re-election as Directors at the AGM. The Board would like to thank Mr Koh Poh Tiong who has served with distinction during his tenure as a Director of the Company. The Board and Management are grateful for his wise counsel and guidance and wish him well as he undertakes his extensive duties in the future. The Board would also like to thank Mr Thierry Breton for his contributions and valuable insight; both the Board and Management wish him well in his future endeavours.

REMUNERATION AND HUMAN RESOURCE COMMITTEE (RHRC)

The RHRC is chaired by Ms Euleen Goh, and its members are Mr Koh Poh Tiong and Mr Michael Kok. All of the RHRC members (including the RHRC Chairman) are independent Directors. Upon the retirement of Mr Koh Poh Tiong at the conclusion of the forthcoming AGM, the Board will appoint a suitable replacement to the RHRC.

The RHRC has access to expert advice from external consultants on remuneration. In FY2017-18, the RHRC sought views on market practices and trends from an external consultant, Aon Hewitt. The RHRC undertook a review of the independence and objectivity of the external consultants through discussions with them and was satisfied that the external consultant has no relationships with the Company that would affect their independence and objectivity.

Key Responsibilities of the RHRC

The RHRC plays an important role in helping to ensure that we are able to attract, recruit, motivate and retain the best talents through competitive remuneration and progressive policies such as pay-for-performance so as to achieve the Group's goals and deliver sustainable shareholder value. Its key responsibilities include:

- Reviewing and recommending the remuneration framework of the Company including compensation structure, bonus and employee share plans to the Board for endorsement
- Overseeing the terms of appointment, scope of duties and remuneration of the PCEO, as well as those occupying the position of other Relevant Key Management Personnel[1] within the Group to the Board, including succession planning for their roles
- Evaluating on an annual basis, the achievement of performance targets for each Relevant Key Management Personnel as agreed at the beginning of the financial year with the Board and/or the PCEO, as the case may be
- Reviewing and approving compensation payable to the PCEO and the Relevant Key Management Personnel in the event of early termination of their contracts of services, if such payment is considered appropriate in the circumstances by the RHRC
- Advising on the organisation structure to drive the Company's strategic growth
- Reviewing succession planning for Relevant Key Management Personnel and other selected key positions, with the PCEO, taking into account current needs and future strategic capabilities
- Reviewing talent development framework and processes to build deep bench strength and a strong talent pipeline
- Carrying out such other authorities and duties as provided in the Code

The RHRC's recommendations regarding remuneration of the PCEO, Relevant Key Management Personnel and Directors have been submitted to and endorsed by the Board.

[1] Relevant Key Management Personnel are employees holding the rank of Executive Vice President and above.

CORPORATE GOVERNANCE REPORT

RHRC Meetings

The RHRC is required by its terms of reference to meet at least twice each financial year, with additional meetings to be convened as and when required. The RHRC convened three meetings in FY2017-18.

Key Executives' Remuneration

The Company's key executives' remuneration framework is designed to link rewards to the Company and individual performance, and takes into consideration the risk policies of the Company so as to be symmetric with risk outcomes and sensitive to the time horizon of risks. The framework enables the Company to align key executive compensation with the interests of shareholders and promotes the long-term success of the Company.

Remuneration Mix

The key executives' remuneration mix includes fixed and variable components. The remuneration components for key executives are summarised below:

TOTAL REMUNERATION	FIXED COMPONENTS		VARIABLE COMPONENTS (PERFORMANCE-RELATED)	
	Base Salary	Benefits & Provident	Variable Bonus	Long-Term Incentive

Fixed Components

The fixed components comprise base salary, the annual wage supplement (AWS) and cash allowances. The fixed components are benchmarked to comparable positions in the market, and reflect the market worth of the positions.

Variable Components

Variable Bonus comprises the following two components:

(a) Performance Bonus

Performance bonus is designed to support good balance of both the Group's financial objectives and the Company's operating performance. Payment of performance bonus is based on achieving the target levels set for each of the following Key Performance Indicators and taking into account individual performance:

- SATS Group PATMI
- SATS Company's Operating Profit
- SATS Company's Operational Performance Scorecard

Individual performance objectives are set at the beginning of each financial year and are cascaded down. For Senior Management[2], an individual Performance Scorecard comprising of both quantitative and qualitative targets in the dimensions of Financials & Business, Customer, People and Strategic Transformation Projects are used, thereby creating alignment between the performance of the Group, the Company and the individual.

After the close of the financial year, the RHRC reviews the achievements against the targets set to determine the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends, and approves a bonus pool that is commensurate with the performance achieved.

In determining the payout quantum for each Relevant Key Management Personnel, the RHRC considers the overall actual achievement against Group, business unit and individual performance scorecard.

[2] Senior Management are employees holding the rank of Senior Vice President and above.

(b) Economic Value Added (EVA) – based Incentive Plan (EBIP)

The EBIP rewards for sustainable shareholder value creation over the medium term achieved by growing profits, deploying capital efficiently and managing the risk profile and risk time horizon of the business. A portion of the annual performance-related bonus of key executives is tied to the EVA achieved by the Group in the year. Under the plan, one-third of the accumulated EBIP bonus, comprising the EBIP declared in the financial year and the balance of such bonus brought forward from preceding years (which comprises multiple years of incentive dollar retained in the EVA bank), is paid out in cash each year. The remaining two-thirds are carried forward in the individual executive's EBIP account and at risk as it is subject to performance-related clawback and could be reduced in the event of EVA underperformance in future years. This mechanism encourages key executives to work for sustainable EVA generation and to adopt strategies that are aligned with the long-term interests of the Group.

The rules of the EBIP are subject to review by the RHRC, which has the discretion, under authority of the Board, to amend the rules where appropriate and relevant to the business conditions.

Long-Term Incentives

Long-term incentives reinforce the delivery of long-term growth and shareholder value to drive an ownership culture and retain key talent. Under the SATS Restricted Share Plan and the SATS Performance Share Plan, equity awards are provisionally granted to employees of managerial grade and above, including key executives. Since 2006, the Company has phased out the award of employee share options under the Senior Executive Share Option Scheme (one of the two schemes under the SATS Employee Share Option Plan (ESOP) which was adopted by the Company in 2000) as part of the key executives' remuneration framework with effect from FY2007-08. The final grant of share options under the ESOP was made in July 2008.

(a) The SATS Restricted Share Plan (SATS RSP)

Under the SATS RSP, an initial award is made in the form of a right to receive shares, provided performance conditions are met in the future. Annual grants are made based on individual performance of employees of managerial grade and above. Final awards may vary between 0-120% of the initial award, depending on the extent to which targets based on Group Return on Equity are met over a one-year performance period. The final awards will vest over a three-year period.

(b) The SATS Performance Share Plan (SATS PSP)

Under the SATS PSP, an initial award is made in the form of a right to receive shares, provided performance targets are met in the future. Annual awards are made based on the performance of Senior Management. The final award, which can vary between 0-150% of the initial award, depends on the extent to which stretched value-aligned performance targets are met. They are based on absolute and relative Total Shareholder Return meeting targets over a performance period of three financial years.

In FY2017, base awards for a total of 1,424,000 shares and 1,622,000 shares have been granted under the SATS RSP and SATS PSP respectively.

Details such as the plan description, performance conditions, vesting conditions and payouts under the SATS RSP and SATS PSP are set out in the Annexure below, and also in the Share-Based Payment section of the "Directors' Statement" and in the "Notes to the Financial Statements" in the "Financials" section of this Annual Report.

No termination, retirement or post-employment benefits were granted to Directors, the PCEO or the Relevant Key Management Personnel of the Company (who are not Directors or the PCEO) during FY2017-18.

CORPORATE GOVERNANCE REPORT

The aggregate compensation paid to or accrued to the PCEO and the Relevant Key Management Personnel (who are not also Directors or the PCEO) for FY2017-18 is set out below:

President and Chief Executive Officer (PCEO)	Salary[2] (S$)	Bonuses[3] (S$)	Benefits (S$)	Total (S$)	Award under SATS RSP[5]	Award under SATS PSP[5]
Alex Hungate	1,073,000	2,189,400	74,400	3,336,800	161,000	550,000

Relevant Key Management Personnel	Remuneration Band[1] (S$)	Salary[2] %	Bonuses[3] %	Benefits %	Total %	Award under SATS RSP[5]	Award under SATS PSP[5]
Yacoob Bin Ahmed Piperdi	$1,000,001 to $1,250,000	41	56	3	100	68,000	185,000
Tan Chuan Lye	$1,000,001 to $1,250,000	75	20	5	100	–	–
Cheng Chee Mun, Eugene[4]	$500,001 to $750,000	57	38	5	100	–	–
Seah Kok Khong, Manfred[4]	$250,001 to $500,000	92	0	8	100	–	–

Notes:

1. Remuneration bands as indicated do not include the value of any awards granted under the SATS RSP and/or SATS PSP.
2. Salary includes AWS and employer's CPF for the year ended 31 March 2018.
3. Variable bonus comprises both actual performance bonus and economic value added (EVA) bonus which were paid out in FY2017-18 in respect of FY2016-17 Company and individual performance.
4. Mr Cheng Chee Mun, Eugene joined on 29 May 2017 and Mr Seah Kok Khong, Manfred joined on 2 September 2017.
5. Denotes the base awards of shares granted under the SATS RSP and the SATS PSP for FY2017-18 on 1 August 2017. The final number of shares under the RSP award will range from 0% to 120% of the initial grant and is contingent on the achievement of pre-determined targets over a one-year performance period and will vest equally over a three-year period. The final number of shares under the PSP award will range from 0% to 150% of the initial grant and is contingent on the achievement of pre-determined targets over a three-year performance period.
6. The fair value at allocation for the SATS RSP and SATS PSP for FY2017-18 is $4.60 and $1.75 respectively.
7. The above table reflects the remuneration of the employees who hold the rank of Executive Vice President and above, who are the Relevant Key Management Personnel of the Company.

The aggregate total compensation paid to the Relevant Key Management Personnel (who are not also Directors or the PCEO) was S$3,189,100.

No immediate family members of any Director or of the PCEO were employed by the Company or any of its related companies during FY2017-18.

Learning and Development Programmes for Employees

The Company's People vision is to engage and develop employees in an open environment of learning and sharing, with managers who lead by example. The objectives are to harness the potential of its people and bring out the best in them. To do this, we seek to enhance employee experience and engagement to strengthen their sense of belonging to the organisation, and to maximise employee productivity to help its business grow and thrive.

We have anchored training and development to build a performance driven culture centred around SATS' five core values: Excellence, Safety & Security, Innovation, Trust and Collaboration. In line with that, we have established a People Development System, comprising the Company's learning principle, policy, learning centre, training framework, learning roadmap, learning initiatives and learning management system.

SATS Academy was set up in FY2017-18 with a strategic intent to develop employees and their growth with SATS. It comprises: (i) functional skills programmes; and (ii) corporate driven soft-skill training programmes. The functional skills programmes aim to develop technical competencies of employees by mapping to the framework of Skillfuture Singapore and international standards such as the International Air Transport Association. Employees will be awarded with accredited certification. The corporate driven programmes focus on shaping the culture, and building and developing management and leadership competencies.

The programmes available in SATS are designed to be a mix of structured facilitated learning, structured non-facilitated learning and informal learning; all aimed to engage a diversified employee profile with different learning needs and styles. Learning activities are customised to the topics covered and aimed at helping employees learn through their own discovery and participation for greater learning impact. All our learning activities are andragogically designed, activities-based to involve the five senses and engage the heart of the participants.

We believe that a well-trained workforce is the critical success factor to the growth of the business. We train our employees to deliver SATS' brand promise "Passion to Delight" so that we are able to achieve our mission "to be the first choice provider" and our vision of feeding and connecting Asia.

Annual Performance Assessment of the PCEO and Succession Plan for the PCEO and Relevant Key Management Personnel

RHRC reviews the performance of the PCEO and Relevant Key Management Personnel annually and recommends their performance level to the Board for approval.

SATS firmly believes in grooming our internal talents to take on the key management roles, and we have put in place a structured process in talent and succession management.

The RHRC instituted a rigorous process for the PCEO's succession plan and conducted an annual succession planning review of Senior Management and other selected key positions, with the PCEO, taking into account current needs and future strategic capabilities. An annual discussion is held with the Board to review the potential successors and their corresponding development plan. The potential successors and high performing employees are put through a structured talent development programme based on the development assessment centre methodology.

The RHRC also reviews the talent development framework and processes to build deep bench strength and a strong talent pipeline. Critical jobs are identified and a total of 9 potential successors are identified for each position. Human Capital engages the PCEO and the business leaders to review the list of critical jobs and the potential successors annually based on current and future business needs.

BOARD RISK AND SAFETY COMMITTEE (BRSC)

The BRSC is chaired by Mr Tan Soo Nan, and its members are Mr Yap Chee Meng, Mr Yap Kim Wah and Mr Chia Kim Huat. All of the BRSC members (including the BRSC Chairman) are independent Directors.

Key Responsibilities of the BRSC

The BRSC oversees and reviews the adequacy and effectiveness of the Group's risk and safety management systems and programmes. Its key responsibilities include the review of:

- The Group's operational and information technology risks (including cyber security risks)
- The adequacy of resources for the risk management functions and that they have appropriate standing within the Group
- The risk management policies and practices and the types and level of risks faced by the Group
- The activities of the SATS Group Risk and Safety Committee, which is responsible for putting in place risk management processes and methodologies, identifying risks and instilling mitigation plans and updating risk registers and profiles
- Reports on any material breaches of risk limits and the adequacy of proposed action
- The Board's Risk Management and Internal Controls Statement in conjunction with the Audit Committee
- The Group's safety systems and programmes for effectiveness and compliance with regulatory requirements and best industry practices for food safety, workplace safety and health
- The regular reports on safety, initiation of remedial actions and assessment of level of compliance with the safety management plan
- Food safety and accident investigation findings and implementation of recommendations by Management
- The adequacy of insurance coverage for the Group

CORPORATE GOVERNANCE REPORT

BRSC Meetings

The BRSC is required by its terms of reference to meet at least four times a year. The BRSC met four times in FY2017-18.

RISK MANAGEMENT AND INTERNAL CONTROLS STATEMENT

The Board is responsible for risk governance, and for determining the Company's level of risk tolerance and risk appetite. The Board oversees and reviews at least annually the adequacy and effectiveness of the Group's internal controls and risk management system implemented by Management to address risks. This system aims to provide reasonable assurance to investors regarding:

- Safeguarding the Group's assets against unauthorised or improper use or disposal
- Protection against material misstatements or losses
- Maintenance of proper accounting records
- Reliability of financial information used within the business and for publication
- Compliance with appropriate legislations, regulations (including requirements under the listing rules of the SGX-ST) and adoption of applicable corporate governance best practices
- Identification and management of business risks

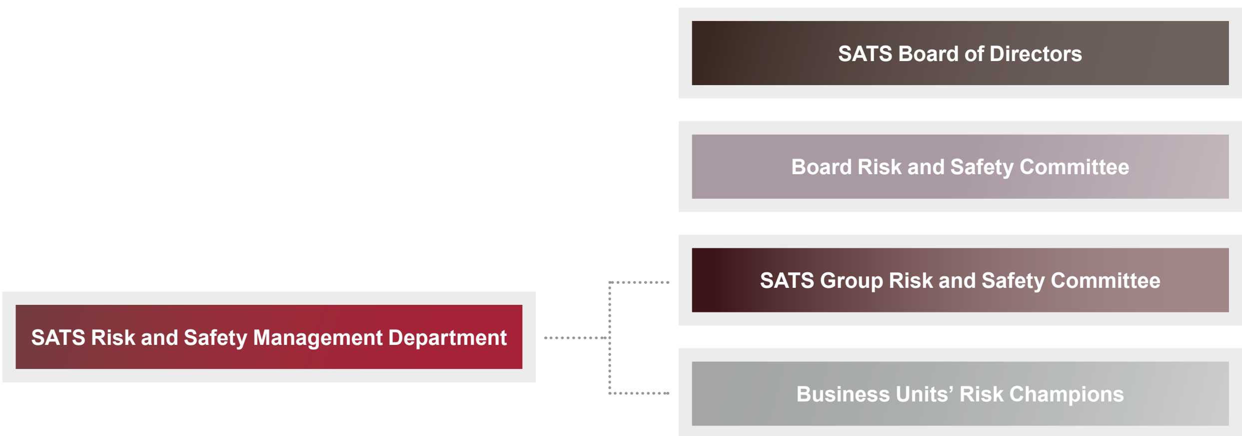
Risk Management Organisational Structure

The BRSC assists the Board in reviewing the adequacy and effectiveness of the systems of safety and risk management. Under its oversight, the safety and risk management programme is executed with an integrated view of the organisation and its needs in mind.

The BRSC is supported by the SATS Group Risk and Safety Committee (SGRSC). The BRSC reviews the activities of the SGRSC, including regular risk management reports, initiatives, processes and exercises. The SGRSC, chaired by the PCEO, meets on a quarterly basis to review the risk management system and mitigation measures.

The Risk and Safety Management Department coordinates and facilitates the risk management processes within the Group. It provides support to the SGRSC in carrying out its functions.

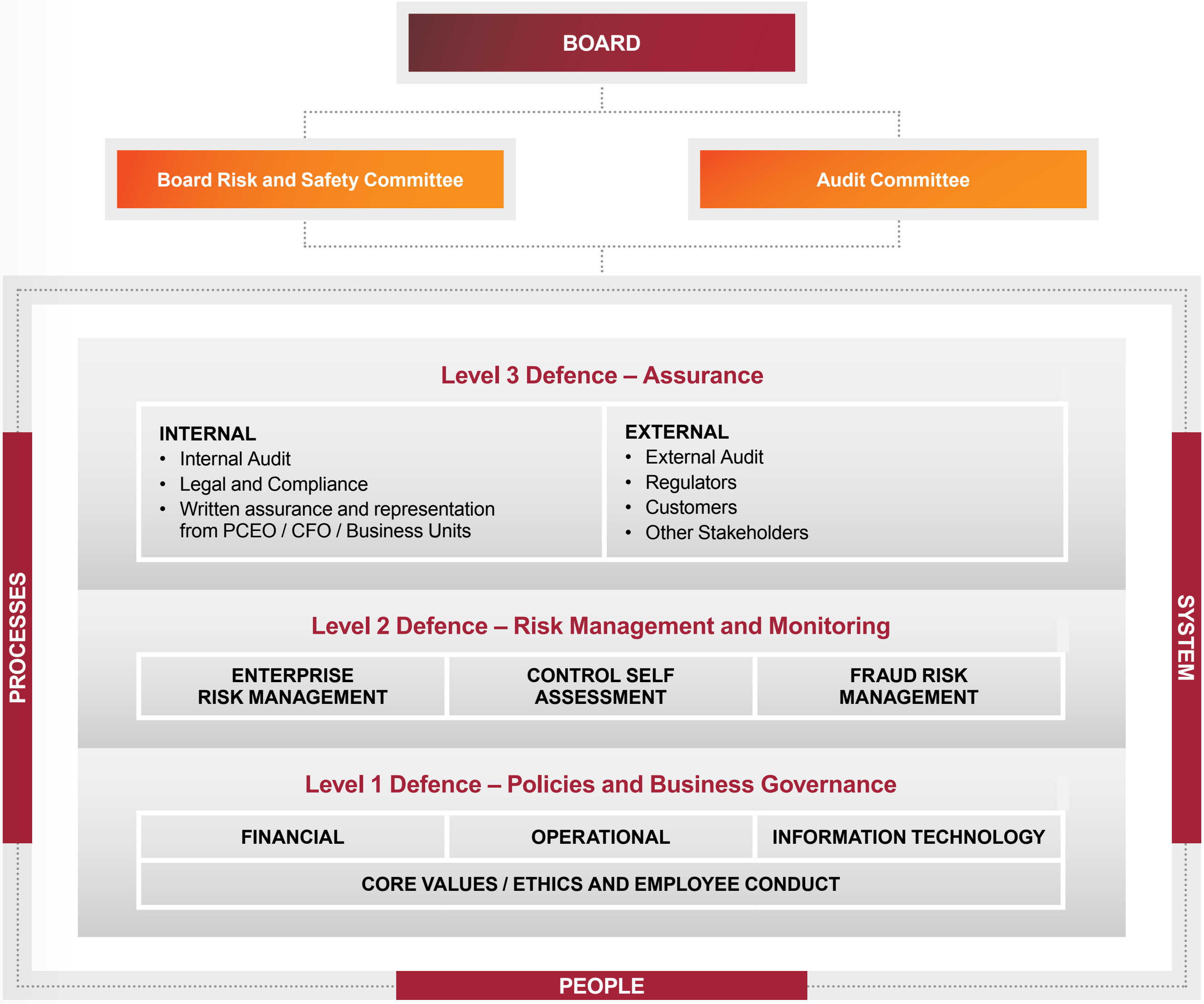
The Group risk management reporting structure is as depicted in the diagram below.



More information on the EXCO, AC and BRSC's composition, authorities, duties and key risk responsibilities can be found in the respective "Board Committees" sub-sections of this Corporate Governance Report.

Management Controls and Assurance Framework

The Group's Management Controls and Assurance Framework (Framework) comprises three levels of defence towards ensuring the adequacy and effectiveness of the Group's system of risk management and internal controls.



Level 1 Defence – Policies and Business Governance

Management ensures good corporate governance through the implementation and management of policies and procedures relevant to the Group's business environment. These policies and procedures govern financial, operational, information technology and compliance matters.

The Group's key policies and procedures include:

- Written terms of reference for various Management and Board Committees
- Defined roles and responsibilities, and authorisation levels for all aspects of the businesses that are set out in the Financial and Operating Approval Authority Matrix, including guidelines on matters requiring the Board's approval
- Appropriate management organisational structures
- A planned and coordinated budgeting process where operating units prepare budgets for the coming year that are approved by both Management and the Board
- Policies that set out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity. They cover areas such as workplace health and safety, conduct in the workplace, safeguarding of the Company's assets (including proprietary information and intellectual property), confidentiality, conflict of interest, and non-solicitation of customers and employees

CORPORATE GOVERNANCE REPORT

The Group has its own approval limits and procedures for every banking and finance transaction, having regard to the nature of the transaction concerned. All banking and finance transactions undertaken by the Group must be properly authorised, including the opening of new bank accounts and the taking up of any proposed credit facilities and the Group's key insurance coverage, the adequacy of which is reviewed on a yearly basis. These approval limits and procedures are updated from time to time and are available on request to the bankers of and lenders to the Group.

Cyber Security Governance and Management

SATS has put in place an Information Security Policy which is aligned with ISO27001. All users of information assets owned or managed by SATS are required to comply with this Policy and its supporting standards and guidelines. In addition, SATS has also established a Cyber Security Management Framework designed to protect against, detect and respond to cyber security threats and recover quickly from any attacks/exploit. The framework covers security controls (leveraging on people, process and technology) in the following three areas to protect SATS businesses and information assets.

On 5 February 2018, the Cybersecurity Act was passed to strengthen the protection of computer systems providing essential services against cyber-attacks. Rajah & Tann Singapore LLP was engaged to discuss the implications of the new requirements with the BRSC and Management. While many of the cybersecurity measures are already in place, SATS will continue to work with the relevant agencies to enhance its cybersecurity defence.

CYBER SECURITY MANAGEMENT FRAMEWORK

PROTECTION

Ability to protect, limit or contain the impact of a potential Cyber Security event

Perimeter Defence
- Intrusion Protection System
- Firewall
- Virtual Private Network
- Proxy Service
- Email and Site Filter
- Switch & Router

Mobile Security

Host Security

Server Security

System Security

Application Security

Data Protection

Access Control

OPERATIONS

Timely discovery of Cyber Security events and response to recover the system

Identity and Access Management

Security Information and Event Management

Incident Response and Management

Threat Intelligence

Vulnerability Management

Patch Management

Capacity Management

IT Disaster Recovery

Business Continuity Management

GOVERNANCE

Proactively identify cyber risks and establish process and procedure to focus and prioritise its efforts towards minimising Cyber Security risks

Policies

Standards

Procedures

Guidelines

User Awareness

Security Testing

Audit and Compliance

Service Level Agreement

Risk Management

Metrics and Reporting

Level 2 Defence – Risk Management and Monitoring

During the year, the Enterprise Risk Management framework was integrated with Strategy and Performance as the Group recognises the importance of connecting strategic decision-making and entity performance with risk management to accelerate the Group's growth and enhance performance.

The Risk Management system concentrates on those key risks which may have a significant influence on the Group's assets, finances and profits, and those that may potentially endanger the continued existence of the Group's companies. Procedures used, facilitate early detection and control of risks.

The operational business units meet regularly to review risk and control matters, including ascertaining that there are effective follow-up procedures. The outcome and status are reported to the BRSC and the AC for review and information.

The Group carried out reviews of the key risk profiles of the Group. The preventive and mitigating control actions were further refined and developed for adequacy and effectiveness.

The on-going process to identify, assess, monitor and manage business risks that will impede the achievement of the Group's objectives is continuously reviewed for improvements. The key risks are evaluated based on probability, consequence and velocity of a preset scale and ranked accordingly. The risk management process, which has been put in place throughout the year and up to the date of this statement, is firmly embedded within the Group's business operations and is every employee's responsibility.

The following are the key risk management activities carried out within the Group during the year:

- risk review and identification exercises conducted at the business units and departments, to review the existing risks in the risk register and to identify new risks that may have emerged;
- business continuity/contingency plans were tested during the financial year under review. The procedures were fine-tuned and enhanced for improvements further to the post mortem briefings held; and
- control self-assessment (CSA) exercise carried out by the business units. This exercise requires the various business units to assess the status of their respective internal controls and develop action plans to remedy identified control weaknesses.

Fraud risk management processes include conflict of interest and bankruptcy declaration, mandatory block leave for sensitive positions, as well as implementation of policies such as the SATS Whistle-Blowing Policy and Code of Conduct to establish a clear tone from the top regarding employees' business and ethical conduct.

Level 3 Defence – Assurance

Management monitors internal controls through CSAs that have been developed based on the principle of minimum acceptable controls. During the course of the year, CSA controls were reviewed for relevancy and adequacy to business processes. The controls are assessed by the business unit control owners and independently by the various internal audit teams, including the Group's Internal Auditors. Action plans are developed to remedy identified control weaknesses.

Written assurances and representations, together with an attached checklist of key elements of internal controls approved by the Board, have been obtained from all the executive heads of all the Company's operating subsidiaries as well as from the executive heads or other appropriate officers of all of the Company's active associated companies, that their respective companies' internal controls were adequate during the financial year under review. The written assurances and representations also included the assurances provided by respective executive heads on the Group's compliance with the Anti-Bribery and Anti-Corruption Policy.

The external auditors will highlight any material internal control weaknesses which have come to their attention in the course of their statutory audit. Any significant non-compliance or failures in internal controls and recommendations for improvement are reported to the AC.

The details of the Group's independent Internal Audit function are set out in the "Audit Committee" sub-section of this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Board's Oversight
The Board of Directors, supported by the AC and BRSC, oversees the Group's systems of internal controls and risk management. The Board has received assurance from the PCEO and CFO:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and financial position; and

(b) regarding the adequacy and effectiveness of the Group's risk management and internal control systems, addressing financial, operational, compliance and information technology risks.

Conclusion
Taking into account the views of the AC and BRSC in the exercise of their responsibilities under their respective terms of reference, the framework of management controls, the internal control policies and procedures established and maintained by the Group's Management, the reviews conducted by the internal and external auditors and the documented governance assurance, the Board opines, with the concurrence of the AC, that the systems of internal controls and risk management (addressing financial, operational, compliance and information technology risks) which the Group considers relevant and material to its current business scope and environment were adequate and effective as at the date of the 'Directors' Statement'.

However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

CORPORATE CULTURE

SATS Code of Conduct
The SATS Code of Conduct sets out the standards of behaviour by which we deal with our customers, business partners, colleagues, suppliers and each other. All employees are required to read and acknowledge the Code of Conduct upon joining the Company. The principles covered in the Code of Conduct are:

Passion to Delight
Standing behind our promise of quality are the people with the passion to delight. We believe in fostering a collaborative environment where every employee of the organisation is obliged to observe our code of conduct in interactions within the employees, customers and business partners.

High Integrity
We build trust with business partners through integrity. We forbid employees to seek work outside of SATS so that they can give full devotion to the work they do for us. Integrity is further protected through non-competition and non-solicitation requirements for a period of one year after the employee has ceased employment with us.

We are careful to avoid situations where personal connections or financial interests may influence impartiality. Employees are required to inform us of situations where they have family members who have business dealings with us. Further, employees and members of their family are not allowed to accept gifts or preferential treatment arising from their employment with us.

Confidential information is valuable to our business. Employees are expected to keep such information confidential, not make false claims and refrain from insider trading.

Safety in the Workplace

Workplace safety is of paramount importance to our business. We ensure that all employees and contractors are adequately trained to perform their tasks competently and we insist on strict adherence to safety rules.

Safeguarding Assets

Employees are expected to exercise responsibility and good judgement in the use of company assets. Use of these properties must be authorised and the individual is required to comply with the rules governing usage.

Whistle-Blowing Policy

Our "Policy on Reporting Wrongdoing" institutionalises the Group's procedures on reporting possible improprieties, independent investigation of such matters, and follow-up actions. Complaints or suspicions of impropriety can be raised by employees, customers, suppliers or other persons in the form of emails, faxes, letters or written/verbal reports. A dedicated email address and hotline is maintained by the Internal Audit Department to receive such complaints or reports. Anonymous complaints may be considered, taking into account factors such as the seriousness of the issues raised, the credibility of the concern and the likelihood of confirming the allegation from attributable sources.

Our Internal Audit Department is responsible for reviewing all complaints received unless it concerns the Head of Internal Audit or the PCEO. Any complaint concerning the Head of Internal Audit or the PCEO is escalated to the AC Chairman who may delegate investigation of such complaints to any person deemed fit by the AC Chairman. Depending on the complexity and the nature of complaint, external service providers may be engaged to assist in investigations.

Banking Transaction Procedures

Our lenders are notified that all bank transactions undertaken by any member of the Group must be properly authorised, including the opening of new bank accounts and any proposed credit facilities. Each member of the Group has its own approval limits and procedures for every banking transaction, having regard to the nature of the transaction concerned. These approval limits and procedures are updated from time to time and are available on request. The bankers of each member of the Group have been advised to verify, in accordance with the verification process set out in the applicable procedures, that the transaction is properly authorised.

ACCOUNTABILITY TO SHAREHOLDERS

Shareholder Rights

SATS practices fair and equal dissemination of information. All media releases, announcements and investor presentations are issued via SGXNET and uploaded on our website, providing timely information to shareholders.

Shareholders are informed of general meetings through notices published in the newspaper, electronic releases via the SGXNET and reports or circulars sent to all shareholders. Shareholders are given the opportunity to participate effectively in and vote at general meetings. They are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. Institutional shareholders are allowed to appoint multiple proxies, so indirect investors who hold shares through nominee companies or custodian banks or through a CPF agent bank may be appointed as proxies to attend, speak and vote at the AGM.

The voting rights of shareholders are described in the Annual Report, and shareholders are briefed by independent scrutineers on the rules and voting procedures at the beginning of general meetings. We encourage shareholders to actively participate in general meetings, which are held at convenient locations.

CORPORATE GOVERNANCE REPORT

Communication with Shareholders

Investor Relations

SATS strives to communicate pertinent information to shareholders and the investment community on a regular and timely basis, and in a clear, forthcoming and detailed manner. We disseminate material, price-sensitive information to the public on a timely and non-selective basis, to enable our stakeholders to have the latest, most relevant information required to make informed decisions about the value of SATS and our long-term prospects. Material information relating to our financial performance, business and strategic developments is published on SGXNET first, followed by our website at www.sats.com.sg.

There is a dedicated investor relations section on our website where current and past annual reports, quarterly financial results, webcasts of quarterly earnings briefings, the latest corporate presentations, and other information considered to be of interest to shareholders and the investment community are readily available.

In addition, we have many channels that offer opportunities for dialogue with our stakeholders to help them understand our business strategy better.

Every quarter, except for the fourth quarter, we organise an earnings conference call with a live audio webcast to brief shareholders, the investment community and the media on our financial performance as well as key business and corporate developments. For the fourth quarter, we host a face-to-face briefing for both analysts and the media, with a live audio webcast. An on-demand audio webcast is made available on our website on the same day of each earnings conference call and briefing.

We also participate in investor conferences locally and overseas on a regular basis to meet with investors who are interested to know more about our business. We also respond to email requests from key institutional investors to meet with senior management on specific matters and queries about our business.

Our Public Affairs & Branding department is our corporate liaison to the public, shareholders, and the investment community. The department is responsible for the dissemination of corporate information and promotes a positive relationship with our stakeholders. Shareholders who wish to contact us may do so by contacting the Public Affairs & Branding department. The contact particulars are listed on our website. We also have a dedicated investor relations team and a clearly-defined investor relations policy. Upon receiving the feedback, our Public Affairs and Branding team will consult the relevant subject matter expert before responding appropriately to the feedback. Communications with our stakeholders are conducted in an open, transparent manner and in compliance with SGX requirements.

Sustainability

Operating in a highly regulated environment where safety and security are paramount, sustainability is integral to our business. Our sustainability initiatives are driven by our Passion to Delight and the desire to deliver long-term value to our stakeholders. We regularly engage with our stakeholders to identify material issues that guide our decision making. Multiple channels, both formal and informal, are available for dialogue with our stakeholders. We believe working collaboratively with external stakeholders brings together the expertise and passion of individual organisations to create a greater collective impact on the environment and the community we serve.

Aligned with our strategy to feed and connect Asia, we have established ambitious 2030 goals. The sustainability framework that SATS has adopted is built on our core competencies to help develop the community. The framework's three pillars – sustainable nutrition, treasuring resources, and connecting people, are aligned with our vision and technology-driven, people-led management approach.

We report sustainability performance in accordance with the SGX Sustainability Reporting Guide and take reference from GRI for disclosures on performance. Material topics are also mapped to the United Nations Sustainable Development Goals. We will continually review our business sustainability strategy to improve our stewardship and reporting format.

Dividend Policy
The Company targets to provide sustainable and progressive dividend payouts. The past 4 years' dividend payouts and the current year's proposed dividend payout are set out in the "Five-Year Group Financial and Operational Summary" section of the Annual Report.

Conduct of Shareholder Meetings

Our Constitution currently does not permit shareholders to vote at general meetings in absentia (such as via mail, email or fax). We will consider implementing the relevant amendments to the Constitution if the Board is of the view that there is a demand for such alternative methods of voting, and after we have evaluated and put in place the necessary security processes to facilitate in absentia voting, and prevention measures against errors, fraud and other irregularities.

Generally, all Directors are required to attend general meetings. The Chairman of the Board, the Chairman of each of the EXCO, AC, NC, RHRC and BRSC and the external auditors are present to address shareholders' queries.

At general meetings, each distinct issue is proposed as a separate resolution. All resolutions are put to the vote by electronic poll voting. Voting by poll allows for an equitable and transparent voting process. Shareholders will be better able to demonstrate their concerns in a manner more accurately reflective of their shareholdings. Independent scrutineers are appointed to conduct the voting process. Independent scrutineers brief the shareholders on the e-polling voting process and verify and tabulate votes after each resolution. The results of the voting at the general meetings showing the number of votes cast for and against each resolution and the respective percentages are shown to the shareholders at the end of each resolution before the Chairman makes a declaration on the passing of the resolution. In addition, the voting results at the general meetings showing the number of votes cast for and against each resolution and the respective percentages and the name of the independent scrutineer will be announced via SGXNET immediately after each general meeting.

The Company Secretary prepares minutes of shareholders' meetings, which incorporate comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon request.

Dealings in Securities

In line with the rules of the Listing Manual of the SGX-ST, we have in place a policy and guidelines on dealings in our securities, which have been disseminated to employees of the Group and Directors of the companies within the Group. The policy and guidelines restrict certain employees (including all administrative officers and employees of managerial grade and above, and employees in departments which are likely to be privy to confidential material price-sensitive information, such as the offices of the PCEO, EVPs and Senior Vice Presidents, the Legal and Finance departments, and departments or units of companies in the Group having charge of business development and/or marketing activities) from trading in our securities during the period falling two weeks before the announcement of our quarterly financial statements for each of the first three quarters of its financial year and one month before the announcement of our full-year financial statements.

We have also adopted a procedure for a trading halt in our securities, which assists us to manage our continuous disclosure obligations in accordance with the spirit of Rule 703 of the Listing Manual of the SGX-ST in the event of a leak of material unpublished information, or a false rumour or report where a media comment about us is sufficiently specific and detailed to warrant a response or to adequately respond to a query by the SGX-ST arising from such leak of material unpublished information or a false rumour or report.

In addition, our Directors and employees are prohibited at all times from trading in the Company's securities if they are in possession of non-public, price-sensitive information. The policy and guidelines also remind employees and Directors of the Group that they should not deal in our securities on short-term considerations, and to be mindful of the insider trading prohibitions under the Securities and Futures Act whenever trading in our or any other corporation's securities. In any event, the non-executive Directors who are currently our shareholders hold an insignificant number of our shares and have not traded their shares during FY2017-18.

CORPORATE GOVERNANCE REPORT

ANNEXURE

Share Plans

(I) ESOP

The Company has ceased to issue further grants of share options under the ESOP since the last grant in July 2008. Please refer to the "Directors' Statement" and "Notes to Financial Statements" in the "Financials" section of this Annual Report for more details relating to the ESOP.

(II) SATS RSP and SATS PSP

The SATS RSP and the SATS PSP were approved by shareholders at the Extraordinary General Meeting of the Company held on 19 July 2005 for an initial term of 10 years till July 2015. A 10-year extension until July 2025 was approved at the 41st AGM of the Company. There was no change to the maximum limit of new shares which may be issued under the SATS RSP and the SATS PSP following the extension of their respective durations. These plans were introduced with a view to further strengthening the Company's competitiveness in attracting and retaining talented key senior management and executives. The SATS RSP and the SATS PSP aim to more directly align the interests of key senior management and executives with the interests of shareholders, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst key senior management and executives. These plans contemplate the award of fully paid shares of the Company, when and after pre-determined performance or service conditions are accomplished. Non-executive Directors of the Group are not eligible to participate in the SATS RSP and the SATS PSP.

The SATS RSP serves as an additional motivational tool to recruit and retain talented executives as well as to reward Company and individual performance. In addition, it enhances the Group's overall compensation packages, strengthening the Group's ability to attract and retain high performing talent. The SATS PSP is targeted at a select group of key senior management who shoulder the responsibility for the Company's performance and who are able to drive the growth of the Company through innovation, creativity and superior performance. Awards under the SATS PSP are performance-based, with performance targets set in accordance with medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets based on criteria such as total shareholders' return, economic value added, market share, market ranking or return on sales.

Awards granted under the SATS RSP, which is intended to apply to a broader base of executives, will vest only after the satisfactory completion of time-based service conditions, that is, after the participant has served the Group for a specified number of years (time-based restricted awards) or, where the award is performance-based (performance-based restricted awards), after a further period of service beyond the performance target completion date. No minimum vesting periods are prescribed under the SATS RSP, and the length of the vesting period(s) in respect of each award will be determined on a case-by-case basis. Award of such performance-based restricted awards is intended to ensure that the earning of shares under the SATS RSP is aligned with the pay-for-performance principle. The use of time-based restricted awards will only be made on a case-by-case basis where business needs justify such awards.

The selection of a participant and the number of shares which he would be awarded under the SATS RSP will be determined at the absolute discretion of the RHRC, which will take into account criteria such as his or her rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his or her contribution to the success and development of the Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

Under the SATS RSP and the SATS PSP, the RHRC has the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the RHRC has the right to make reference to the audited results of the Company or the Group to take into account such factors as the RHRC may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the RHRC decides that a changed performance target would be a fairer measure of performance.

The senior management who are participants of SATS RSP and SATS PSP are required to observe a moratorium on a minimum threshold of their shares in the Company. They are prohibited from trading, pledging or hedging their minimum threshold. The RHRC in their review of the Company's share plans also reviewed the minimum threshold. The RHRC commissioned a review of the minimum threshold by an external consultant, Aon Hewitt, in October 2014 and had approved the findings and recommendation of Aon Hewitt.

The aggregate number of shares which may be issued pursuant to awards granted under the SATS RSP or the SATS PSP, when added to the number of new shares issued and issuable in respect of all options granted under the ESOP, and all awards under the SATS RSP and the SATS PSP, may not exceed 15 percent of the total number of issued ordinary shares in the capital of the Company on the day preceding the relevant date of award.

For FY2017-18, the total number of shares comprised in awards granted under the SATS RSP and SATS PSP did not exceed 0.3 percent of the total number of issued shares (excluding treasury shares). The obligation to deliver the shares is expected to be satisfied out of treasury shares.

SUSTAINABILITY

Building a Sustainable Future

SATS' vision of Feeding and Connecting Asia is centred on people. As Asia's leading provider of food solutions and gateway services, we connect families and friends from around the world, provide great-tasting, nutritious meals that build healthier communities, and enable trade that drives economic success. Sustainability is integral to our business.

SUSTAINABLE NUTRITION

Committed to making healthy food affordable, reducing food wastage, and sourcing food from sustainable sources.

TREASURING RESOURCES

Shift towards renewable and sustainable energy, water and material sources, and people-friendly approach to automation and digitisation.

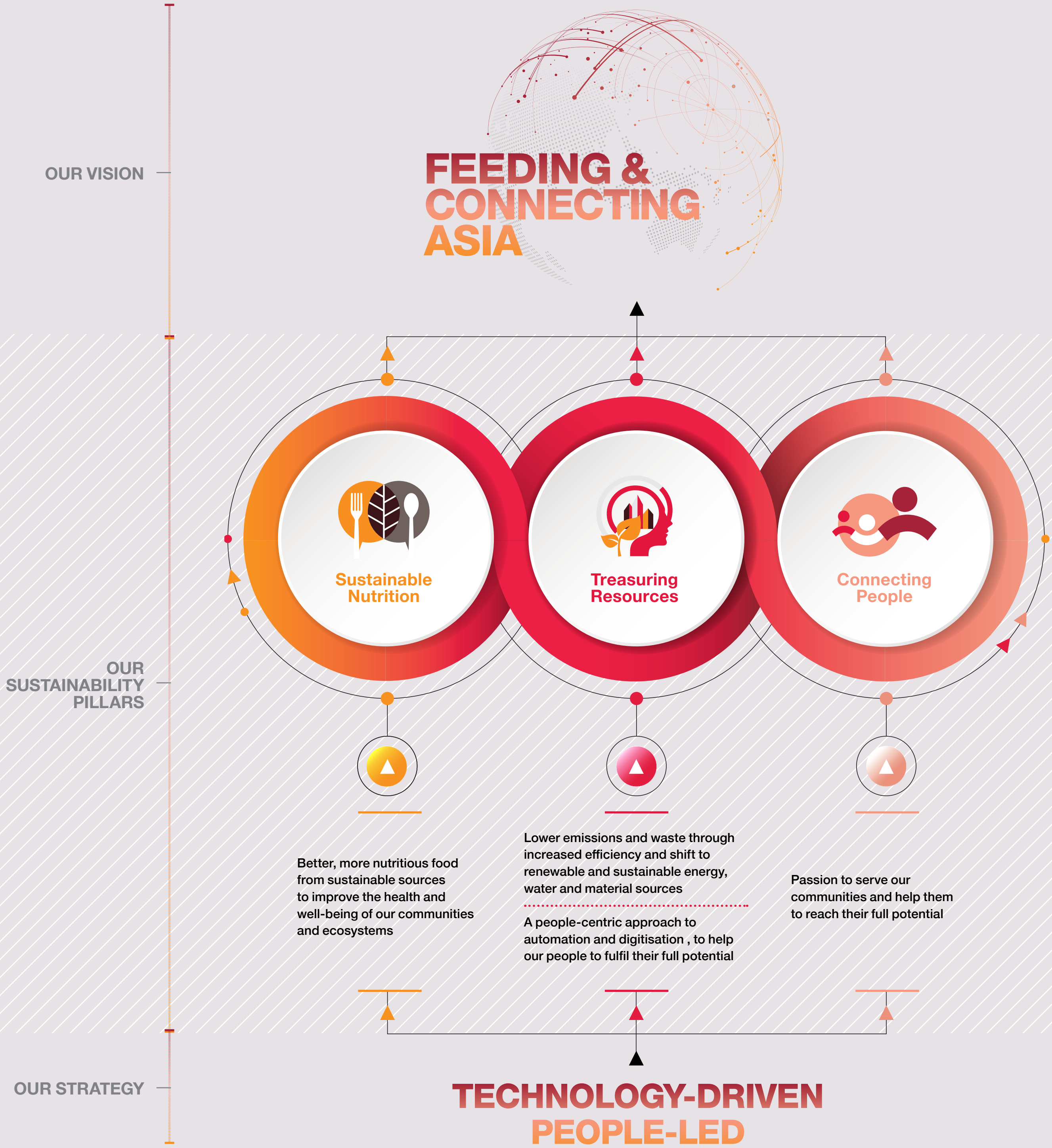
CONNECTING PEOPLE

Ensuring seamless connections and empowering communities to fulfil their full potential.

SUSTAINABILITY | BUILDING A SUSTAINABLE FUTURE

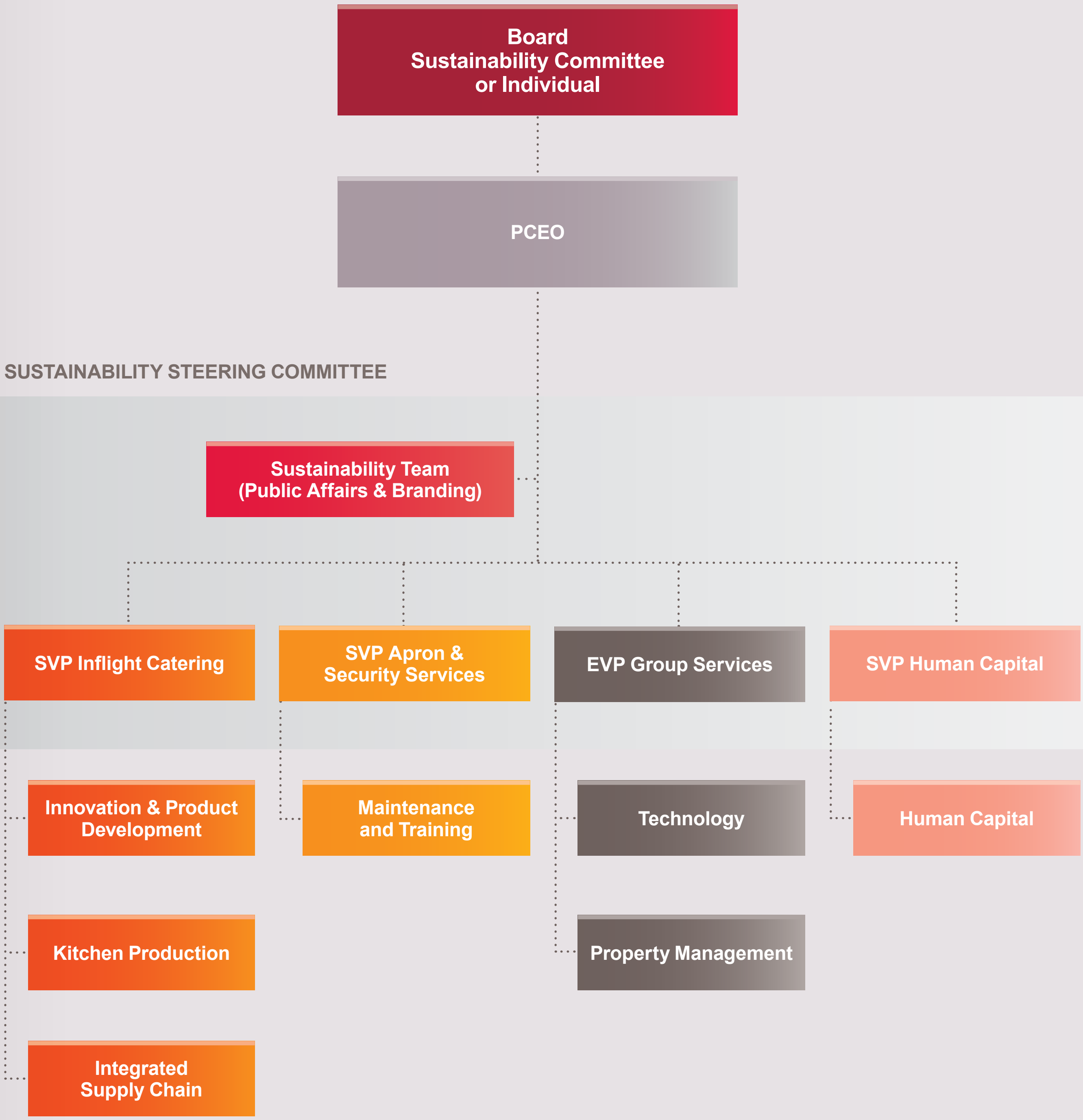
TECHNOLOGY-DRIVEN, PEOPLE-LED

To achieve our vision of Feeding & Connecting Asia, our technology-driven, people-led sustainable business strategy harnesses innovation and empowers our people to delight our customers. This strategy forms the foundation for SATS' three sustainability pillars. It guides our people to impact on the lives of billions, helps them achieve their full potential and serves to future-proof our business.



OUR SUSTAINABILITY GOVERNANCE

At SATS, we believe that good governance structures allow us to ensure accountability, fairness and transparency. As such, we established the Sustainability Steering Committee in 2018 to better integrate sustainability into our business operations. Reporting directly to our PCEO, the Committee comprises senior leadership from the Inflight Catering, Apron & Security Services, Group Services, and Human Capital departments, supported by the Public Affairs & Branding team.



SUSTAINABILITY | BUILDING A SUSTAINABLE FUTURE

OUR SUSTAINABILITY FRAMEWORK

In 2017, we established a new sustainability framework that outlines how our contribution to global sustainability challenges will drive the future success of SATS as a business. By adopting a technology-driven, people-led approach towards sustainability, we aim to create greater value for all our stakeholders. In all three pillars of our sustainability framework, our approach to harnessing technology to improve productivity and achieve scale has always been ground up. We use technology to help our stakeholders fulfil their full potential by providing healthier meals using food technology, optimising our resources through automation, up-skilling our people to improve productivity, and a digitalised platform to ensure more seamless connectivity for our customers.

The framework sets out key priorities across the three pillars of Sustainable Nutrition, Treasuring Resources and Connecting People that will guide the implementation of our sustainability programme. By setting 2030 ambitions, we have set a high bar for ourselves to reach for innovative solutions.

Our inaugural report uses this framework as the basis for sharing SATS' sustainability performance. Future reports will use this framework as a means to communicate our progress and performance.

Pillars | **2030 Ambitions** | **United Nations' Sustainable Development Goals**

Sustainable Nutrition

Better, more nutritious food from sustainable sources to improve the health and well-being of our communities and ecosystems.

MAKE HEALTHY FOOD AFFORDABLE
- All customers are offered a healthy choice option
- Nutritional information will be provided for all in-flight meals

TACKLE FOOD WASTAGE
- Halve food wastage in all operations from a 2018 baseline

ENSURE SUPPLY CHAIN IS SUSTAINABLE
- Food supply chain for 100% of high risk products traceable to origin
- 100% of seafood and palm oil originates from certified sustainable sources

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Treasuring Resources

Lower emissions and waste through increased efficiency and shift to renewable and sustainable energy, water and material sources.

A people-centric approach to automation and digitisation, to help our people to fulfil their full potential.

USE SCARCE RESOURCES EFFICIENTLY
- 100% wastewater treatment
- 50% water recycled for non-food use
- Sustainable food packaging

REDUCE EMISSIONS
- 100% electric ground handling equipment*
- 40% usage of renewable energy in SATS-owned buildings
- 80% reduction in carbon footprint by 2030

GROW WITH SATS
- Employee engagement score of 80%
- 80 hours of employee training per year
- 30% of talents for critical and key positions filled by internal transfers
- 40% female representation at senior management level

13 CLIMATE ACTION

5 GENDER EQUALITY

Connecting People

Passion to serve our communities and help them to reach their full potential.

ENSURE SEAMLESS CONNECTIONS
- 100% paperless hub
- High score on seamless connectivity customer and cargo experience
- Zero-tolerance of security breaches (robust fallback system)

EMPOWER COMMUNITIES
- Touch four million lives by 2030 through social and community investments that impart our expertise, to empower people to fulfil their fullest potential.

10 REDUCED INEQUALITIES

* subject to development of infrastructure and facilities to support electric ground equipment by airports

SUSTAINABILITY | BUILDING A SUSTAINABLE FUTURE

The adoption of technology has created opportunities for our people to enhance their skills and benefit from our Progressive Wage Model.

GROW WITH SATS

The reputation and success of SATS is driven by our passion to delight our customers. Our people are valuable and we recognise their contributions with fair pay and safe working conditions. We encourage our people to develop new skills and lead innovation to improve services for our customers while finding fulfilment in what they do at SATS.

SATS adopts a technology-driven, people-led approach to employee up-skilling and job enlargement. We invest in technology to enhance our capabilities and enable our people to learn new skills to stay relevant on the job.

As we expand our connectivity in the region, we create opportunities for our people through various talent development programmes such as our Global Leadership Programme to fulfil their full potential. They develop cultural understanding and open-mindedness in new environments while acquiring entrepreneurial skills.

ACHIEVING FULL POTENTIAL

As a people-led company centred on the needs of our customers as well as those of the community, SATS firmly believes in supporting and giving back to our local communities to effect positive change and create economic value.

Working through SATS Foundation and SATS Staff Association, we reach out to the community through various initiatives with the objective of helping the community fulfil their full potential. SATS Foundation, which was established in 2010, is supported by SATS Ltd with an annual donation of $500,000 to support company-wide corporate social responsibility events and initiatives. SATS Staff Association aims to inculcate and develop in SATS employees a spirit of giving back to the community through volunteerism. By 2030, we hope to have touched an accumulated total of 4 million lives through our community engagement programmes.

SUSTAINING THE MOMENTUM

We will be powering up our programmes to work towards our 2030 goals. New food technologies will be deployed to produce nutritious meals and cut food waste. We will continue with our four-year plan to reduce emissions by converting to electric tractors and initiate new programmes to develop our people and widen our reach to the community.

For more details on our various sustainability initiatives and how we developed our framework, please refer to our Inaugural Sustainability Report here: **www.sats.com.sg/SustainabilityReport2016-17/Pages/index.html**

SATS funded a Sensory Herb Garden for students with autism at Pathlight School.

Financial Statements

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of SATS Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the Directors:

(a) The financial statements set out on pages 96 to 184 give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Directors have, on the date of this statement, authorised these financial statements for issue.

2. DIRECTORS

The Directors of the Company in office at the date of this statement are:

Euleen Goh Yiu Kiang	Chairman
Alexander Charles Hungate	
Achal Agarwal	
Thierry Breton	
Chia Kim Huat	
Koh Poh Tiong	
Michael Kok Pak Kuan	
Jessica Tan Soon Neo	
Tan Soo Nan	
Yap Chee Meng	
Yap Kim Wah	

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company as stated below:

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of Director	Direct interest: At the beginning of financial year or date of appointment	Direct interest: At the end of financial year	Deemed interest: At the beginning of financial year or date of appointment	Deemed interest: At the end of financial year
Ordinary shares				
Alexander Charles Hungate	495,236	1,255,636	–	–
Euleen Goh Yiu Kiang	22,774	22,774	–	–
Michael Kok Pak Kuan	30,000	30,000	–	–
Tan Soo Nan	10,000	10,000	–	–
Chia Kim Huat	2,190	2,190	–	–
Award under SATS Restricted Share Plan ("RSP")				
Alexander Charles Hungate (1)	351,400	354,200	–	–
Award under SATS Performance Share Plan ("PSP")				
Alexander Charles Hungate (2)	1,480,000	1,650,000	–	–

(1) The final number of RSP award will range from 0% to 120% of the initial grant and is contingent on the achievement of pre-determined target over a one-year performance condition and will vest equally over a three-year period. During the financial year, 161,000 shares were awarded and 190,400 shares were vested.

(2) The final number of PSP will range from 0% to 150% of the initial grant and is contingent on the achievements of pre-determined targets over a three-year performance conditions period. During the financial year, 550,000 shares were awarded and 570,000 shares were vested.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2018.

Except as disclosed in this statement, no Director who held office at the end of the financial year had interests in shares, share options or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' STATEMENT

6. SHARE-BASED PAYMENTS

(i) Employee Share Option Plan

The SATS Employee Share Option Plan (the "**Share Option Plan**"), which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees, was adopted in connection with the initial public offering undertaken by the Company in 2000 and a summary of which was set out in the Prospectus issued by the Company dated 4 May 2000. The Share Option Plan was modified at an Extraordinary General Meeting held on 7 July 2001 and was subsequently modified by the Company (as announced on 4 June 2003) and at Extraordinary General Meetings held on 19 July 2003 and 20 July 2004.

Under the Share Option Plan, all options to be issued will have a term no longer than 10 years from the date of grant. The exercise price of the option will be the average of the closing prices of the Company's ordinary shares on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the five market days immediately preceding the date of grant. The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any right to participate in any share issue of any other company.

Under the Employee Share Option Scheme, options will vest two years after the date of grant. Under the Senior Executive Share Option Scheme, options will vest:

(a) one year after the date of grant for 25% of the ordinary shares subject to the options;
(b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;
(c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and
(d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

No options have been granted to Directors of the Company, controlling shareholders of the Company or their associates. No employee has received 5% or more of the total number of options available under the Share Option Plan. The Company has ceased to issue further grants of share options since the last grant in July 2008.

At the end of the financial year, options to take up 752,500 unissued ordinary shares in the Company were outstanding:

Date of grant	Balance at 1.4.2017	Forfeited/ Lapsed	Exercised	Balance at 31.3.2018	Exercise price	Exercisable period
02.07.2007	2,195,000	(824,400)	(1,370,600)	–	$2.76	02.07.2009 - 01.07.2017
01.07.2008	1,091,900	(37,600)	(301,800)	752,500	$1.92	01.07.2010 - 30.06.2018
	3,286,900	(862,000)	(1,672,400)	752,500		

6. SHARE-BASED PAYMENTS (cont'd)

(ii) Restricted Share Plan ("RSP") and Performance Share Plan ("PSP")

At the Extraordinary General Meeting of the Company held on 19 July 2005, the shareholders approved the adoption of two new share plans, namely the RSP and the PSP, in addition to the Share Option Plan. Both share plans which expired in July 2015 were subsequently approved during the 41st Annual General Meeting held on 23 July 2014 for further extension of 10 years to July 2025.

From FY2013-14 onwards, the RSP final number of award will range from 0% to 120% of the initial grant and is contingent on the achievement of pre-determined targets over a one-year performance period and will vest equally over a three-year period. The PSP final number of award will range from 0% to 150% of the initial grant and is contingent on the achievement of pre-determined targets over a three-year performance period.

At the date of this report, the Remuneration and Human Resource Committee which administers the Share Option Plan, the RSP and PSP comprises the following Directors:

Euleen Goh Yiu Kiang	Chairman
Koh Poh Tiong	Member
Michael Kok Pak Kuan	Member

No shares have been granted to controlling shareholders or their associates under the RSP and PSP.

The details of the shares awarded under the RSP and PSP during the year are as follows:

RSP	**Number of restricted shares**				
Date of grant	**Balance at 1.4.2017/ Date of grant**	**Vested**	**Forfeited**	**Adjustments#**	**Balance at 31.3.2018**
06.08.2014	491,900	(491,900)	–	–	–
03.08.2015	1,050,400	(538,600)	(16,800)	–	495,000
01.08.2016	1,345,000	(535,000)	(32,300)	267,500	1,045,200
01.08.2017	1,424,000	–	(47,500)	–	1,376,500
	4,311,300	(1,565,500)	(96,600)	267,500	2,916,700

Adjustments due to the performance factor at the end of the performance period upon meeting stated performance target.

PSP	**Number of performance shares**				
Date of grant	**Balance at 1.4.2017/ Date of grant**	**Vested**	**Forfeited**	**Adjustments#**	**Balance at 31.3.2018**
20.10.2014	1,046,000	(1,569,000)	–	523,000	–
02.11.2015	1,570,000	–	–	–	1,570,000
01.08.2016	1,583,000	–	–	–	1,583,000
01.08.2017	1,622,000	–	–	–	1,622,000
	5,821,000	(1,569,000)	–	523,000	4,775,000

Adjustments due to the performance factor at the end of the performance period upon meeting stated performance targets.

DIRECTORS' STATEMENT

6. SHARE-BASED PAYMENTS (cont'd)

(ii) Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") (cont'd)

Based on the Monte Carlo simulation model, the estimated fair values at the date of grant for each share granted during the year under the RSP ranges from $4.39 to $4.71 (2017: $3.99 to $4.28) and the estimated weighted average fair values at the date of grant for each share granted during the year under the PSP are $1.70 (2017: $2.54).

For performance share grants with non-market conditions, the Group revises its estimates of the number of share grants expected to vest and corresponding adjustments are made to the income statement and share-based compensation reserve.

Under the PSP, eligible key executives are required to hold a portion of the shares released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

The number of contingent shares granted but not released as at 31 March 2018 were 2,916,700 (2017: 2,887,300) and 4,775,000 (2017: 4,199,000) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from 1,540,200 to 3,192,000 (2017: 1,542,300 to 3,156,300) and zero to a maximum of 7,162,500 (2017: zero to maximum 6,298,500) fully-paid ordinary shares of the Company, for RSP and PSP respectively.

7. AUDIT COMMITTEE

The Audit Committee performed the functions specified in the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Corporate Governance Report.

8. INTERNAL CONTROL STATEMENT

Taking into account the views of the Audit Committee and the Board Risk and Safety Committee in the exercise of their responsibilities under their respective terms of reference, the framework of management controls, the internal control policies and procedures established and maintained by the Group's Management, the reviews conducted by the internal and external auditors and the documented governance assurance, the Board opines, with the concurrence of the Audit Committee, that the systems of internal controls and risk management (addressing financial, operational, compliance and information technology risks) which the Group consider relevant and material to its current business scope and environment were adequate and effective as at the date of the report.

However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

9. AUDITORS

The auditors, KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors,

EULEEN GOH YIU KIANG
Chairman

ALEXANDER CHARLES HUNGATE
Executive Director / President and Chief Executive Officer

Dated this 28 May 2018

INDEPENDENT AUDITORS' REPORT

Members of the Company
SATS Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of SATS Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position of the Group and the Company as at 31 March 2018, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 96 to 184.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT OF GOODWILL

Refer to note 2.15 'Impairment of non-financial and financial assets' and note 3.5 'Impairment of non-financial assets' for relevant accounting policies and discussion of significant accounting estimates, and note 16 'Intangible assets' for the key assumptions used in impairment testing of goodwill.

The key audit matter	How the matter was addressed in our audit
The Group had goodwill of $112 million and $19 million allocated to the SATS Food Services ("SFS") and the TFK Corporation ("TFK") cash generating units ("CGUs") respectively as at 31 March 2018. These CGUs are tested for impairment annually. Management applies the value-in-use (discounted cash flow) method to determine the recoverable amount of each CGU. Any shortfall of the recoverable amounts against the carrying amounts would be recognised as impairment losses. As at 31 March 2018, the recoverable amounts of the CGUs were higher than their carrying amounts. The recoverable amounts are determined based on estimates of forecasted revenues, growth rates, profit margins, tax rates and discount rates. These estimates require judgement and the determination of the recoverable amounts is a key focus area for our audit.	We assessed the governance process over the determination of estimates for forecasted revenues, growth rates, profit margins, tax rates and discount rates. We challenged management's estimates applied in the value-in-use models based on our knowledge of the CGUs' operations, and compared them against historical forecasts and performance, regional indices and industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of the secured and lost contracts, and the analyses of the impact to the headroom when breakeven or independently derived discount rates were applied.

INDEPENDENT AUDITORS' REPORT

FINDINGS

We observed that management has established governance processes over the estimates for forecasted revenues, growth rates, profit margins, tax rates and discount rates. We found the estimates applied in the value-in-use models to be reasonable and the cash flows to be in accordance with approved plans.

IMPAIRMENT OF ASSOCIATES AND JOINT VENTURES

Refer to note 2.15 'Impairment of non-financial and financial assets' and note 3.5 'Impairment of non-financial assets' for relevant accounting policies and discussion of significant accounting estimates, and note 18 'Investment in associates' and note 19 'Investment in joint ventures' for details of accounting for associates and joint ventures.

The key audit matter	How the matter was addressed in our audit
The carrying value of associates and joint ventures amounted to $849 million, which accounted for 36.1% of the Group's total assets as at 31 March 2018. Management determines at the end of each reporting period the existence of any objective evidence that indicate the Group's investments in associates or joint ventures may be impaired. If there are indicators of impairment, the deficit between the recoverable amount of the associate or joint venture and its carrying value would be recognised in profit or loss. The identification of different CGUs, assessment of indicators of impairment and where such indicators exist, the determination of the recoverable amounts of the CGUs require judgement. The determination of the recoverable amounts when value-in-use is applicable requires estimates of forecasted revenues, growth rates, profit margins, tax rates and discount rates.	We assessed the determination of the CGUs and the assessment of indicators of impairment based on our understanding of the nature of the Group's business and the economic environment in which its CGUs operate. We studied recent analyst market reports to obtain an understanding of the actual growth rates and outlook of the industries in which the CGUs operate. We reviewed the CGUs' historical and current performances, and held discussions with management to understand their assessment of the future performance of the CGUs. Where indicators of impairment exist, we challenged management's forecasted revenues, growth rates, profit margins, tax rates and discount rates based on our knowledge of the CGUs' operations, and compared them against historical forecasts and performance, regional indices and industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of secured and lost contracts, and the analyses of the impact to the recoverable amounts when breakeven or independently derived discount rates were applied.

FINDINGS

We concluded that management's identification of CGUs and assessment of indicators of impairment were appropriate.

Where indicators of impairment existed, we found the estimates applied in the value-in-use models to be consistent with historical forecasts and performance and industry data and the estimated cash flows to be in accordance with approved plans.

ACCOUNTING FOR BUSINESS COMBINATIONS

Refer to note 2.4 'Basis of consolidation and business combinations' and note 2.5 'Subsidiaries, associates and joint ventures' for relevant accounting policies and note 17 'Investment in subsidiaries', note 18 'Investment in associates' and note 19 'Investment in joint ventures' for details of accounting for business combinations.

The key audit matter	How the matter was addressed in our audit
As part of the Group's strategy in streamlining and growing its business operations, the Group had made a number of business acquisitions and divestments during the financial year. These transactions were effected primarily by the transfer of cash or other assets, or incurring liabilities, in exchange for equity interests. Such transactions could be complex and judgement was required in determining if these acquisitions and divestments resulted in the Group either having control, joint control or significant influence over the investee upon completion of the transactions. There was also inherent uncertainty in the determination of the fair values of the deemed and contingent consideration, assets transferred, identifiable assets and liabilities acquired and assumed in the transactions.	We assessed the governance process over the determination of the appropriate accounting treatment to be adopted for acquisitions and divestments. We assessed management's processes for selection of the external valuers, the determination of the scope of work of the valuers, and the review and acceptance of the external valuation report. We considered management's methodology in arriving at the fair values of deemed and contingent consideration, assets transferred, identifiable assets and liabilities acquired and assumed in the transactions to determine if they were appropriate. We reviewed the sale and purchase agreements and other related documents in relation to the transactions to determine if the classification of the acquisitions as subsidiaries, joint ventures or associates was appropriate.

FINDINGS

We observed that management has established governance processes over the determination of appropriate accounting treatment for acquisitions and divestments. The Group's acquisitions and divestments were appropriately classified.

Estimates used in the determination of the fair values of the deemed and contingent consideration, assets transferred, identifiable assets and liabilities acquired and assumed were supported appropriately.

OTHER INFORMATION

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lau Kam Yuen.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 May 2018

CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 March 2018

	Note	2017-18 $'000	2016-17 $'000
Revenue	4	**1,724,584**	1,729,365
Expenditure			
Staff costs	5	**(833,348)**	(856,651)
Cost of raw materials		**(252,455)**	(257,878)
Licence fees		**(84,238)**	(67,471)
Depreciation and amortisation charges		**(78,468)**	(73,498)
Company premise and utilities expenses		**(103,471)**	(109,591)
Other costs		**(146,237)**	(133,651)
		(1,498,217)	(1,498,740)
Operating profit	6	**226,367**	230,625
Interest on borrowings	7	**(808)**	(1,240)
Interest income	7	**4,195**	4,641
Share of results of associates/joint ventures, net of tax		**71,155**	65,197
Other non-operating income, net	8	**20,677**	9,841
Profit before tax		**321,586**	309,064
Income tax expense	9	**(56,051)**	(48,300)
Profit for the year		**265,535**	260,764
Profit attributable to:			
Owners of the Company		**261,465**	257,935
Non-controlling interests		**4,070**	2,829
		265,535	260,764
Earnings per share (cents)			
Basic	10	**23.4**	23.2
Diluted	10	**23.2**	23.0

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2018

	2017-18 $'000	2016-17 $'000
Profit for the year	**265,535**	260,764
Other comprehensive (loss)/income:		
Items that will not be reclassified to profit or loss:		
Actuarial loss on defined benefit plan	**(918)**	(57)
Items that are or may be reclassified subsequently to profit or loss:		
Share of changes in equity of an associate	**–**	3,903
Net fair value changes on available-for-sale assets	**(233)**	39
Foreign currency translation differences	**(34,275)**	17,697
Reclassification of foreign currency translation to profit or loss	**1,812**	–
	(32,696)	21,639
Other comprehensive (loss)/income for the year, net of tax	**(33,614)**	21,582
Total comprehensive income for the year	**231,921**	282,346
Total comprehensive income attributable to:		
Owners of the Company	**227,188**	276,794
Non-controlling interests	**4,733**	5,552
Total comprehensive income for the year	**231,921**	282,346

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2018

		GROUP		COMPANY	
	Note	31.3.2018 $'000	31.3.2017 $'000	31.3.2018 $'000	31.3.2017 $'000
Equity attributable to owners of the Company					
Share capital	12	**367,947**	367,947	**367,947**	367,947
Treasury shares	12	**(32,814)**	(30,374)	**(32,814)**	(30,374)
Share-based compensation reserve	13	**15,004**	12,610	**15,004**	12,610
Statutory reserve	13	**9,230**	8,314	**–**	–
Foreign currency translation reserve	13	**(143,410)**	(111,130)	**–**	–
Revenue reserve		**1,430,950**	1,361,966	**1,159,596**	1,133,294
Other reserves	13	**(12,826)**	(5,854)	**(13,819)**	(10,556)
		1,634,081	1,603,479	**1,495,914**	1,472,921
Non-controlling interests		**132,535**	87,697	**–**	–
Total equity		**1,766,616**	1,691,176	**1,495,914**	1,472,921
Non-current assets					
Property, plant and equipment	14	**560,114**	538,655	**27,928**	15,867
Investment properties	15	**8,912**	10,396	**229,466**	252,847
Intangible assets	16	**157,506**	157,948	**4,169**	3,326
Investment in subsidiaries	17	**–**	–	**536,472**	536,219
Investment in associates	18	**604,080**	590,114	**320,723**	305,910
Investment in joint ventures	19	**244,714**	80,733	**165,023**	12,014
Long-term investments	20	**19,987**	25,292	**–**	–
Loan to subsidiaries	17	**–**	–	**312,420**	328,753
Deferred tax assets	21	**10,693**	11,602	**–**	–
Defined benefit plan	30	**747**	–	**–**	–
Other non-current assets	22	**6,589**	8,150	**–**	–
		1,613,342	1,422,890	**1,596,201**	1,454,936

		GROUP		COMPANY	
	Note	31.3.2018 $'000	31.3.2017 $'000	31.3.2018 $'000	31.3.2017 $'000
Current assets					
Trade and other receivables	23	**298,546**	271,220	**79,812**	61,827
Prepayments and deposits		**16,173**	17,365	**2,305**	2,047
Amounts due from associates/ joint ventures	18,19	**4,605**	6,743	**2,538**	3,774
Loan to subsidiaries	17	**–**	–	**217**	900
Inventories	24	**22,523**	21,914	**198**	231
Cash and short-term deposits	25	**373,278**	505,804	**211,592**	300,686
Assets of disposal groups classified as held for sale	26	**19,896**	33,466	**7,564**	28,960
		735,021	856,512	**304,226**	398,425
Current liabilities					
Trade and other payables	27	**331,611**	316,148	**203,235**	229,723
Amounts due to joint ventures	19	**3,493**	4,878	**–**	–
Income tax payable		**57,314**	58,576	**12,623**	14,703
Term loans	28	**9,850**	9,998	**–**	–
Loan from subsidiaries	17	**–**	–	**58,000**	–
Finance leases	29	**285**	427	**–**	–
Liabilities of disposal group classified as held for sale	26	**–**	5,073	**–**	–
		402,553	395,100	**273,858**	244,426
Net current assets		**332,468**	461,412	**30,368**	153,999
Non-current liabilities					
Deferred tax liabilities	21	**61,636**	55,454	**26,160**	25,840
Term loans	28	**96,034**	97,481	**96,034**	97,481
Finance leases	29	**251**	721	**–**	–
Defined benefit plan	30	**–**	2,250	**–**	–
Other payables	27	**21,273**	37,220	**8,461**	12,693
		179,194	193,126	**130,655**	136,014
Net assets		**1,766,616**	1,691,176	**1,495,914**	1,472,921

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2018

GROUP	Note	Share Capital	Treasury Shares	Share-Based Compensation Reserve	Statutory Reserve*	Foreign Currency Translation Reserve	Revenue Reserve	Capital Reserve	Gain/(Loss) on Reissuance of Treasury Shares	Fair Value Reserve	Total	Non-controlling Interests	Total Equity
		Attributable to owners of the Company											
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2017		367,947	(30,374)	12,610	8,314	(111,130)	1,361,966	4,638	(10,556)	64	1,603,479	87,697	1,691,176
Profit for the year		–	–	–	–	–	261,465	–	–	–	261,465	4,070	265,535
Other comprehensive income for the year		–	–	–	–	(32,280)	(1,854)	–	–	(143)	(34,277)	663	(33,614)
Total comprehensive income for the year		–	–	–	–	(32,280)	259,611	–	–	(143)	227,188	4,733	231,921
Contributions by and distributions to owners													
Share-based payment		–	–	10,636	–	–	–	–	–	–	10,636	–	10,636
Share options lapsed		–	–	(556)	–	–	556	–	–	–	–	–	–
Treasury shares reissued pursuant to equity compensation plans		–	15,312	(7,686)	–	–	–	–	(3,263)	–	4,363	–	4,363
Purchase of treasury shares		–	(17,752)	–	–	–	–	–	–	–	(17,752)	–	(17,752)
Dividends, net	11	–	–	–	–	–	(190,267)	–	–	–	(190,267)	–	(190,267)
Total contributions by and distributions to owners		–	(2,440)	2,394	–	–	(189,711)	–	(3,263)	–	(193,020)	–	(193,020)
Others													
Share of other changes in equity of associated companies		–	–	–	–	–	–	(3,566)	–	–	(3,566)	–	(3,566)
Capital contributions from non-controlling interests		–	–	–	–	–	–	–	–	–	–	41,385	41,385
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(1,280)	(1,280)
Transfer to statutory reserve		–	–	–	916	–	(916)	–	–	–	–	–	–
Balance at 31 March 2018		367,947	(32,814)	15,004	9,230	(143,410)	1,430,950	1,072	(13,819)	(79)	1,634,081	132,535	1,766,616

* Certain countries in which some of the associates are incorporated legally require statutory reserves to be set aside. The laws of the countries restrict the distribution and use of these statutory reserves.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2018

GROUP	Note	Share Capital	Treasury Shares	Share-Based Compensation Reserve	Statutory Reserve*	Foreign Currency Translation Reserve	Revenue Reserve	Capital Reserve	Gain/(Loss) on Reissuance of Treasury Shares	Fair Value Reserve	Total	Non-controlling Interests	Total Equity
		Attributable to owners of the Company											
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2016		367,947	(47,199)	12,348	8,097	(126,644)	1,278,903	4,567	(7,293)	35	1,490,761	74,349	1,565,110
Profit for the year		–	–	–	–	–	257,935	–	–	–	257,935	2,829	260,764
Other comprehensive income for the year		–	–	–	–	15,514	3,316	–	–	29	18,859	2,723	21,582
Total comprehensive income for the year		–	–	–	–	15,514	261,251	–	–	29	276,794	5,552	282,346
Contributions by and distributions to owners													
Share-based payment		–	–	9,705	–	–	–	–	–	–	9,705	–	9,705
Share options lapsed		–	–	(247)	–	–	247	–	–	–	–	–	–
Treasury shares reissued pursuant to equity compensation plans		–	18,210	(9,196)	–	–	–	–	(3,263)	–	5,751	–	5,751
Purchase of treasury shares		–	(1,385)	–	–	–	–	–	–	–	(1,385)	–	(1,385)
Dividends, net	11	–	–	–	–	–	(178,218)	–	–	–	(178,218)	–	(178,218)
Total contributions by and distributions to owners		–	16,825	262	–	–	(177,971)	–	(3,263)	–	(164,147)	–	(164,147)
Others													
Share of other changes in equity of associated companies		–	–	–	–	–	–	71	–	–	71	–	71
Capital contributions from non-controlling interests		–	–	–	–	–	–	–	–	–	–	8,681	8,681
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(885)	(885)
Transfer to statutory reserve		–	–	–	217	–	(217)	–	–	–	–	–	–
Balance at 31 March 2017		367,947	(30,374)	12,610	8,314	(111,130)	1,361,966	4,638	(10,556)	64	1,603,479	87,697	1,691,176

* Certain countries in which some of the associates are incorporated legally require statutory reserves to be set aside. The laws of the countries restrict the distribution and use of these statutory reserves.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2018

COMPANY	Note	Share Capital	Treasury Shares	Share-Based Compensation Reserve	Revenue Reserve	Gain/(Loss) on Reissuance of Treasury Shares	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2017		367,947	(30,374)	12,610	1,133,294	(10,556)	1,472,921
Profit for the year		–	–	–	216,013	–	216,013
Total comprehensive income for the year		–	–	–	216,013	–	216,013
Contributions by and distributions to owners							
Share-based payment		–	–	10,636	–	–	10,636
Share options lapsed		–	–	(556)	556	–	–
Treasury shares reissued pursuant to equity compensation plans		–	15,312	(7,686)	–	(3,263)	4,363
Purchase of treasury shares		–	(17,752)	–	–	–	(17,752)
Dividends, net	11	–	–	–	(190,267)	–	(190,267)
Total contributions by and distributions to owners		–	(2,440)	2,394	(189,711)	(3,263)	(193,020)
Balance at 31 March 2018		367,947	(32,814)	15,004	1,159,596	(13,819)	1,495,914

COMPANY	Note	Share Capital	Treasury Shares	Share-Based Compensation Reserve	Revenue Reserve	Gain/(Loss) on Reissuance of Treasury Shares	Total Equity
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2016		367,947	(47,199)	12,348	1,100,086	(7,293)	1,425,889
Profit for the year		–	–	–	211,179	–	211,179
Total comprehensive income for the year		–	–	–	211,179	–	211,179
Contributions by and distributions to owners							
Share-based payment		–	–	9,705	–	–	9,705
Share options lapsed		–	–	(247)	247	–	–
Treasury shares reissued pursuant to equity compensation plans		–	18,210	(9,196)	–	(3,263)	5,751
Purchase of treasury shares		–	(1,385)	–	–	–	(1,385)
Dividends, net	11	–	–	–	(178,218)	–	(178,218)
Total contributions by and distributions to owners		–	16,825	262	(177,971)	(3,263)	(164,147)
Balance at 31 March 2017		367,947	(30,374)	12,610	1,133,294	(10,556)	1,472,921

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2018

	Note	2017-18 $'000	2016-17 $'000
Cash flows from operating activities			
Profit before tax		**321,586**	309,064
Adjustments for:			
Interest and investment income, net		**(3,401)**	(4,058)
Depreciation and amortisation charges		**78,468**	73,498
Unrealised foreign exchange loss/(gain)		**7,585**	(991)
Share of results of associates/joint ventures, net of tax		**(71,155)**	(65,197)
Gain on disposal of property, plant and equipment		**(326)**	(600)
Gain on disposal of assets held for sale		**(15,543)**	(9,301)
Write-back of earn-out consideration		**(4,528)**	–
Loss on divestment/dilution of interest in associates		**–**	717
Share-based payment expense		**10,636**	9,705
Gain on sale of investment		**(266)**	–
Other non-cash items		**34**	794
Operating cash flows before working capital changes		**323,090**	313,631
Changes in working capital:			
Increase in receivables		**(24,263)**	(2,271)
Decrease in prepayments and deposits		**1,192**	1,099
(Increase)/decrease in inventories		**(609)**	377
(Decrease)/Increase in payables		**(1,790)**	30,420
Decrease in amounts due from associates/joint ventures, net		**753**	8,569
Cash generated from operations		**298,373**	351,825
Interest paid to third parties		**(1,526)**	(1,593)
Income taxes paid		**(51,301)**	(41,308)
Net cash from operating activities		**245,546**	308,924
Cash flows from investing activities			
Capital expenditure	25	**(99,233)**	(88,124)
Dividends from associates/joint ventures		**25,203**	41,618
Dividends from long-term investment, gross		**–**	657
Proceeds from divestment of interest in associates		**–**	221
Proceeds from disposal of assets held for sale		**34,791**	20,644
Proceeds from disposal of property, plant and equipment		**904**	2,196
Investment in associates/joint ventures		**(151,124)**	(75,304)
Decrease/(increase) in long term investments		**3,893**	(24,535)
Interest received from deposits		**3,363**	2,987
Net cash used in investing activities		**(182,203)**	(119,640)
Cash flows from financing activities			
Repayment of term loans		**–**	(6,627)
Repayment of finance leases and related charges		**(606)**	(445)
Proceeds from borrowings		**–**	366
Proceeds from exercise of share options		**4,363**	5,749
Dividends paid		**(190,267)**	(178,218)
Purchase of treasury shares		**(17,752)**	(1,385)
Capital contributions from non-controlling interests		**8,751**	8,681
Dividends paid to non-controlling interests		**(1,280)**	(885)
Net cash used in financing activities		**(196,791)**	(172,764)
Net (decrease)/increase in cash and cash equivalents		**(133,448)**	16,520
Effect of exchange rate changes		**(1,640)**	1,983
Cash and cash equivalents at beginning of financial year		**508,366**	489,863
Cash and cash equivalents at end of financial year	25	**373,278**	508,366

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

The consolidated financial statements for the financial year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Directors on 28 May 2018.

1. GENERAL

SATS Ltd. (the "**Company**" or "**SATS**") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The registered office and principal place of business of the Company is located at 20 Airport Boulevard, SATS Inflight Catering Centre 1, Singapore 819659.

The Company is principally an investment holding company. Its other activities include rental of premises and provision of management services to related companies.

The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("**FRS**").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ($ or SGD) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 Changes in accounting policies and estimates

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which were effective for annual financial periods beginning on or after 1 April 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Disclosure Initiative (Amendments to FRS 7)

From 1 April 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 March 2018. Comparative information has not been presented (Note 28).

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards issued but not yet effective (cont'd)

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2017 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have a significant effect on the financial statements of the Company in future financial periods, the Company has commenced the process of assessing the transition options, and the potential impact of these changes on its financial statements. The Company does not plan to adopt these standards early.

The Group is required to adopt FRS 109 Financial Instruments and FRS 115 Revenue from Contracts with Customers from 1 April 2018. The Group has assessed the estimated impact that the initial application of FRS 109 and FRS 115 will have on its financial statements. The Group expects no significant impact of these changes to its financial statements.

Applicable to Financial Year 2018-19 financial statements

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 Revenue, FRS 11 Construction Contracts, INT FRS 113 Customer Loyalty Programmes, INT FRS 115 Agreements for the Construction of Real Estate, INT FRS 118 Transfers of Assets from Customers and INT FRS 31 Revenue – Barter Transactions Involving Advertising Services. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its FY2018-19 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

During FY2017-18, the Group completed its assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant impact on its opening equity.

FRS 109 *Financial Instruments*

FRS 109 replaces most of the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

During FY2017-18, the Group completed its assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant impact to its net assets and net profit. The Group plans to adopt the standard when it becomes effective in FY2018-19 without restating comparative information.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council (ASC) announced on 29 May 2014, that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 March 2019 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 First-time adoption of International Financial Reporting Standards for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 Revenue from Contracts with Customers and SG-IFRS 9 Financial Instruments will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group will perform detailed analysis of certain available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

Applicable to Financial Year 2019-20 financial statements

FRS 116 *Leases*

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17 Leases, INT FRS 104 Determining whether an Arrangement contains a Lease, INT FRS 15 Operating Leases – Incentives, and INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down.

The Group plans to adopt the standard when it becomes effective in FY2019-20. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients.

The Group expects that the impact on adoption of IFRS 16 Leases to be similar to adopting SG-FRS 116, after the transition to SG-IFRS in FY2018-19 as described above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's and the Company's financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 102);
- Transfers of Investment Property (Amendments to FRS 40);
- Deletion of short-term exemptions for first-time adopters (Amendments to FRS 101);
- Measuring an Associate or Joint Venture at Fair Value (Amendments to FRS 28);
- Applying FRS 109 Financial Instruments with FRS 104 Insurance Contract (Amendments to FRS 104);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to FRS 110 and FRS 28);
- INT FRS 122 Foreign Currency Transactions and Advance Consideration; and
- INT FRS 123 Uncertainty over Income Tax Treatments.

2.4 Basis of consolidation and business combinations

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
– de-recognises the carrying amount of any non-controlling interest;
– de-recognises the cumulative translation differences recorded in equity;
– recognises the fair value of the consideration received;
– recognises the fair value of any investment retained;
– recognises any surplus or deficit in profit or loss; and
– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or revenue reserve, as appropriate.

Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

Business combinations (cont'd)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10. In instances where the latter amount exceeds the former, the excess is recognised as negative goodwill in profit or loss on the acquisition date.

2.5 Subsidiaries, associates and joint ventures

Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

Associates and joint ventures

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control and the joint arrangement provides the Group with rights to the net assets of the arrangement.

The Group accounts for its investment in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of the results of the operations of the associates or joint ventures. Distributions received from the associates or joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interests in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Subsidiaries, associates and joint ventures (cont'd)

Associates and joint ventures (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal against the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

The most recently available audited financial statements of the associates and joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.7 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Foreign currency (cont'd)

Consolidated financial statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into Singapore Dollars at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.20. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Property, plant and equipment are depreciated on a straight-line basis at rates which are calculated to write-down their costs to their estimated residual values at the end of their operational lives. Operational lives and residual values are reviewed annually in the light of experience and changing circumstances, and adjusted as appropriate at each balance sheet date. The estimated useful lives are as follows:

Freehold buildings	–	50 to 55 years
Leasehold land and buildings	–	according to the lease period or 30 years whichever is the shorter
Office fittings and fixtures and office and commercial equipment	–	1 to 12 years
Fixed and mobile ground support equipment and motor vehicles	–	1 to 12 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Investment properties

Investment properties are properties that are either owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties.

Investment properties are stated at cost, net of depreciation and any accumulated impairment losses. Depreciation is provided on the straight line basis so as to write off the cost of the investment properties over its estimated useful lives of 10 to 30 years. Operational lives and residual values are reviewed annually in the light of experience and changing circumstances, and adjusted as appropriate at each balance sheet date.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

2.10 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The Group and Company do not have other intangible assets with indefinite useful life.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Intangible assets (cont'd)

Other intangible assets (cont'd)

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is de-recognised.

a) **Software development**

Software development is stated at cost less accumulated amortisation and impairment losses, if any. The cost is amortised using the straight-line method over the estimated useful life of 3 to 5 years.

b) **Licences**

Licences comprise the abattoir licence which was acquired in a business combination. The abattoir licence is amortised on a straight line basis over its estimated useful life of 14 years.

c) **Customer relationships**

Customer relationships were acquired in business combinations. The customer relationships are amortised on a straight line basis over its estimated useful life of 10 years.

2.11 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

a) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial assets (cont'd)

Subsequent measurement (cont'd)

b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

The fair value of quoted investments is generally determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions or reference to the current market value of another instrument (which is substantially the same). For investments where there is no active market and where fair value cannot be reliably measured, they are measured at cost less impairment loss.

De-recognition

A financial asset is de-recognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.12 Inventories

Inventories, which consist mainly of equipment spare parts and food supplies, are stated at the lower of cost and net realisable value. Costs are determined using the weighted average cost basis, and comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Inventories (cont'd)

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Cash and short-term deposits

Cash and short-term deposits are defined as cash on hand and demand deposits.

Cash on hand and demand deposits are classified and accounted for as loans and receivables.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and short-term deposits in banks, net of outstanding bank overdrafts.

2.14 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

2.15 Impairment of non-financial and financial assets

Non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Impairment of non-financial and financial assets (cont'd)

Non-financial assets (cont'd)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

a) **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

b) **Financial assets carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Impairment of non-financial and financial assets (cont'd)

Financial assets (cont'd)

c) **Available-for-sale financial assets**

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.16 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit and loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process. Financial liabilities that are carried at fair value through profit and loss are subsequently measured at fair value.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Financial liabilities (cont'd)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

2.18 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22.

2.19 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Taxes (cont'd)

Deferred tax

Deferred tax is provided, using the liability method on temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Taxes (cont'd)

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Employee benefits

Equity compensation plans

The Group has in place an Employee Share Option Plan (the "Plan") for the granting of share options to senior executives and all other employees to subscribe for ordinary shares in the Company. The exercise price approximates the market value of the ordinary shares on the date of grant.

The Group has also implemented the Restricted Share Plan and Performance Share Plan for awarding of fully paid ordinary shares to key senior management and senior executives, when and after pre-determined performance or service conditions are accomplished. Details of the plans are disclosed in Note 12 to the financial statements.

The cost of the above equity-settled transactions with employees is measured by reference to the fair value of the options or awards at the date on which the share options or awards are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company.

This cost is recognised in profit or loss, with a corresponding increase in the share-based compensation reserve, over the vesting period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share-based compensation reserve over the remaining vesting period.

No expense is recognised for options or awards that do not ultimately vest, except for options or awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The share-based compensation reserve is transferred to revenue reserve upon cancellation or expiry of the vested options or awards. When the options are exercised or awards are released, the share-based compensation reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.21 Employee benefits (cont'd)

Defined contribution plans

The Group participates in national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:
– Service cost
– Net interest on the net defined benefit liability or asset
– Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

a) Rendering of services

Revenue from ground handling, inflight and institutional catering, aviation security services, airline laundry, airport cargo delivery management services and cruise terminal services is recognised upon rendering of services. Revenue from manufacturing and exporting chilled and frozen processed foods is recognised upon delivery and acceptance of goods sold.

b) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

c) Dividend income

Dividend income from investments is recognised when the Group's right to receive payment is established.

d) Interest income

Interest income from investments and fixed deposits is recognised using the effective interest rate method.

2.23 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants receivable are recognised as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expense are offset against the related expenses.

2.24 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity (Note 12). No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.25 Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. For more details, refer to Note 28.

NOTES TO THE FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management of the Group. The senior management are responsible for allocating resources and assessing performance of the operating segments. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Related parties

A related party is defined as follows:

(i) A person or a close member of that person's family is related to the Group and Company if that person:

- (a) has control or joint control over the Company;
- (b) has significant influence over the Company; or
- (c) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(ii) An entity is related to the Group and the Company if any of the following conditions applies:

- (a) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (c) both entities are joint ventures of the same third party;
- (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (e) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (f) the entity is controlled or jointly controlled by a person identified in (i); or
- (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect that application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed below.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

3.1 Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3.2 Useful lives of property, plant and equipment and investment properties

The Group reviews the useful lives of property, plant and equipment and investment properties, in accordance with the accounting policies stated in Note 2.8 and Note 2.9 respectively.

Judgement is required in determining the useful lives of property, plant and equipment and investment properties. In determining useful lives, which is based on the period over which an asset is expected to be available for efficient use, the Group considers factors like insurance coverage requirement, maintenance and repair cost, technical or commercial obsolescence, the asset replacement policy and legal or similar limits to the use of the property, plant and equipment and investment properties.

3.3 Defined benefit plan

The costs of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality corporate bonds in the respective currencies with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 30.

3.4 Employee compensation plans

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

3.5 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use for calculation is based on a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 16 to the financial statements.

3.6 Consolidation; whether the Group has control over an investee

In determining whether the Group has control over an investee requires management judgement. In exercising its judgement, management considers the proportion of its ownership interest and voting rights, the Group's decision making authority over the investee, as well as the Group's overall exposure to variable returns.

4. REVENUE

Revenue comprises revenue from Food Solutions, Gateway Services, rental income and other services provided by the Company and the Group. Food Solutions refers to inflight and institutional catering, food processing, distribution and airline laundry services while Gateway Services includes ground handling, airport cargo delivery, management services, aviation security services and cruise terminal services. It excludes dividends, interest income and, in respect of the Group, intra-group transactions.

	GROUP	
	2017-18 $'000	**2016-17 $'000**
Food Solutions	**946,638**	973,347
Gateway Services	**776,510**	754,601
Others (rental and other services)	**1,436**	1,417
	1,724,584	1,729,365

5. STAFF COSTS

	GROUP	
	2017-18 $'000	**2016-17 $'000**
Salaries, bonuses and other costs*	**736,317**	759,862
CPF and other defined contributions	**84,524**	84,572
Share-based compensation expense (Note 12)	**10,636**	9,705
Defined benefit plan (Note 30)	**1,871**	2,512
	833,348	856,651

* Included in salaries, bonuses and other costs are contract labour expenses of $126,027,000 (2017: $113,402,000).

6. OPERATING PROFIT

	GROUP	
	2017-18 $'000	2016-17 $'000
The following items have been included in arriving at operating profit:		
Directors' fees (Note 31)	**1,005**	867
Audit fee paid to auditors of the Company	**528**	435
Audit fee paid to other auditors	**295**	240
Non-audit fee paid to auditors of the Company	**73**	71
Non-audit fee paid to other auditors of the Company	**24**	19
(Write-back)/allowance of doubtful receivables and bad debts written off, net	**(166)**	711
Maintenance of equipment and vehicles	**39,432**	40,093
IT expenses	**19,997**	22,005
Lease of ground support equipment	**8,335**	7,859
Rental for leasehold land and premises	**16,713**	15,310
Exchange loss/(gain), net	**7,585**	(991)

7. INTEREST ON BORROWINGS AND INTEREST INCOME

	GROUP	
	2017-18 $'000	2016-17 $'000
Interest expenses on loan from third parties	**(808)**	(1,240)
Interest income from third parties	**4,195**	4,641
	3,387	3,401

8. OTHER NON-OPERATING INCOME, NET

	GROUP	
	2017-18 $'000	2016-17 $'000
Dividends from long-term investment, gross	**14**	657
Gain on disposal of property, plant and equipment	**326**	600
Gain on disposal of assets held for sale	**15,543**	9,301
Write-back of earn-out consideration	**4,528**	–
Loss on divestment/dilution of interest in associates	**–**	(717)
Gain on sales of investment	**266**	–
	20,677	9,841

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2018 and 2017 are:

	GROUP	
	2017-18 $'000	**2016-17 $'000**
Current income tax :		
Current income taxation	**49,142**	46,384
(Over)/under provision in respect of prior years	**(1,483)**	131
	47,659	46,515
Deferred income tax (Note 21):		
Origination and reversal of temporary differences	**5,025**	2,820
Under/(over) provision of deferred taxation in respect of prior years	**323**	(3,543)
Withholding tax expenses on share of results of associates/joint ventures	**3,044**	2,508
Income tax expense recognised in profit or loss	**56,051**	48,300

Reconciliation of effective tax rate

	GROUP	
	2017-18 $'000	**2016-17 $'000**
Profit before tax	**321,586**	309,064
Taxation at statutory tax rate of 17% (2017: 17%)	**54,670**	52,541
Adjustments:		
Non-deductible expenses	**13,295**	12,268
Effect of different tax rates in other countries	**3,055**	1,286
Effect of reduction in tax rate	**(46)**	80
Tax rebate	**(452)**	(1,624)
(Over)/under provision of current taxation in respect of prior years	**(1,483)**	131
Under/(over) provision of deferred taxation in respect of prior years	**323**	(3,543)
Utilisation of previously unrecognised tax losses/capital allowances	**(1,625)**	(273)
Tax exempt income	**(6,079)**	(6,879)
Effect of share of results of associates/joint ventures	**(10,265)**	(8,939)
Withholding tax expenses on share of results of associates/joint ventures	**3,044**	2,508
Deferred tax assets not recognised	**1,473**	808
Others	**141**	(64)
Income tax expense recognised in profit or loss	**56,051**	48,300

10. EARNINGS PER SHARE

	GROUP	
	2017-18 $'000	**2016-17 $'000**
Profit attributable to owners of the Company	**261,465**	257,935

	GROUP	
	2017-18	**2016-17**
Weighted average number of ordinary shares in issue used for computing basic earnings per share	**1,117,220,366**	1,112,239,516
Adjustment for share options, RSP and PSP	**7,865,518**	8,480,475
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	**1,125,085,884**	1,120,719,991
Earnings per share (cents)		
Basic	**23.4**	23.2
Diluted	**23.2**	23.0

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect of share based payment plans of the Company.

11. DIVIDENDS PAID AND PROPOSED

The following exempt (one-tier) dividends were declared and paid by the Group and Company to owners of the Company:

	GROUP AND COMPANY	
	2017-18 $'000	**2016-17 $'000**
Dividends paid:		
Final dividend of 11 cents (2017: 10 cents) per ordinary share in respect of previous financial year	**123,113**	111,357
Interim dividend of 6 cents (2017: 6 cents) per ordinary share in respect of current financial year	**67,154**	66,861
	190,267	178,218

Proposed but not recognised as a liability as at 31 March 2018:

	2017-18 $'000
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:	
Final dividend of 12 cents per ordinary share (one-tier tax exempt)	**133,901**

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

12. SHARE CAPITAL AND TREASURY SHARES

Share Capital

	GROUP AND COMPANY 31 March			
	2018 Number of shares	2017 Number of shares	2018 $'000	2017 $'000
Issued and fully paid share capital				
Ordinary shares				
Balance at beginning and end of the year	**1,124,056,275**	1,124,056,275	**367,947**	367,947

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

No ordinary shares were issued pursuant to equity compensation plans during the year and in previous financial year.

Treasury Shares

	GROUP AND COMPANY 31 March			
	2018 Number of shares	2017 Number of shares	2018 $'000	2017 $'000
Balance at beginning of the year	**9,547,355**	15,053,333	**30,374**	47,199
Shares acquired during the year	**3,470,000**	295,000	**17,752**	1,385
Shares reissued pursuant to equity compensation plans during the year	**(4,806,900)**	(5,800,978)	**(15,312)**	(18,210)
Balance at end of the year	**8,210,455**	9,547,355	**32,814**	30,374

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the year, 4,806,900 (2017: 5,800,978) treasury shares were reissued pursuant to the equity compensation plans of which 1,672,400 (2017: 2,405,625) were reissued for the Employee Share Option Plan, 1,565,500 (2017: 2,038,853) were reissued for the Restricted Share Plan, and 1,569,000 (2017: 1,356,500) were reissued for the Performance Share Plan.

Employee Share Option Plan

During the year, 1,672,400 (2017: 2,405,625) options were exercised under the SATS Employee Share Option Plan (the "Plan"), which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees. These options were fully exercised by reissuance of 1,672,400 (2017: 2,405,625) treasury shares.

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Employee Share Option Plan (cont'd)

Information with respect to the number of options granted under the Plan is as follows:

	GROUP 31 March			
	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of the year	3,286,900	$2.48	6,208,785	$2.41
Exercised	(1,672,400)	$2.61	(2,405,625)	$2.39
Forfeited/Lapsed	(862,000)	$2.72	(516,260)	$2.08
Outstanding at end of the year	752,500	$1.92	3,286,900	$2.48
Exercisable at end of the year	752,500	$1.92	3,286,900	$2.48

Fair values of the options

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted each year under the Plan. The estimate of the fair value of the services received is measured based on a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. There were no options granted during the year and in prior year.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of options were incorporated into the measurement of fair value.

	GROUP	
	2017-18 $'000	2016-17 $'000
Proceeds received from share options exercised	**4,363**	5,749

Terms of share options outstanding as at 31 March 2018:

Exercise period	Exercise Price	Number Outstanding	Number Exercisable
01.07.2010 – 30.06.2018	$1.92	752,500	752,500
		752,500@	752,500

@ The total number of options outstanding includes 57,200 (2017: 381,600) share options not exercised by employees who have retired or ceased to be employed by SATS or any of its subsidiary companies by reason of (i) ill health, injury, disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Remuneration Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of five years from the date of retirement or cessation of employment, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS

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12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Employee Share Option Plan (cont'd)

Details of movements of share options:

Date of grant	Balance at 1.4.2017	Forfeited/ Lapsed	Exercised	Balance at 31.3.2018	Exercise price	Exercisable period
02.07.2007	2,195,000	(824,400)	(1,370,600)	–	$2.76	02.07.2009 – 01.07.2017
01.07.2008	1,091,900	(37,600)	(301,800)	752,500	$1.92	01.07.2010 – 30.06.2018
	3,286,900	(862,000)	(1,672,400)	752,500		

The exercise prices for options outstanding at the end of the year is $1.92 (2017: $1.92 - $2.76). The weighted average remaining contractual life for these options is 0.25 years (2017: 0.58 years).

The weighted average share price for options exercised during the year was $5.09 (2017: $4.47).

The Company has ceased to issue further grants of share options since the last grant in July 2008.

Share-Based Incentive Plans

The Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") are share-based incentive plans for management staff, which were approved by the shareholders of the Company on 19 July 2005. Both share plans which expired in July 2015 were subsequently approved during the 41st Annual General Meeting held on 23 July 2014 for further extension of 10 years to July 2025.

The details of the two plans are described below:

	Restricted Share Plan ("RSP")	Performance Share Plan ("PSP")
For grants in FY2014-15 to FY2017-18		
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on achievement of both corporate pre-determined performance targets set over one-year period and individual performance.	Award of fully-paid ordinary shares of the Company, conditional on achievement of both pre-determined performance targets set at the start of a three-year overlapping performance period based on stretched long-term corporate objectives and individual performance.
Performance Conditions	Group ROE^ performance.	• Absolute TSR • Relative TSR
Vesting Condition	Equal vesting over a three-year period.	Vesting based on meeting specified performance conditions over a three-year performance period.
Payout	0% - 120% depending on the achievement based on prior financial year.	0% - 150% depending on the achievement of specified performance targets over the performance period.

^ ROE denotes Returns on Equity.

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Share-Based Incentive Plans (cont'd)

Fair values of RSP and PSP

The fair value of services received in return for shares awarded is measured by reference to the fair value of shares granted each year under the SATS RSP and PSP. The estimate of the fair value of the services received is measured based on a Monte Carlo simulation model, which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns.

The following table lists the inputs to the model used for the awards:

RSP	Aug 2017	Aug 2016	Aug 2015
Expected dividend yield (%)		Management's forecast	
Expected volatility (%)	14.5	13.3	14.4
Risk-free interest rate (%)	1.1 – 1.4	0.8 – 1.1	0.8 – 1.3
Expected term (years)	0.9 – 2.9	0.9 – 2.9	0.9 – 2.9
Share price at date of grant ($)	4.85	4.40	3.82

PSP	Aug 2017	Aug 2016	Nov 2015
Expected dividend yield (%)		Management's forecast	
Expected volatility (%)	14.5	13.3	15.3
Risk-free interest rate (%)	1.44	1.07	1.46
Expected term (years)	2.9	2.9	2.8
Index (for Relative TSR)	MSCI Asia Pac ex-Japan Industrial Index	MSCI Asia Pac ex-Japan Industrial Index	MSCI Asia Pac ex-Japan Industrial Index
Index Volatility (%)	12.95	14.18	13.18
Correlation with Index (%)	1.7	10.9	14.7
Share price at date of grant ($)	4.85	4.40	3.84

For non-market conditions, achievement factors are determined based on inputs from the Remuneration and Human Resource Committee for the purpose of accrual for the RSP until the achievement of the targets can be accurately ascertained.

The details of the movement of RSP and PSP shares award during the year are as follows:

RSP	Number of restricted shares				
Date of grant	Balance at 1.4.2017/ Date of grant	Vested	Forfeited	Adjustments#	Balance at 31.3.2018
06.08.2014	491,900	(491,900)	–	–	–
03.08.2015	1,050,400	(538,600)	(16,800)	–	495,000
01.08.2016	1,345,000	(535,000)	(32,300)	267,500	1,045,200
01.08.2017	1,424,000	–	(47,500)	–	1,376,500
	4,311,300	(1,565,500)	(96,600)	267,500	2,916,700

Adjustments due to the performance factor at the end of the performance period upon meeting stated performance target.

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12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Share-Based Incentive Plans (cont'd)

Fair values of RSP and PSP (cont'd)

Based on the Monte Carlo simulation model, the estimated fair values at the date of grant for each share granted during the year under the RSP ranges from $4.39 to $4.71 (2017: $3.99 to $4.28).

PSP	Number of performance shares				
Date of grant	Balance at 1.4.2017/ Date of grant	Vested	Forfeited	Adjustments[#]	Balance at 31.3.2018
20.10.2014	1,046,000	(1,569,000)	–	523,000	–
02.11.2015	1,570,000	–	–	–	1,570,000
01.08.2016	1,583,000	–	–	–	1,583,000
01.08.2017	1,622,000	–	–	–	1,622,000
	5,821,000	(1,569,000)	–	523,000	4,775,000

[#] Adjustments due to the performance factor at the end of the performance period upon meeting stated performance targets.

The estimated weighted average fair values at the date of grant for each share granted during the year under the PSP are $1.70 (2017: $2.54) based on the Monte Carlo simulation model.

For performance share grants with non-market conditions, the Group revises its estimates of the number of share grants expected to vest and corresponding adjustments are made to the income statement and share-based compensation reserve.

Under the PSP, eligible key executives are required to hold a portion of the shares released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

The number of contingent shares granted but not released as at 31 March 2018, were 2,916,700 (2017: 2,887,300) and 4,775,000 (2017: 4,199,000) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from 1,540,200 to 3,192,000 (2017: 1,542,300 to 3,156,300) and zero to a maximum of 7,162,500 (2017: zero to maximum 6,298,500) fully-paid ordinary shares of the Company, for RSP and PSP respectively.

The total amount of share-based compensation expenses recognised in profit or loss based on the fair values determined on grant date and estimation of share grants that will ultimately vest are summarised as follows:

	GROUP	
	2017-18 $'000	2016-17 $'000
Share-based compensation expense		
Restricted share plan	**6,680**	6,518
Performance share plan	**3,956**	3,187
	10,636	9,705

13. RESERVES

(a) Share-Based Compensation Reserve

Share-based compensation reserve represents the equity-settled share options, restricted and performance shares granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options, restricted and performance shares, net of cumulative shares vested.

(b) Statutory Reserve

Certain countries in which some of the Group's associates are incorporated legally require statutory reserves to be set aside. The laws of the countries restrict the distribution and use of these statutory reserves.

(c) Foreign Currency Translation Reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

The foreign currency translation reserve is also used to record the effect of hedging of net investments in a foreign operation (Note 28).

(d) Fair Value Reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets, until they are disposed or impaired.

(e) Capital Reserve

Capital reserve comprises acquisitions of non-controlling interests that do not result in a change of control.

(f) Gain or Loss on Reissuance of Treasury Shares

This represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

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14. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land and buildings $'000	Leasehold land and buildings $'000	Office fittings and fixtures $'000	Fixed ground support equipment $'000	Mobile ground support equipment $'000	Office and commercial equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Cost									
At 1 April 2016	103,850	700,777	130,562	317,806	66,779	43,053	51,374	28,767	1,442,968
Translation	4,885	–	100	31	696	284	502	–	6,498
Reclassifications	–	–	19,042	8,819	1,731	941	–	(30,533)	–
Transfer from/ (to) intangible assets (Note 16)	–	–	281	–	–	(200)	–	12	93
Additions (Note 25)	1,121	49	1,153	4,602	11,027	2,873	5,488	60,431	86,744
Transfer to assets held for sale (Note 26)	–	–	(1,850)	–	(21,622)	(463)	(90)	–	(24,025)
Disposals	(4,042)	–	(1,453)	(272)	(5,733)	(1,417)	(2,011)	–	(14,928)
Impairment	(11,066)	–	–	–	–	–	–	–	(11,066)
At 31 March 2017 and 1 April 2017	94,748	700,826	147,835	330,986	52,878	45,071	55,263	58,677	1,486,284
Translation	(1,660)	–	(1)	(50)	–	(130)	(221)	(145)	(2,207)
Reclassifications	–	5,759	8,403	26,709	210	1,681	83	(42,845)	–
Transfer to intangible assets (Note 16)	–	–	–	–	–	–	–	(200)	(200)
Additions (Note 25)	1,256	1,501	1,827	10,381	15,710	3,345	6,203	53,465	93,688
Disposals	(254)	–	(366)	(328)	(3,847)	(658)	(2,059)	–	(7,512)
At 31 March 2018	94,090	708,086	157,698	367,698	64,951	49,309	59,269	68,952	1,570,053

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP	Freehold land and buildings $'000	Leasehold land and buildings $'000	Office fittings and fixtures $'000	Fixed ground support equipment $'000	Mobile ground support equipment $'000	Office and commercial equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Accumulated depreciation									
At 1 April 2016	16,691	444,823	82,125	289,587	39,524	28,985	24,441	–	926,176
Translation	1,489	–	63	24	544	177	220	–	2,517
Transfers to intangible assets (Note 16)	–	–	–	–	–	(200)	–	–	(200)
Depreciation	5,148	24,562	9,444	7,100	7,086	4,189	5,122	–	62,651
Transfer to assets held for sale (Note 26)	–	–	(1,526)	–	(17,045)	(348)	(80)	–	(18,999)
Disposals	(2,991)	–	(1,291)	(213)	(5,732)	(1,391)	(1,832)	–	(13,450)
Impairment	(11,066)	–	–	–	–	–	–	–	(11,066)
At 31 March 2017 and 1 April 2017	9,271	469,385	88,815	296,498	24,377	31,412	27,871	–	947,629
Translation	(392)	(109)	(3)	(53)	(15)	(101)	(123)	–	(796)
Depreciation	4,932	27,475	11,440	9,168	7,421	4,758	5,186	–	70,380
Disposals	(74)	–	(322)	(320)	(3,847)	(627)	(1,549)	–	(6,739)
Disposal of subsidiary	–	–	(80)	–	(434)	(19)	(2)	–	(535)
At 31 March 2018	13,737	496,751	99,850	305,293	27,502	35,423	31,383	–	1,009,939
Carrying amount									
At 1 April 2016	87,159	255,954	48,437	28,219	27,255	14,068	26,933	28,767	516,792
At 31 March 2017	85,477	231,441	59,020	34,488	28,501	13,659	27,392	58,677	538,655
At 31 March 2018	80,353	211,335	57,848	62,405	37,449	13,886	27,886	68,952	560,114

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14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY	Fixed ground support equipment $'000	Mobile ground support equipment $'000	Office and commercial equipment $'000	Motor vehicles $'000	Work in progress $'000	Total $'000
Cost						
At 1 April 2016	2,767	4	2,529	95	12,686	18,081
Reclassifications	2,422	–	40	–	(2,462)	–
Transfer to investment properties (Note 15)	–	–	–	–	(17,055)	(17,055)
Additions	15	–	2	46	19,377	19,440
Disposals	–	–	(110)	–	–	(110)
At 31 March 2017 and 1 April 2017	5,204	4	2,461	141	12,546	20,356
Reclassifications	–	–	447	–	(447)	–
Transfer to investment properties (Note 15)	–	–	–	–	(5,085)	(5,085)
Additions	8	–	10	57	17,672	17,747
At 31 March 2018	5,212	4	2,918	198	24,686	33,018
Accumulated depreciation						
At 1 April 2016	1,642	–	2,376	72	–	4,090
Depreciation	336	–	169	4	–	509
Disposals	–	–	(110)	–	–	(110)
At 31 March 2017 and 1 April 2017	1,978	–	2,435	76	–	4,489
Depreciation	484	1	104	12	–	601
At 31 March 2018	2,462	1	2,539	88	–	5,090
Carrying amount						
At 1 April 2016	1,125	4	153	23	12,686	13,991
At 31 March 2017	3,226	4	26	65	12,546	15,867
At 31 March 2018	2,750	3	379	110	24,686	27,928

The Group's carrying amount of property, plant and equipment under finance leases is $561,166 (2017: $1,154,000). In addition to assets held under finance leases, the Group's property, plant and equipment with a carrying amount of NIL (2017: $9,737,000) are pledged to secure the Group's bank loans.

15. INVESTMENT PROPERTIES

	GROUP $'000	COMPANY $'000
Cost		
At 1 April 2016	**53,441**	747,857
Translation	**412**	–
Transfer from property, plant and equipment (Note 14)	**–**	17,055
Additions	**–**	188
Disposals	**–**	(956)
Transfer to assets held for sale (Note 26)	**(6,370)**	–
At 31 March 2017 and 1 April 2017	**47,483**	764,144
Translation	**1,155**	–
Transfer from property, plant and equipment (Note 14)	**–**	5,085
Additions	**–**	70
Disposals	**(481)**	–
At 31 March 2018	**48,157**	769,299
Accumulated depreciation		
At 1 April 2016	**39,512**	485,213
Depreciation	**1,881**	26,869
Disposals	**–**	(785)
Transfer to assets held for sale (Note 26)	**(4,306)**	–
At 31 March 2017 and 1 April 2017	**37,087**	511,297
Translation	**1,171**	–
Depreciation	**1,364**	28,536
Disposals	**(377)**	–
At 31 March 2018	**39,245**	539,833
Carrying amount		
At 1 April 2016	**13,929**	262,644
At 31 March 2017	**10,396**	252,847
At 31 March 2018	**8,912**	229,466

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

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15. INVESTMENT PROPERTIES (cont'd)

Information relating to the fair values of the investment properties of the Group as at 31 March 2018 is as follows:

	Carrying value $'000	**Fair value $'000**
Investment properties	8,912	39,204

The valuation is based on the Direct Comparison Method and the Investment Method that makes reference to sales and gross rental income of similar properties based on prevailing economic conditions.

Information relating to the fair values of the investment properties of the Company rented to third parties as at 31 March 2018 is as follows:

	Carrying value $'000	**Fair value $'000**
Investment properties rented by Company to third parties	2,123	17,500

The valuation is based on the Investment Method that makes reference to gross rental income of similar properties based on prevailing economic conditions.

The remaining investment properties of the Company are rented to the subsidiaries of the Group for their operational needs and therefore the Company does not consider the disclosure of fair value of these investment properties to be relevant.

Investment properties are categorised within level 3 of the fair value hierarchy. A significant increase (decrease) in gross rental income would result in a significantly higher (lower) fair value measurement.

The property rental income earned by the Group and Company for the year ended 31 March 2018 from its investment properties which are leased out under operating leases, amounted to $4,487,000 and $47,416,000 (2017: $4,903,000 and $47,247,000) respectively.

Direct operating expenses (including repairs and maintenance) incurred on rental-earning investment properties amounted to $1,103,000 and $39,229,000 (2017: $1,177,000 and $36,728,000) for the Group and Company respectively.

16. INTANGIBLE ASSETS

GROUP	Software Development $'000	Work in progress $'000	Goodwill $'000	Licence $'000	Customer relationships $'000	Total $'000
Cost						
At 1 April 2016	101,170	3,709	130,222	26,814	38,980	300,895
Translation	66	–	762	–	254	1,082
Reclassification	2,495	(2,495)	–	–	–	–
Transfer from/(to) property, plant and equipment (Note 14)	200	(293)	–	–	–	(93)
Additions (Note 25)	408	2,189	–	–	–	2,597
Disposals	(643)	–	–	–	–	(643)
At 31 March 2017 and 1 April 2017	103,696	3,110	130,984	26,814	39,234	303,838
Translation	(25)	246	(285)	–	(56)	(120)
Reclassification	1,752	(1,752)	–	–	–	–
Transfer from property, plant and equipment (Note 14)	–	200	–	–	–	200
Additions (Note 25)	873	5,558	–	–	–	6,431
Disposals	–	(246)	–	–	–	(246)
At 31 March 2018	106,296	7,116	130,699	26,814	39,178	310,103
Accumulated depreciation						
At 1 April 2016	89,752	–	–	13,725	33,721	137,198
Translation	60	–	–	–	(9)	51
Transfer from property, plant and equipment (Note 14)	200	–	–	–	–	200
Amortisation	5,522	–	–	1,915	1,529	8,966
Disposals	(525)	–	–	–	–	(525)
At 31 March 2017 and 1 April 2017	95,009	–	–	15,640	35,241	145,890
Translation	(26)	–	–	–	9	(17)
Amortisation	3,338	–	–	1,915	1,471	6,724
At 31 March 2018	98,321	–	–	17,555	36,721	152,597
Carrying amount						
At 1 April 2016	11,418	3,709	130,222	13,089	5,259	163,697
At 31 March 2017	8,687	3,110	130,984	11,174	3,993	157,948
At 31 March 2018	7,975	7,116	130,699	9,259	2,457	157,506

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16. INTANGIBLE ASSETS (cont'd)

Customer Relationships and Licence

The customer relationships relate to the economic benefits that are expected to derive from business dealings with the existing customers in the Singapore and Japan operations. These are acquired as part of the acquisition of the subsidiaries. The relationships include catering and supply contracts with customers as well as other non-contractual customer relationships which past transactions provide evidence that the Group is able to benefit from the future economic inflows from such relationships.

Licence refers to the abattoir licence granted by the Agri-Food & Veterinary Authority of Singapore.

Amortisation Expense

The amortisation of software development, licence and customer relationships is included in the "Depreciation and amortisation charges" in the consolidated income statement.

Impairment Testing of Goodwill

Goodwill arising from business combinations have been allocated to the following cash-generating units (CGU) for impairment testing:

– SATS Food Services ("SFS")
– TFK Corporation

The carrying amounts of goodwill allocated to each CGU are as follows:

	SFS 31 March		TFK Corporation 31 March	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Goodwill	**111,791**	111,791	**18,908**	19,193

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial forecasts approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	SFS 31 March		TFK Corporation 31 March	
	2018 %	**2017 %**	**2018 %**	**2017 %**
Growth rates	**1.0**	1.0	**0.8**	0.8
Discount rates	**7.0**	7.1	**7.5**	7.5

16. INTANGIBLE ASSETS (cont'd)

Key assumptions used in the value in use calculations

The calculations of value in use for both the CGUs are most sensitive to the following assumptions:

Forecast revenue and gross margins - Revenue and gross margins are based on average values achieved in the recent years preceding to the start of the forecast period. These are increased over the forecast period for anticipated retention of customers, expansion in business, synergies and efficiency improvements. The forecast revenue is dependent on the demand from key customers. A reasonable possible change in demand from key customers of the respective CGUs would not have an impact to the carrying value of goodwill in the CGUs.

Growth rates – The forecast growth rates are based on relevant industry outlook and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU. This is the benchmark used by the Group to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each CGU, consideration has been given to the yield on a ten-year government bond at the beginning of the forecast year.

Market share assumptions – In addition to using industry data to estimate the growth rates (as noted above), the management assesses how the CGU's position, relative to its competitors, might change over the forecast period. The management expects its share of the CGUs to be stable over the forecast period.

COMPANY	Software $'000	Work in progress $'000	Total $'000
Cost			
At 1 April 2016	26,859	1,215	28,074
Additions	142	983	1,125
Reclassifications	926	(926)	–
Disposal	(268)	–	(268)
At 31 March 2017 and 1 April 2017	27,659	1,272	28,931
Additions	–	1,740	1,740
Reclassifications	721	(721)	–
At 31 March 2018	28,380	2,291	30,671
Accumulated amortisation			
At 1 April 2016	22,663	–	22,663
Amortisation	3,092	–	3,092
Disposal	(150)	–	(150)
At 31 March 2017 and 1 April 2017	25,605	–	25,605
Amortisation	897	–	897
At 31 March 2018	26,502	–	26,502
Carrying amount			
At 1 April 2016	4,196	1,215	5,411
At 31 March 2017	2,054	1,272	3,326
At 31 March 2018	1,878	2,291	4,169

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17. INVESTMENT IN SUBSIDIARIES

	COMPANY 31 March	
	2018 $'000	**2017 $'000**
Unquoted shares, at cost	**536,472**	536,219

The names of the subsidiaries are set out below and the country of incorporation and place of business is Singapore, unless otherwise stated:

		31 March			
		Cost of investment		Equity held	
Name of companies (Country of incorporation)	**Principal activities (Place of business)**	**2018 $'000**	**2017 $'000**	**2018 %**	**2017 %**
Held by the Company					
SATS Airport Services Pte Ltd[a]	Airport ground handling services	**16,500**	16,500	**100**	100
SATS Catering Pte Ltd[a]	Inflight catering services	**14,000**	14,000	**100**	100
SATS Security Services Private Limited[a]	Security handling services	**3,000**	3,000	**100**	100
SATS Aero Laundry Pte. Ltd.[a]	Providing and selling laundry and linen services	**2,515**	2,515	**100**	100
SATS Aerolog Express Pte. Ltd.[a] (Formerly known as Aerolog Express Pte Ltd)	Airport cargo delivery management services	**1,340**	1,340	**100**	100
Country Foods Pte. Ltd.[a]	Manufacturing and sale of chilled and frozen food, and providing food catering services	**11,030**	11,030	**100**	100
SATS Asia-Pacific Star Pte. Ltd.[a] (Formerly known as Asia-Pacific Star Private Limited)	Airport ground handling services and inflight catering services	**#**	#	**100**	100
SATS HK Limited[b] (Hong Kong)	Ramp services, passenger handling services and operations control services (Hong Kong)	**–**	–	**–**	100
SATS Food Services Pte. Ltd.[a]	Food processing and distribution services	**487,260**	487,260	**100**	100
SATS Investments Pte. Ltd.[a]	Investment holding	**#**	#	**100**	100

17. INVESTMENT IN SUBSIDIARIES (cont'd)

		31 March			
		Cost of investment		Equity held	
Name of companies (Country of incorporation)	**Principal activities (Place of business)**	**2018 $'000**	**2017 $'000**	**2018 %**	**2017 %**
Held by the Company (cont'd)					
SATS (India) Co. Private Limited [b] (India)	Business development and marketing and product development (India)	**228**	228	**100**	100
SATS Investments (II) Pte. Ltd. [a]	Investment holding	**#**	#	**100**	100
Cemerlang Pte. Ltd. [a]	Investment holding	**#**	#	**100**	100
SATS Services Sdn. Bhd. [b] (Malaysia)	Shared services to the Company and its subsidiaries (Malaysia)	**201**	201	**100**	100
SATS Saudi Arabia [b] (Saudi Arabia)	Cargo handling (Saudi Arabia)	**145**	145	**80**	80
Ready To Travel Pte. Ltd. [a,g]	Provide services that facilitate travel	**100**	–	**100**	–
SATS Ground Services Singapore Pte. Ltd. [a,h]	Ground handling	**153**	–	**20**	–
SATS Group Services Sdn Bhd. [b,i] (Malaysia)	Investment holding (Malaysia)	**#**	–	**100**	–
		536,472	536,219		

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17. INVESTMENT IN SUBSIDIARIES (cont'd)

		GROUP 31 March	
		Equity held	
Name of companies (Country of incorporation)	Principal activities (Place of business)	2018 %	2017 %
Held through SATS Airport Services Pte Ltd			
SATS-Creuers Cruise Services Pte. Ltd.[a]	Management of international cruise terminal	**60**	60
SATS Saudi Arabia[b] (Saudi Arabia)	Cargo handling (Saudi Arabia)	**20**	20
Held through SATS Food Services Pte. Ltd.			
Primary Industries Private Limited and its subsidiaries[a]	Provision of abattoir services	**78.5**	78.5
– Hog Auction Market Pte Ltd[a]	Auctioneers of pigs	**78.5**	78.5
Primary Industries (Qld) Pty Ltd[b] (Australia)	Provision of land logistics and food solutions (Australia)	**100**	100
Shanghai ST Food Industries Co., Limited[c] (People's Republic of China)	Manufacture and sale of frozen foodstuffs (People's Republic of China)	**100**	100
SFI Food Pte. Ltd.[a]	Provision of technical and management services for agri–food business	**100**	100
SG IPF Pte Ltd[a,m]	Investment holding	**–**	100
SFI Manufacturing Private Limited[a]	Supply of food products and catering services	**100**	100
SATS Delaware North Pte. Ltd.[a]	Catering and food and beverages services at Singapore Sports Hub	**70**	70
SATS Yihai Kerry Kunshan Food Co., Ltd.[b] (People's Republic of China)	Supply high quality and safe food to the Chinese market (People's Republic of China)	**60**	60
Held through SATS Investments Pte. Ltd.			
TFK Corporation[b,e] (Japan)	Inflight catering services (Japan)	**59.4**	59.4
Food And Allied Support Services Corporation Pte. Ltd.[a]	Remote catering	**51**	51

17. INVESTMENT IN SUBSIDIARIES (cont'd)

		GROUP 31 March	
		Equity held	
Name of companies (Country of incorporation)	**Principal activities (Place of business)**	**2018 %**	**2017 %**
Held through SATS Investments Pte. Ltd. (cont'd)			
SATS Investments Turkey Havacılık Yatırımları Anonim Şirketi[j] (Turkey)	Investment holding (Turkey)	**100**	–
SATS Food Turkey Gıda Hizmetleri Anonim Şirketi[j] (Turkey)	Food-related projects (Turkey)	**100**	–
Held through TFK Corporation			
Inflight Foods Co., Ltd.[e,k] (Japan)	Preparation and sale of inflight meals, frozen foods, seafood, meat and rice products and vegetables and fruits (Japan)	**59.4**	59.4
Narita Dry Ice Co., Ltd.[e,k] (Japan)	Manufacture and sale of dry ice and ice cubes and sale of refrigerant and packaging material (Japan)	**59.4**	59.4
New Tokyo Service Co., Ltd[e,k] (Japan)	Inflight catering services, and provision of manpower to inflight catering operators (Japan)	**59.4**	59.4
Tokyo Flight Kitchen Restaurantes LTDA[e,l] (Brazil)	Real estate management (Brazil)	**–**	59.4
TFK International (N.Z.) Limited[e] (New Zealand) (in liquidation)	Restaurant and inflight meal (New Zealand)	**59.4**	59.4
Held through Food And Allied Support Services Corporation Pte. Ltd.			
FASSCO International (Australia) Pty Ltd (Australia)	Catering, housekeeping and other allied services (Australia)	**51**	51
FASSCO International (India) Private Limited[d] (India)	Catering, housekeeping and other allied services (India)	**51**	51
FASSCO Catering Services LLC[b,f] (Abu Dhabi)	Catering and allied services (Abu Dhabi)	**25**	25

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17. INVESTMENT IN SUBSIDIARIES (cont'd)

[a] Audited by KPMG, Singapore.
[b] Audited by member firms of KPMG International in the respective countries.
[c] Audited by Shanghai YMD Certified Public Accountants (LLP).
[d] Audited by Devaki S. Kalamkar and Associates.
[e] Percentage of equity held excludes Treasury Shares held by TFK Corporation.
[f] Held through Food And Allied Support Services Corporation Pte. Ltd. (a subsidiary) which has dividend right of 97% in the subsidiary company.
[g] Incorporated on 19 April 2017.
[h] Incorporated on 5 September 2017, with 20% equity interest held by SATS Ltd and 40% held through one of the joint ventures of the Group (Note 19).
[i] Incorporated on 30 October 2017.
[j] Incorporated on 17 January 2018.
[k] Not required to be audited under the laws of their countries of incorporation.
[l] Divested on 27 March 2018.
[m] Subsequent to restructuring in July 2017, SG IPF Pte Ltd is reclassified as a joint venture (Note 19).

Amount is less than $1,000.

On 30 October 2017, the Company has entered into a Share Swap Agreement ("SWA") with Ground Team Red Holdings Sdn. Bhd. ("GTRH"), being a wholly owned subsidiary of AirAsia Berhad ("AirAsia") as at the date of the transaction, to sell 80% of its interest in SATS Ground Services Singapore Pte. Ltd. ("SGSS") to GTRH, in return for 11.4% equity stake in GTRH. Additionally, the Company has also entered into a Share Sale Agreement ("SSA") with AirAsia to acquire a 38.6% equity stake in GTRH from AirAsia for a consideration of $119,300,000. Upon completion of the SWA and SSA on 4 January 2018, the Group effectively holds 50% interest in GTRH as a joint venture as well as a 60% interest in SGSS as a subsidiary of the Group. As a result of the SWA, $32,634,000, being the preliminary fair valuation of 40% SGSS, has been recognised as capital contribution from non-controlling interests in the statements of changes in equity.

Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group:

Name of subsidiaries (Place of business)	Proportion of ownership interest held by non-controlling interest %	Profit/(loss) allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
TFK Corporation and its subsidiaries ("TFK") (Japan)				
31 March 2018	40.6	4,399	(61,977)	253
31 March 2017	40.6	3,049	(58,380)	258

17. INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statement of comprehensive income:

	TFK	
	2017-18 $'000	**2016-17 $'000**
Revenue	**239,396**	259,477
Profit before income tax	**12,440**	5,392
Income tax (expense)/credit	**(4,103)**	1,708
Profit after tax	**8,337**	7,100
Other comprehensive income	**860**	7,645
Total comprehensive profit	**9,197**	14,745

Summarised statement of financial position as at 31 March:

	TFK	
	2018 $'000	**2017 $'000**
Current		
Assets	**98,635**	83,303
Liabilities	**51,491**	51,667
Net current assets	**47,144**	31,636
Non-current		
Assets	**131,559**	142,086
Liabilities	**7,144**	10,738
Net non-current assets	**124,415**	131,348
Net assets	**171,559**	162,984

Other summarised information:

	TFK	
	2017-18 $'000	**2016-17 $'000**
Net cash in flows from operations	**11,403**	21,262
Acquisition of significant property, plant and equipment	**(3,577)**	(3,031)

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17. INVESTMENT IN SUBSIDIARIES (cont'd)

COMPANY

Loan to and from subsidiaries

Loans to subsidiaries amounting to $312,637,000 (2017: $329,653,000) comprise the following:

(i) An amount of NIL (2017: $2,912,000) which is unsecured, bears interest at 5% per annum and fully paid up on 31 January 2018;

(ii) An amount of $217,000 (2017: $217,000) which is unsecured, bears interest at 3% per annum and is repayable by 31 March 2019; and

(iii) The remaining loans amounting to $312,420,000 (2017: $326,524,000) are unsecured, non-interest bearing, repayable on demand and not expected to be repaid in the next twelve months.

	COMPANY	
	2018 $'000	**2017 $'000**
Loan to subsidiaries:		
Non-current	**312,420**	328,753
Current	**217**	900
	312,637	329,653

Loan from subsidiaries is unsecured, bears interest at 1 month SIBOR less 0.3% per annum and repayable on demand.

	COMPANY 31 March	
	2018 $'000	**2017 $'000**
Loan from subsidiaries:		
Current	**58,000**	–

18. INVESTMENT IN ASSOCIATES

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Quoted shares, at cost	**116,428**	116,428	**–**	–
Unquoted shares, at cost	**433,741**	412,143	**331,167**	316,354
Impairment loss	**(3,313)**	(3,313)	**(10,444)**	(10,444)
Share of post-acquisition results of associates	**241,325**	196,311	**–**	–
Accumulated amortisation of goodwill and intangible assets	**(53,835)**	(46,291)	**–**	–
Share of statutory reserves of associates	**9,147**	8,242	**–**	–
Share of changes recognised directly in associates' equity	**(11,518)**	1,122	**–**	–
Foreign currency translation adjustments	**(127,895)**	(94,528)	**–**	–
	604,080	590,114	**320,723**	305,910

18. INVESTMENT IN ASSOCIATES (cont'd)

Amortisation of intangible assets

Customer-related intangible assets that arose from the acquisition of associates are recorded as part of the investment in associates. The useful lives of these intangible assets with definite useful lives were determined to be 2.5 to 15 years and these assets are amortised on a straight-line basis over their respective useful lives. The amortisation expense is included in the "Share of results of associates/joint ventures, net of tax" in the consolidated income statement.

Amounts due from associates

The amounts due from associates amounting to $627,000 (2017: $1,820,000) are unsecured, trade-related and are repayable on demand.

Associates

		GROUP 31 March			
		Cost of investment		Equity held	
Name of companies (Country of incorporation)	**Principal activities (Place of business)**	**2018 $'000**	**2017 $'000**	**2018 %**	**2017 %**
Held by the Company					
Maldives Inflight Catering Private Limited [a,o] (Republic of Maldives)	Inflight catering services (Republic of Maldives)	**287**	287	**35.0**	35.0
Beijing Airport Inflight Kitchen Limited [b,o] (People's Republic of China)	Inflight catering services (People's Republic of China)	**13,882**	13,882	**28.0**	28.0
Beijing Aviation Ground Services Co., Ltd [c,o] (People's Republic of China)	Airport ground handling services (People's Republic of China)	**5,710**	5,710	**28.0**	28.0
Aviserv Limited [d,o] (Ireland)	Inflight catering services (Pakistan)	**3,313**	3,313	**49.0**	49.0
Tan Son Nhat Cargo Services Joint Stock Company Limited [e,o] (Formerly known as Tan Son Nhat Cargo Services Limited) (Vietnam)	Air cargo handling services (Vietnam)	**979**	979	**15.0**	15.0
Asia Airfreight Terminal Company Limited [f,t] (Hong Kong)	Air cargo handling services (Hong Kong)	**85,099**	85,099	**45.0**	45.0
Servair-SATS Holding Company Pte Ltd [g,o] (Singapore)	Investment holding company (Singapore)	**509**	509	**49.0**	49.0
MacroAsia Catering Services, Inc. [h,o] (Philippines)	Inflight catering services (Philippines)	**11,604**	11,604	**33.0**	33.0

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18. INVESTMENT IN ASSOCIATES (cont'd)

Associates (cont'd)

		GROUP 31 March			
		Cost of investment		Equity held	
Name of companies (Country of incorporation)	**Principal activities (Place of business)**	**2018 $'000**	**2017 $'000**	**2018 %**	**2017 %**
Held by the Company (cont'd)					
Taj Madras Flight Kitchen Private Limited[i] (India)	Inflight catering services (India)	**1,901**	1,901	**30.0**	30.0
Singapore Airport Duty-Free Emporium (Private) Limited[j] (Singapore)	Inactive (Singapore)	**1,560**	1,560	**24.0**	24.0
Evergreen Airline Services Corporation[k,o] (Taiwan)	Airport ground handling services (Taiwan)	**5,404**	5,404	**20.0**	20.0
Evergreen Air Cargo Services Corporation[l,o] (Taiwan)	Air cargo handling services (Taiwan)	**16,163**	16,163	**25.0**	25.0
Taj SATS Air Catering Limited[i] (India)	Catering services (India)	**24,646**	24,646	**49.0**	49.0
PT Jasa Angkasa Semesta, Tbk[m,o] (Indonesia)	Ground and cargo handling (Indonesia)	**105,532**	105,532	**49.8**	49.8
Evergreen Sky Catering Corporation[k,o] (Taiwan)	Inflight catering services (Taiwan)	**39,765**	39,765	**25**	25
SATS HK Limited[r] (Hong Kong)	Ramp services, passenger handling services and operations control services (Hong Kong)	**14,813**	–	**49**	–
Unquoted shares held by Company, at cost		**331,167**	316,354		
Held through TFK Corporation					
Tasco Foods Co., Ltd. (Japan)	Production and sales of confectionery (Japan)	**2,748**	2,748	**29.6**	29.6
Held through SATS Investments Pte. Ltd.					
Brahim's SATS Investment Holdings Sdn. Bhd.[o,p] (Malaysia)	Investment holding Company (Malaysia)	**49,057**	49,057	**49.0**	49.0
Oman Air SATS Cargo LLC[o,q] (Oman)	Air cargo handling services (Oman)	**23,038**	23,038	**33.0**	33.0

18. INVESTMENT IN ASSOCIATES (cont'd)

Associates (cont'd)

Name of companies (Country of incorporation)	Principal activities (Place of business)	GROUP 31 March Cost of investment 2018 $'000	Cost of investment 2017 $'000	Equity held 2018 %	Equity held 2017 %
Held through SATS Food Services Pte. Ltd.					
Jilin Zhong Xin Chia Tai Food Co., Ltd.[n,o,s] (Formerly known as Jilin Zhong Xin Cheng Food Co., Ltd.) (People's Republic of China)	Operate and manage pig farm, abattoir, pork-processing, feed mill and other projects (People's Republic of China)	**–**	9,578	**–**	30.0
Held through SATS Investments (II) Pte. Ltd. & Cemerlang Pte. Ltd.					
PT Cardig Aero Services Tbk[m,o] (Indonesia)	Aviation support and catering services (Indonesia)	**116,428**	116,428	**41.7**	41.7
Held through SATS Investments (II) Pte. Ltd.					
Mumbai Cargo Service Center Airport Private Limited (India)	Air cargo handling services (India)	**16,363**	–	**49**	–
Held through SATS Catering Pte. Ltd.					
PT Purantara Mitra Angkasa Dua[m,o] (Indonesia)	Aviation catering services (Indonesia)	**11,368**	11,368	**20**	20
		550,169	528,571		

[a] Audited by KPMG, Maldives.
[b] Audited by Ruihua Certified Public Accountants Co., Ltd.
[c] Audited by BDO China Shu Lun Pan CPAs, Beijing.
[d] Audited by Fitzgerald & Associates, Ireland.
[e] Audited by Ernst & Young Vietnam Limited.
[f] Audited by KPMG, Hong Kong.
[g] Audited by Deloitte and Touche LLP, Singapore.
[h] Audited by Sycip Gorres Velayo & Co.
[i] Audited by Deloitte Haskins & Sells.
[j] Audited by KPMG, Singapore.
[k] Audited by Deloitte and Touche, Taiwan.
[l] Audited by PricewaterhouseCoopers, Taiwan.
[m] Audited by Amir Abadi Jusuf, Aryanto, Mawar & Rekan, Indonesia.
[n] Audited by Ji Lin Hua Tai Certified Public Accountants Co., Ltd (People's Republic of China).
[o] Financial year end on 31 December.
[p] Audited by PricewaterhouseCoopers, Malaysia.
[q] Audited by Deloitte and Touche (M.E.) & Co. LLC, Oman.
[r] Audited by PricewaterhouseCoopers, Hong Kong.
[s] Held as an associate of SG IPF Pte Ltd ("SG IPF") subsequent to the restructuring in July 2017. SG IPF was previously a subsidiary of the Group prior to July 2017.
[t] 4% equity interest in Asia Airfreight Terminal was transfered to assets held for sale.

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18. INVESTMENT IN ASSOCIATES (cont'd)

Associates (cont'd)

The Group has not recognised losses relating to Beijing Aviation Ground Services Co.,Ltd ("BGS") where its share of losses exceeds the Group's interest in this associate and its cumulative share of unrecognised losses at the end of the reporting period was $7,740,000 (2017: $8,983,000). The Group's share of profit for the current year was $1,243,000 (2017: share of loss $1,471,000). The Group has no obligation in respect of these unrecognised losses.

On 5 February 2016, SATS Ltd. completed the acquisition of 49% equity interest in Brahim's SATS Investment Holdings Sdn. Bhd ("BSIH") at a base consideration of RM110,000,000 ($37,456,000) and additional earn-out consideration and outperformance consideration ("earn-out consideration") of up to RM108,000,000 ($34,101,000) on which is conditional upon certain agreed financial targets being achieved. The Group has recorded a potential earn-out consideration of $11,600,000 in FY2016-17. As at 31 March 2018, the amount was classified under investment in associates and current liabilities.

On 20 February 2017, SATS Ltd. completed the acquisition of an additional 10% stake in its long term investment, Evergreen Sky Catering Corporation ("ESCC"), thereby increasing the total shareholdings in ESCC from 15% to 25%. The purchase price allocation exercise was finalised in FY2017-18 and an additional amount of $11,600,000, being the surplus from the finalisation of the valuation was recognised in the current year's income statement.

Corporate Guarantee

The Group has provided a proportionate guarantee up to a maximum amount of approximately $43,900,000 (2017: NIL) to financial institutions for providing credit and banking facilities to an associate, which is liable for in the event of default by the associate.

The Group's material investments in associates are summarised below:

	31 March	
	2018 $'000	**2017 $'000**
PT Jasa Angkasa Semesta, Tbk ("PT Jas")	**53,683**	59,545
Asia Airfreight Terminal Company Limited ("AAT")	**118,605**	121,208
PT Cardig Aero Services Tbk ("PT Cas")	**109,962**	123,088
Evergreen Sky Catering Corporation ("ESCC")	**70,464**	57,390
Other associates	**251,366**	228,883
	604,080	590,114
Fair value of PT Cas based on the quoted market price at 31 March (Level 1 in the fair value hierarchy)	**57,390**	72,102

Aggregate information about the Group's investments in associates that are not individually material are as follows:

	2017-18 $'000	**2016-17 $'000**
Share of profits after tax	**17,576**	34,110
Other comprehensive income	**(6,517)**	3,050
Total comprehensive income	**11,059**	37,160

18. INVESTMENT IN ASSOCIATES (cont'd)

The summarised financial information in respect of PT Jas, AAT, PT Cas and ESCC, based on their respective FRS financial statements and a reconciliation with the carrying amount of the investment in consolidated financial statements are as follows:

Summarised statement of comprehensive income:

	PT Jas		AAT		PT Cas		ESCC	
	2017-18 $'000	**2016-17 $'000**	**2017-18 $'000**	**2016-17 $'000**	**2017-18 $'000**	**2016-17 $'000**	**2017-18 $'000**	**2016-17 $'000**
Revenue	**151,668**	133,345	**123,078**	111,381	**206,794**	187,065	**149,094**	136,189
Profit after tax	**36,427**	32,691	**13,864**	14,701	**13,248**	13,216	**27,161**	24,833
Other comprehensive income	**(2,483)**	(1,121)	**–**	–	**(1,335)**	(779)	**(2,460)**	(1,126)
Total comprehensive income	**33,944**	31,570	**13,864**	14,701	**11,913**	12,437	**24,701**	23,707

Summarised statement of financial position as at 31 March:

	PT Jas		AAT		PT Cas		ESCC	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Current assets	**38,274**	34,120	**135,653**	131,336	**81,168**	116,407	**53,200**	62,040
Non-current assets excluding goodwill	**42,706**	40,409	**131,970**	137,190	**100,606**	57,666	**259,020**	171,392
Goodwill	**–**	–	**–**	–	**1,626**	1,797	**–**	–
Total assets	**80,980**	74,529	**267,623**	268,526	**183,400**	175,870	**312,220**	233,432
Current liabilities	**35,904**	40,720	**22,294**	18,050	**59,968**	51,657	**29,706**	24,261
Non-current liabilities	**24,197**	10,306	**12,197**	13,871	**45,779**	38,366	**46,361**	5,383
Total liabilities	**60,101**	51,026	**34,491**	31,921	**105,747**	90,023	**76,067**	29,644
Net assets	**20,879**	23,503	**233,132**	236,605	**77,653**	85,847	**236,153**	203,788

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18. INVESTMENT IN ASSOCIATES (cont'd)

	PT Jas		AAT		PT Cas		ESCC	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Net assets excluding goodwill	**20,879**	23,503	**233,132**	236,605	**76,027**	84,050	**236,153**	203,788
Less: Non-controlling interest	**–**	–	**–**	–	**14,125**	17,637	**–**	–
	20,879	23,503	**233,132**	236,605	**61,902**	66,413	**236,153**	203,788
Proportion of the Group's ownership	**49.8%**	49.8%	**45.0%**	45.0%	**41.7%**	41.7%	**25.0%**	25.0%
Group's share of net assets	**10,398**	11,703	**104,909**	106,472	**25,782**	27,661	**59,038**	50,947
Goodwill on acquisition and intangible assets	**43,285**	47,842	**13,696**	14,736	**84,180**	95,427	**11,426**	6,443
Carrying amount of the investment	**53,683**	59,545	**118,605**	121,208	**109,962**	123,088	**70,464**	57,390
Group's interest in net assets of investee at beginning of the year/at acquisition date	**59,545**	57,203	**121,208**	128,699	**123,088**	114,058	**57,390**	39,766
Group's share of:								
Profit	**18,141**	16,278	**6,794**	7,203	**3,093**	3,012	**16,164**	16,713
Other comprehensive income/(loss)	**(7,149)**	1,341	**(9,628)**	4,362	**(12,137)**	6,980	**(1,861)**	911
Movement in other reserves	**–**	–	**–**	–	**(3,566)**	44	**–**	–
Equity stake held for sale	**–**	–	**231**	(10,774)	**–**	–	**–**	–
Total comprehensive income/(loss)	**10,992**	17,619	**(2,603)**	791	**(12,610)**	10,036	**14,303**	17,624
Dividends received during the year	**(16,854)**	(15,277)	**–**	(8,282)	**(516)**	(1,006)	**(1,229)**	–
Carrying amount of interest in investee at end of the year	**53,683**	59,545	**118,605**	121,208	**109,962**	123,088	**70,464**	57,390

19. INVESTMENT IN JOINT VENTURES

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Unquoted shares, at cost	**202,182**	45,513	**165,023**	12,014
Post-acquisition revenue reserve capitalised as share capital	**3,090**	3,090	**–**	–
Fair value remeasurement on retained interest	**13,306**	13,306	**–**	–
Share of post-acquisition revenue reserve	**32,852**	25,937	**–**	–
Accumulated amortisation of intangible assets	**(980)**	–	**–**	–
Foreign currency translation	**(5,736)**	(7,113)	**–**	–
	244,714	80,733	**165,023**	12,014

Amortisation of intangible assets

Customer-related intangible assets that arose from the acquisition of joint ventures are recorded as part of the investment in joint ventures. The useful lives of these intangible assets with definite useful lives were determined to be 15 years and these assets are amortised on a straight-line basis over their respective useful lives. The amortisation expense is included in the "Share of results of associates/joint ventures, net of tax" in the consolidated income statement.

Amounts due from/to joint ventures

The amounts due from joint ventures amounting to $3,978,000 (2017: $4,923,000) and amount due to joint ventures amounting to $3,493,000 (2017: $4,878,000) are unsecured, trade-related and are repayable on demand.

Joint ventures

		GROUP 31 March			
		Cost of investment		Equity held	
Name of companies (Country of incorporation)	**Principal activities (Place of business)**	**2018 $'000**	**2017 $'000**	**2018 %**	**2017 %**
Held by the Company					
Air India SATS Airport Services Private Limited [a] (India)	Ground handling and cargo handling services (India)	**12,014**	12,014	**50.0**	50.0
Ground Team Red Holdings Sdn. Bhd. [d] (Malaysia)	Investment holding company (Malaysia)	**153,009**	–	**50.0**	–
Unquoted shares held by Company, at cost		**165,023**	12,014		

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19. INVESTMENT IN JOINT VENTURES (cont'd)

Joint ventures (cont'd)

		GROUP 31 March			
		Cost of investment		Equity held	
Name of companies (Country of incorporation)	**Principal activities (Place of business)**	**2018 $'000**	**2017 $'000**	**2018 %**	**2017 %**
Held through SATS Food Services Pte. Ltd.					
SATS BRF Food Pte. Ltd.[b] (Singapore)	Meat processing, manufacturing of branded food products (Singapore)	**24,480**	24,480	**51.0**	51.0
SG IPF Pte. Ltd.[b] (Singapore)	Investment holding (Singapore)	**9,837**	–	**60.0**	–
Held through SATS Asia-Pacific Star Private Limited					
DFASS SATS Pte. Ltd.[b,c] (Singapore)	Inflight duty-free and duty-paid sales, offer mail order and pre-order service, supply liquor for in flight pantry services, and operate ground based duty-free and duty-paid retail sales (Singapore)	**2,706**	9,019	**15.0**	50.0
Held through SATS Airport Services Pte Ltd					
SATS PPG Singapore Pte. Ltd[b] (Singapore)	Manage and operate airport lounge (Singapore)	**136**	–	**50.0**	–
		202,182	45,513		

[a] Audited by BSR & Co, LLP, India.
[b] Audited by KPMG, Singapore.
[c] The cost of investment of 35% equity interest pending sale completion transaction was transferred to assets held for sale as at March 2018 (Note 26).
[d] In the process of appointing auditor.

19. INVESTMENT IN JOINT VENTURES (cont'd)

The Group's material investments in joint ventures are summarised below:

	31 March	
	2018 $'000	**2017 $'000**
Air India SATS Airport Services Private Limited ("AISATS")	**38,935**	35,180
SATS BRF Food Pte. Ltd. ("SBRF")	**33,836**	34,562
Ground Team Red Holding Sdn. Bhd. ("GTRH")	**157,694**	–
Other joint ventures	**14,249**	10,991
	244,714	80,733

Aggregate information about the Group's investments in joint ventures that are not individually material are as follows:

	2017-18 $'000	**2016-17 $'000**
Share of profits after tax	**2,324**	1,972
Other comprehensive income	**315**	–
Total comprehensive income	**2,639**	1,972

Although the Group holds an ownership interest of 51% in SATS BRF Food Pte. Ltd. ("SBRF"), the Group determined that it only has joint control by virtue of the equal voting rights over the financial and operating policies of the company.

The summarised financial information in respect of Air India SATS Airport Services Private Limited ("AISATS"), SATS BRF Food Pte. Ltd. ("SBRF") and Ground Team Red Holdings Sdn Bhd ("GTRH") based on their respective FRS financial statements and a reconciliation with the carrying amount of the investment in consolidated financial statements are as follows:

	AISATS		SBRF		GTRH*	
	2017-18 $'000	**2016-17 $'000**	**2017-18 $'000**	**2016-17 $'000**	**2017-18 $'000**	**2016-17 $'000**
Revenue	**138,762**	126,828	**222,067**	254,194	**27,928**	–
Operating expenses	**(125,781)**	(113,398)	**(223,521)**	(258,923)	**(23,014)**	–
Interest expenses	**(2,053)**	(1,909)	**(28)**	6	**–**	–
Profit/(loss) before tax	**10,928**	11,521	**(1,482)**	(4,723)	**4,914**	–
Income tax expenses	**2,862**	(1,361)	**58**	(97)	**(1,088)**	–
Profit/(loss) after tax	**13,790**	10,160	**(1,424)**	(4,820)	**3,826**	–
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income	**13,790**	10,160	**(1,424)**	(4,820)	**3,826**	–

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19. INVESTMENT IN JOINT VENTURES (cont'd)

Summarised statement of financial position as at 31 March:

	AISATS		SBRF		GTRH*	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash and cash equivalents	**3,355**	8,992	**7,090**	15,786	**2,849**	–
Inventories	**2,285**	1,117	**21,429**	22,902	**–**	–
Other receivable	**–**	–	**315**	–	**–**	–
Trade receivable	**49,989**	42,204	**27,576**	30,130	**8,747**	–
Current assets	**55,629**	52,313	**56,410**	68,818	**11,596**	–
Non-current assets	**83,331**	72,850	**4,008**	5,377	**6,536**	–
Total assets	**138,960**	125,163	**60,418**	74,195	**18,132**	–
						–
Current liabilities	**47,291**	43,113	**20,163**	32,517	**8,339**	–
Non-current liabilities	**13,800**	11,690	**–**	–	**–**	–
Total liabilities	**61,091**	54,803	**20,163**	32,517	**8,339**	–
						–
Net assets	**77,869**	70,360	**40,255**	41,678	**9,793**	–
Net assets excluding goodwill	**77,869**	70,360	**40,255**	41,678	**9,793**	–
Less: Non-controlling interest	**–**	–	**–**	–	**(175)**	–
	77,869	70,360	**40,255**	41,678	**9,618**	–
Proportion of the Group's ownership	**50.0%**	50.0%	**51.0%**	51.0%	**50.0%**	–
Group's share of net assets	**38,935**	35,180	**20,530**	21,256	**4,809**	–
Fair value remeasurement on retained interest	**–**	–	**13,306**	13,306	**–**	–
Goodwill on acquisition and intangible assets	**–**	–	**–**	–	**152,885**	–
Carrying amount of the investment	**38,935**	35,180	**33,836**	34,562	**157,694**	–
Group's interest in net assets of investee at beginning of the year/at acquisition date	**35,180**	28,848	**34,562**	37,020	**153,009**	–
Group's share of total comprehensive income for the year	**4,167**	6,947	**(726)**	(2,458)	**4,685**	–
Dividends received during the year	**(412)**	(615)	**–**	–	**–**	–
Carrying amount of interest in investee at end of the year	**38,935**	35,180	**33,836**	34,562	**157,694**	–

* The figures disclosed include Ground Team Red Sdn. Bhd. ("GTR") being a subsidiary of GTRH.

20. LONG-TERM INVESTMENTS

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Unquoted equity investment, at cost	**305**	414	**–**	–
Loan, secured	**19,632**	24,827	**–**	–
Others	**50**	51	**–**	–
	19,987	25,292	**–**	–

The secured loan of $19,632,000 (2017: $24,827,000) refers to an investment in a 5-year secured loan of US $14,963,000 (2017: US $17,800,000) with interest rate of 6.5% per annum.

21. DEFERRED TAXATION

	GROUP			
	Statement of Financial Position 31 March		Consolidated Income Statement	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred tax liabilities				
Differences in depreciation and amortisation for tax purposes	**41,025**	45,116	**(4,517)**	(1,568)
Identified intangible assets	**2,793**	3,587	**770**	804
Unremitted foreign dividend and interest income	**6,222**	6,459	**237**	–
Provisions	**(1,525)**	(3,132)	**48**	3,175
Defined benefit plan	**(1,835)**	(2,498)	**–**	(234)
Unutilised tax losses/capital allowances	**–**	(6,438)	**–**	121
Undistributed earnings of associates/ joint ventures	**15,309**	12,486	**(5,917)**	(4,166)
Other temporary differences	**(353)**	(126)	**130**	(150)
	61,636	55,454		
Deferred tax assets				
Provisions	**2,228**	339	**4,566**	(80)
Unutilised tax losses	**6,570**	1,127	**7,054**	(13)
Differences in depreciation and amortisation for tax purposes	**1,895**	10,136	**(10,763)**	326
	10,693	11,602		
			(8,392)	(1,785)

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21. DEFERRED TAXATION (cont'd)

	COMPANY Statement of Financial Position 31 March	
	2018 $'000	**2017 $'000**
Deferred tax liabilities		
Differences in depreciation and amortisation for tax purposes	**21,377**	20,769
Provision	**(1,438)**	(1,388)
Unremitted foreign dividend and interest income	**6,221**	6,459
	26,160	25,840

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses and capital allowances of approximately $13,014,000 (2017: $19,800,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2017: NIL) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 11).

22. OTHER NON-CURRENT ASSETS

Other non-current assets relate mainly to long-term prepayments and lease deposits.

23. TRADE AND OTHER RECEIVABLES

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Trade and other receivables:				
Trade receivables	**146,107**	124,033	**1,710**	2,435
Staff loans	**61**	24	**40**	23
Sundry receivables	**12,310**	12,348	**931**	1,621
Amounts due from related parties – Trade	**140,068**	134,815	**–**	–
Amounts due from related companies – Non-trade	**–**	–	**77,131**	57,748
	298,546	271,220	**79,812**	61,827

Trade receivables are generally on 30 – 90 day terms.

23. TRADE AND OTHER RECEIVABLES (cont'd)

The table below is an analysis of trade receivables and trade amounts due from related parties:

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Not past due and not impaired	**204,511**	203,793	**1,316**	1,647
Past due but not impaired				
Less than 30 days	**29,815**	25,693	**148**	119
30 days to 60 days	**17,818**	10,348	**27**	65
61 days to 90 days	**6,823**	5,955	**15**	139
More than 90 days	**27,208**	13,059	**204**	465
	81,664	55,055	**394**	788
	286,175	258,848	**1,710**	2,435
Other impaired trade receivables – individually assessed	**1,408**	2,533	**146**	251
Less: Accumulated impairment losses	**(1,408)**	(2,533)	**(146)**	(251)
	–	–	**–**	–
Total trade receivables, net	**286,175**	258,848	**1,710**	2,435

Trade receivables denominated in foreign currencies at 31 March are as follows:

	GROUP		COMPANY	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
United States Dollar	**1,387**	3,563	**–**	–

The carrying amount of trade receivables impaired by credit losses is reduced through the use of an allowance account unless on the date the impairment loss is recognised, the Group ascertains the amount to be uncollectible whereby it would be reduced directly. In subsequent periods when a trade receivable is ascertained to be uncollectible, it is written off against the allowance account.

Significant financial difficulties of the debtors, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days aging of receivables balances) are considered indicators that the amounts owing by the debtors are impaired. Individual trade receivable is written off when management deems the amount not collectible.

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23. TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables are stated after impairment. Analysis of the impairment account is as follows:

	GROUP		COMPANY	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Balance at 1 April	**1,740**	2,270	**251**	44
Exchange differences	**(37)**	17	**–**	–
Write-off against provisions	**(116)**	(71)	**(77)**	–
(Write-back)/charge to income statement	**(210)**	449	**(28)**	207
Transfer to assets held for sale	**–**	(925)	**–**	–
Disposal of subsidiary	**31**	–	**–**	–
Balance at 31 March	**1,408**	1,740	**146**	251
Bad debts write-off directly to income statement	**44**	262	**–**	8

Staff loans

There is no interest charge on the staff loans for FY2017-18 and FY2016-17.

Sundry receivables

Sundry receivables are unsecured, interest-free and repayable upon demand.

Amounts due from related parties

The amounts due to the Group are trade-related, with a credit term of 45 days. The amounts due to the Company are unsecured, interest-free and are repayable upon demand.

24. INVENTORIES

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Food supplies and dry stores	**12,384**	11,770	**–**	–
Technical spares	**9,776**	9,773	**–**	–
Other consumables	**363**	371	**198**	231
Total inventories at lower of cost or net realisable value	**22,523**	21,914	**198**	231

	GROUP		COMPANY	
	2017-18 $'000	**2016-17 $'000**	**2017-18 $'000**	**2016-17 $'000**
Income Statement:				
Inventories recognised as an expense	**260,528**	268,068	**–**	–
Inclusive of the following charge:				
– Inventories written down	**87**	153	**–**	–

25. CASH AND SHORT-TERM DEPOSITS

(a) Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts in statements of financial position:

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Fixed deposits	**247,747**	393,978	**190,693**	285,941
Cash and bank balances	**125,531**	114,388	**20,899**	14,745
Cash and cash equivalents included in the consolidated statement of cash flows	**373,278**	508,366	**211,592**	300,686
Cash transferred to asset held for sale	**–**	(2,562)	**–**	–
Cash and short-term deposits per statement of financial position	**373,278**	505,804	**211,592**	300,686

(b) Analysis of capital expenditure cash flows:

	GROUP	
	2017-18 $'000	**2016-17 $'000**
Additions of property, plant and equipment (Note 14)	**93,688**	86,744
Additions of intangible assets (Note 16)	**6,431**	2,597
Accrual for additions of property, plant and equipment (Note 27)	**(886)**	(1,217)
Cash invested in property, plant and equipment and intangible assets	**99,233**	88,124

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.00% to 1.58% (2017: 0.00% to 1.3%) per annum. Short-term deposits are made for varying periods of between 2 days and 365 days depending on the expected cash requirements of the Group, and earn interest at the effective interest rate ranging from 0.1% to 2.81% (2017: 0.1% to 2.95%) per annum.

(c) Cash and short-term deposits denominated in foreign currencies at 31 March are as follows:

	GROUP		COMPANY	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Australian Dollar	**2,040**	605	**–**	–
United States Dollar	**28,430**	16,187	**7,247**	4,020
Japanese Yen	**457**	–	**457**	–

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26. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

In FY2017, the Company announced the sale of 4% of the issued shares of Asia Airfreight Terminal Company Limited ("AAT") owned by the Company to Holistic Capital Investment Limited. Subsequently in March 2018, the Company signed a supplementary agreement in relation to the sale and purchase agreement of which the term of completion shall be extended to 30 June 2018. The Group and Company has classified the assets of $10,543,000 (2017: $10,774,000) and $7,564,000 (2017: $7,564,000) respectively to assets held for sale in line with this impending dilution.

On 8 March 2018, the Company announced that SATS Asia-Pacific Star Pte. Ltd. ("APS"), a wholly-owned subsidiary, has entered into a non-binding Points of Agreement with Singapore Airlines Limited ("SIA") and DFASS (Singapore) Pte. Ltd. ("DFASS") for SIA to subscribe for a 70% equity stake in DFASS SATS Pte. Ltd. Upon completion of the transaction, each of DFASS and APS will hold 15% of the share capital in DFASS SATS Pte. Ltd. Pending the completion of the transaction, the Group has transferred the net assets of $9,353,000 to assets held for sale.

On 17 March 2017, the Company entered into a sale and purchase agreement in relation to the sale of 51% of the issued shares of SATS HK Limited ("SHK") owned by the Company to Voltaire Capital Investment Limited. Pending the completion of the said transaction, the Group has classified assets and liabilities for SHK, amounting to $21,330,000 and $5,073,000 respectively, as held for sale as at 31 March 2017. The Company has also transferred its cost of investment, loan and interest receivable totaling to $21,396,000 to assets held for sale as at 31 March 2017. Upon completion of the sale on 31 July 2017 with a gain of $5,186,000 recorded, the Company owns 49% of the total issued ordinary shares in the capital of SHK. SHK is classified as associated company as at 31 March 2018.

As at 31 March 2017, the Company's Japan subsidiary, TFK Corporation classified an investment property amounting to $1,362,000 as assets held for sale pending the completion of the negotiations with a third party. The sale of the investment property was completed in July 2017 whilst its Brazil investment property company was sold in March 2018, with a net gain of $8,543,000.

The assets classified as held for sale as at 31 March are as follows:

	GROUP		COMPANY	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Assets:				
Property, plant and equipment	**–**	5,026	**–**	–
Investment properties	**–**	2,064	**–**	–
Deferred tax	**–**	2,024	**–**	–
Prepayment	**–**	1,707	**–**	–
Loan and interest receivable	**–**	–	**–**	16,239
Trade and other receivables	**–**	9,309	**–**	–
Cash and short-term deposits	**–**	2,562	**–**	–
Investment in associates/joint ventures	**19,896**	10,774	**7,564**	12,721
Assets of disposal groups classified as held for sale	**19,896**	33,466	**7,564**	28,960
Liabilities:				
Trade creditors	**–**	2,836	**–**	–
Other liabilities	**–**	2,237	**–**	–
Liabilities of disposal groups classified as held for sale	**–**	5,073	**–**	–

27. TRADE AND OTHER PAYABLES

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Current:				
Trade payables	**166,555**	146,054	**14,956**	14,176
Other payables:				
Tender deposits	**4,835**	4,487	**2,731**	2,461
Accrued expenses	**147,443**	155,080	**20,772**	23,034
Purchase of property, plant and equipment	**5,691**	4,805	**120**	666
Others	**3,414**	2,655	**–**	–
	161,383	167,027	**23,623**	26,161
Amounts due to related companies	**3,673**	3,067	**1,115**	1,086
Deposits placed by subsidiaries	**–**	–	**163,541**	188,300
Trade and other payables	**331,611**	316,148	**203,235**	229,723
Non-current:				
Provision of earn-out considerations	**–**	16,128	**–**	4,528
Others	**21,273**	21,092	**8,461**	8,165
Other payables	**21,273**	37,220	**8,461**	12,693

These amounts are non-interest bearing. Trade payables are normally settled on 60-day terms while other current payables have an average term of three to six months.

Trade and other payables denominated in foreign currencies as at 31 March are as follows:

	GROUP		COMPANY	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Australian Dollar	**450**	426	**–**	–
Great Britain Pound	**212**	212	**–**	–
Euro	**482**	106	**–**	–
United States Dollar	**494**	519	**220**	40

Amounts due to related companies

These amounts are trade-related, unsecured, non-interest bearing and repayable on demand. Purchases from related companies are made at agreed terms.

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28. TERM LOANS

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Unsecured:				
Repayable within one year	**9,850**	8,748	**–**	–
Repayable after one year	**96,034**	97,481	**96,034**	97,481
	105,884	106,229	**96,034**	97,481
Secured:				
Repayable within one year	**–**	1,250	**–**	–
Total term loans	**105,884**	107,479	**96,034**	97,481

			Outstanding as at 31 March	
	Effective interest rate	Maturity date	**2018 $'000**	2017 $'000
Unsecured term loans:				
JPY floating rate	0.44% to 0.74%	May 2018, June 2018, July 2018 and November 2021	**104,653**	104,979
JPY fixed rate	0.76%	July 2018	**1,231**	1,250
			105,884	106,229
Secured term loans:				
JPY floating rate	–	–	**–**	1,250

As at 31 March 2018, there are four (2017: four) and two (2017: two) unsecured loans, held by the Group and the Company, respectively. The unsecured loans, held by the Company, have an effective interest rate of 0.44% per annum and maturity date of November 2021.

There is no (2017: one) secured term loan held by the Group as at 31 March 2018 and the loan as at 31 March 2017 was secured on the property, plant and equipment and other assets of a subsidiary (Note 14).

Hedge of net investments in foreign operations

Included in loans as at 31 March 2018 were term loans of JPY7.8 billion (2017: JPY7.8 billion), approximately $96 million (2017: $97.5 million), which have been designated as a hedge of the net investment in its subsidiary, TFK Corporation in Japan, and is being used to hedge the Group's exposure to foreign exchange risk on this investment. Foreign exchange gains or losses on the translation of this term loan are transferred to equity to offset any gains or losses on translation of the net investment in the subsidiary. There is no ineffectiveness portion transferred to profit or loss in the year ended 31 March 2018 (2017: NIL).

28. TERM LOANS (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities		
	Term Loans $'000	Finance Leases $'000	Total $'000
Balance at 1 April 2017	107,479	1,148	108,627
Changes from financing cash flows			
Repayment of finance leases and related charges	–	(606)	(606)
Effect of changes in foreign exchange rates	(1,595)	(13)	(1,608)
Other changes			
Interest expense	–	7	7
Balance at 31 March 2018	105,884	536	106,420

29. FINANCE LEASES

The Group has finance leases for equipment and motor vehicles. These lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	GROUP 31 March			
	2018		2017	
	Minimum payments $'000	Present value of payments $'000	Minimum payments $'000	Present value of payments $'000
Not later than one year	**305**	**285**	472	427
Later than one year but not later than five years	**264**	**251**	754	721
Total future minimum lease payments	**569**	**536**	1,226	1,148
Less: Amounts representing finance charges	**(33)**	**–**	(78)	–
Present value of minimum lease payments	**536**	**536**	1,148	1,148

The average discount rates implicit in the leases are 0.01% - 5.4% (2017: 0.01% - 5.4%) per annum for the lease of equipment and motor vehicles.

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30. DEFINED BENEFIT PLAN

The subsidiaries in Japan operate a defined benefit plan which requires contributions to be made to separately administered funds. The plan provides a pension and the amount of benefit is calculated using a combination of final salary and total service years. The benefit plan will either vest to the employees after 3 years of service as lump-sum distribution or after 14 years of service as annual payment of plan benefit.

The following tables summarise the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the plans.

	GROUP 31 March	
	2018 $'000	**2017 $'000**
Net benefit expense		
Current service cost	**1,871**	2,512
Interest cost on benefit obligation	**248**	232
Expected return on plan assets	**(238)**	(224)
Net benefit expense	**1,881**	2,520
Actual return on plan assets	**(3,411)**	(2,255)
Defined benefit plan asset/(liability)		
Defined benefit obligation - funded	**(80,645)**	(83,678)
Defined benefit obligation - unfunded	**(569)**	(559)
	(81,214)	(84,237)
Fair value of plan assets	**81,961**	81,987
Defined benefit asset/(liability)	**747**	(2,250)

Change in present value of defined benefit obligations are as follows:

	2018 $'000	**2017 $'000**
As at 1 April	**84,237**	81,655
Current service cost (Note 5)	**1,871**	2,512
Interest cost	**248**	232
Benefits paid	**(3,752)**	(3,505)
Actuarial gain on obligation	**(126)**	(64)
Exchange differences	**(1,264)**	3,407
As at 31 March	**81,214**	84,237

30. DEFINED BENEFIT PLAN (cont'd)

Change in fair value of plan assets are as follows:

	GROUP	
Benefits paid	**2018 $'000**	**2017 $'000**
As at 1 April	**81,987**	78,591
Expected return on plan assets	**238**	224
Benefits paid	**872**	924
Contributions by employer	**(3,101)**	(3,027)
Actuarial gain	**3,173**	2,031
Exchange differences	**(1,208)**	3,244
As at 31 March	**81,961**	81,987

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	GROUP 31 March	
	2018 %	**2017 %**
Japan equities	**13.9**	13.3
Offshore equities	**12.2**	11.7
Japan bonds	**45.7**	45.8
Offshore bonds	**9.6**	9.6
Fixed deposits	**18.6**	19.6
	100.0	100.0

The principal assumptions used in determining pension benefit obligations for the defined benefit plans are shown below:

	GROUP 31 March	
	2018 %	**2017 %**
Discount rates	**0.3**	0.3
Expected rate of return on assets	**0.3**	0.3
Post retirement mortality for pensioners at age 65		
– Male	**1.1**	1.1
– Female	**1.1**	1.1

The expected rate of return is calculated by weighting the expected rates of return on individual categories of plan assets in accordance with the anticipated balance in the plan's investment portfolio. These expected rates of return are determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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31. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the related party information disclosed elsewhere in the full financial statements, the following significant related party transactions took place on terms agreed between the parties during the financial year:

Sale and purchase of goods and services

	GROUP	
	2017-18 $'000	**2016-17 $'000**
Services rendered by:		
Related parties	**37,685**	31,107
Associates/joint ventures	**19,677**	17,712
	57,362	48,819
Sales to:		
Related parties	**809,736**	799,404
Associates/joint ventures	**3,160**	3,475
	812,896	802,879
Rental income:		
Associates/joint ventures	**2,469**	2,518
	2,469	2,518

Directors' and key executives' remuneration

	GROUP	
	2017-18 $'000	**2016-17 $'000**
Directors		
Directors' fees (Note 6)		
– paid by the Company	**988**	854
– paid by subsidiaries of the Group	**17**	13
	1,005	867
Key executives		
Salary, bonuses and other costs	**6,477**	5,394
CPF and other defined contributions	**48**	21
Share-based compensation expense	**3,154**	2,802
	9,679	8,217

31. RELATED PARTY TRANSACTIONS (cont'd)

Share options granted to and exercised by key executives of the Group are as follows:

Name of participant	Aggregate options granted since commencement of scheme to end of financial year	Aggregate options exercised since commencement of scheme to end of financial year	Aggregate options outstanding at end of financial year
Tan Chuan Lye	624,500	(624,500)	–
Yacoob Bin Ahmed Piperdi	377,950	(377,950)	–

Shares awarded to key executives of the Group during the year and since the commencement of the Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") are as follows:

Name of participant	Shares granted during financial year	Aggregate shares granted since commencement of plan to end of financial year #	Aggregate shares vested since commencement of plan to end of financial year	Aggregate shares not released at end of financial year
Alexander Charles Hungate	711,000	3,159,836	(1,155,636)	2,004,200
Yacoob Bin Ahmed Piperdi	253,000	1,478,735	(774,135)	704,600
Tan Chuan Lye	–	1,373,281	(1,252,681)	120,600

Share grant is adjusted due to achievement of performance condition(s).

32. CAPITAL AND OTHER COMMITMENTS

(a) The Group and the Company have commitments for capital expenditure. Such commitments aggregated to $119.6 million (2017: $143.0 million) for the Group and $24.5 million (2017: $32.3 million) for the Company. In aggregate, these commitments are not at prices in excess of current market prices.

(b) The Group has entered into operating lease agreements for ground support equipment and leasehold land and buildings. The lease periods range from 1 to 57 years. The leases of the leasehold properties contain provision for rental adjustments. The future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Within one year	**11,955**	12,937	**1,998**	1,515
Later than one year but not later than five years	**30,136**	26,849	**6,557**	5,579
Later than five years	**18,277**	11,093	**7,673**	2,317
	60,368	50,879	**16,228**	9,411

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group operates principally in Singapore and generates revenue mainly in Singapore Dollars. The Group also has investments outside of Singapore and it operates in more than ten countries. The Group's operations carry certain financial and commodity risks, including the effects of changes in foreign exchange rates and interest rates. The Group's overall risk management approach is to minimise the effects of such volatility on its financial performance. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments for specific exposures where appropriate and cost-efficient.

Financial risk management policies are periodically reviewed and approved by the Board of Directors.

(a) Foreign Currency Risk

The Group is exposed to the effects of fluctuations in certain foreign exchange rates because of its foreign currency denominated operating revenue and expenses. However, the effects of foreign exchange rate fluctuations on the Group's operations are not significant because the Group's sales and purchases are mainly denominated in the respective functional currencies of the Group's entities.

(b) Interest Rate Risk

The Group's earnings are affected by changes in interest rates due to the impact that such changes have on its interest income from cash and short-term deposits and its interest expense on term loans.

The Group's interest-bearing assets and interest-bearing liabilities are predominantly denominated in SGD and JPY. Information relating to other interest-bearing assets and liabilities are disclosed in the cash and short-term deposits (Note 25) and term loans (Note 28).

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affecting the interest income or finance charges of variable interest financial instruments.
- Changes in market interest rates affecting the carrying value of financial instruments with fixed interest rates if these are recognised at their fair value.

Under these assumptions, an increase or decrease in market interest rates of 50 basis points for all currencies in which the Group had deposits and borrowings at 31 March would have the following effects:

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Effect of an increase in 50 basis points in market interest rates				
Profit before tax	**716**	1,998	**183**	942
Equity	**594**	1,658	**152**	782
Effect of a decrease in 50 basis points in market interest rates				
Profit before tax	**(716)**	(1,998)	**(183)**	(942)
Equity	**(594)**	(1,658)	**(152)**	(782)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Credit Risk

The Group's maximum exposure to credit risk in the event that counter-parties fail to perform their obligations as at 31 March 2018 in relation to each class of recognised financial assets was the carrying amount of those assets as indicated in the statement of financial position.

The Group only transacts with credit-worthy counter-parties. Surplus funds are placed as interest-bearing deposits with reputable financial institutions. Credit risks are managed by limiting aggregate exposure on all outstanding financial instruments to any individual counter-party, taking into account its credit rating. Such credit risk exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material loss arising in the event of non-performance by counter-parties.

Concentration of credit risk exists when changes in economic, industry or geographical factors affect the group of counter-parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

The Group determines concentration of credit risk by monitoring the industry, country and credit rating of its counter-parties. The table below shows an analysis of credit risk exposures of the financial assets of the Group and the Company as at 31 March:

GROUP	**Outstanding balance**		**Percentage of total Financial assets**	
Credit profiles	**2018 $'000**	**2017 $'000**	**2018 %**	**2017 %**
By Industry				
Airlines	**228,067**	210,033	**33.7**	26.8
Financial institutions	**361,802**	505,922	**53.5**	64.5
Others	**86,560**	67,812	**12.8**	8.7
	676,429	783,767	**100.0**	100.0
By Region				
Singapore	**532,659**	644,746	**78.7**	82.3
Japan	**92,362**	77,003	**13.7**	9.8
Others	**51,408**	62,018	**7.6**	7.9
	676,429	783,767	**100.0**	100.0
By Moody's Credit Ratings				
Investment grade (A to Aaa)	**374,528**	507,518	**55.4**	64.8
Investment grade (Baa)	**15,388**	17,645	**2.3**	2.2
Non-rated	**286,513**	258,604	**42.3**	33.0
	676,429	783,767	**100.0**	100.0

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Credit Risk (cont'd)

At the end of the reporting period, approximately:

– 48% (2017: 51%) of the Group's trade receivables were due from a major customer located in Singapore.

– 50% (2017: 53%) of the Group's trade receivables were due from related parties.

COMPANY	Outstanding balance		Percentage of total Financial assets	
Credit profiles	2018 $'000	2017 $'000	2018 %	2017 %
By Industry				
Airlines	**1,509**	2,253	**0.2**	0.3
Financial institutions	**211,647**	301,126	**34.9**	43.3
Related parties	**389,768**	387,401	**64.3**	55.7
Others	**3,655**	5,160	**0.6**	0.7
	606,579	695,940	**100.0**	100.0
By Region				
Singapore	**604,796**	691,949	**99.7**	99.4
Others	**1,783**	3,991	**0.3**	0.6
	606,579	695,940	**100.0**	100.0
By Moody's Credit Ratings				
Investment grade (A to Aaa)	**211,647**	301,126	**34.9**	43.3
Non-rated	**394,932**	394,814	**65.1**	56.7
	606,579	695,940	**100.0**	100.0

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits are entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in trade and other receivables (Note 23).

(d) Liquidity Risk

As at 31 March 2018, the Group had at its disposal, cash and cash equivalents amounting to $373.3 million (2017: $508.4 million). In addition, the Group has available short-term credit facilities of approximately $338.2 million (2017: $263.8 million) from revolving credit facilities granted by commercial banks. The Group also has an alternative facility to issue notes up to $500 million (2017: $500 million), with maturity dates between one month to ten years, under the Medium Term Note Programme.

The Group's holdings of cash, short-term deposits and investments, together with non-committed funding facilities and net cash flow from operations, are expected to be sufficient to cover the cost of all capital expenditure due in the next financial year. The shortfall, if any, could be met by further bank borrowings or public market funding.

The maturity profile of the financial assets and liabilities of the Group and the Company is shown in the table that follows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Liquidity Risk (cont'd)

GROUP	Within 1 year $'000	1–2 years $'000	2–5 years $'000	More than 5 years $'000	Total $'000
2018					
Financial assets:					
Trade and other receivables	298,546	–	–	–	298,546
Amount due from associates/joint ventures	4,605	–	–	–	4,605
Cash and short-term deposits	373,278	–	–	–	373,278
Total undiscounted financial assets	676,429	–	–	–	676,429
Financial liabilities:					
Amount due to associates/joint ventures	3,493	–	–	–	3,493
Term loans	10,336	428	96,890	–	107,654
Finance lease	305	159	105	–	569
Trade and other payables	331,611	6	17,270	3,997	352,884
Total undiscounted financial liabilities	345,745	593	114,265	3,997	464,600
Total net undiscounted financial assets/(liabilities)	330,684	(593)	(114,265)	(3,997)	211,829
2017					
Financial assets:					
Trade and other receivables	271,220	–	–	–	271,220
Amount due from associates/joint ventures	6,743	–	–	–	6,743
Cash and short-term deposits	505,804	–	–	–	505,804
Total undiscounted financial assets	783,767	–	–	–	783,767
Financial liabilities:					
Amount due to associates/joint ventures	4,878	–	–	–	4,878
Term loans	10,498	439	98,798	–	109,735
Finance lease	472	472	282	–	1,226
Trade and other payables	316,148	5,379	27,951	6,140	355,618
Total undiscounted financial liabilities	331,996	6,290	127,031	6,140	471,457
Total net undiscounted financial assets/(liabilities)	451,771	(6,290)	(127,031)	(6,140)	312,310

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Liquidity Risk (cont'd)

COMPANY	Within 1 year $'000	1–2 years $'000	2–5 years $'000	More than 5 years $'000	Total $'000
2018					
Financial assets:					
Trade and other receivables	79,812	–	–	–	79,812
Amount due from associates/joint ventures	2,538	–	–	–	2,538
Loan to subsidiaries	238	–	–	312,420	312,658
Cash and short-term deposits	211,592	–	–	–	211,592
Total undiscounted financial assets	294,180	–	–	312,420	606,600
Financial liabilities:					
Loan from subsidiaries	58,551	–	–	–	58,551
Term loans	428	428	96,890	–	97,746
Trade and other payables	203,235	–	8,461	–	211,696
Total undiscounted financial liabilities	262,214	428	105,351	–	367,993
Total net undiscounted financial assets/(liabilities)	31,966	(428)	(105,351)	312,420	238,607
2017					
Financial assets:					
Trade and other receivables	61,827	–	–	–	61,827
Amount due from associates/joint ventures	3,774	–	–	–	3,774
Loan to subsidiaries	1,028	1,285	1,138	326,523	329,974
Cash and short-term deposits	300,686	–	–	–	300,686
Total undiscounted financial assets	367,315	1,285	1,138	326,523	696,261
Financial liabilities:					
Term loans	439	439	98,798	–	99,676
Trade and other payables	229,723	–	12,693	–	242,416
Total undiscounted financial liabilities	230,162	439	111,491	–	342,092
Total net undiscounted financial assets/(liabilities)	137,153	846	(110,353)	326,523	354,169

34. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

GROUP	Loans and receivables $'000	Available-for-sale financial assets $'000	Financial liabilities at amortised costs $'000	Total $'000
2018				
Assets				
Long-term investments	–	19,987	–	19,987
Trade and other receivables	298,546	–	–	298,546
Amount due from associates/joint ventures	4,605	–	–	4,605
Cash and short-term deposits	373,278	–	–	373,278
	676,429	19,987	–	696,416
Total non-financial assets				1,651,947
Total assets				2,348,363
Liabilities				
Amount due to joint ventures	–	–	3,493	3,493
Term loans	–	–	105,884	105,884
Finance lease	–	–	536	536
Trade and other payables	–	–	352,884	352,884
	–	–	462,797	462,797
Total non-financial liabilities				118,950
Total liabilities				581,747

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34. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

GROUP	Loans and receivables $'000	Available-for-sale financial assets $'000	Financial liabilities at amortised costs $'000	Total $'000
2017				
Assets				
Long-term investments	–	25,292	–	25,292
Trade and other receivables	271,220	–	–	271,220
Amount due from associates/ joint ventures	6,743	–	–	6,743
Cash and short-term deposits	505,804	–	–	505,804
	783,767	25,292	–	809,059
Total non-financial assets				1,470,343
Total assets				2,279,402
Liabilities				
Amount due to joint ventures	–	–	4,878	4,878
Term loans	–	–	107,479	107,479
Finance lease	–	–	1,148	1,148
Trade and other payables	–	–	353,368	353,368
	–	–	466,873	466,873
Total non-financial liabilities				121,353
Total liabilities				588,226

COMPANY	Loans and receivables $'000	Available-for-sale financial assets $'000	Financial liabilities at amortised costs $'000	Total $'000
2018				
Assets				
Trade and other receivables	79,812	–	–	79,812
Loan to subsidiaries	312,637	–	–	312,637
Amount due from associates/ joint ventures	2,538	–	–	2,538
Cash and short-term deposits	211,592	–	–	211,592
	606,579	–	–	606,579
Total non-financial assets				1,293,848
Total assets				1,900,427
Liabilities				
Loan from subsidiaries	–	–	58,000	58,000
Term loans	–	–	96,034	96,034
Trade and other payables	–	–	211,696	211,696
	–	–	365,730	365,730
Total non-financial liabilities				38,783
Total liabilities				404,513

34. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

COMPANY	Loans and receivables $'000	Available-for-sale financial assets $'000	Financial liabilities at amortised costs $'000	Total $'000
2017				
Assets				
Trade and other receivables	61,827	–	–	61,827
Loan to subsidiaries	329,653	–	–	329,653
Amount due from associates/ joint ventures	3,774	–	–	3,774
Cash and short-term deposits	300,686	–	–	300,686
	695,940	–	–	695,940
Total non-financial assets				1,157,421
Total assets				1,853,361
Liabilities				
Term loans	–	–	97,481	97,481
Trade and other payables	–	–	242,416	242,416
	–	–	339,897	339,897
Total non-financial liabilities				40,543
Total liabilities				380,440

(b) Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

A. *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

The carrying values of the Group's unquoted equity instruments held as long-term investments (Note 20) are stated at a cost of $305,000 (2017: $414,000) because their fair values cannot be measured reliably. These equity instruments represent ordinary shares in companies that are not quoted on any market and do not have any comparable industry peers that are listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of these investments in the foreseeable future. The fair values of these investments are expected to be above their carrying values.

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34. FINANCIAL INSTRUMENTS (cont'd)

(b) Fair values (cont'd)

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other receivables (Note 23), amount due from associates (Note 18), amounts due from related companies (Note 23), loan to subsidiaries (Note 17), cash and short-term deposits (Note 25), trade and other payables (Note 27), term loans - floating rate (Note 28), finance leases – current (Note 29) and other long-term payables

The carrying amounts of these financial assets and liabilities are reasonable approximation of their respective fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

Term loans - fixed rate (Note 28) and finance leases – non-current (Note 29).

The carrying amounts of these financial liabilities are reasonable approximation of their respective fair values as their interest rates approximate the interest rates for such liabilities at balance sheet date.

35. CAPITAL MANAGEMENT

The primary objective of management of the Group's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The Directors have reviewed the Group's capital structure. The Directors will continue to regularly review the Group's capital structure in line with this objective. For the financial years ended 31 March 2018 and 31 March 2017, no changes were made in the objectives, policies or processes relating to the management of the Group's capital structure.

The Group monitors capital based on the total debt-equity ratio, which is total debt divided by equity attributable to owners of the Company. The Group keeps the total debt-equity ratio at a level below the required ratio under its debt covenants. The Group includes within total debt, loans and borrowings, finance lease commitments and bank overdraft.

	GROUP 31 March		COMPANY 31 March	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Term loans (Note 28)	**105,884**	107,479	**96,034**	97,481
Finance leases (Note 29)	**536**	1,148	**–**	–
Total debt	**106,420**	108,627	**96,034**	97,481
Equity attributable to owners of the Company	**1,634,081**	1,603,479	**1,495,914**	1,472,921
Total debt-equity ratio	**0.07**	0.07	**0.06**	0.07

36. SEGMENT REPORTING

For management purposes, the Group's operating businesses are organised and managed according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and services. The Group has three reportable operating segments as follows:

1. The Food Solutions segment provides mainly inflight and institutional catering, food processing, distribution services and airline laundry services.
2. The Gateway Services segment provides both airport and cruise terminal services. The airport terminal services includes airfreight handling services, passenger services, aviation security services, baggage handling services and apron services to the Group's airline customers. On the provision of cruise terminal services, the segment manages and operates the Singapore International Cruise Terminal at Marina South.
3. The others segment provides rental of premises and other services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue and profit after taxation.

Segment accounting policies are the same as the policies described in Note 2. Segment assets comprise primarily of inventories, receivables, prepayments, amount due from associates/joint ventures, cash and short-term deposits, other non-current assets and other long-term investments.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, excluding those acquired through business combinations and finance leases.

Transfer prices between operating segments are on arm's length bases in a manner similar to transactions with third parties.

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36. SEGMENT REPORTING (cont'd)

The Group generally accounts for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

BY BUSINESS

	Food Solutions $'000	Gateway Services $'000	Others $'000	Total $'000
Financial year ended 31 March 2018				
Revenue	946,638	776,510	1,436	1,724,584
Operating profit/(loss)	150,045	78,291	(1,969)	226,367
Net finance income	592	–	2,795	3,387
Dividends from long-term investment, gross	14	–	–	14
Share of results of associates/ joint ventures, net of tax	25,488	45,665	2	71,155
Gain/(loss) on disposal of property, plant and equipment	89	255	(18)	326
Gain on disposal of assets held for sale	10,357	5,186	–	15,543
Write back of earn-out consideration	4,528	–	–	4,528
Gain from sale of investment	266	–	–	266
Other non-operating (expenses)/income	(204)	(144)	348	–
Profit before tax	191,175	129,253	1,158	321,586
Income tax expense	(32,762)	(18,201)	(5,088)	(56,051)
Profit/(loss) for the year	158,413	111,052	(3,930)	265,535
As at 31 March 2018				
Segment assets	400,043	276,030	86,271	762,344
Property, plant and equipment and investment property	268,813	235,860	64,353	569,026
Associates/joint ventures	272,086	576,501	207	848,794
Deferred tax assets	10,576	117	–	10,693
Intangible assets	146,088	7,249	4,169	157,506
Total assets	1,097,606	1,095,757	155,000	2,348,363
Current liabilities	171,967	125,364	47,908	345,239
Long-term liabilities	9,872	3,090	104,596	117,558
Tax liabilities	43,764	36,390	38,796	118,950
Total liabilities	225,603	164,844	191,300	581,747
Capital expenditure	29,703	50,756	19,660	100,119
Depreciation and amortisation charges	37,474	33,450	7,544	78,468

36. SEGMENT REPORTING (cont'd)

BY BUSINESS (cont'd)

	Food Solutions $'000	Gateway Services $'000	Others $'000	Total $'000
Financial year ended 31 March 2017				
Revenue	973,347	754,601	1,417	1,729,365
Operating profit/(loss)	169,178	64,133	(2,686)	230,625
Net finance income	195	(24)	3,230	3,401
Dividends from long-term investment, gross	14	–	643	657
Share of results of associates/ joint ventures, net of tax	25,653	39,542	2	65,197
Gain on disposal of property, plant and equipment	353	204	43	600
Gain on disposal of assets held for sale	9,301	–	–	9,301
Loss on divestment/dilution of interest in associates	(717)	–	–	(717)
Other non-operating (expenses)/income	(319)	(272)	591	–
Profit before tax	203,658	103,583	1,823	309,064
Income tax expense	(29,287)	(14,095)	(4,918)	(48,300)
Profit/(loss) for the year	174,371	89,488	(3,095)	260,764
As at 31 March 2017				
Segment assets	396,042	243,240	250,672	889,954
Property, plant and equipment and investment property	274,869	222,930	51,252	549,051
Associates/joint ventures	251,532	419,109	206	670,847
Deferred tax assets	11,568	34	–	11,602
Intangible assets	150,274	4,349	3,325	157,948
Total assets	1,084,285	889,662	305,455	2,279,402
Current liabilities	169,853	126,016	40,655	336,524
Long-term liabilities	12,660	3,238	121,774	137,672
Tax liabilities	45,138	28,336	40,556	114,030
Total liabilities	227,651	157,590	202,985	588,226
Capital expenditure	27,068	41,517	20,756	89,341
Depreciation and amortisation charges	37,306	28,224	7,968	73,498

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36. SEGMENT REPORTING (cont'd)

BY GEOGRAPHICAL LOCATION

Revenue, total assets and capital expenditure information based on the geographical location of the subsidiaries deriving the revenue and owning the assets respectively are as follows:

	Singapore $'000	Japan $'000	Others $'000	Total $'000
Financial year ended 31 March 2018				
Revenue	1,422,987	239,396	62,201	1,724,584
As at 31 March 2018				
Segment assets	633,943	105,272	23,129	762,344
Property, plant and equipment and investment property	448,909	88,591	31,526	569,026
Associates/joint ventures	48,293	2,428	798,073	848,794
Deferred tax assets	157	10,344	192	10,693
Intangible assets	135,584	21,397	525	157,506
Total assets	1,266,886	228,032	853,445	2,348,363
Capital expenditure	73,586	3,791	22,742	100,119
Financial year ended 31 March 2017				
Revenue	1,381,551	259,477	88,337	1,729,365
As at 31 March 2017				
Segment assets	784,021	92,247	13,686	889,954
Property, plant and equipment and investment property	441,675	94,518	12,858	549,051
Associates/joint ventures	45,759	2,440	622,648	670,847
Deferred tax assets	658	10,755	189	11,602
Intangible assets	134,684	23,264	–	157,948
Total assets	1,406,797	223,224	649,381	2,279,402
Capital expenditure	73,531	3,031	12,779	89,341

Information about a major customer

Revenue from one major customer amounted to $809 million (2017: $799 million), arising from sales by all segments.

37. SUBSEQUENT EVENTS

a. On 4 April 2018, SATS Ltd. entered into a Capital Increase Agreement by and between all existing shareholders of Beijing Aviation Ground Services Co., Ltd ("BGS"), pursuant to which the Company has agreed to subscribe for additional shares and increase its shareholding in the capital of BGS from 28% to 29%.

b. The Group's wholly owned subsidiary, SATS Airport Services Pte. Ltd. ("SAS"), has on 16 May 2018 entered into a joint venture agreement with Jet Aviation (Asia Pacific) Pte. Ltd. and Universal Singapore Airport Services Pte. Ltd., to set up a company ("JVCO") in Singapore with initial paid-up capital of $2,800,000. SAS will hold 52% of the JVCO. The primary activity of the new JVCO will be to provide terminal management services as the operator of the Seletar Airport Business Aviation Center.

38. COMPARATIVE INFORMATION

During the year, the Group has reassessed the classification of accrued expenses in relation to long-term employee benefits from current to non-current liabilities. Comparative amounts in the statement of financial position were reclassified for consistency. As a result, the accrued expenses as at 31 March 2017 amounting to $14,798,000 were reclassified from current liabilities to non-current liabilities.

ADDITIONAL INFORMATION

required by the Singapore Exchange Securities Trading Limited ("SGX-ST")

1. INTERESTED PERSON TRANSACTIONS

The interested person transactions entered into during the financial year ended 31 March 2018 are as follows:

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 conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) $'000	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S$100,000) $'000
Transactions for the Sale of Goods and Services		
Singapore Airlines Limited [1]	–	554,573
Singapore Airlines Cargo Pte. Ltd.	–	1,051
SIA Engineering Company Limited	–	26,398
SilkAir (Singapore) Private Limited	–	5,148
Scoot Tigerair Pte. Ltd. [2]	–	68,200
SG IPF Pte. Ltd.	–	156
	–	655,526
Transactions for the Purchase of Goods and Services		
NCS Communications Engineering Pte. Ltd.	–	287
SIA Engineering Company Limited [3]	–	2,000
Singapore Telecommunications Limited	–	4,845
ST Synthesis Pte. Ltd.	–	461
	–	7,593
Joint Venture		
Jilin IPF Pte. Ltd.	4,786	–
	4,786	–

[1] This includes the value of the original contract entered into in 2014 between SATS Ltd. and Singapore Airlines Limited for the period from 1 June 2014 to 31 May 2017.
[2] Tiger Airways Singapore Pte. Ltd. and Scoot Pte. Ltd. had merged and renamed as Scoot Tigerair Pte. Ltd. on 1 July 2017. The transaction with Scoot Tigerair Pte. Ltd. of S$68.2 million includes transactions with Tiger Airways Singapore Pte. Ltd. and Scoot Pte. Ltd. of S$22.1 million and S$2.3 million respectively.
[3] The value of contract for services procured for the period from 1 December 2015 to 30 November 2018.

Note:
All the transactions set out in the above table were based on records from the Group's Register of Interested Person Transactions for the financial period under review, and include transactions whose durations exceed the financial period under review and/or multiple transactions with the same interested person. The transactions were based on actual or estimated values of the transactions for the entire duration of the relevant transactions in the case of fixed term contracts or annual/periodic values of the transactions in the case of open-ended contracts, taking into account agreed rates.

All the above interested person transactions were done on normal commercial terms.

2. MATERIAL CONTRACTS

Except as disclosed above and in the financial statements for the financial year ended 31 March 2018, there were no material contracts entered into by the Company and its subsidiaries involving the interests of its President and Chief Executive Officer, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

3. APPOINTMENT OF AUDITORS

The Company confirms that it has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to its auditing firms.

INFORMATION ON SHAREHOLDINGS

as at 23 May 2018

Number of Issued Shares	:	1,124,056,275
Number of Issued Shares (excluding Treasury Shares)	:	1,116,031,420
Class of Shares	:	Ordinary shares
Number / Percentage of Treasury Shares	:	8,024,855 / 0.72%
Number of Shares / Percentage held by Subsidiary Holdings	:	Nil
Voting Rights	:	1 vote per share

ANALYSIS OF SHAREHOLDINGS

Range of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares)	%*
1 – 99	1,771	5.24	83,201	0.01
100 – 1,000	14,858	43.96	10,050,186	0.90
1,001 – 10,000	14,492	42.87	51,725,715	4.63
10,001 – 1,000,000	2,656	7.86	83,311,996	7.47
1,000,001 and above	23	0.07	970,860,322	86.99
Total	**33,800**	**100.00**	**1,116,031,420**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares held	%*
1	Venezio Investments Pte Ltd	446,123,158	39.97
2	DBS Nominees Pte Ltd	171,692,440	15.38
3	Citibank Nominees Singapore Pte Ltd	164,136,404	14.71
4	HSBC (Singapore) Nominees Pte Ltd	52,162,121	4.67
5	DBSN Services Pte Ltd	43,540,023	3.90
6	United Overseas Bank Nominees (Private) Limited	25,168,664	2.26
7	BPSS Nominees Singapore (Pte.) Ltd.	20,193,311	1.81
8	Raffles Nominees (Pte) Ltd	19,282,274	1.73
9	DB Nominees (S) Pte Ltd	4,434,514	0.40
10	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,771,395	0.25
11	OCBC Nominees Singapore Private Limited	2,387,357	0.21
12	Heng Siew Eng	2,347,000	0.21
13	DBS Vickers Securities (Singapore) Pte Ltd	1,914,631	0.17
14	Leong Khuen Nyean	1,896,500	0.17
15	Wong Kong Choo	1,880,000	0.17
16	Tan Chuan Lye	1,754,401	0.16
17	Yim Chee Chong	1,610,000	0.14
18	Societe Generale Singapore Branch	1,509,408	0.14
19	Sing Chung Hui @ Sing Chung Sui	1,500,000	0.14
20	Alexander Charles Hungate	1,255,636	0.11
		967,559,237	**86.70**

* The shareholding percentage has been calculated based on the number of issued ordinary shares of the Company as at 23 May 2018, excluding any ordinary shares held in treasury as at that date.

SUBSTANTIAL SHAREHOLDERS

As at 23 May 2018, the substantial shareholders of the Company and their direct and deemed interests, as shown in the Company's Register of Substantial Shareholders, were as follows:

Name of substantial shareholder	No. of shares in which the substantial shareholder has a direct interest (representing percentage* of total shareholding)	No. of shares in which the substantial shareholder has a deemed interest (representing percentage* of total shareholding)	Total no. of shares in which the substantial shareholder is interested (representing percentage* of total shareholding)
Temasek Holdings (Private) Limited	–	446,532,946** (approximately 40.01%*)	446,532,946 (approximately 40.01%*)
Tembusu Capital Pte. Ltd.	–	446,123,158** (approximately 39.97%*)	446,123,158 (approximately 39.97%*)
Napier Investments Pte. Ltd.	–	446,123,158** (approximately 39.97%*)	446,123,158 (approximately 39.97%*)
Venezio Investments Pte. Ltd.	446,123,158 (approximately 39.97%*)	–	446,123,158 (approximately 39.97%*)

* The shareholding percentage has been calculated based on the number of issued ordinary shares of the Company as at 23 May 2018, excluding any ordinary shares held in treasury as at that date.

** Derived mainly through the direct interest of Venezio Investments Pte. Ltd.

SHAREHOLDINGS HELD BY THE PUBLIC

Based on information available to the Company as at 23 May 2018, approximately 59.46% of the issued ordinary shares of the Company are held by the public (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")). The Company hence confirms that Rule 723 of the Listing Manual of the SGX-ST has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

SATS LTD.
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Company Registration No. 197201770G

NOTICE IS HEREBY GIVEN that the 45th Annual General Meeting of SATS Ltd. (the "**Company**") will be held at the Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594, on Thursday, 19 July 2018 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 March 2018 and the Auditors' Report thereon.

2. To declare a final ordinary tax-exempt (one-tier) dividend of 12 cents per share for the financial year ended 31 March 2018.

3. To re-elect Mr Alexander Charles Hungate, who will retire by rotation in accordance with Article 90 of the Constitution of the Company and who, being eligible, offers himself for re-election as a Director of the Company.

4. To re-elect Mr Tan Soo Nan, who will retire by rotation in accordance with Article 90 of the Constitution of the Company and who, being eligible, offers himself for re-election as a Director of the Company.

5. To approve payment of Directors' fees of up to S$1,300,000 for the financial year ending 31 March 2019 (2018: up to S$1,300,000).

6. To re-appoint Messrs KPMG LLP as Auditors of the Company to hold office until the next Annual General Meeting and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modifications, the following resolutions which will be proposed as Ordinary Resolutions:

7. That authority be and is hereby given to the Directors of the Company to:

(a) (i) issue shares of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 5 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(aa) new Shares arising from the conversion or exercise of any convertible securities or employee share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(bb) any subsequent bonus issue, consolidation or subdivision of Shares,

and, in sub-paragraph (i) above and this sub-paragraph (ii), "**subsidiary holdings**" has the meaning given to it in the Listing Manual of the SGX-ST;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

8. That the Directors of the Company be and are hereby authorised to:

(a) grant awards in accordance with the provisions of the SATS Performance Share Plan (the "**Performance Share Plan**") and/or the SATS Restricted Share Plan (the "**Restricted Share Plan**"); and

(b) allot and issue from time to time such number of fully paid ordinary shares of the Company as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the Restricted Share Plan,

provided that:

(i) the aggregate number of new ordinary shares of the Company to be allotted and issued pursuant to the Performance Share Plan, the Restricted Share Plan and the SATS Employee Share Option Plan shall not exceed 15 percent of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and

(ii) the aggregate number of ordinary shares of the Company under awards to be granted pursuant to the Performance Share Plan and/or the Restricted Share Plan during the period commencing from the date of this Annual General Meeting of the Company and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1 percent of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time,

and in this Resolution, "**subsidiary holdings**" has the meaning given to it in the Listing Manual of the Singapore Exchange Securities Trading Limited.

9. That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Letter to Shareholders dated 20 June 2018 (the "**Letter to Shareholders**") with any party who is of the class of interested persons described in the Appendix to the Letter to Shareholders, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

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(b) the approval given in paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

10. That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated.

(c) in this Resolution:

"**Maximum Limit**" means that number of issued Shares representing 2 percent of the issued Shares as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)); and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed, in the case of both a market purchase of a Share and an off-market purchase of a Share, 105 percent of the Average Closing Price of the Shares;

where:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of the 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 basis set out herein) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

BY ORDER OF THE BOARD

Prema d/o K Subramaniam
Company Secretary

Singapore, 20 June 2018

EXPLANATORY NOTES

1. (a) In relation to Ordinary Resolution No. 3, Mr Alexander Charles Hungate will be retiring from office at the Annual General Meeting pursuant to Article 90 of the Constitution of the Company, and will be standing for re-election at the Annual General Meeting. Please refer to the sections on "Board of Directors" and "Corporate Governance" in the SATS Annual Report for FY2017-18 for more information relating to Mr Hungate. Mr Hungate will, upon re-election, continue to serve as the President and Chief Executive Officer of the Company and a member of the Board Executive Committee.

   (b) In relation to Ordinary Resolution No. 4, Mr Tan Soo Nan will be retiring from office at the Annual General Meeting pursuant to Article 90 of the Constitution of the Company, and will be standing for re-election at the Annual General Meeting. Please refer to the sections on "Board of Directors" and "Corporate Governance" in the SATS Annual Report for FY2017-18 for more information relating to Mr Tan. Mr Tan will, upon re-election, continue to serve as the Chairman of the Board Risk and Safety Committee and a member of the Audit Committee. Mr Tan is considered an independent Director.

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(c) Mr Thierry Breton and Mr Koh Poh Tiong will be retiring from office at the Annual General Meeting pursuant to Article 90 of the Constitution of the Company. Mr Breton and Mr Koh have notified the Company that they will not be seeking re-election as Directors of the Company at the Annual General Meeting. Their retirement from the Board will take effect upon the conclusion of the Annual General Meeting. Mr Koh will, upon retirement, cease to be the Chairman of the Nominating Committee and a member of the Board Executive Committee and the Remuneration and Human Resource Committee, respectively.

2. Ordinary Resolution No. 5 is to approve the payment of an aggregate sum of up to S$1,300,000 as Directors' fees for the non-executive Directors of the Company for the current financial year ("**FY2018-19**"). There is no increase in the amount of the fees from the previous financial year although, if approved, the scale of fees payable to the non-executive Directors will be revised for FY2018-19 onwards. The scale of fees has not been changed since 2010. The revised scale of fees can be found in the "Non-Executive Directors' Remuneration" section of the Corporate Governance Report in the SATS Annual Report for FY2017-18.

The proposed fees for FY2018-19, if approved, will facilitate the payment of Directors' fees during the financial year in which such fees are incurred, in accordance with the revised scale of fees. The amount of Directors' fees has been computed on the basis of the anticipated number of Board and Board Committee meetings for FY2018-19, assuming attendance in person by all the Directors at such meetings, and also caters for additional fees (if any) which may be payable due to additional board representations on the Company's subsidiary(ies) and/or joint ventures, or to additional Board or Board Committee members being appointed in the course of FY2018-19. If, for unforeseen reasons, payments are required to be made to the Directors in excess of the amount proposed, the Company will revert to shareholders for approval at the next Annual General Meeting in the year 2019 before any such payments are made.

If approved, each of the non-executive Directors (including the Chairman) will receive approximately 85 percent of his/her total Directors' fees for FY2018-19 in cash and approximately 15 percent in the form of ordinary shares of the Company ("**Shares**"). The current intention is for such Shares to be purchased from the market on the first trading day immediately after the release of the Company's first quarter financial results for the financial year ending 31 March 2020 or as soon as practicable thereafter. The cash component of the Directors' fees for FY2018-19 is currently intended to be paid half-yearly in arrears. The non-executive Directors will be required to retain a base shareholding worth up to one year's retainer fee 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. Further details regarding the Directors' fees can be found in the "Non-Executive Directors' Remuneration" section of the Corporate Governance Report in the SATS Annual Report for FY2017-18.

The non-executive Directors will abstain from voting his/her holding of Shares (if any), and will procure that their respective associates abstain from voting their respective holdings of Shares (if any), in respect of this Resolution.

3. Ordinary Resolution No. 7, if passed, will empower the Directors to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, from the date of this Annual General Meeting until the date of the next Annual General Meeting. The number of Shares which the Directors may issue under this Ordinary Resolution will not exceed 50 percent of the issued Shares (excluding treasury shares and subsidiary holdings) with a sub-limit of 5 percent for issues other than on a *pro rata* basis. The 5 percent sub-limit for non-*pro rata* issues is lower than the 20 percent sub-limit allowed under the Listing Manual of the SGX-ST. For the purpose of determining the aggregate number of Shares which may be issued, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Ordinary Resolution is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time this Ordinary Resolution is passed and (b) any subsequent bonus issue, consolidation or subdivision of Shares. As at 23 May 2018, the Company had 8,024,855 treasury shares and no subsidiary holdings.

4. Ordinary Resolution No. 8 is to empower the Directors to grant awards and to allot and issue ordinary shares of the Company pursuant to the Performance Share Plan and/or the Restricted Share Plan, provided that:

   (i) the aggregate number of new ordinary shares of the Company which may be issued under the Performance Share Plan, the Restricted Share Plan and the SATS Employee Share Option Plan is limited to 15 percent of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and

   (ii) the aggregate number of ordinary shares of the Company under awards which may be granted pursuant to the Performance Share Plan and/or the Restricted Share Plan from this Annual General Meeting to the next Annual General Meeting shall not exceed 1 percent of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time.

   The SATS Employee Share Option Plan was adopted by the Company in February 2000 and the last grant of options thereunder was made on 1 July 2008. The Performance Share Plan and the Restricted Share Plan were adopted at an Extraordinary General Meeting of the Company held on 19 July 2005 for an initial duration of 10 years and subsequently at the Annual General Meeting held on 23 July 2014, were extended for a further period of 10 years up to 18 July 2025.

5. Ordinary Resolution No. 9 is to renew the mandate to allow the Company, its subsidiaries and associated companies that are entities at risk (as the term is used in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited) or any of them, to enter into certain interested person transactions with certain classes of interested persons as described in the Letter to Shareholders. The authority will, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company. Please refer to the Letter to Shareholders for more details.

6. Ordinary Resolution No. 10 is to renew the mandate to allow the Company to purchase or otherwise acquire Shares, on the terms and subject to the conditions set out in the Resolution.

   The Company intends to use its internal sources of funds, external borrowings or a combination of internal resources and external borrowings, to finance the purchases or acquisitions of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled.

   Based on the existing issued Shares as at 23 May 2018 (the "**Latest Practicable Date**"), the purchase by the Company of 2 percent of its issued Shares (excluding treasury shares and subsidiary holdings) will result in the purchase or acquisition of a maximum number of 22,320,628 Shares.

   In the case of both market purchases and off-market purchases by the Company and assuming that the Company purchases or acquires the maximum number of 22,320,628 Shares at the Maximum Price of S$5.70 for one Share (being the price equivalent to 5 percent above the average closing prices 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 22,320,628 Shares is approximately S$127,227,580.

   The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Company and the Company and its subsidiaries for the financial year ended 31 March 2018, based on certain assumptions, are set out in paragraph 3.7.4 of the Letter to Shareholders dated 20 June 2018 (the "**Letter to Shareholders**").

   Please refer to the Letter to Shareholders for more details.

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NOTES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the appointments will be deemed to have been made in the alternative.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902, not less than 72 hours before the time appointed for the Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CLOSURE OF BOOKS

NOTICE IS HEREBY GIVEN that, subject to the approval of shareholders for the proposed final dividend being obtained at the 45th Annual General Meeting of the Company to be held on 19 July 2018, the Transfer Books and Register of Members of the Company will be closed on 3 August 2018 for the preparation of dividend warrants.

Duly completed and stamped transfers together with all relevant documents of or evidencing title received by the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, up to 5.00 p.m. on 2 August 2018 will be registered to determine shareholders' entitlements to the proposed final dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on 2 August 2018 will be entitled to the proposed final dividend.

The proposed final dividend, if approved by shareholders, will be paid on 17 August 2018.

PROXY FORM

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

IMPORTANT
1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy the Company's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 20 June 2018.

*I/We ______________________________ (Name)

______________________________ (NRIC/Passport No./Co. Regn. No.)

of ______________________________ (Address)

being a *member/members of SATS Ltd. (the "**Company**") hereby appoint:

Name	Address	NRIC/ Passport No.	No. of Shares Represented	Proportion of Shareholdings (%)

*and/or

Name	Address	NRIC/ Passport No.	No. of Shares Represented	Proportion of Shareholdings (%)

or failing *him/her, the Chairman of the Annual General Meeting ("**AGM**") of the Company as *my/our *proxy/proxies to attend, speak and vote for *me/us and on *my/our behalf at the AGM of the Company to be held at the Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on 19 July 2018 at 11.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM and at any adjournment thereof. **If no person is named in the above boxes, the Chairman of the AGM shall be *my/our proxy to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder, for *me/us and on *my/our behalf at the AGM and at any adjournment thereof.**

No.	Resolutions	**For	**Against
	ORDINARY BUSINESS		
1	Adoption of the Directors' Statement, the Audited Financial Statements and the Auditors' Report thereon		
2	Declaration of a final dividend		
3	Re-election of Mr Alexander Charles Hungate as Director		
4	Re-election of Mr Tan Soo Nan as Director		
5	Approval of Directors' fees for the financial year ending 31 March 2019		
6	Re-appointment of Auditors and authorisation for Directors to fix their remuneration		
	SPECIAL BUSINESS		
7	To grant authority to the Directors to issue additional shares and convertible instruments pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore		
8	To grant authority to the Directors to grant awards and issue shares in accordance with the provisions of the SATS Performance Share Plan and the SATS Restricted Share Plan		
9	To approve the proposed renewal of the Mandate for Interested Person Transactions		
10	To approve the proposed renewal of the Share Purchase Mandate		

* Delete accordingly
** Voting will be conducted by poll. Indicate your vote "For" or "Against" with a (✓) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution.

Dated this ____________ day of ____________ 2018

Total Number of Shares Held

____
Signature(s) of Member(s) or Common Seal

Important: Please read notes on the reverse side

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the appointments will be deemed to have been made in the alternative.
   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.
4. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 at least 72 hours before the time appointed for the AGM.
6. Completion and return of an instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy or proxies, to the AGM.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
8. The Company shall be entitled to reject an instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies which has been lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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2nd line fold along here.

3rd fold along this line and glue overleaf. Do not staple.

sats

Please affix postage stamp

3rd fold along this line and glue overleaf. Do not staple.

The Company Secretary
SATS Ltd.
c/o M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

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CORPORATE INFORMATION
As at 23 May 2018

BOARD OF DIRECTORS
Euleen Goh Yiu Kiang
Chairman, Independent Non-Executive

Alexander Charles Hungate
President and Chief Executive Officer,
Executive Director

Independent Non-Executive
Achal Agarwal
Thierry Breton
Chia Kim Huat
Koh Poh Tiong
Michael Kok Pak Kuan
Jessica Tan Soon Neo
Tan Soo Nan
Yap Chee Meng
Yap Kim Wah

BOARD COMMITTEES
Audit Committee
Yap Chee Meng (Chairman)
Achal Agarwal
Tan Soo Nan
Yap Kim Wah

Board Executive Committee
Euleen Goh Yiu Kiang (Chairman)
Alexander Charles Hungate
Koh Poh Tiong
Michael Kok Pak Kuan

Board Risk and Safety Committee
Tan Soo Nan (Chairman)
Chia Kim Huat
Yap Chee Meng
Yap Kim Wah

Nominating Committee
Koh Poh Tiong (Chairman)
Euleen Goh Yiu Kiang
Jessica Tan Soon Neo

Remuneration and Human Resource Committee
Euleen Goh Yiu Kiang (Chairman)
Koh Poh Tiong
Michael Kok Pak Kuan

COMPANY SECRETARY
Prema d/o K Subramaniam

ASSISTANT COMPANY SECRETARY
Low Siew Tian

SHARE REGISTRAR
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

AUDITORS
KPMG LLP
Public Accountants and
Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Audit Partner: Lau Kam Yuen
(Appointed since FY2015-16)

EXECUTIVE MANAGEMENT
Alexander Charles Hungate
President and Chief Executive Officer

Tan Chuan Lye
Chairman,
Food Solutions

Manfred Seah Kok Khong
Chief Financial Officer

Eugene Cheng Chee Mun
Executive Vice President,
Group Services

Yacoob Bin Ahmed Piperdi
Executive Vice President,
Gateway Services

Albert Pozo Hernandez
Chief Digital Officer

Tan Li Lian
Senior Vice President,
Human Capital

Goh Siang Han
Chief Operating Officer,
Singapore Food Solutions

Bob Chi Cheng Bock
Senior Vice President,
Sales and Marketing

Denis Suresh Kumar Marie
Senior Vice President,
Apron Services and
Security Services

Foh Chi Dong
Senior Vice President,
Food Solutions, China

Helen Chan Yin Foong
Senior Vice President,
Integrated Supply Chain

Nazri Bin Othman
Senior Vice President,
Passenger Services

Pauline Tan Poh Lin
Senior Vice President,
Technology

Prema d/o K Subramaniam
Senior Vice President,
Legal and Secretariat,
General Counsel and
Company Secretary

Thomas Ching Chun Fong
Senior Vice President,
Institutional Catering

Wong Chee Meng
Senior Vice President,
Cargo Services

SATS LTD.
(Company Registration No.: 197201770G)
Registered Office:
20 Airport Boulevard
SATS Inflight Catering Centre 1
Singapore 819659
T: (65) 6542 5555

SATS LTD.
Company Registration No. 197201770G

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Singapore 819659

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