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Issuer & Securities

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Announcement Details

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Period Ended	31/03/2017

Attachments	SATS Letter to Shareholders 2017.pdf SATS Annual Report 2017.pdf Total size =4180K

Related Announcements	22/06/2017 17:22:15

SATS Ltd.

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

LETTER TO SHAREHOLDERS

Directors:

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

Registered Office:

20 Airport Boulevard
SATS Inflight Catering Centre 1
Singapore 819659

23 June 2017

To: The Shareholders of SATS Ltd.

Dear Sir/Madam

1. INTRODUCTION

1.1 **Notice of 2017 AGM.** We refer to:

(a) the Notice of Annual General Meeting (the "**Notice**") of SATS Ltd. (the "**Company**") dated 23 June 2017, accompanying the Annual Report 2016-17, convening the 44th Annual General Meeting of the Company to be held on 21 July 2017 (the "**2017 AGM**");

(b) Ordinary Resolution No. 14 relating to the proposed renewal of the IPT Mandate (as defined below, as proposed in the Notice); and

(c) Ordinary Resolution No. 15 relating to the proposed renewal of the Share Purchase Mandate (as defined below, as proposed in the Notice).

1.2 **Letter to Shareholders.** The purpose of this Letter to Shareholders (the "**Letter**") is to provide shareholders of the Company ("**Shareholders**") with information relating to Ordinary Resolution Nos. 14 and 15 proposed in the Notice (the "**Proposals**").

1.3 **SGX-ST.** The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

1.4 **Advice to Shareholders. Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

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

2.1 **Background.** At the 43rd Annual General Meeting of the Company held on 19 July 2016 (the "**2016 AGM**"), Shareholders approved, *inter alia*, the renewal of a mandate (the "**IPT Mandate**") to enable the Company, its subsidiaries and associated companies which are considered to be "entities at risk" (as that term is used in Chapter 9 of the Listing Manual (the "**Listing Manual**") of the SGX-ST) (the "**EAR Group**") to enter into certain interested person transactions with the classes of interested persons (the "**Interested Persons**") as set out in the IPT Mandate. Particulars of the IPT Mandate were set out in Appendix 1 to the Letter to Shareholders dated 21 June 2016 (the "**2016 Letter**") and Ordinary Resolution No. 11 as set out in the notice convening the 2016 AGM.

The IPT Mandate was expressed to take effect until the conclusion of the next Annual General Meeting of the Company, being the 2017 AGM which is scheduled to be held on 21 July 2017.

2.2 **Proposed Renewal of the IPT Mandate.** The directors of the Company (the "**Directors**") propose that the IPT Mandate be renewed at the 2017 AGM, to take effect until the 45th Annual General Meeting of the Company. There is no change to the scope and terms of the IPT Mandate which is proposed to be renewed.

2.3 **Appendix.** Details of the IPT Mandate, including the rationale for the IPT Mandate, the benefits to the Company, the review procedures for determining transaction prices with the Interested Persons and other general information relating to Chapter 9 of the Listing Manual, are set out in the Appendix to this Letter.

2.4 **Audit Committee Statement.** The Audit Committee of the Company, comprising Mr Yap Chee Meng, Mr Tan Soo Nan, Mr Yap Kim Wah and Mr Achal Agarwal, confirms that:

(a) the methods or procedures for determining the transaction prices under the IPT Mandate have not changed since the 2016 AGM; and

(b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 **Background.** At the 2016 AGM, Shareholders approved, *inter alia*, the renewal of a mandate (the "**Share Purchase Mandate**") to enable the Company to purchase or otherwise acquire issued ordinary shares of the Company ("**Shares**"). The rationale for, and the authority and limitations of, the Share Purchase Mandate were set out in the 2016 Letter and Ordinary Resolution No. 12 as set out in the notice convening the 2016 AGM.

The Share Purchase Mandate was expressed to take effect on the date of the passing of Ordinary Resolution No. 12 at the 2016 AGM and will expire on the date of the next Annual General Meeting of the Company, being the 2017 AGM which is scheduled to be held on 21 July 2017. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the 2017 AGM.

As at 25 May 2017 (the "**Latest Practicable Date**"), the Company had purchased or acquired an aggregate of 295,000 Shares by way of Market Purchases (as defined in paragraph 3.3.3(a) below) pursuant to the Share Purchase Mandate approved by Shareholders at the 2016 AGM. The highest and lowest price paid was S$4.70 and S$4.68 per Share respectively and the total consideration paid for all purchases was S$1,383,499.85, excluding commission, brokerage and goods and services tax.

3.2 **Rationale for the Share Purchase Mandate.** The rationale for the Company to undertake the purchase or acquisition of its Shares, as previously stated in the 2016 Letter, is as follows:

(a) repurchased Shares which are held in treasury may be transferred for the purposes of, or pursuant to, share schemes implemented by the Company. Where Shares held in treasury are used for this purpose, such schemes will not have any dilutive effect to the extent that no new Shares are issued;

(b) in managing the business of the Company and its subsidiaries (the "**Group**"), management will strive to increase Shareholders' value by improving, *inter alia*, the return on equity ("**ROE**") of the Company. Share purchases may be considered by the Directors as one of the ways through which the ROE of the Company may be enhanced;

(c) the Share Purchase Mandate will provide the Company with greater flexibility in managing its capital and maximising returns to its Shareholders. To the extent that the Company has capital and surplus funds which are in excess of its financial needs, taking into account its growth and expansion plans, the Share Purchase Mandate will facilitate the return of excess cash and surplus funds to Shareholders in an expedient, effective and cost-efficient manner; and

(d) the Share Purchase Mandate will provide the Company the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

The purchase or acquisition of Shares will only be undertaken if it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 2% limit described in paragraph 3.3.1 below. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the financial condition of the Group as a whole.

3.3 **Authority and Limits on the Share Purchase Mandate.** The authority and limitations placed on purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate, if renewed at the 2017 AGM, are substantially the same as those previously approved by Shareholders at the 2016 AGM and are summarised below:

3.3.1 ***Maximum Number of Shares***

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company is limited to that number of Shares representing not more than 2% of the total number of Shares as at the date of the 2017 AGM at which the renewal of the Share Purchase Mandate is approved. Treasury shares and subsidiary holdings (as defined in the Listing Manual)[1] will be disregarded for purposes of computing the 2% limit.

[1] "**Subsidiary holdings**" is defined in the Listing Manual to mean shares referred to in sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.

As at the Latest Practicable Date, the Company had 9,147,955 treasury shares and no subsidiary holdings.

Purely for illustrative purposes, on the basis of 1,124,056,275 issued Shares (and excluding 9,147,955 Shares held in treasury) as at the Latest Practicable Date, and assuming that on or prior to the 2017 AGM, (i) no further Shares are issued, (ii) no further Shares are purchased or acquired by the Company, or held as treasury shares, and (iii) no Shares are held as subsidiary holdings, the purchase or acquisition by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 22,298,166 Shares.

3.3.2 ***Duration of Authority***

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2017 AGM at which the renewal of the Share Purchase Mandate is approved, up to:

(a) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

(b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or

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

whichever is the earliest.

3.3.3 ***Manner of Purchases or Acquisitions of Shares***

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

(a) on-market purchases ("**Market Purchases**") transacted on the SGX-ST through one or more duly licensed dealers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchases**") in accordance with an equal access scheme.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

(I) the terms and conditions of the offer;

(II) the period and procedures for acceptances; and

(III) the information required under Rules 883(2), (3), (4), (5) and (6) of the Listing Manual.

3.3.4 ***Purchase Price***

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

For the above purposes:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action that occurs after the relevant five-day period; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.4 **Status of Purchased Shares.** Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company which are cancelled and are not held as treasury shares.

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

3.5.1 ***Maximum Holdings***

The number of Shares held as treasury shares[2] cannot at any time exceed 10% of the total number of issued Shares.

[2] For these purposes, "**treasury shares**" shall be read as including shares held by a subsidiary under sections 21(4B) or 21(6C) of the Companies Act, Chapter 50 of Singapore.

3.5.2 ***Voting and Other Rights***

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

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

3.5.3 ***Disposal and Cancellation***

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

(a) sell the treasury shares for cash;

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

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after such sale, transfer, cancellation and/or use, and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

3.6 **Source of Funds.** The Company may purchase or acquire its own Shares out of capital, as well as from its profits.

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

3.7 **Financial Effects.** The financial effects on the Group and the Company arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, the number of Shares purchased or acquired and the price paid for such Shares. The financial effects on the Group and the Company, based on the audited consolidated financial statements of the Group and the Company for the financial year ended 31 March 2017, are based on the assumptions set out below:

3.7.1 ***Purchase or Acquisition out of Capital or Profits***

Purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, the amount available for the distribution of cash dividends by the Company will be correspondingly reduced. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

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

Based on the number of issued and paid-up Shares as at the Latest Practicable Date (excluding treasury shares) and on the assumptions set out in paragraph 3.3.1 above, the purchase or acquisition by the Company of up to the maximum limit of 2% of its issued Shares will result in the purchase or acquisition of 22,298,166 Shares.

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

Assuming that the Company purchases or acquires 22,298,166 Shares at the Maximum Price, in the case of both Market Purchases and Off-Market Purchases of S$5.40 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of 22,298,166 Shares is approximately S$120,410,096.

3.7.4 ***Illustrative Financial Effects***

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

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 3.7.1 to 3.7.3 above, the financial effects on the consolidated financial statements of the Group and the financial statements of the Company for the financial year ended 31 March 2017 would have been as follows:

	Group		Company	
	Before Share Purchase	**After Share Purchase**	**Before Share Purchase**	**After Share Purchase**
Total equity[(1)] (S$ million)	1,603.5	1,483.1	1,472.9	1,352.5
Net asset value per Share (S$)	1.44	1.36	1.32	1.24
Profit attributable to equity holders of the Company (S$ million)	257.9	257.9	N.A.	N.A.
Weighted average no. of issued and paid up Shares (million)	1,112.2	1,089.9	N.A.	N.A.
Basic earnings per Share (cents)	23.2	23.7	N.A.	N.A.
Total borrowings[(2)] (S$ million)	108.6	108.6	97.5	97.5
Cash and cash equivalents[(3)] (S$ million)	508.4	388.0	300.7	180.3
Net borrowings[(4)] (S$ million)	(399.8)	(279.4)	(203.2)	(82.8)
Gearing[(5)] (times)	0.07	0.07	0.07	0.07
Current ratio (times)	2.09	1.80	1.58	1.10

Notes:

(1) "Total equity" means equity attributable to equity holders of the Company.

(2) "Total borrowings" means short term and long term loans and finance lease commitments.

(3) "Cash and cash equivalents" includes cash transferred to assets held for sale.

(4) "Net borrowings" means total borrowings less cash and cash equivalents. A negative figure denotes net cash balance.

(5) "Gearing" is defined as the ratio of total borrowings to total equity.

Shareholders should note that the financial effects set out above, based on the respective aforementioned assumptions, are for illustration purposes only. In particular, it is important to note that the above analysis is based on historical numbers for the financial year ended 31 March 2017, and is not necessarily representative of future financial performance.

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

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

3.9 **Listing Rules.** The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the market day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.

While the Listing Manual does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced.

In particular, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period of two weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year, and during the period of one month immediately preceding the announcement of the Company's annual results.

The Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by public shareholders. As at the Latest Practicable Date, Temasek Holdings (Private) Limited ("**Temasek**"), a substantial Shareholder of the Company, has a deemed interest in 456,532,631 Shares, representing approximately 40.95% of the issued Shares (excluding treasury shares). Temasek is wholly-owned by the Minister for Finance. As at the Latest Practicable Date, approximately 58.60% of the issued Shares (excluding treasury shares) are held by public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 2% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

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

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

THE COMPANY WISHES TO DRAW THE ATTENTION OF SHAREHOLDERS TO THE FOLLOWING CONSEQUENCES OF A PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY PURSUANT TO THE SHARE PURCHASE MANDATE, IF SHAREHOLDERS APPROVE THE RENEWAL OF THE SHARE PURCHASE MANDATE AT THE 2017 AGM.

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

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

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

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

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

3.11.2 ***Persons Acting in Concert***

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

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert:

(a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and

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

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

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

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

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

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

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

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Directors	Direct Interest Number of Shares	%(2)	Deemed Interest(1) Number of Shares	%(2)	No. of Shares comprised in outstanding share options/ awards
Ms Euleen Goh Yiu Kiang	22,774	0.0020	–	–	–
Mr Alexander Charles Hungate	495,236	0.0444	–	–	351,400(3) 1,480,000(4)
Mr Achal Agarwal	–	–	–	–	–
Mr Thierry Breton	–	–	–	–	–
Mr Chia Kim Huat	2,190	0.0002	–	–	–
Mr Koh Poh Tiong	–	–	–	–	–
Mr Michael Kok Pak Kuan	30,000	0.0027	–	–	–
Mr Yap Chee Meng	–	–	–	–	–
Mr Yap Kim Wah	–	–	–	–	–
Mr Tan Soo Nan	10,000	0.0009	–	–	–
Ms Jessica Tan Soon Neo	–	–	–	–	–

Notes:

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

(2) Based on 1,114,908,320 issued Shares (excluding treasury shares) as at the Latest Practicable Date.

(3) 351,400 restricted Shares to be vested under the SATS Restricted Share Plan.

(4) 1,480,000 performance Shares to be vested under the SATS Performance Share Plan.

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

Substantial Shareholders	Direct Interest Number of Shares	%(1)	Deemed Interest Number of Shares	%(1)	Total Interest Number of Shares	%(1)
Temasek Holdings (Private) Limited	–	–	456,532,631(2)	40.95	456,532,631	40.95
Tembusu Capital Pte. Ltd.	–	–	456,096,858(2)	40.91	456,096,858	40.91
Napier Investments Pte. Ltd.	–	–	456,096,858(2)	40.91	456,096,858	40.91
Venezio Investments Pte. Ltd.	456,096,858	40.91	–	–	456,096,858	40.91

Notes:

(1) Based on 1,114,908,320 issued Shares (excluding treasury shares) as at the Latest Practicable Date.

(2) Tembusu Capital Pte. Ltd. ("**Tembusu**") is the holding company of Napier Investments Pte. Ltd. ("**Napier**"), which is in turn the holding company of Venezio Investments Pte. Ltd. ("**Venezio**"). Tembusu and Napier are deemed to be interested in the Shares held by Venezio by virtue of section 4 of the Securities and Futures Act, Chapter 289 of Singapore. Temasek is the holding company of Tembusu and the ultimate holding company of Venezio. Accordingly, Temasek has a deemed interest in all the Shares held by Venezio. In addition, Temasek is deemed to be interested in 435,773 Shares in which its other subsidiaries and associated companies have or are deemed to have an interest pursuant to section 4 of the Securities and Futures Act, Chapter 289 of Singapore.

5. DIRECTORS' RECOMMENDATIONS

5.1 **Proposed Renewal of IPT Mandate.** The Directors are of the opinion that the entry into of the interested person transactions between the EAR Group (as described in paragraph 2.1.2 of the Appendix to this Letter) and those Interested Persons (as described in paragraph 2.3.1 of the Appendix to this Letter) in the ordinary course of their respective businesses will be made to enhance the efficiency of the EAR Group and are in the best interests of the Company. For the reasons set out in paragraphs 2.1 and 2.6 of the Appendix to this Letter, the Directors recommend that Shareholders vote in favour of Ordinary Resolution No. 14, being the Ordinary Resolution relating to the proposed renewal of the IPT Mandate to be proposed at the 2017 AGM.

Temasek and its associates, being Interested Persons, will abstain from voting in respect of their holdings of Shares (if any) on Ordinary Resolution No. 14.

5.2 **Proposed Renewal of Share Purchase Mandate.** The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 15, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2017 AGM.

6. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 20 Airport Boulevard, SATS Inflight Catering Centre 1, Singapore 819659 during normal business hours from the date of this Letter up to the date of the 2017 AGM:

(a) the Annual Report 2016-17 of the Company;

(b) the Constitution of the Company; and

(c) the 2016 Letter.

The Annual Report 2016-17 and the 2016 Letter may also be accessed at the URL https://www.sats.com.sg.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Proposals, and the Company and its subsidiaries which are relevant to the Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

Yours faithfully
for and on behalf of the Board of Directors of
SATS Ltd.

Ms Euleen Goh Yiu Kiang
Chairman

THE APPENDIX

THE IPT MANDATE

1. CHAPTER 9 OF THE LISTING MANUAL

1.1 Chapter 9 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. When this Chapter applies to a transaction and the value of that transaction alone or on aggregation with other transactions conducted with the same interested person during the same financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.

1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and hence are excluded from the ambit of Chapter 9 of the Listing Manual ("**Chapter 9**"), immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("**NTA**")) are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or exceeding:

(a) 5% of the listed company's latest audited consolidated NTA; or

(b) 5% of the listed company's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9) during the same financial year.

1.3 Based on the latest audited consolidated financial statements of SATS Ltd. ("**SATS**" or the "**Company**") and its subsidiaries (collectively, the "**SATS Group**") for the financial year ended 31 March 2017, the consolidated NTA of the SATS Group was approximately S$1,303.76 million. In relation to SATS, and for the purposes of complying with Chapter 9, in the current financial year and until such time as the consolidated audited financial statements of the SATS Group for the financial year ending 31 March 2018 are published, 5% of the latest audited consolidated NTA of the SATS Group would be approximately S$65.19 million.

1.4 Chapter 9 permits a listed company, however, to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons.

1.5 Under the Listing Manual:

(a) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9;

(b) (in the case of a company) an "**associate**" in relation to an interested person who is a director, chief executive officer or controlling shareholder means an immediate family member (that is, the spouse, child, adopted-child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director and his immediate family, the chief executive officer and his immediate family or controlling shareholder and his immediate family have an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;

(c) an "**associated company**" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;

(d) "**control**" means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company;

(e) a "**controlling shareholder**" means a person who (i) holds directly or indirectly 15% or more of the total number of issued shares in the company excluding treasury shares and subsidiary holdings (the SGX-ST may determine that such person is not a controlling shareholder) or (ii) in fact exercises control over a company;

(f) an "**entity at risk**" means:

(i) the listed company;

(ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has control over the associated company;

(g) (in the case of a company) an "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder; and

(h) an "**interested person transaction**" means a transaction between an entity at risk and an interested person.

2. THE IPT MANDATE

2.1 Rationale for the IPT Mandate

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

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

(a) SATS;

(b) subsidiaries of SATS (excluding subsidiaries listed on the SGX-ST or an approved exchange); and

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

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

2.1.3 The IPT Mandate will take effect from the date of the passing of the ordinary resolution relating thereto, to be proposed at the Annual General Meeting of the Company to be held on 21 July 2017 and will (unless revoked or varied in general meeting) continue in force until the next Annual General Meeting ("**AGM**") of the Company. Thereafter, approval from Shareholders for a renewal of the IPT Mandate will be sought at each subsequent AGM of the Company or Extraordinary General Meeting of the Company, as the case may be, subject to the satisfactory review by the Audit Committee of the Company (the "**Audit Committee**") of its continued application to the transactions with Interested Persons.

2.2 Scope of the IPT Mandate

2.2.1 Singapore Airlines Limited ("**SIA**") and its subsidiaries provide a whole range of services to the EAR Group including technical and information technology services, central purchasing and other support services, whilst the EAR Group provides, *inter alia*, air freight and ground handling services, inflight meal and food catering services, laundry and linen services and security services to SIA and its subsidiaries, including SilkAir (Singapore) Private Limited, Singapore Airlines Cargo Pte Ltd and Scoot Pte. Ltd.. The EAR Group also provides certain security and other services to SIA Engineering Company Limited.

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

2.3 Classes of Interested Persons

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

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

2.4 Interested Person Transactions

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

(a) air freight, logistics and other cargo-related services, and passenger, baggage and other ground handling services, food supply, inflight meal and food catering services, food testing services, laundry and linen services and security services;

(b) provision of central purchasing, financial and treasury support (including borrowing of funds from, and placement of funds with, Interested Persons, entry into forex, swap and option transactions with or through Interested Persons for hedging purposes, subscription of debt securities issued by Interested Persons, and provision of fund management services), tax, internal audit, staff training and centrally organised activities and meetings for staff and management, staff transportation and other personnel-related or staff welfare-related services, provision of management and corporate support, staff pooling, technical support, central reservations and other telecommunications systems and support, and other related services;

(c) provision of technical and information technology services, including the acquisition and leasing of computer equipment, provision of computer maintenance services and systems, development, licensing and acquisition of computer software programmes, and other information technology-related equipment, goods and services;

(d) rental and licensing of space, both as lessor/lessee and licensor/licensee, provision of building maintenance services, property management services, and the development of property for investment purposes;

(e) the obtaining of insurances and the underwriting of risks;

(f) the obtaining of electricity and other power sources and utilities; and

(g) any other transaction relating to the provision of or obtaining from or through, Interested Persons, or the joint transacting with Interested Persons for, products and services related to the EAR Group's principal and ancillary activities in the normal course of its business and on normal commercial terms.

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

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

(a) *Review Procedures*

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

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

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

The review procedures are:

(aa) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the service or product providers, on terms which are generally no more favourable to the Interested Persons than the usual commercial terms that would be extended to unrelated third parties (including, where applicable, preferential rates/prices/discounts accorded for bulk or high volume purchases) or otherwise in accordance with applicable industry norms; and

(bb) where the prevailing market rates or prices are not available due to the nature of service to be provided or the product to be sold, the EAR Group's pricing for such services to be provided or products to be sold to Interested Persons is determined in accordance with the EAR Group's usual business practices and pricing policies, consistent with the key terms to be obtained by the EAR Group for the same or substantially similar type of contract or transaction with unrelated third parties, taking into consideration factors including but not limited to, quantity, volume, consumption, customer requirements, specifications, duration of contract, strategic purposes of the transaction or the limited resources available to the EAR Group.

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

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

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

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

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

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

(iii) *Treasury Transactions*

(aa) Placements

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

(bb) Borrowings

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

(cc) <u>Debt Securities and Preference Shares</u>

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

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

(dd) <u>Forex, Swaps, Options</u>

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

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

(b) *Threshold Limits*

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

(i) Interested Person Transactions equal to or exceeding S$100,000 but less than S$3 million in value will be reviewed and approved by (aa) a senior member of the Company's management designated for such purpose by the CEO, (bb) the CEO or (cc) the Audit Committee;

(ii) Interested Person Transactions equal to or exceeding S$3 million but less than S$30 million in value will be reviewed and approved by (aa) the CEO or (bb) the Audit Committee;

(iii) Interested Person Transactions equal to or exceeding S$30 million in value will be reviewed and approved by the Board of Directors of the Company (the "**Board**") and the Audit Committee;

(iv) where the aggregate value of all Interested Person Transactions (including the latest Interested Person Transaction) entered into with the same Interested

Person in the current financial year is equal to or exceeds S$3 million but below S$30 million in value, the latest and all future Interested Person Transactions equal to or above S$100,000 but below S$30 million in value will be reviewed and approved by (aa) the CEO or (bb) the Audit Committee; and

(v) where the aggregate value of all Interested Person Transactions (including the latest Interested Person Transaction) entered into with the same Interested Person in the current financial year is equal to or exceeds S$30 million in value, the latest and all future Interested Person Transactions equal to or above S$100,000 in value will be reviewed and approved by the Board and the Audit Committee.

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

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

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

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

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

2.6 Benefit to Shareholders

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

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

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

(a) announce the aggregate value (as determined by the Board) of transactions entered into with Interested Persons pursuant to the IPT Mandate, for the quarterly financial periods which it is required to report on pursuant to the Listing Manual, and within the time required for the announcement of such report; and

(b) disclose the IPT Mandate in the annual report of SATS, giving details of the aggregate value of Interested Person Transactions entered into pursuant to the IPT Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a shareholders' mandate for interested person transactions is in force or as otherwise required by the provisions of the Listing Manual.

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

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

2.7 Audit Committee's Statements

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

2.7.2 The Audit Committee will, in conjunction with its review of the internal audit reports and relevant Interested Person Transactions, as the case may be, also review the established guidelines and procedures to ascertain that they have been complied with. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the methods and procedures as stated above are not sufficient to ensure that these Interested Person Transactions will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will revert to Shareholders for a fresh mandate based on new methods and procedures for transactions with Interested Persons.

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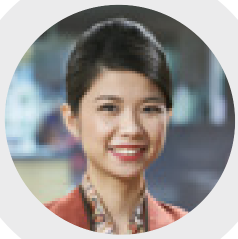
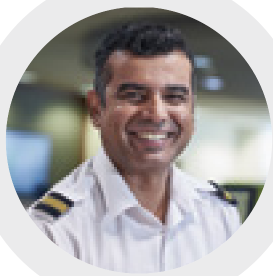
TECH DRIVEN PEOPLE LED

SATS LTD.
Annual Report
2016-17





TECHNOLOGY DRIVEN

INNOVATION
Innovation is one of our core values. We harness technology and automation.

OUR INNOVATION

01.

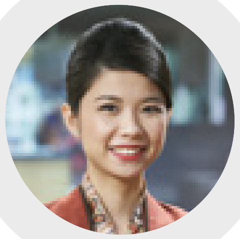
1st IN THE WORLD TO DEPLOY SMART WATCHES AND BONE-CONDUCTOR HEADSETS into technical ramp operations to enhance communication, productivity and safety

02.

LAUNCHED STATE-OF-THE-ART SATS ECOMMERCE AIRHUB to streamline processes and boost mailbag handling efficiency – positioning SATS well to handle the growing eCommerce market

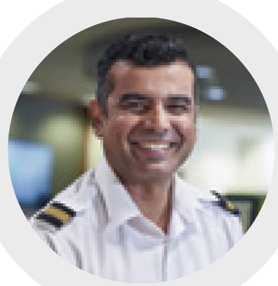
03.

ESTABLISHED SECURE, QUALITY COLD-CHAIN CORRIDOR BETWEEN SINGAPORE AND ZURICH, working with Swiss WorldCargo and Cargologic to synchronise cargo handling facilities electronically to enhance visibility, accuracy and reliability



PEOPLE LED

SATS LTD.
Annual Report
2016-17



PASSION
We focus on service excellence and deliver people-led innovation for our customers and partners.

OUR PASSION

01.

1st AIRLINE CATERER with an international team of award-winning celebrity chef consultants

02.

1st GROUND HANDLER to be awarded International Air Transport Association (IATA) accreditation for ramp services training in Asia

03.

1st INTERNATIONAL GROUND HANDLER to set up cargo operations in the Kingdom of Saudi Arabia

04.

1st GROUND HANDLER to attain European Union (EU) approval to provide meat transshipment services between New Zealand and the EU

CONTENTS

SATS is a leading provider of Food Solutions and Gateway Services. Our vision is to feed and connect Asia.

With 70 years of experience, and a growing regional presence, SATS is entering a new phase of growth, creating value for our customers, partners and shareholders.

We are transforming SATS by investing in our people, injecting new technology and building a more sustainable business.

We are also expanding our business across the region to create value for our customers as we connect our services internationally.

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.

Five-Year Group Financial and Operational Summary

	FY2016-17	FY2015-16	FY2014-15	FY2013-14	FY2012-13
Income Statement ($ million)					
Total revenue	**1,729.4**	1,698.2	1,753.2	1,786.7	1,819.0
Operating profit	**230.6**	214.7	178.0	171.0	192.3
Share of results of associates/joint ventures, net of tax	**65.2**	48.0	48.1	47.2	52.7
Profit after tax	**260.8**	218.4	190.7	182.1	184.8
Profit attributable to owners of the Company	**257.9**	220.6	195.7	180.4	184.8
Statement of Financial Position ($ million)					
Equity holders' funds	**1,603.5**	1,490.8	1,441.1	1,416.8	1,403.4
Non-controlling interests	**87.7**	74.3	76.5	97.6	96.8
Total Equity	**1,691.2**	1,565.1	1,517.6	1,514.4	1,500.2
Property, plant and equipment	**538.7**	516.8	551.7	567.9	592.2
Investment properties	**10.4**	13.9	7.0	9.2	11.3
Other non-current assets	**873.8**	745.4	668.3	718.1	619.5
Current assets	**856.5**	829.6	792.7	724.6	780.3
Total assets	**2,279.4**	2,105.7	2,019.7	2,019.8	2,003.3
Non-current liabilities	**178.3**	70.3	156.3	175.9	193.0
Current liabilities	**409.9**	470.3	345.8	329.5	310.1
Total liabilities	**588.2**	540.6	502.1	505.4	503.1
Net Assets	**1,691.2**	1,565.1	1,517.6	1,514.4	1,500.2
Financial Ratios					
Return on equity (%)	**16.7**	15.0	13.7	12.8	12.7
Return on total assets (%)	**11.9**	10.6	9.4	9.1	9.0
Net margin (%)	**15.1**	12.9	10.9	10.2	10.2
Debt-equity ratio (times)	**0.07**	0.07	0.07	0.08	0.09
Economic value added (EVA) ($ million)	**92.4**	79.6	49.9	39.9	68.5
Productivity and Employee Data					
Value added ($ million)	**1,142.0**	1,068.9	1,022.0	1,011.4	1,018.3
Value added per employee ($)	**83,127**	76,635	71,704	69,222	70,732
Value added per $ employment cost (times)	**1.54**	1.48	1.43	1.43	1.48
Revenue per employee ($)	**125,882**	121,749	123,004	122,284	126,354
Staff costs per employee ($)	**54,102**	51,653	50,134	48,254	47,705
Average number of employees	**13,738**	13,948	14,253	14,611	14,396

	FY2016-17	FY2015-16	FY2014-15	FY2013-14	FY2012-13
Per Share Data					
Earnings after tax					
- Basic (cents)	**23.2**	19.9	17.5	16.1	16.6
- Diluted (cents)	**23.0**	19.7	17.4	16.0	16.5
Net asset value per share (cents)	**143.9**	134.4	130.4	126.6	126.0
Dividends					
Interim dividend per share (cents)	**6.0**	5.0	5.0	5.0	5.0
Final and special dividends per share (cents)	**11.0**	10.0	9.0	8.0	10.0
Dividend cover (times)	**1.4**	1.3	1.3	1.2	1.1
Dividend payout (%)	**73.5**	75.7	79.6	80.9	90.7
Cash Flows ($ million)					
Cash flows from operations	**351.8**	309.9	272.8	288.3	277.5
Free cash flow	**220.8**	221.9	175.1	189.8	208.1
Capital expenditure	**88.1**	51.2	61.3	57.1	37.8
Operating Statistics					
Cargo/mail processed (million tonnes)	**1.72**	1.60	1.57	1.50	1.46
Passengers handled (million)	**51.53**	48.45	44.76	45.66	43.14
Gross meals produced (million)	**67.61**	64.34	58.94	58.54	58.95
Flights handled (thousand)	**171.38**	162.24	153.95	164.71	154.62
Ship calls handled	**147**	110	94	108	81

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 Return on equity is profit attributable to owners of the Company expressed as a percentage of the average equity holders' funds.
3 Debt-equity ratio is gross debt divided by equity attributable to owners of the Company at 31 March.
4 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.
5 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.
6 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.
7 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.
8 Dividend cover is derived by dividing profit attributable to owners of the Company by total dividend (net of tax).
9 Dividend payout ratio is derived by dividing total dividend (net of tax) by profit attributable to owners of the Company.
10 Free cash flow comprises cash flows from operating activities less cash purchases of capital expenditure.
11 Final dividend for FY2016-17 is subject to shareholders' approval at the forthcoming Annual General Meeting.
12 Operating statistics cover SATS and its subsidiaries, but does not include associates and joint ventures.
13 Passengers handled comprises full service and low-cost carrier as well as cruise ship passengers.
14 Gross meals include both inflight and institutional catering meals.

PRODUCTIVITY

Highly automated production line at SATS Inflight Catering Centre 2 will improve productivity and enhance consistency of taste and quality

PRODUCTIVITY, MEASURED USING VALUE ADDED PER EMPLOYMENT COST, INCREASED

4.1%

YEAR-ON-YEAR

CREATIVITY

Our culinary dream team serves up gourmet, authentic Asian and international dishes to delight all taste buds

AMASSING A LIBRARY OF MORE THAN

11,000

RECIPES CREATED BY OUR INTERNATIONAL AWARD-WINNING CHEFS

AUTOMATION

State-of-the-art SATS eCommerce AirHub increases efficiency and boosts mailbag processing capacity

REDUCING MAIL PROCESSING TIME BY

50%

INTUITION

The passion to delight of our people creates memorable experiences for our customers

SERVING

102.6M

PASSENGERS ACROSS ASIA

Chairman and PCEO's Statement

Dear Shareholders,

Successful businesses are those that are built on strong foundations with the agility to adapt to changes in the environment. This is especially crucial in an era of intensive global competition, rising consumer expectations and disruptive digitalisation.

With change often comes uncertainty and FY2016-17 was no exception. The year was marked by dramatic developments in international politics and uncertain prospects in the global trade environment. Across Asia, regional economies felt the impact of China's decelerated growth.

In the competitive Asian aviation sector, our customers faced considerable pressure to reduce costs, resulting in pricing pressures for SATS. At the same time, a tightening labour market made talent acquisition, development and retention a challenging priority. This environment is not expected to become any easier in the near term.

Despite these headwinds, we are pleased to report that we have made progress with our strategy to feed and connect Asia, as we embarked on new initiatives that will position us well to seize opportunities to grow our business. We have also progressed in enhancing productivity, improving services and bolstering our financial performance.

> We have made progress with our strategy to feed and connect Asia, as we embarked on new initiatives that will position us well to seize opportunities to grow our business. We have also progressed in enhancing productivity, improving services and bolstering our financial performance.

FY2016-17 PERFORMANCE

For the financial year in review, SATS returned to growth with revenue up 1.8% year-on-year to $1.7 billion.

The Company achieved a 16.9% increase in profit attributable to owners to reach a new record of $257.9 million. Operating profit grew 7.4% to $230.6 million and productivity, measured using Value Added per Employment Cost, increased 4.1% year-on-year.

Return on equity was 16.7%, an improvement from 15% the prior year.

Our operating volumes increased across the board, reflecting growth in the markets that we serve in Asia as well as enhancements to our services. The operating statistics that we present every six months now cover both aviation and non-aviation services, better representing the activities of the whole SATS Group *(refer to page 3)*.

Net Profit

$257.9M

+16.9% from FY2015-16

Return on Equity

16.7%

+1.7% from FY2015-16

As of 31 March 2017, our assets totalled $2.3 billion with a 3.8% increase in cash and cash equivalents to $508.4 million. Free cash flow generated throughout the year was $220.8 million and we maintained a robust debt-to-equity ratio of 0.07 times.

This creditable performance is the result of working in partnership with our customers to strengthen their service offerings through innovation and process redesign, driven by new technology.

Taking into account our financial performance as well as capital management and long-term growth objectives, your Board of Directors has proposed a final ordinary dividend of 11 cents per share. Including the interim ordinary dividend of 6 cents per share paid on 8 December 2016, the total dividend will be 17 cents per share, an increase of 13.3% year-on-year. If approved at the forthcoming Annual General Meeting on 21 July 2017, the proposed dividend will be paid on 11 August 2017.

We are pleased to note that SATS was included in the MSCI Singapore Index in November 2016, reflecting the underlying performance and liquidity of our stock.

A CLEAR AND DYNAMIC GROWTH STRATEGY

Looking ahead, our growth strategy targets increased demand for safe and high quality food, increased air travel and increased eCommerce activity: all driven by Asia's burgeoning middle class, urban population.

SATS has adopted a three-pronged approach in order to capture the opportunities we see in the region. Firstly, anticipating future demand and the region's market potential, we continue to seek organic growth in our existing portfolio. Notably, our Japan inflight catering operations TFK showed strong revenue growth of 17.1% this year, and returned to profitability.

Secondly, we are leveraging our expertise to build out our core businesses to expand our regional presence across Asia and the Middle East. We became the first international cargo handler to be awarded a cargo handling licence in Dammam, Saudi Arabia. This comes on the heels of a new joint venture with Oman Air to form Oman Air SATS Cargo in early 2016. These add to our efforts to enhance connectivity for our cargo customers in the region.

Thirdly, to better serve our customers and create new revenue streams, we are entering complementary, adjacent businesses. For example, targeting the potential that we see in eCommerce, we successfully completed the construction of SATS eCommerce AirHub, a new highly automated mailbag sortation facility.

We recently celebrated the handling of our two millionth passenger and 500th ship call at Marina Bay Cruise Centre Singapore (MBCCS). With Singapore's cruise tourism achieving 16% year-on-year growth in terms of passenger throughput in 2016, we are optimistic about the outlook for the sector.

> "At SATS, innovation is one of our core values and part of our DNA. In today's digital economy, we remain focused on technology-driven innovation in order to differentiate ourselves and better serve a dynamic market."

CREATING VALUE THROUGH INNOVATION AND TECHNOLOGY

At SATS, innovation is one of our core values and part of our DNA. In today's digital economy, we remain focused on technology-driven innovation in order to differentiate ourselves and better serve a dynamic market. At the same time, we continue to develop new and innovative services that will create value for our customers, partners and employees.

For instance, to further strengthen our Food Solutions business, we are investing $18 million to expand SATS Inflight Catering Centre 2 at Changi Airport with a new highly automated production line. The extended facility is expected to be completed by the second half of 2017, ready to serve the new Changi Airport Terminal 4 that is expected to open around the same time.

In our Gateway Services business, we partnered with Swiss WorldCargo and Cargologic to establish a secure, temperature-controlled cold chain corridor between Singapore and Zurich. By synchronising cargo handling facilities and procedures, we have demonstrated the most accurate, reliable handling, with full paperless cargo acceptance processes that enhance visibility and transparency. We intend to add more such corridors in the future.

In another world first, SATS has integrated smart watches within our technical ramp operations in order to increase service agility, while achieving higher levels of safety and collaboration.

A PEOPLE-LED ORGANISATION

SATS is a company fuelled by the passion of our people, who remain the distinctive strength of our success. As we expand the business, we actively support our people as they develop new skills and capabilities.

Learning is one of the most valuable investments we can make whether as individuals or as an organisation. For this reason, SATS has partnered with the Lifelong Learning Council to roll out the "Every Day, A Learning Day" initiative aimed at promoting positive learning attitudes through an engaging series of inspirational materials and content.

Aerolog Express, a wholly-owned subsidiary of SATS, was recently awarded the "Excellence in Logistics Sector" Singapore Productivity Award for its efforts to help employees develop new competencies by redesigning their jobs and via upskilling programmes.

In addition, we have made concerted efforts to improve the working environment for our staff. Together with ST Engineering's subsidiary Innosparks, SATS Aero Laundry installed Airbitat Smart Coolers in its facility to counteract the inevitable heat and humidity.

To create a cooler and more comfortable work environment for our people at SATS Aero Laundry, we installed Airbitat Smart Coolers which are able to bring down the temperature of warm ambient air from 36°C to 26°C through revolutionary cooling technology.

> As a people-led company centred around the needs of our customers as well as those of our local communities, SATS firmly believes in supporting our local communities and giving back through efforts to effect positive change and create economic value. We prioritise our community engagement activities in line with three key themes which fit best with who we are as a company, our values and our passions.

SUSTAINABILITY AND THE COMMUNITY

We are releasing our inaugural Sustainability Report later this year, which describes the work that we are doing to build a sustainable future for SATS. We look forward to your feedback and suggestions on areas of improvement on this first edition.

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

We prioritise our community engagement activities in line with three key themes which fit best with who we are as a company, our values, and our passions. The three themes are: enabling people to change through providing financial support for individuals and families in need; empowering people to achieve, through training and other initiatives to enhance the likelihood of realising their aspirations; and rebuilding lives through helping disadvantaged individuals, families or communities to reintegrate into society, as well as for retirees in their transition to their second career.

In Singapore, SATS conducts these activities with support from the SATS Foundation and the SATS Staff Association. One highlight in July 2016 was the first-ever SATS Charity Run which raised a total of $150,000 for Assisi Hospice, a local institution which provides palliative care to terminally ill patients.

Our overseas operations are equally passionate about giving back to the community. For instance, Maldives Inflight Catering sponsored care workers at Maldives Children's Home (Kudakudhinge Hiyaa) and Fiyavathi Children's Home, which houses orphans and vulnerable children deprived of other means of primary care. Air India SATS Airport Services has also funded the renovation of a public school in Vijayapura, Bangalore to provide local children with a better learning environment.

Mindful of the consequences of climate change, we actively minimise and manage our impact on the environment, and have embarked on several initiatives that have resulted in significant energy savings, reducing our carbon footprint. In Singapore, for instance, a chiller modernisation programme will save approximately 3.9GWh per year: enough energy to power some 7,800 refrigerators for a year.

Our inflight catering facility in India, Taj Madras Flight Kitchen has not only installed rooftop solar panels to generate electricity, they have also started to procure wind energy.

SATS Charity Run raised

$150,000

for Assisi Hospice

SATS Technical Ramp team can now receive real-time flight information and task updates via smart watches. Paired with bone-conductor headsets via Bluetooth, this solution provides comfortable hands-free communications between the Control Centre and the team, enabling them to perform their duties safely.

MAINTAINING OUR GROWTH TRAJECTORY

A global business hub and strategic gateway to the rest of the region, Singapore remains a cornerstone for us and we will continue our efforts to grow in our home core market.

Looking ahead, we will also increase our presence and extend our footprint into new geographies as well as expand into complementary businesses to drive our strategy of feeding and connecting Asia. We will continue to invest in our people to lead technology-driven innovation across the Company, and provide our customers and partners with differentiated, value-added solutions.

We would like to express our thanks to SATS Board members and management team for their sterling support in enabling the smooth transition of Chairman Euleen Goh to her new role and for their contributions throughout the past year.

It is also our pleasure to welcome four new Directors to the Board – Achal Agarwal, Chia Kim Huat, Jessica Tan and Yap Kim Wah whose wealth of experience and diverse competencies and skills will strengthen our Board, add depth to its deliberations and contribute to effective decision making.

We would like to take this opportunity to express our appreciation to the management of SATS, our valued customers and business partners, union leadership and you, our shareholders for your continued support, confidence and trust in us.

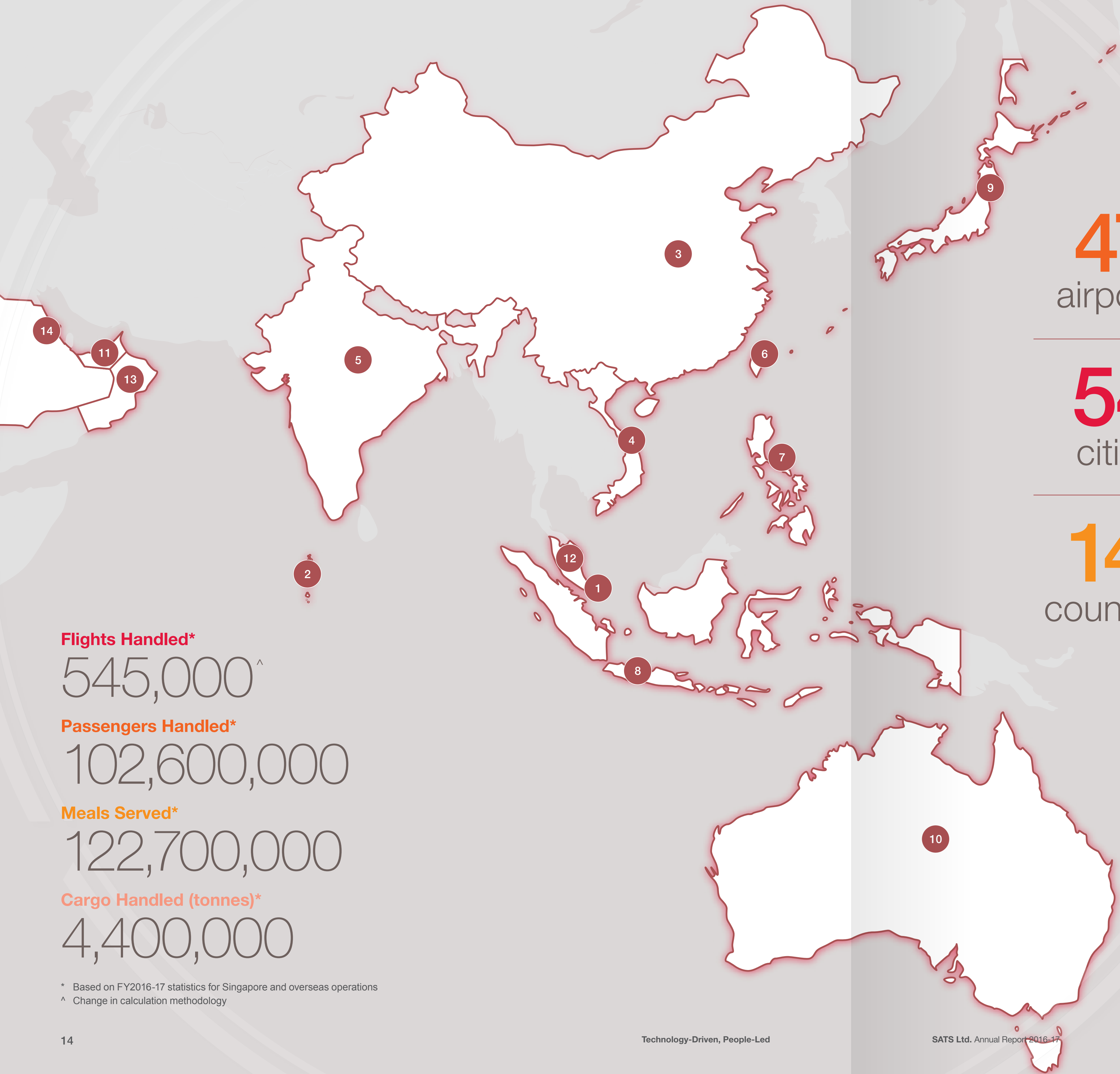
To our staff, we would also like to extend our heartfelt gratitude for your hard work, inspired contributions and unwavering commitment to our journey of growth and transformation. As we forge ahead, your passion to delight will remain one of the key ingredients for our long-term success.

Euleen Goh
Chairman

Alex Hungate
President and Chief Executive Officer

25 May 2017

Geographical Presence



Flights Handled*

545,000^

Passengers Handled*

102,600,000

Meals Served*

122,700,000

Cargo Handled (tonnes)*

4,400,000

* Based on FY2016-17 statistics for Singapore and overseas operations
^ Change in calculation methodology

47 airports

54 cities

14 countries

Food Solutions | Gateway Services | Food Solutions + Gateway Services

1. Singapore
- Singapore

2. Maldives
- Male

3. China
- Beijing
- Tianjin
- Jilin
- Macau
- Shanghai
- Shenyang
- Hong Kong

4. Vietnam
- Ho Chi Minh City

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

6. Taiwan
- Taipei
- Kaohsiung
- Taichung

7. Philippines
- Manila

8. 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

9. Japan
- Tokyo

10. Australia
- Brisbane
- Rockhampton

11. United Arab Emirates
- Abu Dhabi

12. Malaysia
- Kuala Lumpur
- Penang

13. Oman
- Muscat

14. Saudi Arabia
- Dammam

Board of Directors


1.


2.

[1] Euleen Goh
Chairman
Non-Executive and Independent Director

[2] Alex Hungate
Executive Director, President and
Chief Executive Officer


3.

[3] Yap Kim Wah
Non-Executive and Independent Director

[4] Thierry Breton
Non-Executive and Independent Director


4.


5.

[5] Chia Kim Huat
Non-Executive and Independent Director

[6] Koh Poh Tiong
Non-Executive and Independent Director


6.


7.

[7] Michael Kok
Non-Executive and Independent Director

[8] Jessica Tan
Non-Executive and Independent Director

[9] Yap Chee Meng
Non-Executive and Independent Director


8.


9.

[10] Tan Soo Nan
Non-Executive and Independent Director

[11] Achal Agarwal
Non-Executive and Independent Director


10.


11.

Board of Directors
As at 25 May 2017

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 2015
Length of service as a Director
3 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
- Chairman, Singapore Chinese Girls' School
- DBS Bank Ltd.
- Singapore Health Services Pte. Ltd.

Major appointments (other than directorships)
- Chairman, NorthLight School Board of Governors
- 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
5 years 10 months

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

Present directorships
Listed companies
Nil

Others
- Chairman, Asia Airfreight Terminal Company Limited
- Chairman, Food and Allied Support Services Corporation Pte. Ltd.
- Chairman, SATS-Creuers Cruise Services Pte. Ltd.
- Chairman, SATS HK Limited
- Chairman, SATS BRF Food Pte. Ltd.
- Chairman, TFK Corporation
- Air India SATS Airport Services Private Limited
- SATS (India) Co. Private Limited
- SATS Investments Pte. Ltd.
- SATS Investments (II) Pte. Ltd.
- SATS Yihai Kerry Kunshan Food Co., Ltd.
- Singapore International Chamber of Commerce

Major appointments (other than directorships)
- Council Member, National Youth Achievement Award Association Advisory Board
- Member, Trade & Connectivity, Sub-Committee of the Future Economy Council
- Member, Wholesale Trade and Air Transport Industry Tripartite Committees

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

Past key appointments
- Chairman, Factiva
- Chairman, HSBC Bank Turkey A.S.
- Chief Executive Officer, The Hongkong and Shanghai Banking Corporation Limited, Singapore
- Global Head of Personal Financial Services and Marketing, HSBC
- Member, HSBC Group Management Board and Risk Management Committee
- Director, The Hongkong and Shanghai Banking Corporation Limited and its group of companies
- Director, HSBC Bank Egypt S.A.E.
- Council Member, The Association of Banks in Singapore
- 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
–
Length of service as a Director
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 Lever Private Limited
- Asia Venture Philanthropy Network Limited (AVPN)
- Singapore International Chamber of Commerce
- World Wide Fund for Nature (WWF) Singapore

Major appointments (other than directorships)
- President, Kimberly-Clark Asia Pacific
- Member of the 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
1 year 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
- Ministry 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
–
Length of service as a Director
2 months

Board committee(s) served on
Nil

Present directorships
Listed companies
- PEC Ltd

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

Major appointments (other than directorships)
- Vice-Chairman, SCCCI External Relations Committee
- School Advisory Committee Member, Dunman High School
- Council Member, SCCCI
- Council Member, Teochew Poit Ip Huay Guan
- Committee Member, FutureChina & GoEast, Business China
- 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)

Past key appointments
- Vice-Chairman, SCCCI Young Entrepreneur Network
- Council Member, Singapore Chinese Chamber of Commerce & Industry (Technology Committee)
- Council Member, Singapore Chinese Chamber of Commerce & Industry (Research & Publication Committee)
- Management Committee Member, Singapore Chinese Chamber Institute of Business
- Member, Singapore-Liaoning Economic & Trade Council
- Member, Organising Committee of World Chinese Business Forum

Achievements
- 'Eminent Practitioner' by Chambers Global and Chambers Asia Pacific
- 'Leading Lawyer' by International Financial Law Review 1000
- 'Leading Lawyer' in Asia Pacific Legal 500
- 'Leading Lawyer' in Asialaw Profiles
- The Best Lawyers in Singapore, 2017 Edition
- Who's Who Legal: Corporate – Merger & Acquisition/Capital Markets – Debt and Equity and Merger & Acquisition

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

Board of Directors
As at 25 May 2017

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
5 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
- Director and Adviser, Fraser and Neave Limited
- Bukit Sembawang Estates Limited
- Delfi Limited
- Raffles Medical Group Ltd
- United Engineers Limited

Others
- Chairman, Times Publishing Limited
- Chairman, Yunnan Yulinquan Liquor Company Ltd

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

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)
- The 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 2015
Length of service as a Director
2 years 2 months

Board committee(s) served on
- Member, Board Executive Committee
- Member, Board Risk and Safety 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
- KPK & Son Realty Pte Ltd
- Chairman, SATS Yihai Kerry Kunshan Food Co., 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
–
Length of service as a Director
1 month

Board committee(s) served on
Nil

Present directorships
Listed companies
- CapitaLand Commercial Trust Management Limited

Others
- Changi Health Fund (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
- Member, Social and Family Development and Manpower Government Parliamentary Committees
- Member, Board of Advisor, 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 Transportation Advisory Board
- Board Member, Singapore Tourism Board
- Council Member, Singapore Sports Council

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
1 year 1 month

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

Major appointments (other than directorships)
- Chairman, Raffles Country Club
- Chairman, The Advisory Board of The Photographic Society of Singapore
- Chairman, 2017 President's Challenge Social Enterprise Award Committee
- Board Member, SPD
- 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
23 July 2014
Length of service as a Director
3 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, AXA Insurance Singapore Pte. Ltd.
- 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
- 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
–
Length of service as a Director
10 months

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

Present directorships
Listed companies
- Nil

Others
- SMRT Corporation Ltd (Delisted on 31 October 2016)
- SMRT Trains Ltd.

Major appointments (other than directorships)
- Deputy Chairman and Chief Executive Officer, Hyflux Caprica Pte. Ltd.

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.
- 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

Food Solutions' revenue improved 0.6% to $973 million. Excluding the food distribution revenue transferred to SATS BRF Food, revenue from Food Solutions would have increased 5.3% or $50.8 million. This improvement was attributed to the overall growth in number of gross meals produced by SATS' subsidiaries across Asia. Operating profit grew 6.1% to $166.5 million.

Our share of after-tax profits from associates and joint ventures rose significantly by 167.7% to $25.7 million because of the inclusion of a $15 million provisional negative goodwill arising from the conversion of Evergreen Sky Catering Corporation (ESCC) from a long-term investment to an associate company.

GROWING NETWORKS AND EXPLORING NEW MARKETS

SATS is well-positioned to serve a rapidly growing region with a large network of kitchens across key hubs in Asia. We have a clear strategy of scaling our food business to become more productive and enhancing connectivity to better serve customers across the region. At Changi Airport, we serve 48 airlines including newly secured customers such as Air Niugini, Delta Airlines and Fiji Airways.

In Japan, TFK showed good revenue growth of 17.1% this year, with volume growth from Delta Airlines, additional flights from Chinese carriers, new airline customers Iberia Airlines and T'way Air, as well as new contracts to supply meals to a theme park and a hotel.

Our associates across the region also acquired new contracts as they continue to add scale. Beijing Airport Inflight Kitchen (BAIK) gained new customer Qantas, while Taj SATS Air Catering grew its customer list with the addition of Garuda Indonesia, Korean Air, Myanmar Airlines, Oman Air, Singapore Airlines, Vistara and Zoom Air.

In Malaysia, Brahim's SATS Food Services (Brahim's SATS) not only secured new airline customers Cathay Dragon, Himalaya Airlines, Lucky Air, Malindo Air and Thai Smile, it has also diversified into non-aviation businesses, securing contracts with BreadTalk and 7-Eleven.

Across the rest of the region, Maldives Inflight Catering (MIC) has secured new customer Royal Flight, developed a new private jet menu in order to address the lack of Arabic and premium offerings, and expanded to cater to Leeli Lounge at the airport as well as to airport staff.

Macau Catering Services (MCS) has secured new customers Palau Pacific Airways and Royal Flight, while Philippines' MacroAsia Catering Services secured EVA Air. In Taiwan, ESCC has won new customer AirBridgeCargo Airlines.

During the year, we increased our shareholding in ESCC to 25% and purchased 20% shareholding in PT Purantara Mitra Angkasa Dua (PMAD), which strengthens the Company's foothold in Indonesia through the PT Cardig Aero Services Group.

EXPANDING OUR NON-AVIATION BUSINESS

As the global business environment evolves and becomes more competitive, we stay agile by establishing complementary adjacent businesses, diversifying and creating new revenue streams.

Through SATS Food Services (previously known as Singapore Food Industries), we are growing our institutional catering business by tapping on our expertise in running large central kitchens to provide high quality and safe food. For example, SATS is collaborating with Singapore's Health Promotion Board on its integrated "Healthy Meals in Schools Programme" to develop a range of healthy, nutritious and well-balanced meals for schools.

The success of such collaborations has paved the way for new contracts and SATS has been appointed to supply pre-schools with centralised catering services. For schools, this raises productivity and lowers manpower and operational costs as there is no longer a need for dedicated space and staff to prepare meals onsite. Beyond that, we have also been contracted to supply ready-to-eat meals to River Valley Primary School and St Andrew's Secondary School as well as ward rations and meals to Assisi Hospice.

In line with our strategy of feeding and connecting Asia, we are also expanding our geographical presence in key regional markets. In China, our non-aviation business is making headway with SATS Yihai Kerry Kunshan Food completing the construction of its first large central kitchen on schedule at the end of FY2016-17 to commence commercial operations.

INVESTING IN TECHNOLOGY AND INNOVATION

To position ourselves for future growth, we continue to invest in technology and spearhead innovative solutions to increase productivity and improve the quality of our food and services.

SATS Inflight Catering Centre 2 is undergoing an $18 million expansion to increase our total aviation production capacity in Singapore to 115,000 meals a day. We will be introducing a new highly automated production line which is capable of processing food on a large scale, enhancing consistency of taste and quality, while reducing labour-intensive processes. This is expected to be completed in time for the opening of the new Changi Airport Terminal 4.

Through innovation, we aim to create greater value for our customers. In July 2016, we launched the SATS Meal Ordering System for schools where parents can order meals for their children online. This helps to improve productivity with lower administration and greater transparency for parents.

We continued to strengthen our reputation for culinary innovation as we became the world's first inflight caterer to have an inhouse team of celebrity Culinary Consultants offering our airline customers a gourmet selection of creative and authentic Asian cuisines. For example, working closely with SilkAir for more than six months, our celebrity Culinary Consultants have fine-tuned a Singapore "All-Time Favourites" menu designed to suit the taste profiles of SilkAir's Business Class passengers. Celebrity Chefs Qian Yi Bin and Idham Mirwan also created seasonal menus for Chinese New Year and Hari Raya Aidilfitri on selected airlines like SilkAir and Jet Airways for a limited time.

In Japan, TFK's 19 LEAN projects have reduced food material purchasing costs and consumption, executed cross-functional staff deployment and improved work efficiency, ultimately achieving $4.2 million in savings. In its kitchen operations, a new auto-filling machine for liquids and semi-liquid products now enables hot filling in packets, eliminating double handling and shortening the process while extending shelf life.

AWARDS AND ACCOLADES

We are passionate about delighting our customers so it is an affirmation that we are growing in the right direction when we are recognised for our efforts through awards and accolades.

This financial year, SATS obtained two Gold, four Silver and two Bronze awards at the Food and Hotel Asia Culinary Challenge – widely acknowledged as the region's most prestigious international culinary competition. We were also awarded Gold for the "Best Caterer" category by Cathay Pacific.

In addition, SATS coached and assisted the Singapore National Culinary Team at the Internationale Kochkunst Ausstellung (IKA) Culinary Olympics 2016, one of the most distinguished international culinary competitions in the world. The team scored its first overall championship title with a double gold in the Cold Display and Hot Cooking categories.

MY Business Excellence Sdn Bhd awarded Brahim's SATS with the "Top 20 Malaysia Business Excellence Award" in recognition of its stellar performance across all management fields and Gold in the Employer category for its exemplary efforts in implementing initiatives to retain, train and support workers with disabilities.

In North Asia, TFK won "Best Catering Award" from both Air China and Air Tahiti Nui while BAIK was accorded the "Beijing Airport Safety Award" by the Beijing Airport Safety Committee for being free from aircraft incidents and food issues. In addition, MCS was named "Best Airline Caterer" by Philippine Airlines for outstanding performance in providing high quality meals and customer service while ESCC won the 2016 QSAI Silver Award of Excellence in Catering Quality bestowed by Medina Quality, as a mark of distinction in catering quality in Asia.

SATS Inflight Catering Centre 2 is undergoing an $18 million expansion to increase our total aviation production capacity in Singapore to 115,000 meals a day.

Operations Review

GATEWAY SERVICES

Gateway Services' revenue increased 3.4% to $750.8 million. This is due to growth in volumes across our flights, ship calls, passengers and cargo tonnage handled. Our operating profit rose significantly by 18.9% to $56.1 million, primarily driven by improved revenue, coupled with good cost control measures and the implementation of productivity initiatives.

Our share of after-tax profits from associates and joint ventures grew 2.9% to $39.5 million as a result of better performance from most of our associate companies. We also saw contribution from our new travel retail joint venture DFASS SATS.

ENHANCING CONNECTIVITY

We continue to enhance connectivity between our gateway operations across Asia to provide more efficient and seamless services for customers.

Singapore remains a key market where our unwavering commitment to serve and create value for our customers has paved the way for new contracts with airlines including the AirAsia brands, Fiji Airways and Silkway West Airlines.

At the Marina Bay Cruise Centre Singapore (MBCCS), we handled 147 ship calls, a year-on-year increase of 33.6%. In addition, we celebrated the handling of our two millionth passenger and 500th ship call since commencing operations in 2012. During the year, we also welcomed new vessels including Emerald Princess, Ovation of the Seas and Seabourn Encore. Tapping on Asia's growing cruise tourism and the travel retail business, DFASS SATS launched duty-free concession stands at MBCCS. Pursuing ground-based travel retail opportunities effectively adds to our existing offerings of inflight, mail-order and pre-order sales.

SATS HK has secured new contracts with Tigerair, T'way Air, Scoot and Vietjet Aviation Joint Stock Company while Asia Airfreight Terminal (AAT) has added Palau Pacific Airways and T'way Air to its list of new customer wins.

We have strengthened the position of SATS HK and AAT in Hong Kong by establishing a long-term partnership with Hong Kong Airlines at its Hong Kong hub for ramp and cargo handling services respectively. The airline's large base load will not only contribute to improved utilisation of existing facilities and provide better operating leverage, the increased scale will also enhance service and connectivity for our customers. SATS will be divesting a 51% stake in SATS HK and a 4% stake in AAT to Hong Kong Airlines.

Continuing its momentum from the previous year, PT Jasa Angkasa Semesta (PT JAS) has secured new customers including Etihad Cargo, Malaysia Airlines, Oman Air and Tigerair Australia. In India, Air India SATS Airport Services (AISATS) has also won new contracts with Air India Express, Fits Aviation, Go Air and Malaysia Airlines.

Tapping on the growth opportunities offered by China's substantial market size, Beijing Ground Services (BGS) has won new contracts with Alitalia, Nordwind Airlines, Qantas, Sky Angkor Airlines, Tajik Air and VIM Airlines. In Taiwan, Evergreen Airline Services has secured new contracts with Eastar Jet, Royal Flight and VietJet, while Tan Son Nhat Cargo Services has added a new customer Jetstar Asia Airways in Vietnam.

Our first cargo investment in the Middle East, Oman Air SATS Cargo is making steady progress and has secured new customers Thai AirAsia X and US-Bangla Airlines. In line with our strategy to expand our network and provide our customers with seamless high quality end-to-end solutions, we became the first international cargo handler to be awarded a cargo handling licence to operate in Saudi Arabia at Dammam. Together with Oman Air SATS Cargo, this adds to our growing network in the region.

HARNESSING THE POWER OF INNOVATION AND TECHNOLOGY

Fuelled by rising internet penetration and increasing disposable incomes, Asia Pacific is set to be the largest and fastest growing retail eCommerce market worldwide with sales projected to top US$2.3 trillion by 2019. Seizing this opportunity, we officially launched SATS eCommerce AirHub in April, which will generate significant productivity gains through large-scale automation and job redesign.

We take pride in offering our customers premium solutions that create value for their business. For instance, SATS has partnered with Swiss WorldCargo and Cargologic to establish a secure cold-chain corridor between Singapore and Zurich. Further adding to our cold-chain network, we have recently opened a perishable handling facility in India - AISATS Coolport - which provides end-to-end temperature-controlled solutions for perishable shipments. This is the second perishable handling facility within SATS' cold-chain network.

Setting the standard for world-class gateway services, SATS Coolport in Singapore is the world's first ground handling facility to be authorised by the European Union (EU) to carry out meat transshipment services between New Zealand and the EU. This approval attests to SATS' expertise and high standards in perishable handling and also paves the way for new trade flows via Singapore, with cost-effective and speedier multimodal delivery to Europe.

By improving our offerings with innovative and technology-driven solutions, we seek to stay ahead of the curve amidst a challenging environment. In December 2016, SATS became the first ground handler worldwide to receive IATA accreditation for ramp services training and is now an authorised training centre with exclusive rights to train ground handlers in 10 Asian countries. SATS is also the world's first ground handler to integrate smart watches in technical ramp operations, which enhances operational communication to improve productivity, safety and collaboration.

Seizing the potential of cutting-edge technology to transform our business, SATS is the first airfreight operator in Asia to use RFID technology to trace express cargo at piece level through our RFID XPS Track and Trace initiative. With this, we are able to provide enhanced visibility as well as seamless delivery and improved reliability. In Hong Kong, AAT has likewise introduced RFID technology on unit load device (ULD) tags, integrating this with its Cargo Management System and Material Handling System in order to improve and streamline ULD handling processes.

As a leader in premium passenger handling, we are always improving our offerings to better serve our customers. We have enhanced our Premier Lounges in Singapore with upgraded facilities. The lounges also have a refreshed look and feel, allowing passengers to relax comfortably and enjoy our renowned hospitality.

Spanning 6,000 square metres, SATS eCommerce AirHub deploys technology that multiplies mailbag processing capacity by more than three times and streamlines mail sortation processes to deliver quicker turnaround for international eCommerce mail.

AWARDS AND ACCOLADES

We love to delight our customers, and it is heartening to be acknowledged for our efforts again this year.

For the third consecutive year, SATS was named "Ground Handler of the Year - Industry Choice Winner" at the annual Payload Asia Awards, recognising our relentless efforts to drive innovation and productivity, and deliver high quality, safe and reliable service at competitive rates. We also won the "Air Cargo Terminal Operator of the Year" at the annual Supply Chain Asia Awards, which acknowledges organisations who have made regional and global business and economic impact. Our subsidiary, Asia-Pacific Star, won the "Top of the World" award from Cebu Pacific Airways, in recognition for on-time performance and baggage handling among other service attributes.

Affirming our efforts to develop innovative solutions, SATS was awarded a patent by the Singapore Registry of Patents for our tow hitch system, which serves to minimise work injury incidents.

Our subsidiaries and associates have also done well. In Hong Kong, SATS HK received safety awards from the Airport Authority of Hong Kong for its safety initiatives while AAT was recognised by the Hong Kong Productivity Council for its achievements in resource optimisation and system automation with the Hong Kong Awards for Industries 2016: Productivity and Quality Certificate of Merit.

BGS continued to raise ground handling standards in Beijing, resecuring the ISO 9001 quality system certification, along with two new quality certifications – the Environment Protection Management System ISO 14001 and the Occupational Health and Safety System ISO 18001. Besides being awarded "Best Ground Handling Company" by Hong Kong Airlines, BGS also won numerous awards from Beijing Capital International Airport and Capital Airport Holdings for contributing to airport safety and security in addition to achieving the fastest and highest improvements in passenger service and operation coordination management. AISATS was named "Best Ground Handler" for the second consecutive year by India Cargo Awards in addition to receiving the "Best Air Cargo Terminal Management" award for the sixth consecutive year by the Indian Chamber of Commerce.

Financial Review

HIGHLIGHTS

The Group achieved revenue of $1,729.4 million in the financial year ended 31 March 2017, a growth of $31.2 million or 1.8% year-on-year. Revenue from Food Solutions and Gateway Services grew 0.6% and 3.4% respectively. Excluding the food distribution revenue transferred to our joint venture company, SATS BRF Food Pte. Ltd., the Group's underlying revenue would have increased $76.4 million or 4.5% while Food Solutions' underlying revenue would have grown 5.3%.

Continuous effort on improving productivity and operating leverage has enabled the Group to keep the increase in its operating expenditure at 1%, a slower rate than the growth of 1.8% in revenue. This positive jaw ratio has yielded positive results with the Group achieving an operating profit of $230.6 million for the year, an improvement of $15.9 million or 7.4% over the past year. Operating margin has improved by 0.7 points to 13.3%. Associates/joint ventures contributed a total of $65.2 million profit, an increase of $17.2 million or 35.8% year-on-year. This included recognition of $15 million negative goodwill resulting from the increased stake in Evergreen Sky Catering Corporation (ESCC) from 15% to 25% during the financial year. Following the acquisition, ESCC has been reclassified from long-term investment to associate.

In FY2016-17, the Group recorded a gain of $9.3 million from the disposal of its assets held for sale, the Senoko property. Conversely, the divestment/dilution of shareholdings in its associates resulted in a loss of $0.7 million.

Backed by good operating results and contributions from the associates/joint ventures, the Group achieved profit attributable to owners of the Company of $257.9 million, an increase of $37.3 million or 16.9%. Return on equity was 16.7%, 1.7 percentage points higher than the year before.

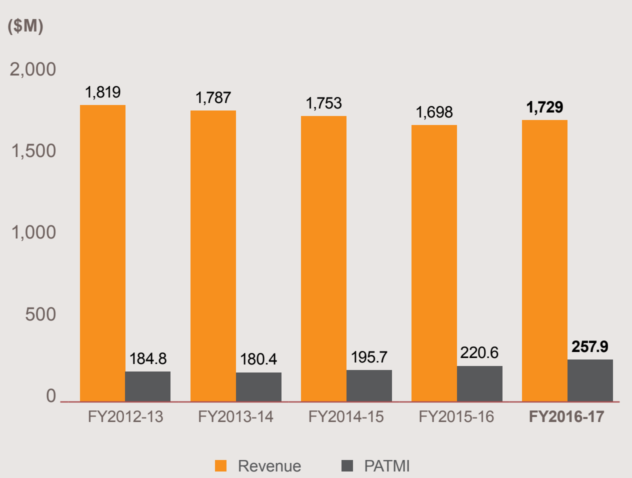
The Group ended the year with a strong balance sheet. Total assets were $2.3 billion with cash and short term deposits of $505.8 million. Free cash flow generated during the year was $220.8 million and debt-to-equity ratio remained healthy at 0.07 times.

EARNINGS PER SHARE AND DIVIDENDS

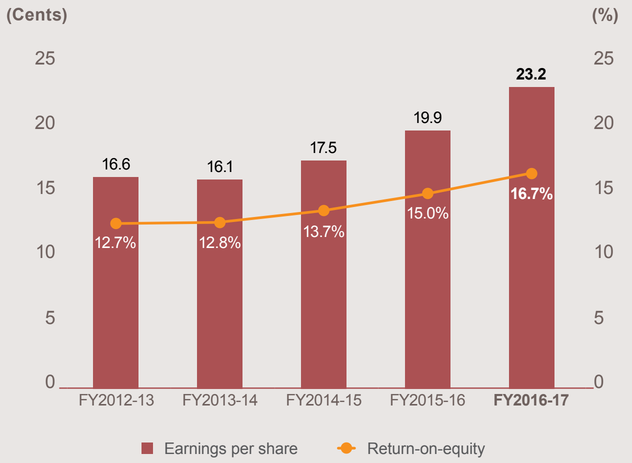
The Group's earnings per share grew 16.6% year-on-year from 19.9 cents to 23.2 cents for the year.

During the year, the Company paid an interim dividend of 6 cents per share in respect of FY2016-17 amounting to $66.9 million. The Board of Directors has proposed a final ordinary dividend of 11 cents per share to be paid, subject to shareholders' approval in the forthcoming Annual General Meeting. If approved, the total ordinary dividend for FY2016-17 will be 17 cents per share, continuing the track record of paying progressive, sustainable dividends.

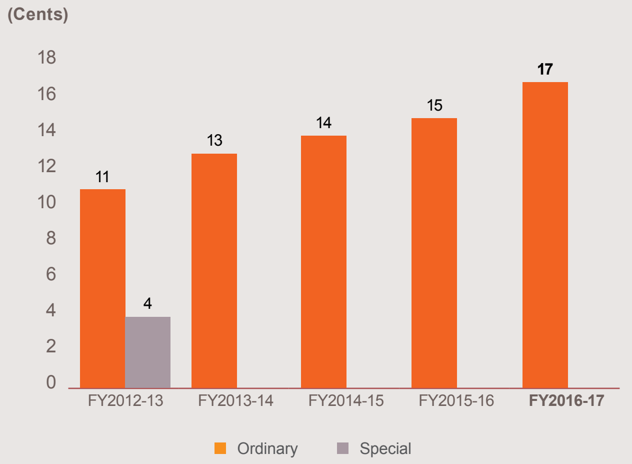
Revenue and Profitability



Earnings Per Share and Return On Equity

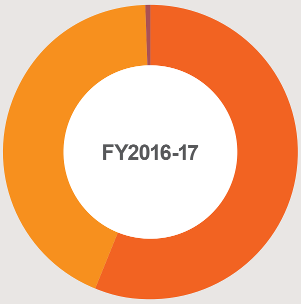


Dividend Per Share

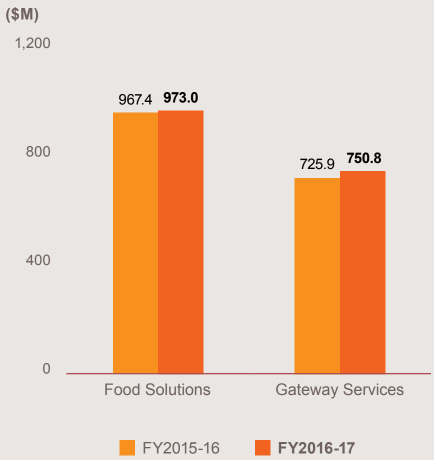


REVENUE – BY BUSINESS, INDUSTRY AND GEOGRAPHICAL LOCATION

Business



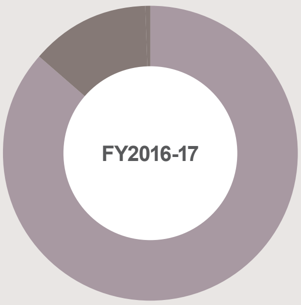
Food Solutions	56.3%
Gateway Services	43.4%
Others	0.3%



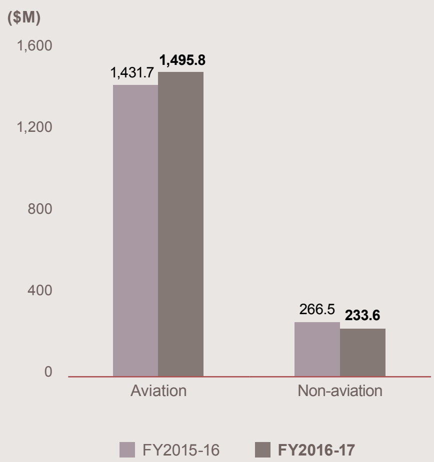
Notes:

- Food Solutions: revenue from inflight catering, institutional catering, remote catering, food distribution and logistics, 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 corporate services.

Industry



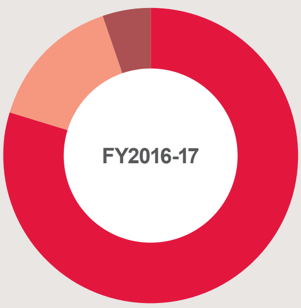
Aviation	86.5%
Non-aviation	13.5%



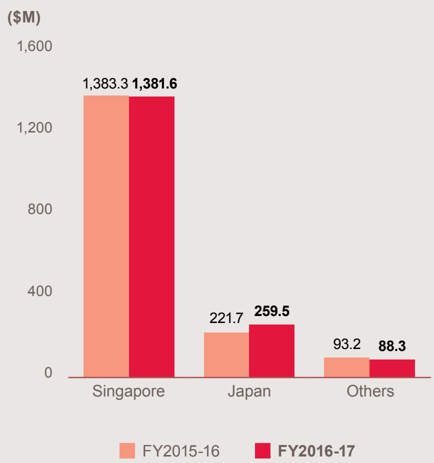
Notes:

- 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	79.9%
Japan	15.0%
Others	5.1%



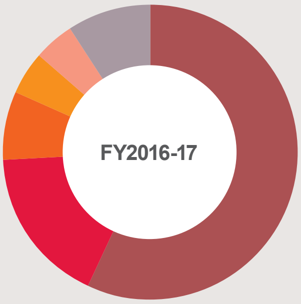
Notes:

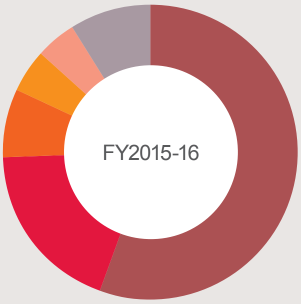
- Singapore: revenue from Food Solutions and Gateway Services within Singapore.
- Japan: revenue from TFK.
- Others: revenue from SATS Food Services group (Australia), Food and Allied Support Services Corporation group (Abu Dhabi and India), SATS HK and SATS Yihai Kerry.

EXPENDITURE

The Group's operating expenditure in FY2016-17 was $1,498.8 million, an increase of $15.3 million or 1% year-on-year. Staff costs and cost of raw materials made up 74.4% of total expenditure of the Group. Lower expenditure was recorded for cost of raw materials and licence fees while other expenditures have increased. The increase in staff costs was attributed to service increment, higher subcontract costs to support the increased business volumes, higher accrual of staff expenses as well as lower subsidies received. Depreciation and amortisation expenses increase were in line with higher capital expenditure.

	FY2016-17	FY2015-16
Staff costs	57.2%	55.7%
Cost of raw materials	17.2%	19.0%
Company premise and utilities	7.3%	7.3%
Depreciation and amortisation	4.9%	4.7%
Licence fees	4.5%	4.6%
Other costs	8.9%	8.7%





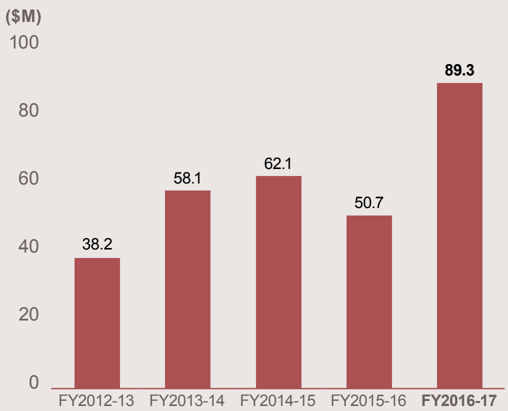
CASH FLOWS AND FINANCIAL POSITION

As at 31 March 2017, equity attributable to the owners of the Company was $1,691.2 million, an increase of 8.1% over the amount of $1,565.1 million a year ago. The increase was attributed to profits generated during the year, lower treasury shares and foreign currency translation reserve gains, partly offset by dividends paid during the year. The Group's total assets as at 31 March 2017 were $2,279.4 million, an increase of $173.7 million or 8.2% year-on-year. The increase included $146.8 million growth in non-current assets mainly in property, plant and equipment, investments in associates, joint ventures and long-term investments. Capital expenditure was $38.6 million or 76.1% higher than the year before while investments in associates, joint ventures and long-term investments amounted to $99.8 million during the year. The Group's net asset value per share as at end of FY2016-17 was $1.44, an improvement of 7.1% over last year.

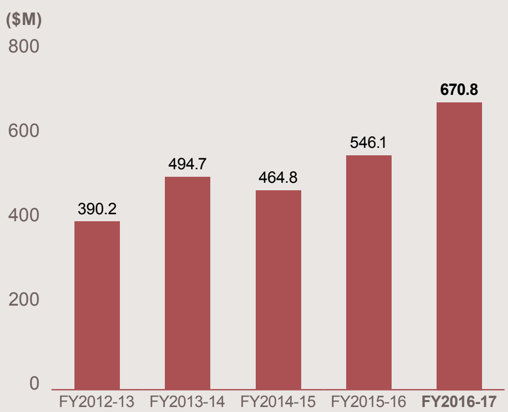
The Group had cash and cash equivalents of $508.4 million as at 31 March 2017, $18.5 million higher than the beginning of the year. The increase was mainly contributed by cash generated from operations, dividends from associates and joint ventures and proceeds from disposal of assets held for sale, partly offset by investments and dividends paid to shareholders. Net cash from operating activities in this financial year was $308.9 million, an increase of $35.8 million largely due to higher profits generated and movement in working capital.

Net cash used in investing activities of $119.6 million for FY2016-17 was higher than the year before by $63.3 million, mainly due to higher capital expenditure and investments, partly offset by higher dividends received and proceeds from disposal of the Group's assets held for sale. New associates and joint venture invested in during the year were PT Purantara Mitra Angkasa Dua, Oman Air SATS Cargo LLC, ESCC and DFASS SATS Pte. Ltd. Net cash used in financing activities in FY2016-17 was $172.8 million, $15.6 million higher than last year, arose primarily from higher dividends paid to shareholders, repayment of term loans and lower proceeds from the exercise of share options. Free cash flow generated during the year was $220.8 million, a drop of $1.1 million due to higher capital expenditure.

Investment In Capital Expenditure



Carrying Value Of Investment In Associates/Joint Ventures



Balances as at end of financial year

VALUE ADDED

The Group's value added was $1,142 million, an increase of $73.1 million or 6.8% compared to the preceding year. The distribution for FY2016-17 is reflected in the chart below.

Value Added Statement ($ million)	FY2016-17	FY2015-16	FY2014-15	FY2013-14	FY2012-13
Total Revenue	**1,729.4**	1,698.2	1,753.2	1,786.7	1,819.0
Less: Purchase of goods and services	**682.0**	692.6	792.4	833.4	847.0
	1,047.4	1,005.6	960.8	953.3	972.0
Add/(less):					
Interest income	**4.6**	3.5	1.6	1.1	1.1
Share of profits before tax of associates/ joint ventures	**80.1**	59.7	61.3	57.9	64.2
Gain/(loss) on disposal of property, plant and equipment	**0.6**	(0.4)	(2.2)	–	(2.5)
Gain on disposal of assets held for sale	**9.3**	–	–	–	–
Income from long term investments	**0.7**	0.0	0.7	1.9	1.3
Exceptional items *	**(0.7)**	0.5	(0.2)	(2.8)	(17.8)
Total value added available for distribution	**1,142.0**	1,068.9	1,022.0	1,011.4	1,018.3
Applied as follows:					
To employees					
- Salaries and other staff costs	**743.3**	720.5	714.6	705.0	686.8
To government					
- Corporate taxes **	**63.3**	58.5	47.3	44.2	51.3
To supplier of capital					
- Dividends	**178.2**	155.5	145.6	168.4	288.6
- Interest on borrowings	**1.2**	1.1	1.2	2.9	2.6
Retained for future capital requirements					
- Depreciation and amortisation	**73.5**	70.4	68.2	77.2	92.9
- Non-controlling interests	**2.8**	(2.2)	(5.0)	1.7	–
- Retained profits	**79.7**	65.1	50.1	12.0	(103.9)
Total value added	**1,142.0**	1,068.9	1,022.0	1,011.4	1,018.3
Value added per $ revenue	**0.66**	0.63	0.58	0.57	0.56
Value added per $ employment cost	**1.54**	1.48	1.43	1.43	1.48
Value added per $ investment in fixed assets	**0.75**	0.71	0.67	0.67	0.67

Notes:

* Exceptional items refer to
- (i) Loss on divestment/dilution of interest in associates (FY2016-17: $0.7 million, FY2015-16: nil)
- (ii) Net gain from transfer of business to a joint venture (FY2016-17: nil, FY2015-16: $2.5 million)
- (iii) Impairment loss on property, plant and equipment (FY2016-17: nil, FY2015-16: $2.1 million)

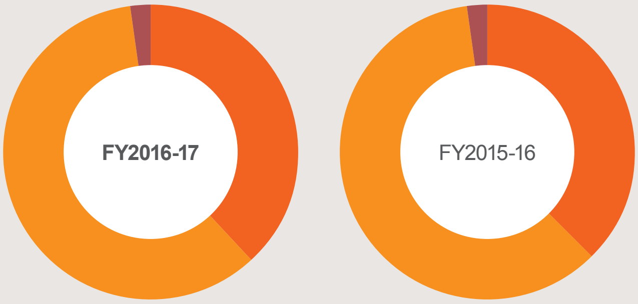
** Includes share of tax of associates and joint ventures.

Financial Review

STAFF STRENGTH AND PRODUCTIVITY

The average full-time equivalent number of employees in the Group in the current financial year was 13,738, a drop of 1.5% from last year. This was achieved through the Group's continuous effort to enhance productivity through scale and use of technology.

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



FY2015-16	
Food Solutions	5,252
Gateway Services	8,424
Others	272
Total	13,948

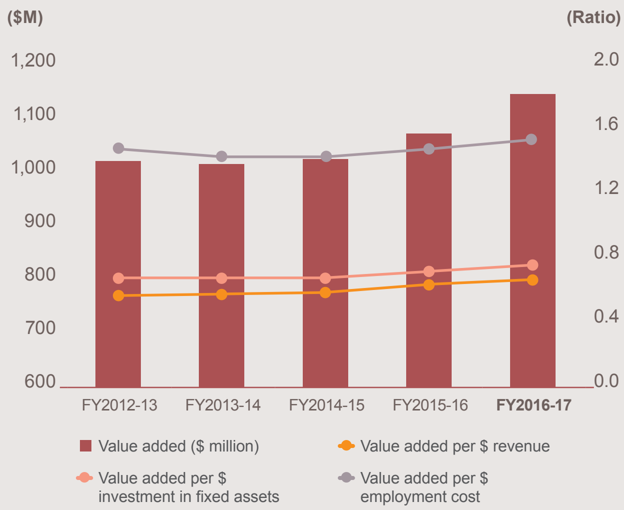
Staff productivity achieved during the year, measured by value added per employment cost, increased 4.1% from 1.48 times to 1.54 times as technology-driven initiatives continue to improve productivity.

Productivity Analysis	FY2016-17	FY2015-16	FY2014-15	FY2013-14	FY2012-13
Value added ($ million)	**1,142.0**	1,068.9	1,022.0	1,011.4	1,018.3
Value added per employee ($)	**83,127**	76,635	71,704	69,222	70,732
Value added per $ employment cost (times)	**1.54**	1.48	1.43	1.43	1.48
Revenue per employee ($)	**125,882**	121,749	123,004	122,284	126,354
Staff costs per employee ($) **	**54,102**	51,653	50,134	48,254	47,705

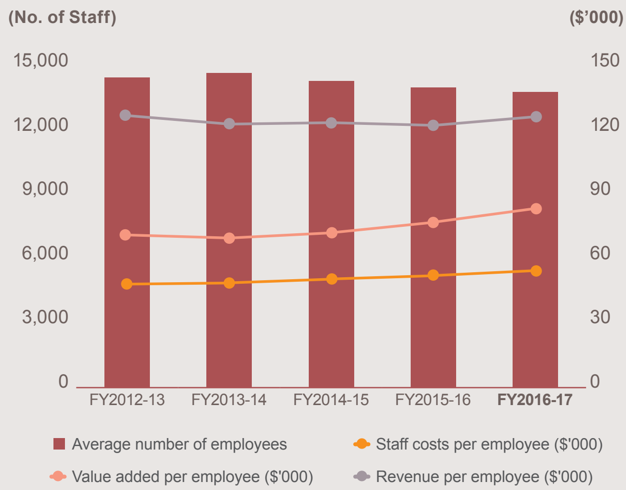
Note:

** 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 $92.4 million, a growth of $12.8 million or 16.1% over the preceding financial year resulting from improved operating performance.

Financial Calendar

2016

Financial year ended
31 March 2017

- **21 JUL** — Announcement of 1Q FY2016-17 results; Results conference call with live webcast
- **10 AUG** — Payment of final dividend
- **10 NOV** — Announcement of 2Q FY2016-17 results; Results conference call with live webcast
- **8 DEC** — Payment of interim dividend

2017

- **9 FEB** — Announcement of 3Q FY2016-17 results; Results conference call with live webcast
- **19 MAY** — Announcement of 4Q FY2016-17 results; Results briefing for analysts and media with live webcast
- **23 JUN** — Despatch of Notice of Annual General Meeting to shareholders
- **6 JUL** — Digital Annual Report to go live
- **21 JUL** — 44th Annual General Meeting
- **28 JUL** — Book closure date
- **11 AUG** — Proposed payment of final dividend

2017

Financial year ending
31 March 2018

- **21 JUL** — Proposed announcement of 1Q FY2017-18 results
- **9 NOV** — Proposed announcement of 2Q FY2017-18 results

2018

- **FEB** — Proposed announcement of 3Q FY2017-18 results
- **MAY** — Proposed announcement of 4Q FY2017-18 results

Executive Management

from left to right:

Andrew Lim
Senior Vice President, Greater China

Denis Marie
Senior Vice President, Apron Services and Security Services

Nazri Othman
Senior Vice President, Passenger Services

Ronald Yeo
Senior Vice President, Planning and Support Services

Pauline Tan
Senior Vice President, Technology

Goh Siang Han
Senior Vice President, Inflight Catering

Yacoob Piperdi
Executive Vice President, Gateway Services

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

from left to right:

Alvin Foh
Senior Vice President, Food Solutions, China

Tan Chuan Lye
Chairman, Food Solutions

Thomas Ching
Senior Vice President, Institutional Catering

Alex Hungate
President and Chief Executive Officer

Wong Chee Meng
Senior Vice President, Cargo Services

Helen Chan
Acting Chief Financial Officer, Senior Vice President, Finance

Eugene Cheng
Executive Vice President, Group Services

Tan Li Lian
Senior Vice President, Human Capital

Bob Chi
Senior Vice President, Sales and Marketing

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 also a Board Director and 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. For two years prior to July 2013, Mr Hungate served as an Independent Director for SATS, when he served as a member of the Nominating Committee and the Remuneration and Human Resource Committee.

Prior to that, Mr Hungate was the Chief Executive Officer of HSBC in Singapore for three years. As the most senior executive for the HSBC Group in Singapore, he was responsible for all of its activities, including subsidiary businesses such as private banking, insurance, futures, asset management and trustee services. 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 holds a Masters degree in Engineering, Economics and Management from Oxford University and graduated as a Baker Scholar from the Master of Business Administration programme at Harvard Business School.

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, corporate strategy, legal and secretariat, as well as planning 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. and the Vice President Commissioner of PT Jasa Angkasa Semesta Tbk. He graduated from the National University of Singapore with a Bachelor of Arts (Honours) degree, majoring in English.

Helen Chan Yin Foong

Ms Chan is SATS' Senior Vice President, Finance. She joined the company in August 2011 as Group Financial Controller and was promoted to her current position in October 2013. She manages both the corporate and regional finance functions of the Group. Ms Chan is also the Acting Chief Financial Officer of SATS since December 2016.

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 various Boards of SATS' subsidiaries. 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 Asia-Pacific Star Private Limited, a wholly-owned subsidiary of SATS which provides ground handling and inflight catering services to low-cost carriers at Singapore Changi Airport.

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

Thomas Ching Chun Fong

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 Senior Vice President, Inflight Catering of SATS. He joined SATS in January 1991 and was promoted to his current position in July 2014.

Prior to this, Mr Goh was Vice President, Catering Operations, overseeing meal production at SATS Inflight Catering Centre 1. He has also assumed various positions in passenger services, apron and baggage, and industrial relations.

Mr Goh is the Alternate Director of Servair-SATS Holding Company Pte Ltd and 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.

Andrew Lim Cheng Yueh

Mr Lim is SATS' Senior Vice President, Greater China since June 2015. Prior to this, he was Senior Vice President, Passenger Services.

Mr Lim joined SATS in May 1979 and has assumed various positions including Senior Vice President, Apron and Passenger Services as well as other managerial positions in SATS covering cargo, security services, passenger services, human resources and training, and in SIA Cargo.

Mr Lim 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 Sociology.

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 Singapore Technologies Kinetics 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 also a member of Singapore's Institute of Technical Education's Business & Services Academic Advisory Committee.

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.

Ronald Yeo Yoon Choo

Mr Yeo is SATS' Senior Vice President, Planning and Support Services since July 2015. His portfolios include risk and safety management, company planning and projects, and corporate support services such as central purchasing and tender management, property management, and staff transport.

Prior to this, he was Senior Vice President, Cargo Services and Senior Vice President, Gateway Services (Overseas Operations), where he was responsible for the performance of SATS' overseas operating units.

Mr Yeo joined SATS in 1978 and has assumed various positions in business planning and development, marketing, cargo, passenger and baggage services, and SIA Ground Services.

Mr Yeo sits on various Boards of SATS' associate companies. He graduated from the University of Singapore with a Bachelor of Engineering (Honours) degree.

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 2017 ("**FY2016-17**"), 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 6 years*
- *Four new independent non-executive Directors were appointed during FY2016-17*
- *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; and
- 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 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. In FY2016-17, the Board 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; and
- 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.

New corporate governance policies:

The Board recently undertook a review of our corporate governance procedures and has adopted the following new policies:

- *Role statement for the Chairman and PCEO*
- *Board Code of Conduct*
- *Standard operating procedures for release of SGX announcements*
- *Policy on Directors' disclosure of interest and conflicts of interest*

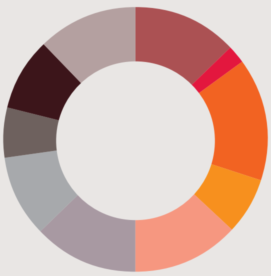
BOARD COMPOSITION

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	13%
Legal	2%
Strategy & Analytics	15%
Information Technology	7%
Sales & Marketing	13%
Human Resource	13%
Risk Management	10%
Food Solutions	6%
Economics	9%
Others: Consumer Marketing, Banking, Branding, Customer Service	12%

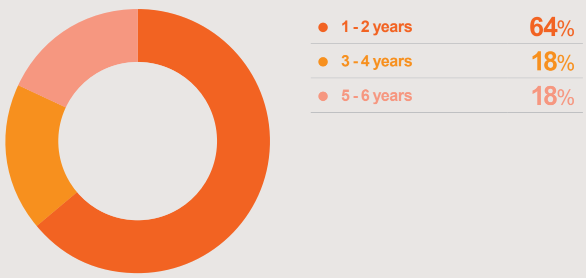
Directors' Expertise and Experience by Geography

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%

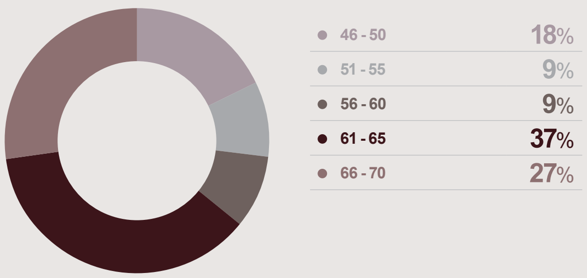
There is a process of refreshing the Board progressively over time which enables the Board to draw upon the experience of longer-serving Directors while at the same time tapping into the new external perspectives and insights which more recent appointees can bring. None of our Directors have served for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

Independence

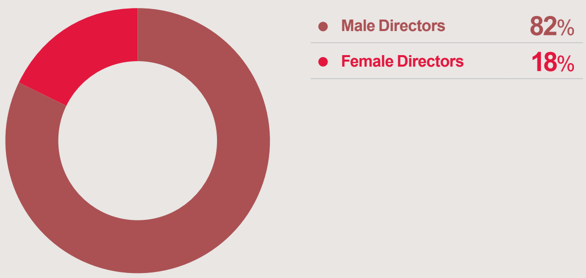
Length of Service



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.

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; and
- 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; and
- 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 view of shareholders are communicated to the Board; and
- 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.

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 one year 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 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 all operating policies of the Group and Board Committee Terms of Reference 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 in 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 committee 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 receives a Chairman's fee if he is the Chairman of the Board, as well as the relevant Board Committee fee (depending on whether he served in the capacity as the Chairman or as a member of the relevant Board Committee) for each position he held on a Board Committee, during FY2016-17. Non-executive Directors, who ceased 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 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 mindful that non-executive Directors should not be over-compensated, it is of the view 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 Board believes that the existing fee structure is appropriate for the requirements of the Company, taking into account factors such as effort and time spent and responsibilities of the Directors.

The proposed scale of Directors' fees for the financial year ending 31 March 2018 ("**FY2017-18**") remains unchanged from that of FY2016-17, and is set out below:

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

The aggregate amount of Directors' fees paid to the non-executive Directors for FY2016-17 was S$867,328.65 (breakdown given on page 45). The non-executive Directors did not receive any salary, performance-related income/bonuses, stock options, share-based awards or other long term incentives for FY2016-17.

At the 44th Annual General Meeting ("**AGM**") of the Company, approval of the shareholders will be sought for Directors' fees of up to S$1,300,000 for FY2017-18. There will be no change in the fees for the current FY2017-18, with the scale of fees payable to the non-executive Directors held flat since 2010. If approved, the proposed fees for FY2017-18 will facilitate the payment of Directors' fees during the financial year in which such fees are incurred. The additional fees sought are to provide for the appointment of additional Directors, additions to the existing composition of the Board Committees, formation of additional Board Committees and/or fees for appointment to the Board of SATS group of companies, if so required. To facilitate timely payment of Directors' fees, the fees will be paid in arrears on a half-yearly basis in the course of the financial year once the fees have been approved at the 44th AGM.

The Directors Remuneration paid for FY2016-17, details of the Directors date of appointment to the Board, last re-appointment/ re-election as Directors, the Directors' membership in Board Committees and the Directors' attendance at Board and Board Committee meetings and AGM is set out below:

Name of Directors	Date of first appointment to the Board	Date of last re-appointment to the Board	Board Meeting (including BSM*)	Board Committee Meetings					AGM 2016	Total Directors' Remuneration for FY2016-17 (SGD)
			Attendance (1 April 2016 to 31 March 2017)							
			BOD(1)	NC(2)	EXCO(3)	AC(4)	BRSC(5)	RHRC(6)		
			No. of meetings held (1 April 2016 to 31 March 2017)							
			6	3	4	4	4	2		
a. Executive Director										
Mr Alex Hungate	27 Jul 2011	19 Jul 2016	6	–	4	–	2/2(a)	–	1	No Fee**
b. Non-Executive and Independent Directors										
Ms Euleen Goh	1 Aug 2013 (Director) 19 Jul 2016 (Chairman)	21 Jul 2015	6	3	4	2/2(b)	–	1/1(b)	1	$158,301.00
Mr Achal Agarwal	1 Sept 2016	N.A.	3/3	–	–	2/2(c)	–	–	N.A.	$47,729.00
Mr Thierry Breton	1 Oct 2015	19 Jul 2016	2	–	–	–	–	–	0	$51,000.00
Mr Chia Kim Huat	15 Mar 2017	N.A.	1/1	–	–	–	–	–	N.A.	$4,601.65
Mr Koh Poh Tiong	1 Nov 2011	19 Jul 2016	5	2/2(d)	3/3(d)	2/2(d)	–	2/2(d)	1	$106,771.00
Mr Michael Kok	6 Mar 2015	21 Jul 2015	6	–	4	–	3/3(e)	1/1(e)	1	$104,415.00***
Ms Jessica Tan	17 Apr 2017	N.A	N.A	–	–	–	–	–	N.A.	No Fee****
Mr Tan Soo Nan	25 Apr 2016	19 Jul 2016	6	2/2(f)	–	2/2(f)	2/2(f)	–	1	$97,025.00
Mr Yap Chee Meng	1 Oct 2013	23 Jul 2014	6	–	–	4	4	–	1	$112,102.00
Mr Yap Kim Wah	20 Jul 2016	N.A.	5/5	–	–	2/2(g)	2/2(g)	–	N.A.	$68,736.00
c. Non-Executive and Independent Directors who retired/stepped down on 19 Jul 2016										
Mr Edmund Cheng	22 May 2003 (Chairman and Director)	21 Jul 2015	1/1	1/1(h)	1/1(h)	–	–	1/1(h)	1	53,564.00*****
Mr David Baffsky	15 May 2008	21 Jul 2015	1/1	1/1(i)	–	–	–	1/1(i)	1	$30,542.00
Mr Nihal Kaviratne	30 Jul 2010	21 Jul 2015	1/1	–	–	1/2(j)	1/1(j)	–	1	$32,542.00

Notes:

(1) Board of Directors ("**BOD**") meetings included a 2 day Board Strategy Meeting held from 24 to 26 Aug 2016 in Kuala Lumpur
(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 Alex Hungate stepped down as a member of the BRSC with effect from 1 September 2016. He attended 2 out of 2 BRSC meetings held during his term as a member of the BRSC in FY2016-17.
(b) Ms Euleen Goh was appointed as Chairman of the RHRC and stepped down as a member of the AC with effect from 1 September 2016. She attended 1 out of 1 RHRC meeting and 2 out of 2 AC meetings held during her term as a member of the RHRC and AC respectively in FY2016-17.
(c) Mr Achal Agarwal was appointed as a member of the AC with effect from 1 September 2016. He attended 2 out of 2 AC meetings held during his term as a member of the AC in FY2016-17.
(d) Mr Koh Poh Tiong was appointed as Chairman of the NC on 20 July 2016. He attended 2 out of 2 NC meetings held during his term as Chairman of the NC in FY2016-17. Mr Koh was also appointed as a member of the EXCO and stepped down as a member of the AC with effect from 1 September 2016. He attended 2 out of 2 AC meetings and 3 out of 3 EXCO meetings held during his term as a member of the AC and EXCO respectively in FY2016-17.
(e) Mr Michael Kok was appointed as a member of the BRSC and RHRC with effect from 20 July 2016 and 1 September 2016, respectively. He attended 3 out of 3 BRSC meetings and 1 out of 1 RHRC meeting held during his term as a member of the BRSC and RHRC respectively in FY2016-17.
(f) Mr Tan Soo Nan was appointed as a member of the NC with effect from 20 July 2016, and as a member of the AC and as Chairman of the BRSC with effect from 1 September 2016. He attended 2 out of 2 NC meetings, 2 out of 2 AC meetings and 2 out of 2 BRSC meetings held during his term as a member of the NC and AC and as Chairman of the BRSC respectively in FY2016-17.
(g) Mr Yap Kim Wah was appointed as a member of the AC and BRSC with effect from 1 September 2016. He attended 2 out of 2 AC meetings and 2 out of 2 BRSC meetings held during his term as a member of the AC and BRSC respectively in FY2016-17.
(h) Mr Edmund Cheng stepped down as Chairman of the BOD and relinquished all Board Committee appointments on 19 July 2016. He attended 1 out of 1 Board meeting, 1 out of 1 EXCO meeting, 1 out of 1 NC meeting and 1 out of 1 RHRC meeting held during his term as Chairman of the BOD, EXCO and RHRC, and as a member of the NC respectively in FY2016-17.
(i) Mr David Baffsky retired from the BOD and stepped down as Chairman of the NC and as a member of the RHRC on 19 July 2016. He attended 1 out of 1 NC meeting and 1 out of 1 RHRC meeting held during his term as Chairman of the NC and as a member of the RHRC respectively in FY2016-17.
(j) Mr Nihal Kaviratne retired from the BOD and relinquished all Board Committee appointments on 19 July 2016. He attended 1 out of 2 AC meetings and 1 out of 1 BRSC meeting held during his term as a member of the AC and BRSC respectively in FY2016-17.

* Board Strategy Meeting
** No Directors' fees were paid to the PCEO, Mr Alex Hungate.
*** Mr Michael Kok was appointed as Chairman of SATS Food Services Pte. Ltd.'s ("**SFS**") joint venture subsidiary, SATS Yihai Kerry Kunshan Food Co., Ltd. on 14 September 2016. He was paid retainer fee and meeting attendance fee of S$9,500 by SFS.
**** Ms Jessica Tan was appointed on 17 April 2017 and as such no Directors' fees were paid to her for FY2016-17.
***** Mr Edmund Cheng was, as Chairman of TFK Corporation, a subsidiary of the Company, paid retainer and attendance fees of S$3,883 by TFK for the period from 1 April 2016 to 19 July 2016.

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

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 • Mr Tan Soo Nan
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 Michael Kok • 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, amalgamations or similar corporate transactions;
- Establish bank accounts;
- Grant powers of attorney;
- Affix common seal; and
- 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 FY2016-17. 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. A summary of the minutes of the meetings of the EXCO is 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.

At least two members of the AC, (including the AC Chairman), namely Mr Yap Chee Meng and Mr Tan Soon 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 Yap was appointed as a member of the AC on 1 May 2015, and as Chairman of the AC on 1 September 2016.

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. 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 previous 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.

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.

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 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 financial statements.

Its key responsibilities include the review of:

Financial Reporting
- quarterly and annual financial statements and financial results announcements; and
- revisions/additions/updates to the accounting policies for write-offs, capital expenditure, disposal of assets and investments, and other financial policies.

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; and
- 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;
- 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; and
- 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; and
- 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 Party 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 4 times in FY2016-17, 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.

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, KPMG[1], to the Group during FY2016-17, 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[1] for FY2016-17, and the breakdown of fees for audit and non-audit services, are as follows:

Fees for FY2016-17	S$(m)
For audit services	0.7
For non-audit services	0.1
Total	0.8

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 2017 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 ("**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 internal 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 that IAD has appropriate standing within the Group to perform its function effectively.

[1] KPMG refers to KPMG LLP and other KPMG member firms.

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 auditor 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 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 authorized 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, Certified Public Accountants, 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 Mr Tan Soo Nan. All of the NC members (including the NC Chairman) are independent.

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 for 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; and
- such other authorities and duties as provided in the Code.

NC Meetings

The NC met three times in FY2016-17, which met the requirement of at least once a year under its terms of reference. The NC members also met informally on a number of occasions to interview potential candidates to be appointed as Directors on the Board.

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 FY2016-17. 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.

Four non-executive independent Directors, namely, Mr Achal Agarwal, Mr Chia Kim Huat, Ms Jessica Tan and Mr Yap Kim Wah, were appointed during FY2016-17. This was after an extensive search and interviews by the NC.

Mr Agarwal is currently the President of Kimberly-Clark's Asia-Pacific consumer business, and has more than 30 years of experience in managing large, complex and fast-growing organisations in Asia as well as extensive experience in the consumer marketing business segment.

Mr Chia is currently the Executive Committee Partner and Regional Head, Corporate & Transactional Practice of Rajah & Tann Singapore LLP, with extensive experience in capital markets, public and private mergers and acquisitions, cross border joint ventures and private equity investments, both in Singapore and the region.

Ms Tan is currently a Member of Parliament in Singapore for the East Coast GRC, the Chairman for the Public Accounts Committee, the Chairman of the East Coast-Fengshan Town Council and a member of the Social and Family Development and Manpower Government Parliamentary Committee. She has more than 27 years of experience in the IT industry, with strengths in business development, building organisational capacity and capability and leading profitable and sustainable businesses.

Mr Yap is currently the Deputy Chairman and Chief Executive Officer of Hyflux Caprica Pte Ltd, and has more than 35 years of experience in the airline business at senior management level.

The Board believes that their collective wealth of experience and skillsets will enhance and complement the competencies and skills of the Board.

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 at page 39 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' Experience and Expertise Matrix is prepared, which provides an overview of the Directors' experience and expertise 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 FY2016-17. 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 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 FY2016-17, 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 3 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.

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. In FY2016-17, Egon Zehnder (an independent consultant with no other connection with SATS or any of the Directors) was engaged to review and revise the existing evaluation questionnaire and conduct interviews with the Directors to obtain open and frank feedback. The revised questionnaire has evaluations on the Board and Board committees, on self/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 on strategy and performance, effectiveness of Board Committees, PCEO performance and succession planning, Directors' development and management and risk management are covered. For the self/peer evaluation, the factors considered include preparedness and quality of contributions at meetings, and depth of knowledge of the Director in his area of expertise.

Egon Zehnder engaged each Director for a one-hour discussion. The results from the questionnaire and the feedback obtained from the Directors were collated by Egon Zehnder and shared with the Board Chairman and the NC Chairman, and subsequently with the entire Board. Egon Zehnder reported that the following aspects of the Board stood out:

- The dedication and thoroughness of the Chairman;
- The independence, engagement and commitment of all the Directors;
- All Directors have relevant experience and insights to make valuable contribution to the business;
- Openness and transparency among Directors: willingness to speak their minds;
- The effective balance between support and challenge that the Board offers the Management team;
- Highly constructive and trusted partnership between the Chairman and the PCEO;
- A Management team that is fully transparent with the Board, and actively taps on the experience and network of the Directors, following the lead set by the PCEO;
- Rigour and commitment to strong governance across all aspects of the business; and
- The growth (versus only governance) focus of the Board.

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.

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 undergo 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.

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 6th 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. None of our current non-executive Directors has served on our Board for more than six years.

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 and standing for re-election at the upcoming 44th AGM are Ms Euleen Goh, Mr Yap Chee Meng and Mr Michael Kok. Mr Achal Agarwal, Mr Chia Kim Huat, Ms Jessica Tan and Mr Yap Kim Wah are standing for re-election pursuant to Article 96 of the Constitution. 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-appointment as Directors, after assessing their contribution and performance (including attendance, preparedness, participation and candor) as Directors and the Board has endorsed the recommendation.

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.

The RHRC has access to expert advice from external consultants on remuneration. In FY2016-17, 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 Relevant Key Management Personnel[1] within the Group to the Board;
- 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; and
- 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.

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 2 meetings in FY2016-17.

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

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 ("**PB**")

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 ("**KPIs**") 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 key 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 being 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.

(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 is 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.

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

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 Incentive

Long-term incentives reinforce the delivery of long-term growth and shareholder value to drive an ownership culture and retain key talent. The SATS Restricted Share Plan and the SATS Performance Share Plan are equity awards provisionally granted to employees of managerial grade and above in the Company 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 2016, 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 target based on Group Return on Equity ("**ROE**") is met over a one-year performance period. The final awards will vest equally over a three-year period.

As part of recognition to non-management employees for their contributions, approval was granted by the RHRC to award 50 SATS remuneration shares, with no performance condition, to each eligible non-management employee. A total of 225,500 shares were awarded to the eligible employees on 23 September 2016.

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

Under the SATS PSP 2016, an initial award is made in the form of a right to receive shares, provided performance conditions are met in the future. Annual awards are made based on the individual performance of key senior management. The final award, which may vary between 0-150% of the initial award, depends on stretched value-aligned performance targets. They are based on absolute and relative Total Shareholder Return ("**TSR**"), meeting targets over a performance period of three financial years.

In FY2016-17, a total of 1,660,000 shares and 1,723,000 shares have been granted under the SATS RSP and SATS PSP respectively.

Details such as the plan description, performance conditions, vesting conditions and payout under the SATS RSP and SATS PSP are set out in the Share-Based Payments section of the Directors' Statement and the corresponding "**Notes to the Financial Statements**" 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 FY2016-17.

The aggregate compensation paid to or accrued to the PCEO and the Relevant Key Management Personnel (who are not also Directors or the PCEO as at the date of this Report) for FY2016-17 is set out below:

President and Chief Executive Officer (PCEO)	Salary[2] (S$)	Bonuses[3] (S$)	Benefits (S$)	Total (S$)	Award under SATS RSP[4]	Award under SATS PSP[4]
Alex Hungate	1,059,000	1,867,000	75,000	**3,001,000**	161,000	550,000

Key Management Personnel	Remuneration Band[1] S$	Salary[2] %	Bonuses[3] %	Benefits %	Total %	Award under SATS RSP[4]	Award under SATS PSP[4]
Yacoob Bin Ahmed Piperdi	$1,250,001 to $1,500,000	39	57	3	**100**	68,000	185,000
Tan Chuan Lye	$1,000,001 to $1,250,000	70	24	6	**100**	17,000	27,000

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 2017.
3. Variable bonus comprises both actual performance bonus and economic value added (EVA) bonus which were paid out in FY2016-17 in respect of FY2015-16 Company and individual performance.
4. Denotes the base awards of shares granted under the SATS RSP and the SATS PSP for FY2016-17 on 1 August 2016. 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 a one-year performance period and will vest equally over a three-year period. The final number of PSP award will range from 0% to 150% of the initial grant and is contingent on the achievement of pre-determined target over a three-year performance period.
5. The fair value at allocation for the SATS RSP and SATS PSP for FY2016-17 is at $3.73 per share and $1.39 per share respectively.
6. 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 as at the date of this report) was S$2,412,500.

No immediate family members of any Director or of the PCEO were employed by the Company or any of its related companies during FY2016-17.

Further details regarding each of the Share Plans are provided in the Annexure to this Report, and also in the Directors' Statement and the corresponding "**Notes to the Financial Statements**" section of this Annual Report.

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.

Human Capital Development Framework comprises two main prongs for the conduct of training: (i) functional skills training for the jobs, and (ii) corporate driven soft-skill training to shape culture, Management & leadership development.

We aim to cultivate an environment of appreciation for learning, so that our employees are able to grow with SATS in the volatile and dynamic business environment. Thus, 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. For example, SATS Ambassador Programme and Familiarisation are designed to be in carnival-style, filled with fun activities and sharing while learning about SATS' core values in action.

We believe that a well-trained workforce is the critical success factor to the growth of the business. Learning and development programmes are put in place to train our employees to deliver SATS brand promise "Passion to Delight". It is with this passion that we are able to achieve our mission "to be the first choice provider" and the vision of being "Asia's leading" in food solution and gateway services.

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

RHRC reviews the performance of the PCEO and the 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 will be 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 Michael Kok, Mr Yap Chee Meng and Mr Yap Kim Wah. 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 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, 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 system 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; and
- the adequacy of insurance coverage for the Group.

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 FY2016-17.

RISK MANAGEMENT & INTERNAL CONTROL 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; and
- identification and management of business risks.

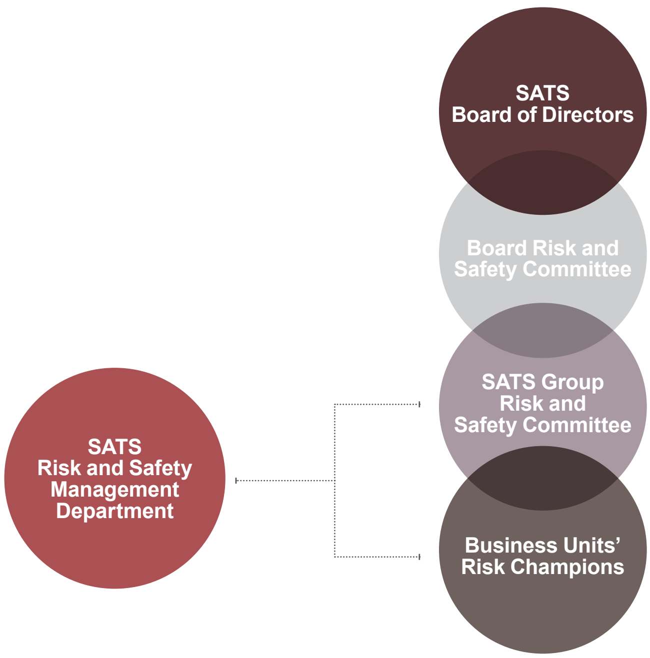
Risk Management Organisational Structure

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.

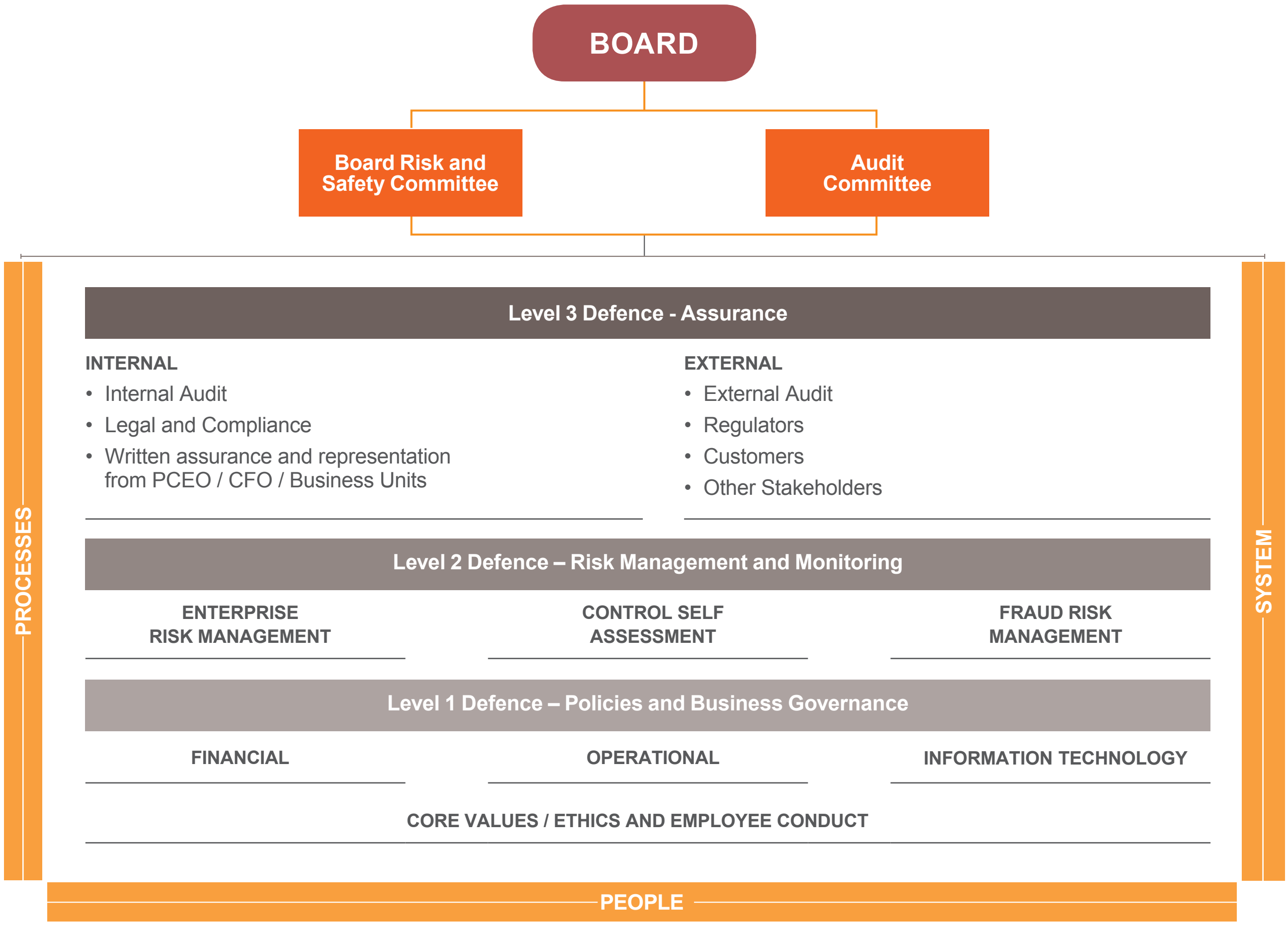
The Group risk management reporting structure is as depicted in the diagram below.



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; and
- 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 properties), confidentiality, conflict of interest, and non-solicitation of customers and employees.

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, detect, 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 3 areas to protect SATS businesses and information assets.

CYBER SECURITY MANAGEMENT FRAMEWORK		
PROTECTION	**OPERATIONS**	**GOVERNANCE**
Ability to protect, limit or contain the impact of a potential Cyber Security event	**Timely discovery of Cyber Security events and response to recover the system**	**Proactively identify cyber risks and establish processes and procedures to focus, prioritise its efforts towards minimising Cyber Security risks**
Defence • Intrusion Protection System • Firewall • Virtual Private Network • Proxy Service • Email and Site Filter • Switch & Router	Identity and Access Management	Policies
Mobile Security	Security Information and Event Management	Standards
Host Security	Incident Response and Management	Procedures
Server Security	Threat Intelligence	User Awareness
System Security	Vulnerability Management	Security Testing
Application Security	Patch Management	Audit and Compliance
Data Protection	Capacity Management	Service Level Agreement
Access Control	IT Disaster Recovery	Risk Management
	Business Continuity Management	Metrics and Reporting

Level 2 Defence – Risk Management and Monitoring

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 SATS Whistle-Blower 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 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.

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 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.

Information is valuable to our business. Employees are expected to keep confidentiality, 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 made 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 IAD 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 IAD 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.

All information received is treated confidentially to the extent permitted by law or the applicable regulatory authority. Results of the investigation would not be disclosed or discussed with anyone other than those who have a legitimate right to know.

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 though 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.

Communication with Shareholders
Investor relations
SATS strives to communicate pertinent information to shareholders and the investment community on a regular and timely basis; in a clear, forthcoming and detailed manner; and by taking into consideration their views when addressing their concerns. We disseminate material, price-sensitive information and ensure that it is made publicly available on a timely and non-selective basis. 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.

In addition, 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.

Every quarter, with the exception of the fourth quarter, we organise an earnings conference call with 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 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 twice a year to meet with investors who are interested to know more about our business. From time to time, we may receive queries through emails or requests from key institutional investors to meet with senior management on specific matters.

Our Public Affairs & Branding department, together with the PCEO and CFO, actively engage shareholders and the investment community from Singapore and overseas through investor meetings, conference calls, investment conferences and operational site visits to help them better understand our businesses and growth strategy.

Our Public Affairs & Branding department is responsible for managing the dissemination of corporate information to the media, the public, shareholders and the investment community. It also promotes relations with and acts as a liaison point for such entities and parties. 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.

We participated in conferences organised by the Singapore Exchange and investment banks in Singapore and overseas, to reach out to institutional shareholders to grow our shareholder base across a wider geographical spread. In addition, we also track changes in our share register on a regular basis.

Sustainability

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 aspects 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 society we serve.

Aligned with our strategy to feed and connect Asia responsibly, we focus on initiatives that will improve Quality, Our People, the Environment and the Community. SATS adopts Reporting Principles and Standard Disclosures in accordance with Global Reporting Initiatives (GRI) G4 Reporting Guidelines. Our aspect boundary includes SATS operations in Singapore and 100% owned subsidiaries overseas.

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 is set out in the "**Financial Review**" 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, the compensation advisers and legal advisers 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 since their appointment.

Annexure

Remuneration report

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 corresponding "**Notes to Financial Statements**" 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 till 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 FY2016-17, 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.

Building a Sustainable Future

SATS has grown over the past 70 years to become the leading provider of Food Solutions and Gateway Services in Asia. This success was built upon the strong foundational values of Safety & Security, Trust, Excellence, Innovation and Collaboration. These values will continue to guide us as we look forward to an exciting future, feeding and connecting Asia.

The long-term sustainability of our business is contingent upon the quality of our products and services, our people, our community and our environment.

AN UNWAVERING FOCUS ON QUALITY

As a premium service provider, SATS is passionate about excellence and constantly strives to deliver the highest quality and value to our customers. This applies to safety and operational standards where we help our customers to streamline their processes to better meet regulatory compliance and stay competitive.

In our Food Solutions business, we have established a robust Food Safety and Quality Management System aimed at enabling our customers to meet their clients' expectations for safety, speed and accuracy. To further ensure the quality of our products are maintained through the food process chain, SATS has an end-to-end integrated quality assurance and traceability system which covers food sourcing, suppliers approval, storage, central food processing, as well as meal preparation and catering services. Our processes adhere to International Flight Services Association World Food Safety Guidelines, Singapore Food Regulations, Agri-Food & Veterinary Authority of Singapore's food safety standards, Hazard Analysis & Critical Control Points (HACCP) and ISO 22000 Food Safety Management System.

We pay attention to details and are focused on creating products that cater to the needs of passengers. For example, passengers may have special dietary requirements and our culinary team and dietician will design and develop non-standard special meals for them to ensure compliance to the appropriate medical nutrition therapy. We will also make sure that the meals adhere to the dietary requirement for the respective airlines' non-standard special meals.

For Gateway Services, connectivity is key to maintaining quality. SATS strives to connect our operations across our network in the region to provide our customers and partners with seamless, reliable and consistent solutions. In this digital age, we are deploying technology to help us achieve better synergies within our operations, improve productivity and enhance digital experiences for our customers and partners.

For example, SATS has designed an integrated air cargo ground handling system – COSYS – which automates and simplifies ground handling, and provides real-time flight and shipment tracking information which helps in monitoring workflow and improving service levels and efficiency. We have deployed this solution across some of our associate companies in China, India, Indonesia and Taiwan.

Regular audits are conducted by our customers and partners as well as for numerous local and international safety and quality certifications including Occupational Health & Safety Management System (OHSAS) 18001, ISO 9001 Quality Management System as well as IATA's Safety Audit for Ground Operations, which is an audit standard applicable to all ground handling companies worldwide, coupled with a uniform set of standards relevant for the specific activities of any ground handler.

INVESTING IN OUR PEOPLE

SATS is a people-led company. As a service business, our success is fuelled by our people who bring to life an exemplary service experience inspired by a collective Passion to Delight. To ensure a consistently high level of service, our training programmes reinforce a strong service-oriented culture across all levels of the organisation, beginning with a two-day SATS Brand Ambassador Programme for all our people. This year, we also rolled out this programme overseas to TFK in Japan and Oman Air SATS Cargo in Oman.

The sustainability of our business is also contingent upon having a ready pool of talent to draw from. In Singapore, we have developed the SATS Graduate Assimilation Programme (GAP) as a means to attract fresh talent. In addition, under the SkillsFuture Earn and Learn Programme for Air Transport, we attract potential applicants from the Institute of Technical Education by offering structured career progression opportunities and reduced job training hours in lieu of elective training modules taken in school.

We want our people to grow together with us and encourage a spirit of continuous learning and development throughout the organisation. Our Development Assessment Centre (DAC) programme creates customised talent development frameworks, tailored for different employee grades. Core to the DAC are two modules – the STEP (Strive, Transform, Engage, Paceset), LEAP (Learn, Excel, Aspire, Propel) programmes. Aside from STEP and LEAP, we also mapped out a development roadmap in line with our people's respective career stages. We have also created a three-level leadership development programme called "SATS Connect".

In light of the tight manpower market, SATS also recognises the need to embrace technology and innovation to help us work faster and smarter. As we grow scale, we seek to harness automation to increase our productivity, improve quality of our food and services and optimise our resources through job redesign. The use of technology has allowed us to increase volume without a proportionate increase in cost leading to an improvement in margins and productivity. For FY2016-17, SATS' productivity, measured using Value Added per Employment Cost, increased 4.1% year-on-year.

ENABLING AND EMPOWERING THE COMMUNITY

Supporting the local communities that we operate in is integral to the concept of sustainability and by giving back, we hope to effect positive changes, create economic value and build a sustainable future.

In line with this, our Corporate Social Responsibility activities are aimed at enabling change and empowering individuals in our communities. This year, SATS organised our inaugural Be Active @ SATS Charity Run, and saw 800 employees, family and friends participating in the event. We raised a total of $150,000 for Assisi Hospice, with the funds going towards the purchase of a new, specially fitted van that will shuttle patients between their homes and the hospice for palliative day care.

We believe that access to education and training can empower individuals by providing opportunities to pursue a better future. By partnering with local educational institutions like Assumption Pathway School to provide financial aid, dispense achievement awards to students and offer student internships, SATS is contributing efforts to transform and empower the lives of local youth. SATS also believes in supporting platforms where local youth and talent can acquire the experience and capabilities, which may lead to promising career paths in the future. We provided sponsorship to the biennial WorldSkills Singapore competition where Singaporean youth could showcase their technical skills and the best performers may represent Singapore at the 43rd WorldSkills Competition in Abu Dhabi in 2017.

We have also provided various scholarships and bursaries to disadvantaged students including the SATSWU Scholarship Awards, the Republic Polytechnic Education Fund and the Singapore Institute of Technology Bursary. Beijing Airport Inflight Kitchen (BAIK) and PT Jasa Angkasa Semesta (PT JAS) have also provided scholarships for students in poverty and the children of the airport and air force community respectively.

Our inaugural Charity Run raised a total of $150,000 for Assisi Hospice. The funds went towards the purchase of a new, specially fitted van that will shuttle patients between their homes and the hospice for palliative day care.

Building a Sustainable Future

> SATS is a people-led company. As a service business, our success is fuelled by our people who bring to life an exemplary service experience inspired by a collective Passion to Delight.

Our overseas operations play an active role in giving back to the greater community in various other ways. For example, PT JAS and MacroAsia Catering Services participated in blood donation drives. In addition, PT JAS has also provided community business support through building a fish farm for the community, while AISATS has funded the renovation of a public school in Vijayapura, Bangalore. Maldives Inflight Catering has also sponsored care workers at Maldives Children's Home (Kudakudhinge Hiyaa) and Fiyavathi Children's Home, which houses orphans and vulnerable children deprived of other means of primary care.

Brahim's SATS Food Services (Brahim's SATS) was bestowed "Malaysia Best Employer for Disability Management Award 2016 – Gold Award" by the Ministry of Human Resource, Malaysia, for its contribution to provide excellent disability management to their employees.

ENSURING SUSTAINABLE GROWTH FOR AVIATION

Asia is set to drive much of the growth in air travel and is projected to contribute an additional 1.8 billion annual passengers by 2035. While this presents business opportunities, increasing air traffic is also a contributing factor to climate change. As the largest ground handler and caterer in Asia, SATS believes that we have a responsibility to ensure sustainable, long-term growth and are committed to minimising the impact of our activities on the environment.

Reflecting our strong commitment to sustainability, SATS Group of companies is currently ISO 14000 certified under the Environment Management System (EMS), an internationally recognised environmental management standard. Since 2014, SATS has also embarked on an energy management framework where we track our energy usage and deploy strategies to manage and improve our energy usage.

For example, in Singapore, we embarked on a chiller modernisation programme in Singapore, which we estimate will save approximately 3.9GWh per year: enough energy to power some 7,800 refrigerators for a year. Asia Airfreight Terminal (AAT) in Hong Kong has also replaced its air-conditioner within its operations with a more energy efficient model. Several of our overseas operations including AAT, BAIK, Beijing Ground Services (BGS), PT JAS and TFK have also replaced existing lights with LED lights within their facilities to reduce energy consumption.

Aside from reducing energy consumption, we are also taking steps to explore the usage of other forms of energy. This year, our inflight catering facility in India, Taj Madras Flight Kitchen has installed rooftop solar panels to generate electricity and also started to procure wind energy.

Brahim's SATS has also played a role in creating environmental awareness by partnering the Forest Research Institute Malaysia to organise educational talks for staff and family members and plant 80 trees at the Taman Wetlands in Putrajaya.

AAT was accorded several awards acknowledging their efforts to minimise environmental impact, including the "Hong Kong Green Organisation" by the Environmental Campaign Committee of Hong Kong and the Hong Kong Awards for Environmental Excellence's Energywi$e Label "Class of Excellence", which is the highest recognition in the category of energy reduction. BGS also won an award from the Shunyi District Government of Beijing for the green initiatives that they had implemented in the year.

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 2017.

1. OPINION OF THE DIRECTORS

In the opinion of the Directors:

(a) The financial statements set out on pages 84 to 172 give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 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	
Koh Poh Tiong	
Michael Kok Pak Kuan	
Yap Chee Meng	
Thierry Breton	
Tan Soo Nan	
Yap Kim Wah	(appointed on 20 July 2016)
Achal Agarwal	(appointed on 1 September 2016)
Chia Kim Huat	(appointed on 15 March 2017)
Jessica Tan Soon Neo	(appointed on 17 April 2017)

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)

	Direct interest		Deemed interest	
Name of Director	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
Ordinary shares				
Alexander Charles Hungate	369,036	495,236	–	–
Euleen Goh Yiu Kiang	2,774	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)	284,400	351,400	–	–
Award under SATS Performance Share Plan ("PSP")				
Alexander Charles Hungate(2)	930,000	1,480,000	–	–

(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 126,200 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.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2017.

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.

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.

6. SHARE-BASED PAYMENTS (cont'd)

(i) Employee Share Option Plan (cont'd)

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 3,286,900 unissued ordinary shares in the Company were outstanding:

Date of grant	Balance at 1.4.2016	Forfeited/ Lapsed	Exercised	Balance at 31.3.2017	Exercise price	Exercisable period
03.07.2006	886,885	(310,060)	(576,825)	–	$1.80	03.07.2007 - 02.07.2016
02.07.2007	3,764,600	(141,200)	(1,428,400)	2,195,000	$2.76	02.07.2009 - 01.07.2017
01.07.2008	1,557,300	(65,000)	(400,400)	1,091,900	$1.92	01.07.2010 - 30.06.2018
	6,208,785	(516,260)	(2,405,625)	3,286,900		

(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.

In respect of RSP and PSP grants with effect from FY2010-11 to FY2012-13, the final number of restricted shares awarded is 100% of the restricted grants and for performance shares, between 0% and 200% of the initial grant of performance shares.

For grants from FY2010-11 to FY2012-13, the RSP award will vest over a four-year period; there will be no performance condition for vesting. The PSP award will vest based on meeting stated performance conditions over a three-year performance period.

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.

The RSP award dated 23 September 2016 was not subject to any performance condition.

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

6. SHARE-BASED PAYMENTS (cont'd)

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

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 1.4.2016/ Date of grant**	**Vested**	**Forfeited**	**Adjustments #**	**Balance at 31.3.2017**
01.08.2012	164,858	(164,858)	–	–	–
11.10.2012	11,495	(11,495)	–	–	–
15.11.2013	414,100	(414,100)	–	–	–
03.12.2013	54,700	(54,700)	–	–	–
06.08.2014	1,126,100	(602,000)	(32,200)	–	491,900
03.08.2015	1,415,500	(566,200)	(82,000)	283,100	1,050,400
01.08.2016	1,434,500	–	(89,500)	–	1,345,000
23.09.2016	225,500	(225,500)	–	–	–
	4,846,753	(2,038,853)	(203,700)	283,100	2,887,300

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 1.4.2016/ Date of grant**	**Vested**	**Forfeited**	**Adjustments #**	**Balance at 31.3.2017**
15.11.2013	592,300	(867,500)	(14,000)	289,200	–
03.12.2013	326,000	(489,000)	–	163,000	–
20.10.2014	1,143,000	–	(97,000)	–	1,046,000
02.11.2015	1,710,000	–	(140,000)	–	1,570,000
01.08.2016	1,723,000	–	(140,000)	–	1,583,000
	5,494,300	(1,356,500)	(391,000)	452,200	4,199,000

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

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 $3.99 to $4.28 (2016: $3.44 to $3.69) and the estimated weighted average fair values at the date of grant for each share granted during the year under the PSP are $2.54 (2016: $3.12).

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.

6. **SHARE-BASED PAYMENTS** (cont'd)

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

The number of contingent shares granted but not released as at 31 March 2017 were 2,887,300 (2016: 3,186,753) and 4,199,000 (2016: 3,771,300) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from 1,542,300 to 3,156,300 (2016: 1,771,253 to 3,469,853) and zero to a maximum of 6,298,500 (2016: zero to maximum 5,656,950) 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) were adequate and effective as at the date of the report.

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 18 May 2017

Independent Auditors' Report

for the financial year ended 31 March 2017 to the members of SATS Ltd.

OPINION

We have audited the accompanying financial statements of SATS Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the statements of financial position of the Group and the Company as at 31 March 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the Group and statement of changes in equity for the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 84 to 172.

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 and the Singapore Financial Reporting Standards ("FRSs") so as to give a true and fair view of the financial position of the Group and the Company as at 31 March 2017 and the financial performance, changes in equity and cash flows of the Group, and the 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 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 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 policy 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

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") as at 31 March 2017.

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.

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.

How the matter was addressed in 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. We also considered the appropriateness and adequacy of the disclosures.

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. We concurred with management that no impairment was required for the CGUs. We also found the disclosures to be appropriate and adequate.

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 policy and discussion of significant accounting estimates.

The key audit matter

The carrying value of associates and joint ventures amounted to $671 million, which accounted for 29.4% of the Group's total assets as at 31 March 2017.

Management determines at the end of each reporting period the existence of any objective evidence through which 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.

How the matter was addressed in our audit

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 the identification of CGUs and the 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 reasonable and the estimated cash flows to be in accordance with approved plans.

We concurred with management that no impairment was required for the CGUs.

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

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.

How the matter was addressed in our audit

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 key term sheet, 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. We also considered the disclosures for these transactions.

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 fair. We also found the disclosures of these transactions to be appropriate and adequate.

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 and will 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 identified above when it becomes available 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 on the other information that we obtained prior to the date of this auditors' report, 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.

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 skepticism 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 control 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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 Audit Committee, 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 law or regulation precludes 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
18 May 2017

Consolidated Income Statement

for the financial year ended 31 March 2017

	Note	2016-17 $'000	2015-16 $'000
Revenue	4	**1,729,365**	1,698,152
Expenditure			
Staff costs	5	**(856,651)**	(825,937)
Cost of raw materials		**(257,878)**	(282,667)
Licence fees		**(67,471)**	(68,008)
Depreciation and amortisation charges		**(73,498)**	(70,373)
Company premise and utilities expenses		**(109,591)**	(108,134)
Other costs		**(133,651)**	(128,318)
		(1,498,740)	(1,483,437)
Operating profit	6	**230,625**	214,715
Interest on borrowings	7	**(1,240)**	(1,142)
Interest income	8	**4,641**	3,468
Dividends from long-term investment, gross		**657**	10
Share of results of associates/joint ventures, net of tax		**65,197**	48,009
Gain/(loss) on disposal of property, plant and equipment		**600**	(367)
Gain on disposal of assets held for sale		**9,301**	–
Impairment of property, plant and equipment		**–**	(2,065)
Net gain from transfer of business to a joint venture		**–**	2,543
Loss on divestment/dilution of interest in associates		**(717)**	–
Profit before tax		**309,064**	265,171
Income tax expense	9	**(48,300)**	(46,776)
Profit for the year		**260,764**	218,395
Profit attributable to:			
Owners of the Company		**257,935**	220,591
Non-controlling interests		**2,829**	(2,196)
		260,764	218,395
Earnings per share (cents)			
Basic	10	**23.2**	19.9
Diluted	10	**23.0**	19.7

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 2017

	2016-17 $'000	2015-16 $'000
Profit for the year	**260,764**	218,395
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial loss on defined benefit plan	**(57)**	(6,231)
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	**39**	(66)
Foreign currency translation differences	**17,697**	(14,263)
	21,639	(14,329)
Other comprehensive income for the year, net of tax	**21,582**	(20,560)
Total comprehensive income for the year	**282,346**	197,835
Total comprehensive income attributable to:		
Owners of the Company	**276,794**	199,569
Non-controlling interests	**5,552**	(1,734)
Total comprehensive income for the year	**282,346**	197,835

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

Statements of Financial Position

as at 31 March 2017

	Note	Group		Company	
		31.3.2017 $'000	**31.3.2016 $'000**	**31.3.2017 $'000**	**31.3.2016 $'000**
Equity attributable to owners of the Company					
Share capital	12	**367,947**	367,947	**367,947**	367,947
Treasury shares	12	**(30,374)**	(47,199)	**(30,374)**	(47,199)
Share-based compensation reserve	13	**12,610**	12,348	**12,610**	12,348
Statutory reserve	13	**8,314**	8,097	**–**	–
Foreign currency translation reserve	13	**(111,130)**	(126,644)	**–**	–
Revenue reserve		**1,361,966**	1,278,903	**1,133,294**	1,100,086
Other reserves	13	**(5,854)**	(2,691)	**(10,556)**	(7,293)
		1,603,479	1,490,761	**1,472,921**	1,425,889
Non-controlling interests		**87,697**	74,349	**–**	–
Total equity		**1,691,176**	1,565,110	**1,472,921**	1,425,889
Non-current assets					
Property, plant and equipment	14	**538,655**	516,792	**15,867**	13,991
Investment properties	15	**10,396**	13,929	**252,847**	262,644
Intangible assets	16	**157,948**	163,697	**3,326**	5,411
Investment in subsidiaries	17	**–**	–	**536,219**	541,114
Investment in associates	18	**590,114**	480,207	**305,910**	272,755
Investment in joint ventures	19	**80,733**	65,868	**12,014**	12,014
Long-term investments	20	**25,292**	8,304	**–**	7,886
Loan to subsidiaries	17	**–**	–	**328,753**	306,694
Deferred tax assets	21	**11,602**	15,462	**–**	–
Other non-current assets	22	**8,150**	11,810	**–**	–
		1,422,890	1,276,069	**1,454,936**	1,422,509

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

Statements of Financial Position

as at 31 March 2017

	Note	Group		Company	
		31.3.2017 $'000	**31.3.2016 $'000**	**31.3.2017 $'000**	**31.3.2016 $'000**
Current assets					
Trade and other receivables	23	**271,220**	277,402	**61,827**	45,851
Prepayments and deposits		**17,365**	18,464	**2,047**	2,344
Amounts due from associates/ joint ventures	18,19	**6,743**	10,434	**3,774**	1,895
Loan to subsidiaries	17	**–**	–	**900**	6,717
Inventories	24	**21,914**	22,375	**231**	245
Cash and short-term deposits	25	**505,804**	489,863	**300,686**	319,074
Assets of disposal groups classified as held for sale	26	**33,466**	11,099	**28,960**	–
		856,512	829,637	**398,425**	376,126
Current liabilities					
Trade and other payables	27	**330,946**	309,061	**237,888**	235,878
Amounts due to associates/ joint ventures	18,19	**4,878**	–	**–**	–
Income tax payable		**58,576**	51,382	**14,703**	13,203
Term loans	28	**9,998**	109,577	**–**	93,612
Finance leases	29	**427**	328	**–**	–
Liabilities of disposal group classified as held for sale	26	**5,073**	–	**–**	–
		409,898	470,348	**252,591**	342,693
Net current assets		**446,614**	359,289	**145,834**	33,433
Non-current liabilities					
Deferred tax liabilities	21	**55,454**	55,405	**25,840**	26,479
Term loans	28	**97,481**	–	**97,481**	–
Finance leases	29	**721**	831	**–**	–
Defined benefit plan	30	**2,250**	3,064	**–**	–
Other long-term liabilities		**22,422**	10,948	**4,528**	3,574
		178,328	70,248	**127,849**	30,053
Net assets		**1,691,176**	1,565,110	**1,472,921**	1,425,889

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 2017

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 2017

GROUP	Note	Attributable to owners of the Company										Non-controlling Interests	Total Equity
		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		
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2015		367,947	(56,377)	14,277	7,800	(109,926)	1,217,980	4,567	(5,286)	120	1,441,102	76,443	1,517,545
Profit for the year		–	–	–	–	–	220,591	–	–	–	220,591	(2,196)	218,395
Other comprehensive income for the year		–	–	–	–	(16,718)	(4,219)	–	–	(85)	(21,022)	462	(20,560)
Total comprehensive income for the year		–	–	–	–	(16,718)	216,372	–	–	(85)	199,569	(1,734)	197,835
Contributions by and distributions to owners													
Share-based payment		–	–	6,647	–	–	592	–	–	–	7,239	–	7,239
Share options lapsed		–	–	(313)	–	–	313	–	–	–	–	–	–
Treasury shares reissued pursuant to equity compensation plans		–	22,068	(8,263)	–	–	(592)	–	(2,007)	–	11,206	–	11,206
Purchase of treasury shares		–	(12,890)	–	–	–	–	–	–	–	(12,890)	–	(12,890)
Dividends, net	11	–	–	–	–	–	(155,465)	–	–	–	(155,465)	–	(155,465)
Total contributions by and distributions to owners		–	9,178	(1,929)	–	–	(155,152)	–	(2,007)	–	(149,910)	–	(149,910)
Others													
Capital contributions from non-controlling interests		–	–	–	–	–	–	–	–	–	–	490	490
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(850)	(850)
Transfer to statutory reserve		–	–	–	297	–	(297)	–	–	–	–	–	–
Balance at 31 March 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

* 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 2017

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

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 2015		367,947	(56,377)	14,277	1,061,313	(5,286)	1,381,874
Profit for the year		–	–	–	193,925	–	193,925
Total comprehensive income for the year		–	–	–	193,925	–	193,925
Contributions by and distributions to owners							
Share-based payment		–	–	6,647	592	–	7,239
Share options lapsed		–	–	(313)	313	–	–
Treasury shares reissued pursuant to equity compensation plans		–	22,068	(8,263)	(592)	(2,007)	11,206
Purchase of treasury shares		–	(12,890)	–	–	–	(12,890)
Dividends, net	11	–	–	–	(155,465)	–	(155,465)
Total contributions by and distributions to owners		–	9,178	(1,929)	(155,152)	(2,007)	(149,910)
Balance at 31 March 2016		367,947	(47,199)	12,348	1,100,086	(7,293)	1,425,889

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 2017

	Note	2016-17 $'000	2015-16 $'000
Cash flows from operating activities			
Profit before tax		**309,064**	265,171
Adjustments for:			
Interest and investment income, net		**(4,058)**	(2,336)
Depreciation and amortisation charges		**73,498**	70,373
Unrealised foreign exchange gain		**(991)**	(354)
Share of results of associates/joint ventures, net of tax		**(65,197)**	(48,009)
(Gain)/loss on disposal of property, plant and equipment		**(600)**	367
Gain on disposal of assets held for sale		**(9,301)**	–
Impairment of property, plant and equipment		**–**	2,065
Net gain from transfer of business to a joint venture		**–**	(2,543)
Loss on divestment/dilution of interest in associates		**717**	–
Share-based payment expense		**9,705**	7,239
Other non-cash items		**794**	1,441
Operating cash flows before working capital changes		**313,631**	293,414
Changes in working capital:			
(Increase)/decrease in receivables		**(2,271)**	2,613
Decrease/(increase) in prepayments and deposits		**1,099**	(1,937)
Decrease in inventories		**377**	5,328
Increase in payables		**30,420**	18,658
Decrease/(increase) in amounts due from associates/joint ventures		**8,569**	(8,202)
Cash generated from operations		**351,825**	309,874
Interest paid to third parties		**(1,593)**	(940)
Income taxes paid		**(41,308)**	(35,858)
Net cash from operating activities		**308,924**	273,076
Cash flows from investing activities			
Capital expenditure	25	**(88,124)**	(51,225)
Dividends from associates/joint ventures		**41,618**	33,615
Dividends from long-term investment, gross		**657**	664
Net cash flow from the investment in a joint venture		**–**	(2,356)
Proceeds from divestment of interest in associates		**221**	–
Proceeds from disposal of assets held for sale		**20,644**	–
Proceeds from disposal of property, plant and equipment		**2,196**	2,028
Investment in associates/joint ventures		**(75,304)**	(42,506)
Increase in long-term investments		**(24,535)**	–
Interest received from deposits		**2,987**	3,446
Net cash used in investing activities		**(119,640)**	(56,334)
Cash flows from financing activities			
Repayment of term loans		**(6,627)**	(544)
Repayment of finance leases and related charges		**(445)**	(495)
Proceeds from borrowings		**366**	1,381
Proceeds from exercise of share options		**5,749**	11,206
Dividends paid		**(178,218)**	(155,465)
Purchase of treasury shares		**(1,385)**	(12,890)
Capital contributions from non-controlling interests		**8,681**	490
Dividends paid to non-controlling interests		**(885)**	(850)
Net cash used in financing activities		**(172,764)**	(157,167)
Net increase in cash and cash equivalents		**16,520**	59,575
Effect of exchange rate changes		**1,983**	574
Cash and cash equivalents at beginning of financial year		**489,863**	429,714
Cash and cash equivalents at end of financial year	25	**508,366**	489,863

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

Notes to the Financial Statements

31 March 2017

The consolidated financial statements for the financial year ended 31 March 2017 were authorised for issue in accordance with a resolution of the Directors on 18 May 2017.

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 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

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

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

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.

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 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

During 2016, the Group commenced its initial assessment of the impact on the Group's financial statements. Based on the initial assessment, the Group does not expect a significant impact on its net assets and net profit. The Group plans to adopt the standard when it becomes effective in 2018. The Group is currently performing a detailed analysis under FRS 115 to determine if the full retrospective approach will be adopted and its election of the practical expedients and to quantify the transition adjustments on its financial statements.

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 2016, the Group commenced its initial assessment of the impact on the Group's financial statements. Based on the initial assessment, the Group does not expect a significant impact on its net assets and net profit. The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information; and is gathering data to quantify the potential impact arising from the adoption.

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

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

Applicable to Financial Year 2018-19 Financial Statements (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 2019. 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 2018 as described above.

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

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

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

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

Associates and joint ventures (cont'd)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

2.9 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.

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

2.9 Investment properties (cont'd)

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.

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.

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

2.10 Intangible assets (cont'd)

Other intangible assets (cont'd)

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.

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.

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

2.11 Financial assets (cont'd)

Subsequent measurement (cont'd)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

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

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

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.

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.

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 (cont'd)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

2.19 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.

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

2.21 Employee benefits (cont'd)

Equity compensation plans (cont'd)

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.

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.

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.

3.1 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. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

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.

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 and rental income 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	
	2016-17 $'000	**2015-16 $'000**
Food Solutions	**972,992**	967,399
Gateway Services	**750,791**	725,935
Others (rental and other services)	**5,582**	4,818
	1,729,365	1,698,152

5. STAFF COSTS

	Group	
	2016-17 $'000	**2015-16 $'000**
Salaries, bonuses and other costs *	**759,862**	751,177
CPF and other defined contributions	**84,572**	65,775
Defined benefit plan	**2,512**	1,746
Share-based compensation expense #	**9,705**	7,239
	856,651	825,937

* Included in salaries, bonuses and other costs are contract labour expenses of $113,402,000 (2016: $105,478,000).

Disclosures relating to share-based compensation expense are in Note 12.

6. OPERATING PROFIT

	Group	
	2016-17 $'000	**2015-16 $'000**
The following items have been included in arriving at operating profit:		
Directors' fees	**867**	862
Audit fee paid to auditors of the Company	**435**	368
Audit fee paid to other auditors	**240**	240
Non-audit fee paid to auditors of the Company	**71**	113
Non-audit fee paid to other auditors of the Company	**19**	–
Allowance of doubtful receivables and bad debts written off, net	**711**	1,132
Maintenance of equipment and vehicles	**40,093**	36,792
IT expenses	**22,005**	23,618
Lease of ground support equipment	**7,859**	7,688
Rental for leasehold land and premises	**15,310**	11,008
Exchange gain, net	**(991)**	(354)

7. INTEREST ON BORROWINGS

	Group	
	2016-17 $'000	**2015-16 $'000**
Interest expenses on loan from third parties	**1,240**	1,142

8. INTEREST INCOME

	Group	
	2016-17 $'000	**2015-16 $'000**
Interest income from third parties	**4,641**	3,468

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2017 and 2016 are:

	Group	
	2016-17 $'000	**2015-16 $'000**
Consolidated income statement:		
Current income tax:		
Current income taxation	**46,384**	42,879
Under/(over) provision in respect of prior years	**131**	(1,044)
	46,515	41,835
Deferred income tax (Note 21):		
Origination and reversal of temporary differences	**2,820**	1,888
(Over)/under provision of deferred taxation in respect of prior years	**(3,543)**	390
Withholding tax expenses on share of results of associates/joint ventures	**2,508**	2,663
Income tax expense recognised in profit or loss	**48,300**	46,776

9. INCOME TAX EXPENSE (cont'd)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March is as follows:

	Group	
	2016-17 $'000	**2015-16 $'000**
Accounting profit before tax	**309,064**	265,171
Taxation at statutory tax rate of 17% (2016: 17%)	**52,541**	45,079
Adjustments:		
Non-deductible expenses	**10,644**	9,695
Effect of different tax rates in other countries	**1,286**	(1,724)
Effect of reduction in tax rate	**80**	91
Under/(over) provision of current taxation in respect of prior years	**131**	(1,044)
(Over)/under provision of deferred taxation in respect of prior years	**(3,543)**	390
Utilisation of previously unrecognised tax losses/capital allowances	**(273)**	(536)
Tax exempt income	**(6,879)**	(2,485)
Effect of share of results of associates/joint ventures	**(8,939)**	(8,110)
Withholding tax expenses on share of results of associates/joint ventures	**2,508**	2,663
Deferred tax assets not recognised	**808**	2,807
Others	**(64)**	(50)
Income tax expense recognised in profit or loss	**48,300**	46,776

10. EARNINGS PER SHARE

	Group	
	2016-17 $'000	**2015-16 $'000**
Profit attributable to owners of the Company	**257,935**	220,591

	Group 31 March	
	2016-17	**2015-16**
Weighted average number of ordinary shares in issue used for computing basic earnings per share	**1,112,239,516**	1,108,694,593
Adjustment for share options, RSP and PSP	**8,480,475**	8,733,701
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	**1,120,719,991**	1,117,428,294
Earnings per share (cents)		
Basic	**23.2**	19.9
Diluted	**23.0**	19.7

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	
	2016-17 $'000	**2015-16 $'000**
Dividends paid:		
Final dividend of 10 cents (2016: 9 cents) per ordinary share in respect of previous financial year	**111,357**	99,912
Interim dividend of 6 cents (2016: 5 cents) per ordinary share in respect of current financial year	**66,861**	55,553
	178,218	155,465

Proposed but not recognised as a liability as at 31 March 2017:

	2016-17 $'000
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:	
Final dividend of 11 cents per ordinary share (one-tier tax exempt)	**122,596**

12. SHARE CAPITAL AND TREASURY SHARES

Share Capital

	Group and Company 31 March	
	2017 $'000	**2016 $'000**
Issued and fully paid share capital		
Ordinary shares		
Balance at beginning and end of the year: 1,124,056,275 (2016: 1,124,056,275) ordinary shares	**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.

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Treasury Shares

	Group and Company 31 March	
	2017 $'000	**2016 $'000**
Balance at beginning of the year: 15,053,333 (2016: 18,894,849) shares	**47,199**	56,377
Shares acquired during the year: 295,000 (2016: 3,532,600) shares	**1,385**	12,890
Shares reissued pursuant to equity compensation plans during the year: 5,800,978 (2016: 7,374,116) shares	**(18,210)**	(22,068)
Balance at end of the year: 9,547,355 (2016: 15,053,333) shares	**30,374**	47,199

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the year, 5,800,978 (2016: 7,374,116) treasury shares were reissued pursuant to the equity compensation plans of which 2,405,625 (2016: 4,834,000) were reissued for the Employee Share Option Plan, 2,038,853 (2016: 1,932,116) were reissued for the Restricted Share Plan, and 1,356,500 (2016: 608,000) were reissued for the Performance Share Plan.

Employee Share Option Plan

During the year, 2,405,625 (2016: 4,834,000) 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 2,405,625 (2016: 4,834,000) treasury shares.

Information with respect to the number of options granted under the Plan is as follows:

	Group 31 March			
	2017		**2016**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at beginning of the year	**6,208,785**	**$2.41**	11,697,085	$2.36
Exercised	**(2,405,625)**	**$2.39**	(4,834,000)	$2.32
Forfeited/lapsed	**(516,260)**	**$2.08**	(654,300)	$2.14
Outstanding at end of the year	**3,286,900**	**$2.48**	6,208,785	$2.41
Exercisable at end of the year	**3,286,900**	**$2.48**	6,208,785	$2.41

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Employee Share Option Plan (cont'd)

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	
	2016-17 $'000	**2015-16 $'000**
Proceeds received from share options exercised	**5,749**	11,206

Terms of share options outstanding as at 31 March 2017:

Exercise period	Exercise Price	Number Outstanding	Number Exercisable
02.07.2009 - 01.07.2017	$2.76	2,195,000	2,195,000
01.07.2010 - 30.06.2018	$1.92	1,091,900	1,091,900
		3,286,900[@]	3,286,900

[@] The total number of options outstanding includes 381,600 (2016: 823,100) 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.

Details of movements of share options:

Date of grant	Balance at 1.4.2016	Forfeited/ Lapsed	Exercised	Balance at 31.3.2017	Exercise price	Exercisable period
03.07.2006	886,885	(310,060)	(576,825)	–	$1.80	03.07.2007 – 02.07.2016
02.07.2007	3,764,600	(141,200)	(1,428,400)	2,195,000	$2.76	02.07.2009 – 01.07.2017
01.07.2008	1,557,300	(65,000)	(400,400)	1,091,900	$1.92	01.07.2010 – 30.06.2018
	6,208,785	(516,260)	(2,405,625)	3,286,900		

The range of exercise prices for options outstanding at the end of the year is $1.92 - $2.76 (2016: $1.80 - $2.76). The weighted average remaining contractual life for these options is 0.58 years (2016: 1.36 years).

The weighted average share price for options exercised during the year was $4.47 (2016: $3.56).

The Company has ceased to issue further grants of share options since the last grant in July 2008.

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

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 FY2010-11 to FY2012-13		
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on both corporate and individual performance achievement based on prior financial year.	Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year overlapping performance period based on stretched long-term corporate objectives.
Performance Conditions	Group PATMI@ performance equal or exceeds the Cost of Capital.	• EVA Improvement • Absolute Total Shareholder Return (TSR) • Relative TSR
Vesting Condition	Equal vesting over a four-year period.	Vesting based on meeting specified performance conditions over a three-year performance period.
Payout	100% depending on the achievement based on prior financial year.	0% - 200% depending on the achievement of specified performance targets over the performance period.
For grants in FY2013-14		
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 corporate 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 of pre-determined targets.	0% - 150% depending on the achievement of specified performance targets over the performance period.

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Share-Based Incentive Plans (cont'd)

	Restricted Share Plan ("RSP")	Performance Share Plan ("PSP")
For grants in FY2014-15 to FY2016-17		
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.
For award in September 2016		
Plan Description	Award of fully-paid ordinary shares of the Company.	
Performance Conditions	No performance conditions.	
Vesting Condition	No vesting conditions.	
Payout	100%	

^ ROE denotes Return on equity.
@ PATMI denotes Profit after tax and non-controlling interests.

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 2016	Aug 2015	Aug 2014	Dec 2013	Nov 2013
Expected dividend yield (%)			Management's forecast		
Expected volatility (%)	13.3	14.4	16.5	18.2	18.3
Risk-free interest rate (%)	0.8 – 1.1	0.8 – 1.3	0.3 – 0.7	0.3 – 0.4	0.3 – 0.4
Expected term (years)	0.9 – 2.9	0.9 – 2.9	0.9 – 2.9	0.3 – 2.3	0.4 – 2.4
Share price at date of grant ($)	4.40	3.82	3.01	3.18	3.19

PSP	Aug 2016	Nov 2015	Oct 2014	Dec 2013	Nov 2013
Expected dividend yield (%)			Management's forecast		
Expected volatility (%)	13.3	15.3	13.1	18.2	18.3
Risk-free interest rate (%)	1.07	1.46	0.71	0.43	0.40
Expected term (years)	2.9	2.8	2.8	2.3	2.4
Index (for Relative TSR)	MSCI Asia Pac ex-Japan Industrial Index	MSCI Asia Pac ex-Japan Industrial Index	Bloomberg Asia-Pacific Air Transportation Support Services Competitive Index	MSCI Asia Pac ex-Japan Industrial Index	MSCI Asia Pac ex-Japan Industrial Index
Index Volatility (%)	14.18	13.18	N.A	22.7	22.7
Correlation with Index (%)	10.9	14.7	N.A	60.8	62.3
Share price at date of grant ($)	4.40	3.84	3.04	3.18	3.19

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.

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Share-Based Incentive Plans (cont'd)

Fair values of RSP and PSP (cont'd)

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 1.4.2016/ Date of grant**	**Vested**	**Forfeited**	**Adjustments#**	**Balance at 31.3.2017**
01.08.2012	164,858	(164,858)	–	–	–
11.10.2012	11,495	(11,495)	–	–	–
15.11.2013	414,100	(414,100)	–	–	–
03.12.2013	54,700	(54,700)	–	–	–
06.08.2014	1,126,100	(602,000)	(32,200)	–	491,900
03.08.2015	1,415,500	(566,200)	(82,000)	283,100	1,050,400
01.08.2016	1,434,500	–	(89,500)	–	1,345,000
23.09.2016	225,500	(225,500)	–	–	–
	4,846,753	(2,038,853)	(203,700)	283,100	2,887,300

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

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 $3.99 to $4.28 (2016: $3.44 to $3.69).

PSP

	Number of performance shares				
Date of grant	**Balance at 1.4.2016/ Date of grant**	**Vested**	**Forfeited**	**Adjustments#**	**Balance at 31.3.2017**
15.11.2013	592,300	(867,500)	(14,000)	289,200	–
03.12.2013	326,000	(489,000)	–	163,000	–
20.10.2014	1,143,000	–	(97,000)	–	1,046,000
02.11.2015	1,710,000	–	(140,000)	–	1,570,000
01.08.2016	1,723,000	–	(140,000)	–	1,583,000
	5,494,300	(1,356,500)	(391,000)	452,200	4,199,000

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

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Share-Based Incentive Plans (cont'd)

Fair values of RSP and PSP (cont'd)

The estimated weighted average fair values at the date of grant for each share granted during the year under the PSP are $2.54 (2016: $3.12) 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 2017, were 2,887,300 (2016: 3,186,753) and 4,199,000 (2016: 3,771,300) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from 1,542,300 to 3,156,300 (2016: 1,771,253 to 3,469,853) and zero to a maximum of 6,298,500 (2016: zero to maximum 5,656,950) fully-paid ordinary shares of the Company, for RSP and PSP respectively.

For the current financial year, the Group has provided $9,705,000 (2016: $7,239,000) in respect of the RSP and PSP based on the fair values determined on grant date and estimation of share grants that will ultimately vest of which, $707,000 relates to 225,500 shares awarded to the eligible non-management employees to recognise their contributions. The cost was based on the average treasury share price at grant date.

The total amount recognised in profit or loss for share-based compensation transactions with employees can be summarised as follows:

	Group	
	2016-17 $'000	**2015-16 $'000**
Share-based compensation expense		
Restricted share plan	**6,518**	5,955
Performance share plan	**3,187**	1,284
	9,705	7,239

13. OTHER 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.

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 2015	104,404	737,498	123,779	309,919	65,564	52,604	46,743	20,013	1,460,524
Translation	5,778	–	32	(34)	(396)	309	438	–	6,127
Reclassifications	–	755	7,274	6,465	878	712	–	(16,084)	–
Transfers to:									
Investment properties (Note 15)	–	(31,865)	–	–	–	–	–	–	(31,865)
Intangible assets (Note 16)	–	–	–	–	–	(3,805)	–	(82)	(3,887)
Additions	2,340	152	1,425	2,893	3,625	4,977	7,401	24,645	47,458
Reclassifications to assets held for sale (Note 26)	(5,400)	(5,763)	–	–	–	(7,989)	–	–	(19,152)
Reclassifications from assets held for sales	–	–	–	186	–	13	(55)	275	419
Disposals	(1,207)	–	(1,948)	(1,623)	(2,892)	(3,768)	(3,153)	–	(14,591)
Impairment	(2,065)	–	–	–	–	–	–	–	(2,065)
At 31 March 2016 and 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)	–
Transfers from/(to) intangible assets (Note 16)	–	–	281	–	–	(200)	–	12	93
Additions	1,121	49	1,153	4,602	11,027	2,873	5,488	60,431	86,744
Reclassifications 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	94,748	700,826	147,835	330,986	52,878	45,071	55,263	58,677	1,486,284

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 2015	11,683	444,383	76,041	283,808	36,226	35,287	21,434	–	908,862
Translation	1,549	–	(2)	(18)	(288)	193	246	–	1,680
Reclassifications	–	–	49	–	–	(49)	–	–	–
Transfers to:									
Investment properties (Note 15)	–	(23,485)	–	–	–	–	–	–	(23,485)
Intangible assets (Note 16)	–	–	–	–	–	(1,107)	–	–	(1,107)
Depreciation	4,308	25,458	7,957	6,916	5,985	4,415	5,323	–	60,362
Reclassifications to assets held for sale (Note 26)	–	(1,533)	–	–	–	(6,520)	–	–	(8,053)
Reclassifications from assets held for sales	–	–	–	137	–	2	(26)	–	113
Disposals	(849)	–	(1,920)	(1,256)	(2,399)	(3,236)	(2,536)	–	(12,196)
At 31 March 2016 and 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
Reclassifications 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	9,271	469,385	88,815	296,498	24,377	31,412	27,871	–	947,629
Carrying amount									
At 1 April 2015	92,721	293,115	47,738	26,111	29,338	17,317	25,309	20,013	551,662
At 31 March 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

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 2015	2,675	11	2,549	95	6,332	11,662
Transfers to investment properties (Note 15)	–	–	–	–	(4,364)	(4,364)
Additions	111	4	6	–	10,718	10,839
Disposals	(19)	(11)	(26)	–	–	(56)
At 31 March 2016 and 1 April 2016	2,767	4	2,529	95	12,686	18,081
Reclassifications	2,422	–	40	–	(2,462)	–
Transfers to investment properties (Note 15)	–	–	–	–	(17,055)	(17,055)
Additions	15	–	2	46	19,377	19,440
Disposals	–	–	(110)	–	–	(110)
At 31 March 2017	5,204	4	2,461	141	12,546	20,356
Accumulated depreciation						
At 1 April 2015	1,455	11	2,204	69	–	3,739
Depreciation	206	–	198	3	–	407
Disposals	(19)	(11)	(26)	–	–	(56)
At 31 March 2016 and 1 April 2016	1,642	–	2,376	72	–	4,090
Depreciation	336	–	169	4	–	509
Disposals	–	–	(110)	–	–	(110)
At 31 March 2017	1,978	–	2,435	76	–	4,489
Carrying amount						
At 1 April 2015	1,220	–	345	26	6,332	7,923
At 31 March 2016	1,125	4	153	23	12,686	13,991
At 31 March 2017	3,226	4	26	65	12,546	15,867

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Group		Company	
	2016-17 $'000	2015-16 $'000	2016-17 $'000	2015-16 $'000
Depreciation charge for the financial year				
Freehold land and buildings	**5,148**	4,308	**–**	–
Leasehold land and buildings	**24,562**	25,458	**–**	–
Office fittings and fixtures	**9,444**	7,957	**–**	–
Fixed ground support equipment	**7,100**	6,916	**336**	206
Mobile ground support equipment	**7,086**	5,985	**–**	–
Office and commercial equipment	**4,189**	4,415	**169**	198
Motor vehicles	**5,122**	5,323	**4**	3
	62,651	60,362	**509**	407

The Group's carrying amount of property, plant and equipment under finance leases is $1,154,000 (2016: $1,154,000). In addition to assets held under finance leases, the Group's property, plant and equipment with a carrying amount of $9,737,000 (2016: $15,032,000) are pledged to secure the Group's bank loans.

15. INVESTMENT PROPERTIES

	Group $'000	Company $'000
Cost		
At 1 April 2015	**21,923**	743,253
Translation	**(347)**	–
Transfers from property, plant and equipment (Note 14)	**31,865**	4,364
Transfers from intangible assets (Note 16)	**–**	109
Additions	**–**	138
Disposals	**–**	(7)
At 31 March 2016 and 1 April 2016	**53,441**	747,857
Translation	**412**	–
Transfers from property, plant and equipment (Note 14)	**–**	17,055
Additions	**–**	188
Disposals	**–**	(956)
Transfers to assets held for sale (Note 26)	**(6,370)**	–
At 31 March 2017	**47,483**	764,144
Accumulated depreciation		
At 1 April 2015	**14,939**	459,396
Transfers from property, plant and equipment (Note 14)	**23,485**	–
Depreciation	**1,088**	25,824
Disposals	**–**	(7)
At 31 March 2016 and 1 April 2016	**39,512**	485,213
Depreciation	**1,881**	26,869
Disposals	**–**	(785)
Transfers to assets held for sale (Note 26)	**(4,306)**	–
At 31 March 2017	**37,087**	511,297
Carrying amount		
At 1 April 2015	**6,984**	283,857
At 31 March 2016	**13,929**	262,644
At 31 March 2017	**10,396**	252,847

15. INVESTMENT PROPERTIES (cont'd)

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.

Information relating to the fair values of the investment properties of the Group as at 31 March 2017 is as follows:

	Carrying value $'000	Fair value $'000
Investment properties	10,396	40,829

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 as at 31 March 2017 is as follows:

	Carrying value $'000	Fair value $'000
Investment properties rented by Company to third parties	2,665	18,000

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 2017 from its investment properties which are leased out under operating leases, amounted to $4,903,000 and $47,247,000 (2016: $4,469,000 and $46,595,000) respectively.

Direct operating expenses (including repairs and maintenance) incurred on rental-earning investment properties amounted to $1,177,000 and $36,728,000 (2016: $1,132,000 and $33,303,000) 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 2015	94,741	3,014	129,359	26,814	38,755	292,683
Translation	74	–	863	–	225	1,162
Transfers (Note 14)	6,028	(2,141)	–	–	–	3,887
Additions	385	2,836	–	–	–	3,221
Disposals	(58)	–	–	–	–	(58)
At 31 March 2016 and 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)	–	–	–	–
Transfers (Note 14)	200	(293)	–	–	–	(93)
Additions	408	2,189	–	–	–	2,597
Disposals	(643)	–	–	–	–	(643)
At 31 March 2017	103,696	3,110	130,984	26,814	39,234	303,838
Accumulated depreciation						
At 1 April 2015	82,968	–	–	11,810	32,378	127,156
Translation	70	–	–	–	–	70
Transfers (Note 14)	1,107	–	–	–	–	1,107
Amortisation	5,665	–	–	1,915	1,343	8,923
Disposals	(58)	–	–	–	–	(58)
At 31 March 2016 and 1 April 2016	89,752	–	–	13,725	33,721	137,198
Translation	60	–	–	–	(9)	51
Transfers (Note 14)	200	–	–	–	–	200
Amortisation	5,522	–	–	1,915	1,529	8,966
Disposals	(525)	–	–	–	–	(525)
At 31 March 2017	95,009	–	–	15,640	35,241	145,890
Carrying amount						
At 1 April 2015	11,773	3,014	129,359	15,004	6,377	165,527
At 31 March 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

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"), formerly known as SATS Institutional Catering
- TFK Corporation

The carrying amounts of goodwill allocated to each CGU are as follows:

	SFS 31 March		TFK Corporation 31 March	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Goodwill	**111,791**	111,791	**19,193**	18,431

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	
	2017 %	2016 %	2017 %	2016 %
Growth rates	**1.0**	1.0	**0.8**	1.3
Discount rates	**7.1**	7.3	**7.5**	7.7

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 2015	26,093	864	26,957
Additions	167	1,059	1,226
Reclassifications	599	(599)	–
Transfer to investment properties (Note 15)	–	(109)	(109)
At 31 March 2016 and 1 April 2016	26,859	1,215	28,074
Additions	142	983	1,125
Reclassifications	926	(926)	–
Disposal	(268)	–	(268)
At 31 March 2017	27,659	1,272	28,931
Accumulated amortisation			
At 1 April 2015	19,349	–	19,349
Amortisation	3,314	–	3,314
At 31 March 2016 and 1 April 2016	22,663	–	22,663
Amortisation	3,092	–	3,092
Disposal	(150)	–	(150)
At 31 March 2017	25,605	–	25,605
Carrying amount			
At 1 April 2015	6,744	864	7,608
At 31 March 2016	4,196	1,215	5,411
At 31 March 2017	2,054	1,272	3,326

17. INVESTMENT IN SUBSIDIARIES

	Company 31 March	
	2017 $'000	**2016 $'000**
Unquoted shares, at cost	**536,219**	541,114

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)**	**2017 $'000**	**2016 $'000**	**2017 %**	**2016 %**
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
Aerolog Express Pte Ltd [a]	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
Asia-Pacific Star Private Limited [a]	Airport ground handling services and inflight catering services	**#**	#	**100**	100
SATS HK Limited [b,h] (Hong Kong)	Ramp services, passenger handling services and operations control services (Hong Kong)	**–**	5,157	**100**	100
SATS Food Services Pte. Ltd. [a] (Formerly known as Singapore Food Industries Pte. Ltd.)	Food processing and distribution services	**487,260**	487,260	**100**	100
SATS Investments Pte. Ltd. [a]	Investment holding	**#**	#	**100**	100
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**	84	**100**	100
SATS Saudi Arabia [b, f] (Saudi Arabia)	Cargo handling (Saudi Arabia)	**145**	–	**80**	–
		536,219	541,114		

17. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of companies (Country of incorporation)	Principal activities (Place of business)	Group 31 March Equity held 2017 %	2016 %
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, f] (Saudi Arabia)	Cargo handling (Saudi Arabia)	**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
Singapore Food Development Pte Ltd [a, j]	Investment holding	**–**	100
SFI Food Pte. Ltd. [a]	Provision of technical and management services for agri–food business	**100**	100
SG IPF Pte Ltd [a]	Investment holding	**100**	100
SFI Manufacturing Private Limited [a]	Supply of food products and catering services	**100**	100
SATS Investments (Middle East I) Pte. Ltd. [a, j]	Inactive	**–**	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, g]	Supply high quality and safe food to the Chinese market	**60**	–
Held through SATS Investments Pte. Ltd.			
TFK Corporation [b,d] (Japan)	Inflight catering services (Japan)	**59.4**	59.4
Food And Allied Support Services Corporation Pte. Ltd. [a]	Remote catering and housekeeping services	**51**	51

17. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of companies (Country of incorporation)	Principal activities (Place of business)	Group 31 March Equity held 2017 %	Group 31 March Equity held 2016 %
Held through TFK Corporation			
Inflight Foods Co., Ltd.[d, i] (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.[d, i] (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[d, i] (Japan)	Inflight catering services, and provision of manpower to inflight catering operators (Japan)	**59.4**	59.4
Tokyo Flight Kitchen Restaurantes LTDA[d, i] (Brazil)	Real estate management (Brazil)	**59.4**	59.4
TFK International (N.Z.) Limited[d] (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[b] (Australia)	Catering, housekeeping and other allied services (Australia)	**51**	51
FASSCO International (India) Private Limited[b] (India)	Catering, housekeeping and other allied services (India)	**51**	51
FASSCO Catering Services LLC[b, e] (Abu Dhabi)	Catering and allied services (Abu Dhabi)	**25**	25

[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] Percentage of equity held excludes Treasury Shares held by TFK Corporation.
[e] FASSCO Catering Services LLC is held through Food And Allied Support Services Corporation Pte. Ltd. (a subsidiary) which has dividend right of 97% in the subsidiary company.
[f] Incorporated on 17 August 2016.
[g] Incorporated on 14 September 2016.
[h] The cost of investment was transferred to assets held for sale as at March 2017.
[i] Not required to be audited under the laws of their countries of incorporation.
[j] Struck off pursuant to Section 344 of the Companies Act, Chapter 50 on 9 March 2017.
[#] Amount is $2.

17. INVESTMENT IN SUBSIDIARIES (cont'd)

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 2017	40.6	3,049	(58,380)	258
31 March 2016	40.6	(4,713)	(52,960)	224

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	
	2016-17 $'000	**2015-16 $'000**
Revenue	**259,477**	221,657
Profit/(loss) before income tax	**5,392**	(5,411)
Income tax credit/(expense)	**1,708**	(344)
Profit/(loss) after tax	**7,100**	(5,755)
Other comprehensive income	**7,645**	1,914
Total comprehensive profit/(loss)	**14,745**	(3,841)

Summarised statement of financial position as at 31 March:

	TFK	
	2017 $'000	**2016 $'000**
Current		
Assets	**83,303**	70,969
Liabilities	**51,667**	54,145
Net current assets	**31,636**	16,824
Non-current		
Assets	**142,086**	146,779
Liabilities	**10,738**	14,729
Net non-current assets	**131,348**	132,050
Net assets	**162,984**	148,874

17. INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information about subsidiaries with material NCI (cont'd)

Other summarised information:

	TFK	
	2016-17 $'000	**2015-16 $'000**
Net cash in/(out) flows from operations	**21,262**	(1,240)
Acquisition of significant property, plant and equipment	**(3,031)**	(6,318)

Company

Loan to subsidiaries

Loans to subsidiaries amounting to $329,653,000 (2016: $313,411,000) comprise the following:

(i) An amount of $NIL (2016: $15,856,000) which is unsecured, bears interest at 3 months HIBOR per annum and no fixed term of repayment;

(ii) An amount of $NIL (2016: $5,721,000) which is unsecured, bears interest at 3 months SIBOR plus 1.7% per annum and is repayable on 31 March 2017;

(iii) An amount of $2,912,000 (2016: $3,763,000) which is unsecured, bears interest at 5% per annum and is repayable in ten equal installments and fully paid up on 1 January 2020;

(iv) An amount of $NIL (2016: $97,000) which is unsecured, bears interest at 3 months SIBOR plus 1.5% per annum and is repayable by 1 October 2016;

(v) An amount of $217,000 (2016: $235,000) which is unsecured, bears interest at 3% per annum and is repayable by 29 March 2019; and

(vi) The remaining loans amounting to $326,524,000 (2016: $287,739,000) are unsecured, non-interest bearing, repayable on demand and not expected to be repaid in the next twelve months.

	Company	
	2017 $'000	**2016 $'000**
Loan to subsidiaries:		
Non-current	**328,753**	306,694
Current	**900**	6,717
	329,653	313,411

18. INVESTMENT IN ASSOCIATES

	Group 31 March		Company 31 March	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Quoted shares, at cost	**116,428**	116,428	**–**	–
Unquoted shares, at cost	**412,143**	333,021	**316,354**	283,199
Impairment loss	**(3,313)**	(3,313)	**(10,444)**	(10,444)
Share of post-acquisition results of associates	**196,311**	181,004	**–**	–
Accumulated amortisation of goodwill and intangible assets	**(46,291)**	(44,461)	**–**	–
Share of statutory reserves of associates	**8,242**	8,079	**–**	–
Share of changes recognised directly in associates' equity	**1,122**	(1,244)	**–**	–
Foreign currency translation adjustments	**(94,528)**	(109,307)	**–**	–
	590,114	480,207	**305,910**	272,755

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" account in the consolidated income statement.

Amounts due from associates

The amounts due from associates amounting to $1,820,000 (2016: $700,000) 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)**	**2017 $'000**	**2016 $'000**	**2017 %**	**2016 %**
Held by the Company					
Maldives Inflight Catering Private Limited [a] (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**	40.0
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

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 2017 $'000	2016 $'000	Equity held 2017 %	2016 %
Held by the Company (cont'd)					
Tan Son Nhat Cargo Services Limited [e, o] (Vietnam)	Air cargo handling services (Vietnam)	**979**	979	**15.0**	15.0
Asia Airfreight Terminal Company Limited [f] (Hong Kong)	Air cargo handling services (Hong Kong)	**85,099**	92,662	**45.0**	49.0
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**	10,651	**33.0**	33.0
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,s] (Taiwan)	Provision of airline catering services (Taiwan)	**39,765**	–	**25**	–
		316,354	283,199		
Held through TFK Corporation					
Tasco Foods Co., Ltd. (Japan)	Production and sales of confectionery (Japan)	**2,748**	2,748	**29.6**	29.6
International Airport Cleaning Co., Ltd. [p] (Japan)	Providing laundry services (Japan)	**–**	39	**–**	16.4

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)	2017 $'000	2016 $'000	2017 %	2016 %
Held through SATS Investments Pte. Ltd.					
Brahim's SATS Investment Holdings Sdn. Bhd. [q,o] (Formerly known as Brahim's Airline Catering Holdings Sdn. Bhd.) (Malaysia)	Airline catering and catering related services (Malaysia)	**49,057**	37,457	**49.0**	49.0
Oman Air SATS Cargo LLC [r,o] (Oman)	Air cargo handling services (Oman)	**23,038**	–	**33.0**	–
Held through SATS Food Services Pte. Ltd.					
Jilin Zhong Xin Cheng Food Co., Ltd. [n,o] (Formerly known as Jilin CSD 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**	9,578	**30.0**	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 Catering Pte. Ltd.					
PT Purantara Mitra Angkasa Dua [m,o] (Indonesia)	Aviation catering services (Indonesia)	**11,368**	–	**20**	–
		528,571	449,449		

[a] Audited by Ernst & Young, Maldives.
[b] Audited by Zhongrui Yuehua 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] International Airport Cleaning Co., Ltd. is held through TFK Corporation (a subsidiary) who has an equity stake of 27.7% in the associate was divested on 15 June 2016.
[q] Audited by PricewaterhouseCoopers, Malaysia.
[r] Audited by Deloitte and Touche (M.E.) & Co. LLC, Oman.
[s] Evergreen Sky Catering Corporation was classified in long-term investment in FY2015-16.

18. INVESTMENT IN ASSOCIATES (cont'd)

Associates (cont'd)

The Group has not recognised losses relating to Beijing Aviation Ground Services Co.,Ltd where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $8,983,000 (2016: $7,512,000), of which $1,471,000 (2016: $3,106,000) was the share of the current year's losses. The Group has no obligation in respect of these unrecognised losses.

On 22 January 2016, SATS Ltd. completed its acquisition of an additional 13% equity interest in MacroAsia Catering Services, Inc. ("MACS") for a base consideration of PHP168,800,000 ($5,049,000) and a potential earn-out consideration subject to the achievement of certain stipulated targets in the purchase agreement. The fair value of the earn-out consideration as at date of acquisition amounted to $3,575,000 was determined on a provisional basis. Additional earn-out consideration of $953,000 was provided during the current year. The earned-out provision of $4,528,000 was classified in long-term liabilities.

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 reviewed the performance of BSIH and recorded a potential earn-out consideration of $11,600,000 under investment in associates as well as long-term liabilities in the current year.

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%. Following this acquisition, a provisional assessment on the fair value of ESCC's identifiable assets and liabilities over the cost of investment was done which resulted in the recognition of negative goodwill of $14,998,000 in the current year under "Share of results of associates/joint ventures, net of tax". The negative goodwill arose mainly due to the increase in value over the cost of investment since the initial 15% equity investment in ESCC in 1995. The negative goodwill is subject to further adjustment upon the finalization of the fair value of the identifiable assets and liabilities. ESCC has since been accounted for as associate instead of long-term investment after the increased stake.

As at 31 March 2017, the Company transferred its 4% equity interest in Asia Airfreight Terminal Company Limited ("AAT") to assets held for sale [Note 26(b)].

18. INVESTMENT IN ASSOCIATES (cont'd)

The Group's material investments in associates are summarised below:

	31 March	
	2017 $'000	**2016 $'000**
PT Jasa Angkasa Semesta, Tbk ("PT Jas")	**59,545**	57,203
Asia Airfreight Terminal Company Limited ("AAT")	**121,208**	128,699
PT Cardig Aero Services Tbk ("PT Cas")	**123,088**	114,058
Other associates	**286,273**	180,247
	590,114	480,207
Fair value of PT Cas based on the quoted market price at 31 March (Level 1 in the fair value hierarchy)	**72,102**	100,186

Aggregate information about the Group's investments in associates that are not individually material are as follows:

	2016-17 $'000	**2015-16 $'000**
Share of profits after tax	**34,110**	14,799
Other comprehensive income	**3,050**	(6,957)
Total comprehensive income	**37,160**	7,842

Share of profits after tax included the negative goodwill of $14,998,000 in relation to ESCC.

The summarised financial information in respect of PT Jas, AAT and PT Cas, 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	
	2016-17 $'000	**2015-16 $'000**	**2016-17 $'000**	**2015-16 $'000**	**2016-17 $'000**	**2015-16 $'000**
Revenue	**133,345**	120,521	**111,381**	118,659	**187,065**	169,202
Profit after tax	**32,691**	31,869	**14,701**	21,497	**13,216**	11,418
Other comprehensive income	**(1,121)**	(442)	**–**	–	**(779)**	168
Total comprehensive income	**31,570**	31,427	**14,701**	21,497	**12,437**	11,586

18. INVESTMENT IN ASSOCIATES (cont'd)

Summarised statement of financial position as at 31 March:

	PT Jas		AAT		PT Cas	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Current assets	**34,120**	39,516	**131,336**	116,744	**116,407**	97,063
Non-current assets excluding goodwill	**40,409**	15,791	**137,190**	145,298	**57,666**	33,614
Goodwill	**–**	–	**–**	–	**1,797**	1,746
Total assets	**74,529**	55,307	**268,526**	262,042	**175,870**	132,423
Current liabilities	**40,720**	24,510	**18,050**	16,497	**51,657**	43,078
Non-current liabilities	**10,306**	9,252	**13,871**	14,575	**38,366**	31,338
Total liabilities	**51,026**	33,762	**31,921**	31,072	**90,023**	74,416
Net assets	**23,503**	21,545	**236,605**	230,970	**85,847**	58,007
Net assets excluding goodwill	**23,503**	21,545	**236,605**	230,970	**84,050**	56,261
Less: Non-controlling interest	**–**	–	**–**	–	**17,637**	11,456
	23,503	21,545	**236,605**	230,970	**66,413**	44,805
Proportion of the Group's ownership	**49.8%**	49.8%	**45.0%**	49.0%	**41.7%**	41.7%
Group's share of net assets	**11,703**	10,728	**106,472**	113,175	**27,661**	18,661
Goodwill on acquisition and intangible assets	**47,842**	46,475	**14,736**	15,524	**95,427**	95,397
Carrying amount of the investment	**59,545**	57,203	**121,208**	128,699	**123,088**	114,058

	PT Jas		AAT		PT Cas	
	2016-17 $'000	**2015-16 $'000**	**2016-17 $'000**	**2015-16 $'000**	**2016-17 $'000**	**2015-16 $'000**
Group's interest in net assets of investee at beginning of the year	**57,203**	60,666	**128,699**	130,111	**114,058**	116,869
Group's share of:						
Profit	**16,278**	15,868	**7,203**	10,534	**3,012**	2,297
Other comprehensive income	**1,341**	(2,164)	**4,362**	(2,514)	**6,980**	(3,250)
Movement in other reserves	**–**	–	**–**	–	**44**	–
Equity stake held for sale	**–**	–	**(10,774)**	–	**–**	–
Total comprehensive income	**17,619**	13,704	**791**	8,020	**10,036**	(953)
Dividends received during the year	**(15,277)**	(17,167)	**(8,282)**	(9,432)	**(1,006)**	(1,858)
Carrying amount of interest in investee at end of the year	**59,545**	57,203	**121,208**	128,699	**123,088**	114,058

19. INVESTMENT IN JOINT VENTURES

	Group 31 March		Company 31 March	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Unquoted shares, at cost	**45,513**	36,494	**12,014**	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	**25,937**	21,958	**–**	–
Foreign currency translation	**(7,113)**	(8,980)	**–**	–
	80,733	65,868	**12,014**	12,014

Amounts due from/to joint ventures

The amounts due from joint ventures amounting to $4,923,000 (2016: $9,734,000) and amount due to joint ventures amounting to $4,878,000 (2016: Nil) 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)	2017 $'000	2016 $'000	2017 %	2016 %
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
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
Held through Asia-Pacific Star Private Limited					
DFASS SATS Pte. Ltd. [b] (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)	**9,019**	–	**50.0**	–
		45,513	36,494		

[a] Audited by BSR & Co, LLP, India.
[b] Audited by KPMG, Singapore.

Although the Group holds an ownership interest of 51% in SATS BRF Food Pte. Ltd. ("SBRF") [Note 26(f)], 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.

19. INVESTMENT IN JOINT VENTURES (cont'd)

The summarised financial information in respect of Air India SATS Airport Services Private Limited ("AISATS") and SATS BRF Food Pte. Ltd. ("SBRF") 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:

	AISATS		SBRF	
	2016-17 $'000	2015-16 $'000	**2016-17 $'000**	2015-16 $'000
Revenue	**126,828**	123,678	**254,194**	209,714
Operating expenses	**(113,398)**	(109,559)	**(258,923)**	(211,717)
Interest expenses	**(1,909)**	(760)	**6**	123
Profit/(loss) before tax	**11,521**	13,359	**(4,723)**	(1,880)
Income tax expenses	**(1,361)**	(2,641)	**(97)**	379
Profit/(loss) after tax	**10,160**	10,718	**(4,820)**	(1,501)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**10,160**	10,718	**(4,820)**	(1,501)

Summarised statement of financial position as at 31 March:

	AISATS		SBRF	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Cash and cash equivalents	**8,992**	15,120	**15,786**	13,725
Inventories	**1,117**	816	**22,902**	32,661
Trade receivable	**42,204**	34,578	**30,130**	33,858
Current assets	**52,313**	50,514	**68,818**	80,244
Non-current assets	**72,850**	49,600	**5,377**	5,308
Total assets	**125,163**	100,114	**74,195**	85,552
Current liabilities	**43,113**	39,968	**32,517**	39,054
Non-current liabilities	**11,690**	2,451	**–**	–
Total liabilities	**54,803**	42,419	**32,517**	39,054
Net assets	**70,360**	57,695	**41,678**	46,498
Net assets excluding goodwill	**70,360**	57,695	**41,678**	46,498
Proportion of the Group's ownership	**50.0%**	50.0%	**51.0%**	51.0%
Group's share of net assets	**35,180**	28,848	**21,256**	23,714
Fair value remeasurement on retained interest	**–**	–	**13,306**	13,306
Carrying amount of the investment	**35,180**	28,848	**34,562**	37,020

19. INVESTMENT IN JOINT VENTURES (cont'd)

	AISATS		SBRF	
	2016-17 $'000	**2015-16 $'000**	**2016-17 $'000**	**2015-16 $'000**
Group's interest in net assets of investee at beginning of the year	**28,848**	26,868	**37,020**	–
Net investment (see below)	**–**	–	**–**	37,786
Group's share of total comprehensive income for the year	**6,947**	3,280	**(2,458)**	(766)
Dividends received during the year	**(615)**	(1,300)	**–**	–
Carrying amount of interest in investee at end of the year	**35,180**	28,848	**34,562**	37,020

The net investment in SBRF [Note 26(f)] is derived as follows:

	2016-17 $'000	**2015-16 $'000**
Cost of investment via assets transferred to SBRF	**–**	61,243
Intangibles written off, included in loss on disposal	**–**	(13,243)
	–	48,000
Interest retained by the Group at 51%	**–**	24,480
Fair value remeasurement on retained interest	**–**	13,306
Net investment in SBRF	**–**	37,786

20. LONG-TERM INVESTMENTS

	Group 31 March		Company 31 March	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Unquoted equity investment, at cost	**414**	8,255	**–**	7,886
Loan, secured	**24,827**	–	**–**	–
Others	**51**	49	**–**	–
	25,292	8,304	**–**	7,886

As at 31 March 2017, the Group made an investment in a 5-year secured loan of US$17,800,000 at interest rate of 6.5% per annum.

The unquoted equity investment as at 31 March 2016 relates to the investment in Evergreen Sky Catering Corporation ("ESCC"), whose principal activity is provision of airline catering services. As at 31 March 2017, the Group's investment in ESCC amounting to $7,886,000, has been reclassified to investment in associates (Note 18) from long-term investments following the acquisition of additional 10% equity interest during the year.

21. DEFERRED TAXATION

	Group			
	Statement of Financial Position 31 March		Consolidated Income Statement	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Deferred tax liabilities				
Differences in depreciation and amortisation for tax purposes	**45,116**	43,041	**(1,568)**	643
Identified intangible assets	**3,587**	4,294	**804**	842
Unremitted foreign dividend and interest income	**6,459**	6,459	**–**	(237)
Provisions	**(3,132)**	–	**3,175**	(9)
Defined benefit plan	**(2,498)**	(2,919)	**(234)**	(409)
Unutilised tax losses/capital allowances	**(6,438)**	(6,066)	**121**	1,797
Undistributed earnings of associates	**12,486**	10,776	**(4,166)**	(3,428)
Other temporary differences	**(126)**	(180)	**(150)**	–
	55,454	55,405		
Deferred tax assets				
Provisions	**339**	416	**(80)**	1
Unutilised tax losses	**1,127**	4,981	**(13)**	(262)
Differences in depreciation and amortisation for tax purposes	**10,136**	10,065	**326**	(3,879)
	11,602	15,462		
			(1,785)	(4,941)

21. DEFERRED TAXATION (cont'd)

	Company	
	Statement of Financial Position 31 March	
	2017 $'000	2016 $'000
Deferred tax liabilities		
Differences in depreciation and amortisation for tax purposes	**19,381**	20,020
Unremitted foreign dividend and interest income	**6,459**	6,459
	25,840	26,479

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses and capital allowances of approximately $19,800,000 (2016: $16,954,000) 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 (2016: 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade and other receivables:				
Trade receivables	**124,033**	135,557	**2,435**	2,316
Staff loans	**24**	60	**23**	49
Sundry receivables	**12,348**	9,104	**1,621**	2,156
Amounts due from related companies - Trade	**134,815**	132,681	**–**	–
Amounts due from related companies - Non-trade	**–**	–	**57,748**	41,330
	271,220	277,402	**61,827**	45,851

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 companies:

	Group 31 March		Company 31 March	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Not past due and not impaired	**203,793**	208,600	**1,647**	2,004
Past due but not impaired *	**55,055**	59,638	**788**	312
	258,848	268,238	**2,435**	2,316
Other impaired trade receivables				
- individually assessed	**2,533**	2,270	**251**	44
Less: Accumulated impairment losses	**(2,533)**	(2,270)	**(251)**	(44)
	–	–	**–**	–
Total trade receivables, net	**258,848**	268,238	**2,435**	2,316
* Aging of trade receivables that are past due but not impaired:				
Less than 30 days	**25,693**	25,606	**119**	97
30 days to 60 days	**10,348**	16,677	**65**	32
61 days to 90 days	**5,955**	4,299	**139**	30
More than 90 days	**13,059**	13,056	**465**	153
	55,055	59,638	**788**	312

Trade receivables denominated in foreign currencies at 31 March are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
United States Dollar	**3,563**	3,188	**–**	96
Thai Baht	**–**	543	**–**	–

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.

23. TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables are stated after impairment. Analysis of the impairment account is as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Balance at 1 April	**2,270**	1,761	**44**	98
Exchange differences	**17**	2	**–**	–
Write-off against provisions	**(71)**	(511)	**–**	–
Charge/(write-back) to income statement	**449**	1,018	**207**	(54)
Transfer to assets held for sale	**(925)**	–	**–**	–
Balance at 31 March	**1,740**	2,270	**251**	44
Bad debts write-off directly to income statement	**262**	114	**8**	–

Staff loans

There is no interest charge on the staff loans (2016: No interest).

Sundry receivables

Sundry receivables are unsecured, interest-free and repayable upon demand.

Amounts due from related companies

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Statements of Financial Position:				
Food supplies and dry stores (at cost)	**11,770**	11,888	**–**	–
Technical spares (at cost)	**9,773**	10,172	**–**	–
Other consumables (at cost)	**371**	315	**231**	245
Total inventories at lower of cost or net realisable value	**21,914**	22,375	**231**	245

	Group		Company	
	2016-17 $'000	2015-16 $'000	2016-17 $'000	2015-16 $'000
Income Statement:				
Inventories recognised as an expense	**268,068**	294,389	**–**	–
Inclusive of the following charge:				
– Inventories written down	**153**	309	**–**	–

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	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Fixed deposits	**393,978**	385,437	**285,941**	293,000
Cash and bank balances	**114,388**	104,426	**14,745**	26,074
Cash and cash equivalents	**508,366**	489,863	**300,686**	319,074
Cash transferred to asset held for sale	**(2,562)**	–	**–**	–
Cash and short-term deposits	**505,804**	489,863	**300,686**	319,074

(b) Analysis of capital expenditure cash flows:

	Group	
	2016-17 $'000	2015-16 $'000
Additions of property, plant and equipment (Note 14)	**86,744**	47,458
Additions of intangible assets (Note 16)	**2,597**	3,221
Accrual for additions of property, plant and equipment (Note 27)	**(1,217)**	546
Cash invested in property, plant and equipment and intangible assets	**88,124**	51,225

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.00% to 1.3% (2016: 0.00% to 2.25%) per annum. Short-term deposits are made for varying periods of between 7 days and 363 days depending on the expected cash requirements of the Group, and earn interest at the effective interest rate ranging from 0.1% to 2.95% (2016: 0.23% to 3.05%) per annum.

(c) Cash and short-term deposits denominated in foreign currencies at 31 March are as follows:

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Australian Dollar	**605**	1,824	**–**	–
United States Dollar	**16,187**	2,787	**4,020**	2,302

26. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

As at 31 March 2017

(a) 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 proposed sale, the Company would own 49% of the total issued ordinary shares in the capital of SHK, and SHK would then be classified as associated company.

(b) On 17 March 2017, 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. The Group and Company has classified the assets of $10,774,000 and $7,564,000 respectively to assets held for sale in line with this impending dilution.

(c) 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.

As at 31 March 2016

(d) On 28 January 2016, the Company announced that one of its wholly owned subsidiaries, Country Foods Pte. Ltd. has granted an Option to Purchase for one of its property to an identified party and the Group has classified the property's carrying amount of $5,699,000 as at 31 March 2016 to assets held for sale. On 30 June 2016, the sale of the property is completed and the consideration for the sale of the property was $15 million.

(e) In March 2016, the Company's Japan subsidiary, TFK Corporation, approved the sale of one of its properties. As the property's carrying amount is lower than its fair value less cost to sell of $5,400,000, an impairment loss of $1,184,000 was recognised in March 2016. The sale was completed in April 2016.

(f) On 16 April 2015, SATS Food Services Pte. Ltd., a wholly owned subsidiary of SATS Ltd., entered into a joint venture agreement with BRF GmbH, a subsidiary of BRF S.A., to set up a company in Singapore named SATS BRF Food Pte. Ltd. ("SBRF"). The Group has classified certain assets under its food distribution business to be transferred to SBRF, amounting to $61,243,000, as held for sale as at 31 March 2015. On 3 June 2015, the Group completed the transfer of the said food distribution business to SBRF, and the sale of 49% stake in the SBRF to BRF GmbH. SBRF has since been accounted for as a joint venture company. The above business transfer and sale has resulted in the Group recognising a "net gain from transfer of business to a joint venture" of $2,543,000, comprising the fair value gain of $13,306,000 on remeasurement of the retained interest in SBRF and the loss on disposal of interest in SBRF of $10,763,000.

26. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (cont'd)

The assets classified as held for sale as at 31 March are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Assets:				
Property, plant and equipment	**5,026**	11,099	**–**	–
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 (Note 18)	**10,774**	–	**12,721**	–
Assets of disposal groups classified as held for sale	**33,466**	11,099	**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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables	**146,054**	140,995	**14,176**	12,363
Other payables:				
Tender deposits	**4,487**	4,614	**2,461**	2,307
Accrued expenses	**147,867**	123,653	**1,913**	1,196
Purchase of property, plant and equipment	**4,805**	3,588	**666**	276
Staff costs	**22,011**	27,420	**29,286**	27,092
Others	**2,655**	4,129	**–**	–
	181,825	163,404	**34,326**	30,871
Amounts due to related companies	**3,067**	4,662	**1,086**	2,471
Deposits placed by subsidiaries	**–**	–	**188,300**	190,173
	3,067	4,662	**189,386**	192,644
Trade and other payables	**330,946**	309,061	**237,888**	235,878

27. TRADE AND OTHER PAYABLES (cont'd)

Trade payables/other payables

These amounts are non-interest bearing. Trade payables are normally settled on 60-day terms while other 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Australian Dollar	**426**	231	**–**	–
Great Britain Pound	**212**	–	**–**	–
Euro	**106**	146	**–**	–
United States Dollar	**519**	277	**40**	112

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.

28. TERM LOANS

	Group 31 March		Company 31 March	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Unsecured:				
Repayable within one year	**8,748**	109,256	**–**	93,612
Repayable after one year	**97,481**	–	**97,481**	–
	106,229	109,256	**97,481**	93,612
Secured:				
Repayable within one year	**1,250**	321	**–**	–
Total term loans	**107,479**	109,577	**97,481**	93,612

There are four (2016: six) unsecured loans held by the Group as at 31 March 2017. The terms and interest rates are as follows:

			Outstanding as at 31 March	
	Effective interest rate	Maturity date	2017 $'000	2016 $'000
Unsecured term loans:				
JPY floating rate	0.45% to 0.55%	May 2017, June 2017 and November 2021	**104,979**	105,613
JPY fixed rate	0.95%	July 2017	**1,250**	3,643
			106,229	109,256

28. TERM LOANS (cont'd)

There is one (2016: one) secured term loan held by the Group as at 31 March 2017 and the loan is secured on the property, plant and equipment and other assets of a subsidiary (Note 14).

The terms and interest rates are as follows:

	Effective interest rate	Maturity date	Outstanding as at 31 March 2017 $'000	2016 $'000
Secured term loans:				
JPY fixed rate	1.40%	March 2017	**–**	321
JPY floating	0.74%	July 2017	**1,250**	–

Hedge of net investments in foreign operations

Included in loans as at 31 March 2017 was a term loan of JPY7.8 billion (2016: JPY7.8 billion), approximately $97.5 million (2016: $93.6 million), which has 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 2017.

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 2017		2016	
	Minimum payments $'000	Present value of payments $'000	Minimum payments $'000	Present value of payments $'000
Not later than one year	**472**	**427**	372	328
Later than one year but not later than five years	**754**	**721**	805	831
Total future minimum lease payments	**1,226**	**1,148**	1,177	1,159
Less: Amounts representing finance charges	**(78)**	**–**	(18)	–
Present value of minimum lease payments	**1,148**	**1,148**	1,159	1,159

The average discount rates implicit in the leases are 0.01% - 5.4% (2016: 0.01% - 3.5%) per annum for the lease of equipment and motor vehicles.

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	
Pension plans	**2017 $'000**	**2016 $'000**
Net benefit expense		
Current service cost	**2,512**	1,746
Interest cost on benefit obligation	**232**	560
Expected return on plan assets	**(224)**	(531)
Net benefit expense	**2,520**	1,775
Actual return on plan assets	**(2,255)**	7,702
Defined benefit plan liability		
Defined benefit obligation - funded	**(83,678)**	(81,127)
Defined benefit obligation - unfunded	**(559)**	(528)
	(84,237)	(81,655)
Fair value of plan assets	**81,987**	78,591
Defined benefit liability	**(2,250)**	(3,064)

	Group	
	2017 $'000	**2016 $'000**
Change in present value of defined benefit obligations are as follows:		
As at 1 April	**81,655**	81,675
Current service cost	**2,512**	1,746
Interest cost	**232**	560
Benefits paid	**(3,505)**	(5,060)
Actuarial gain on obligation	**(64)**	(1,128)
Exchange differences	**3,407**	3,862
As at 31 March	**84,237**	81,655

30. DEFINED BENEFIT PLAN (cont'd)

Pension plans	Group 2017 $'000	Group 2016 $'000
Change in fair value of plan assets are as follows:		
As at 1 April	**78,591**	83,624
Expected return on plan assets	**224**	531
Contributions by employer	**924**	842
Benefits paid	**(3,027)**	(1,941)
Actuarial gain/(loss)	**2,031**	(8,232)
Exchange differences	**3,244**	3,767
As at 31 March	**81,987**	78,591

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	Group 31 March	
	2017 %	2016 %
Japan equities	**13.3**	15.0
Offshore equities	**11.7**	12.7
Japan bonds	**45.8**	49.4
Offshore bonds	**9.6**	11.5
Fixed deposits	**19.6**	11.4
	100.0	100.0

The principal assumptions used in determining pension benefit obligations for the defined benefit plans are shown below:

	Group 31 March	
	2017 %	2016 %
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.

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	
	2016-17 $'000	**2015-16 $'000**
Services rendered by:		
Related parties	**31,107**	35,810
Associates/joint ventures	**17,712**	32,169
	48,819	67,979
Sales to:		
Related parties	**799,404**	776,777
Associates/joint ventures	**3,475**	46,539
	802,879	823,316
Rental income:		
Related parties	**–**	–
Associates/joint ventures	**2,518**	2,156
	2,518	2,156

31. RELATED PARTY TRANSACTIONS (cont'd)

Directors' and key executives' remuneration

	Group	
	2016-17 $'000	**2015-16 $'000**
Directors		
Directors' fees (Note 6)		
– paid by the Company	**854**	826
– paid by subsidiaries of the Group	**13**	36
	867	862
Key executives		
Salary, bonuses and other costs	**5,394**	4,617
CPF and other defined contributions	**21**	34
Share-based compensation expense	**2,802**	2,402
	8,217	7,053

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	2,226,636	(395,236)	1,831,400
Yacoob Bin Ahmed Piperdi	253,000	1,163,635	(554,735)	608,900
Tan Chuan Lye	44,000	1,321,381	(1,070,881)	250,500

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 $143.0 million (2016: $117.0 million) for the Group and $32.3 million (2016: $25.1 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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Within one year	**12,937**	14,446	**1,515**	1,515
Later than one year but not later than five years	**26,849**	30,073	**5,579**	6,062
Later than five years	**11,093**	28,300	**2,317**	3,728
	50,879	72,819	**9,411**	11,305

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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(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, 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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Effect of an increase in 50 basis points in market interest rates				
Profit before tax	**1,998**	1,921	**942**	1,127
Equity	**1,658**	1,594	**782**	935
Effect of a decrease in 50 basis points in market interest rates				
Profit before tax	**(1,998)**	(1,921)	**(942)**	(1,127)
Equity	**(1,658)**	(1,594)	**(782)**	(935)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Counter-Party Risk

The Group's maximum exposure to credit risk in the event that counter-parties fail to perform their obligations as at 31 March 2017 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. Counter-party risks are managed by limiting aggregate exposure on all outstanding financial instruments to any individual counter-party, taking into account its credit rating. Such counter-party 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	
Counter-party profiles	2017 $'000	2016 $'000	2017 %	2016 %
By Industry				
Airlines	**210,033**	221,194	**26.8**	28.4
Financial institutions	**505,922**	489,898	**64.5**	63.0
Others	**67,812**	66,607	**8.7**	8.6
	783,767	777,699	**100.0**	100.0
By Region				
Singapore	**644,746**	645,177	**82.3**	83.0
Japan	**77,003**	58,771	**9.8**	7.6
Others	**62,018**	73,751	**7.9**	9.4
	783,767	777,699	**100.0**	100.0
By Moody's Credit Ratings				
Investment grade (A to Aaa)	**507,518**	498,592	**64.8**	64.1
Investment grade (Baa)	**17,645**	9,081	**2.2**	1.2
Non-rated	**258,604**	270,026	**33.0**	34.7
	783,767	777,699	**100.0**	100.0

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Counter-Party Risk (cont'd)

At the end of the reporting period, approximately:

– 51% (2016: 48%) of the Group's trade receivables were due from a major customer located in Singapore.

– 53% (2016: 51%) of the Group's trade receivables were due from related parties.

Company	Outstanding balance		Percentage of total Financial assets	
Counter-party profiles	2017 $'000	2016 $'000	2017 %	2016 %
By Industry				
Airlines	**2,253**	1,860	**0.3**	0.3
Financial institutions	**301,126**	319,283	**43.3**	46.9
Related parties	**387,401**	354,741	**55.7**	52.2
Others	**5,160**	4,347	**0.7**	0.6
	695,940	680,231	**100.0**	100.0
By Region				
Singapore	**691,949**	662,245	**99.4**	97.4
Others	**3,991**	17,986	**0.6**	2.6
	695,940	680,231	**100.0**	100.0
By Moody's Credit Ratings				
Investment grade (A to Aaa)	**301,126**	319,283	**43.3**	46.9
Non-rated	**394,814**	360,948	**56.7**	53.1
	695,940	680,231	**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 Note 23 (Trade and other receivables).

(d) Liquidity Risk

As at 31 March 2017, the Group had at its disposal, cash and cash equivalents amounting to $508.4 million (2016: $489.9 million). In addition, the Group has available short-term credit facilities of approximately $263.8 million (2016: $265.5 million) from revolving credit facilities granted by commercial banks. The Group also has an alternative facility to issue notes up to $500 million (2016: $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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Liquidity Risk (cont'd)

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.

Group	Within 1 year $'000	1–2 years $'000	2–3 years $'000	3–4 years $'000	4–5 years $'000	More than 5 years $'000	Total $'000
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:							
Other long-term liabilities	1,268	4,111	8,601	2,821	1,731	6,140	24,672
Amount due to associates/ joint ventures	4,878	–	–	–	–	–	4,878
Term loans	10,498	439	439	439	97,920	–	109,735
Finance lease commitments	472	472	220	62	–	–	1,226
Trade and other payables	330,946	–	–	–	–	–	330,946
Total undiscounted financial liabilities	348,062	5,022	9,260	3,322	99,651	6,140	471,457
Total net undiscounted financial assets/(liabilities)	435,705	(5,022)	(9,260)	(3,322)	(99,651)	(6,140)	312,310
2016							
Financial assets:							
Trade and other receivables	277,402	–	–	–	–	–	277,402
Amount due from associates/ joint ventures	10,434	–	–	–	–	–	10,434
Cash and short-term deposits	489,863	–	–	–	–	–	489,863
Total undiscounted financial assets	777,699	–	–	–	–	–	777,699
Financial liabilities:							
Other long-term liabilities	–	2,152	2,738	1,517	100	7,505	14,012
Term loans	110,155	–	–	–	–	–	110,155
Finance lease commitments	372	372	372	61	–	–	1,177
Trade and other payables	309,061	–	–	–	–	–	309,061
Total undiscounted financial liabilities	419,588	2,524	3,110	1,578	100	7,505	434,405
Total net undiscounted financial assets/(liabilities)	358,111	(2,524)	(3,110)	(1,578)	(100)	(7,505)	343,294

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Liquidity Risk (cont'd)

Company	Within 1 year $'000	1–2 years $'000	2–3 years $'000	3–4 years $'000	4–5 years $'000	More than 5 years $'000	Total $'000
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:							
Other long-term liabilities	–	–	1,101	1,696	1,731	–	4,528
Term loans	439	439	439	439	97,920	–	99,676
Trade and other payables	237,888	–	–	–	–	–	237,888
Total undiscounted financial liabilities	238,327	439	1,540	2,135	99,651	–	342,092
Total net undiscounted financial assets/(liabilities)	128,988	846	(402)	(2,135)	(99,651)	326,523	354,169
2016							
Financial assets:							
Trade and other receivables	45,851	–	–	–	–	–	45,851
Amount due from associates/ joint ventures	1,895	–	–	–	–	–	1,895
Loan to subsidiaries	7,091	1,091	1,348	1,201	63	303,658	314,452
Cash and short-term deposits	319,074	–	–	–	–	–	319,074
Total undiscounted financial assets	373,911	1,091	1,348	1,201	63	303,658	681,272
Financial liabilities:							
Other long-term liabilities	–	792	1,379	1,403	–	–	3,574
Term loans	94,067	–	–	–	–	–	94,067
Trade and other payables	235,878	–	–	–	–	–	235,878
Total undiscounted financial liabilities	329,945	792	1,379	1,403	–	–	333,519
Total net undiscounted financial assets/(liabilities)	43,966	299	(31)	(202)	63	303,658	347,753

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
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				
Other long-term liabilities	–	–	22,422	22,422
Amount due to associates/joint ventures	–	–	4,878	4,878
Term loans	–	–	107,479	107,479
Finance lease commitments	–	–	1,148	1,148
Trade and other payables	–	–	330,946	330,946
	–	–	466,873	466,873
Total non-financial liabilities				121,353
Total liabilities				588,226
2016				
Assets				
Long-term investments	–	8,304	–	8,304
Trade and other receivables	277,402	–	–	277,402
Amount due from associates/joint ventures	10,434	–	–	10,434
Cash and short-term deposits	489,863	–	–	489,863
	777,699	8,304	–	786,003
Total non-financial assets				1,319,703
Total assets				2,105,706
Liabilities				
Other long-term liabilities	–	–	10,948	10,948
Term loans	–	–	109,577	109,577
Finance lease commitments	–	–	1,159	1,159
Trade and other payables	–	–	309,061	309,061
	–	–	430,745	430,745
Total non-financial liabilities				109,851
Total liabilities				540,596

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	–	–	237,888	237,888
Other long-term liability	–	–	4,528	4,528
	–	–	339,897	339,897
Total non-financial liabilities				40,543
Total liabilities				380,440
2016				
Assets				
Long-term investment	–	7,886	–	7,886
Trade and other receivables	45,851	–	–	45,851
Loan to subsidiaries	313,411	–	–	313,411
Amount due from associates/joint ventures	1,895	–	–	1,895
Cash and short-term deposits	319,074	–	–	319,074
	680,231	7,886	–	688,117
Total non-financial assets				1,110,518
Total assets				1,798,635
Liabilities				
Term loans	–	–	93,612	93,612
Trade and other payables	–	–	235,878	235,878
Other long-term liability	–	–	3,574	3,574
	–	–	333,064	333,064
Total non-financial liabilities				39,682
Total liabilities				372,746

34. FINANCIAL INSTRUMENTS (cont'd)

(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 $414,000 (2016: $8,255,000) 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.

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 liabilities.

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 2017 and 31 March 2016, no changes were made in the objectives, policies or processes relating to the management of the Group's capital structure.

35. CAPITAL MANAGEMENT (cont'd)

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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Term loans (Note 28)	**107,479**	109,577	**97,481**	93,612
Finance leases (Note 29)	**1,148**	1,159	**–**	–
Total debt	**108,627**	110,736	**97,481**	93,612
Equity attributable to owners of the Company	**1,603,479**	1,490,761	**1,472,921**	1,425,889
Total debt-equity ratio	**0.07**	0.07	**0.07**	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.

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 2017				
Revenue	972,992	750,791	5,582	1,729,365
Operating profit	166,525	56,084	8,016	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/(loss) on disposal of property, plant and equipment	488	204	(92)	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	201,140	95,534	12,390	309,064
Income tax expense	(28,326)	(11,945)	(8,029)	(48,300)
Profit for the year	172,814	83,589	4,361	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	173,463	129,039	48,820	351,322
Long-term liabilities	9,050	215	113,609	122,874
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

36. SEGMENT REPORTING (cont'd)

By Business (cont'd)

	Food Solutions $'000	Gateway Services $'000	Others $'000	Total $'000
Financial year ended 31 March 2016				
Revenue	967,399	725,935	4,818	1,698,152
Operating profit	156,900	47,192	10,623	214,715
Net finance income	401	42	1,883	2,326
Dividends from long-term investment, gross	10	–	–	10
Share of results of associates/joint ventures, net of tax	9,626	38,381	2	48,009
(Loss)/gain on disposal of property, plant and equipment	(400)	33	–	(367)
Impairment of property, plant and equipment	(2,065)	–	–	(2,065)
Net gain from transfer of business to a joint venture	2,543	–	–	2,543
Other non-operating (expenses)/income	(379)	(273)	652	–
Profit before tax	166,636	85,375	13,160	265,171
Income tax expense	(32,310)	(7,683)	(6,783)	(46,776)
Profit for the year	134,326	77,692	6,377	218,395
As at 31 March 2016				
Segment assets	388,155	232,688	228,908	849,751
Property, plant and equipment and investment property	279,887	214,151	36,683	530,721
Associates/joint ventures	175,974	369,897	204	546,075
Deferred tax assets	12,702	2,760	–	15,462
Intangible assets	153,609	4,677	5,411	163,697
Total assets	1,010,327	824,173	271,206	2,105,706
Current liabilities	165,653	112,587	140,726	418,966
Long-term liabilities	11,265	3	3,575	14,843
Tax liabilities	46,186	20,906	39,695	106,787
Total liabilities	223,104	133,496	183,996	540,596
Capital expenditure	21,206	17,068	12,405	50,679
Depreciation and amortisation charges	36,405	26,954	7,014	70,373

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 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
Financial year ended 31 March 2016				
Revenue	1,383,260	221,657	93,235	1,698,152
As at 31 March 2016				
Segment assets	752,384	80,539	16,828	849,751
Property, plant and equipment and investment property	424,895	98,788	7,038	530,721
Associates/joint ventures	37,224	2,520	506,331	546,075
Deferred tax assets	2,652	9,902	2,908	15,462
Intangible assets	139,885	23,812	–	163,697
Total assets	1,357,040	215,561	533,105	2,105,706
Capital expenditure	43,274	6,333	1,072	50,679

Information about a major customer

Revenue from one major customer amounted to $799 million (2016: $776 million), arising from sales by all segments.

37. SUBSEQUENT EVENTS

On 24 April 2017, SATS Ltd. has, through its indirect wholly-owned subsidiary SG IPF Pte. Ltd. ("SGIPF"), entered into a conditional joint venture agreement with Chia Tai Animal Husbandry Investment (Beijing) Co., Ltd.("CTAHIB"), an indirect wholly-owned subsidiary of Charoen Pokphand Group Co. Ltd., in relation to SGIPF's and CTAHIB's proposed joint investment in Jilin Zhong Xin Cheng Food Co., Ltd ("Jilin JVCo"). Upon the fulfillment of all conditions precedent, CTAHIB would own 65% and SGIPF 35% of the shares in Jilin JVCo respectively.

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 2017 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 the 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		
Scoot Pte. Ltd.	–	4,440
Singapore Airlines Cargo Pte Ltd	–	2,915
Singapore Airlines Limited	–	476
SilkAir (Singapore) Private Limited	–	315
SIA Engineering Company Limited	–	3,020
ST Aerospace Services Co Pte. Ltd.	–	1,150
Tiger Airways Singapore Pte. Ltd.	–	3,192
	–	15,508
Transactions for the Purchase of Goods and Services		
Innosparks Pte. Ltd.	191	–
KTP Consultants Pte Ltd	–	1,803
S&I Systems Pte Ltd	–	942
Sembcorp Design And Construction Pte. Ltd.	–	200
SMM Pte. Ltd.	–	1,694
ST Aerospace Services Co Pte. Ltd.	–	213
Singapore Telecommunications Limited	–	31,469
	191	36,321

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 2017, 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 Rule 712 and Rule 715 of the Listing Manual of the SGX-ST in relation to its auditing firms.

Information on Shareholdings

as at 25 May 2017

Number of Issued Shares	:	1,124,056,275
Number of Issued Shares (excluding Treasury Shares)	:	1,114,908,320
Class of Shares	:	Ordinary shares
Number / Percentage of Treasury Shares	:	9,147,955 / 0.82%
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	1,744	5.06	81,682	0.01
100 – 1,000	15,220	44.18	10,280,882	0.92
1,001 – 10,000	14,750	42.82	52,592,354	4.72
10,001 – 1,000,000	2,711	7.87	84,885,706	7.61
1,000,001 and above	22	0.07	967,067,696	86.74
Total	**34,447**	**100.00**	**1,114,908,320**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares held	%*
1	Venezio Investments Pte. Ltd.	446,123,158	40.01
2	Citibank Nominees Singapore Pte Ltd	168,240,733	15.09
3	DBS Nominees (Private) Limited	152,598,425	13.69
4	DBSN Services Pte. Ltd.	46,443,376	4.17
5	HSBC (Singapore) Nominees Pte Ltd	45,033,605	4.04
6	United Overseas Bank Nominees (Private) Limited	27,426,060	2.46
7	Raffles Nominees (Pte.) Limited	24,974,964	2.24
8	BNP Paribas Securities Services	21,523,498	1.93
9	DB Nominees (Singapore) Pte Ltd	7,897,169	0.71
10	Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,100,078	0.37
11	Merrill Lynch (Singapore) Pte Ltd	3,926,169	0.35
12	Heng Siew Eng	2,532,000	0.23
13	OCBC Nominees Singapore Private Limited	2,354,708	0.21
14	DBS Vickers Securities (Singapore) Pte Ltd	1,908,245	0.17
15	Leong Khuen Nyean	1,896,500	0.17
16	Wong Kong Choo	1,880,000	0.17
17	Yim Chee Chong	1,752,000	0.16
18	Tan Chuan Lye	1,572,601	0.14
19	Sing Chung Hui @ Sing Chung Sui	1,500,000	0.13
20	Tan Quee Choo	1,200,000	0.11
		964,883,289	86.55

* The shareholding percentage has been calculated based on the number of issued ordinary shares of the Company as at 25 May 2017, excluding any ordinary shares held in treasury as at that date.

SUBSTANTIAL SHAREHOLDERS

As at 25 May 2017, 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	–	456,532,631** (approximately 40.95%*)	456,532,631 (approximately 40.95%*)
Tembusu Capital Pte. Ltd.	–	456,096,858** (approximately 40.91%*)	456,096,858 (approximately 40.91%*)
Napier Investments Pte. Ltd.	–	456,096,858** (approximately 40.91%*)	456,096,858 (approximately 40.91%*)
Venezio Investments Pte. Ltd.	456,096,858 (approximately 40.91%*)	–	456,096,858 (approximately 40.91%*)

* The shareholding percentage has been calculated based on the number of issued ordinary shares of the Company as at 25 May 2017, 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 25 May 2017, approximately 58.60% 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.
(Incorporated in the Republic of Singapore)
Company Registration No. 197201770G

NOTICE IS HEREBY GIVEN that the 44th 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 Friday, 21 July 2017 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 2017 and the Auditors' Report thereon.

2. To declare a final ordinary tax-exempt (one-tier) dividend of 11 cents per share for the financial year ended 31 March 2017.

3. To re-elect Ms Euleen Goh Yiu Kiang, who will retire by rotation in accordance with Article 90 of the Constitution of the Company and who, being eligible, offers herself for re-election as a Director of the Company.

4. To re-elect Mr Yap Chee Meng, 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 re-elect Mr Michael Kok Pak Kuan, 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.

6. To re-elect Mr Yap Kim Wah, who will retire in accordance with Article 96 of the Constitution of the Company and who, being eligible, offers himself for re-election as a Director of the Company.

7. To re-elect Mr Achal Agarwal, who will retire in accordance with Article 96 of the Constitution of the Company and who, being eligible, offers himself for re-election as a Director of the Company.

8. To re-elect Mr Chia Kim Huat, who will retire in accordance with Article 96 of the Constitution of the Company and who, being eligible, offers himself for re-election as a Director of the Company.

9. To re-elect Ms Jessica Tan Soon Neo, who will retire in accordance with Article 96 of the Constitution of the Company and who, being eligible, offers herself for re-election as a Director of the Company.

10. To approve payment of Directors' fees of up to S$1,300,000 for the financial year ending 31 March 2018 (2017: up to S$1,300,000).

11. 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:

12. 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.

13. 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 ordinary shares of the Company ("**Shares**") as may be required to be issued pursuant to the exercise of options under the SATS Employee Share Option Plan (the **"Share Option Plan**") and/or such number of fully paid Shares as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the Restricted Share Plan (the Share Option Plan, the Performance Share Plan and the Restricted Share Plan, together the "**Share Plans**"),

provided that:

(i) the aggregate number of new Shares to be allotted and issued pursuant to the Share Plans shall not exceed 15 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time; and

(ii) the aggregate number of Shares 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 Shares (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 SGX-ST.

14. That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual (“**Chapter 9**”) of the SGX-ST, 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 23 June 2017 (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;

(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.

15. 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 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, 23 June 2017

EXPLANATORY NOTES

1. (a) In relation to Ordinary Resolution No. 3, Ms Euleen Goh Yiu Kiang 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 FY2016-17 for more information relating to Ms Goh. Ms Goh will, upon re-election, continue to serve as the Chairman of the Board, the Chairman of the Board Executive Committee, the Chairman of the Remuneration and Human Resource Committee and a member of the Nominating Committee. Ms Goh is considered an independent Director.

   (b) In relation to Ordinary Resolution No. 4, Mr Yap Chee Meng 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 FY2016-17 for more information relating to Mr Yap. Mr Yap will, upon re-election, continue to serve as the Chairman of the Audit Committee and a member of the Board Risk and Safety Committee. Mr Yap is considered an independent Director.

(c) In relation to Ordinary Resolution No. 5, Mr Michael Kok Pak Kuan 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 FY2016-17 for more information relating to Mr Kok. Mr Kok will, upon re-election, continue to serve as a member of the Board Executive Committee, a member of the Board Risk and Safety Committee and a member of the Remuneration and Human Resource Committee. Mr Kok is considered an independent Director.

(d) In relation to Ordinary Resolution No. 6, Mr Yap Kim Wah will be retiring from office at the Annual General Meeting pursuant to Article 96 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 FY2016-17 for more information relating to Mr Yap. Mr Yap will, upon re-election, continue to serve as a member of the Audit Committee and a member of the Board Risk and Safety Committee. Mr Yap is considered an independent Director.

(e) In relation to Ordinary Resolution No. 7, Mr Achal Agarwal will be retiring from office at the Annual General Meeting pursuant to Article 96 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 FY2016-17 for more information relating to Mr Agarwal. Mr Agarwal will, upon re-election, continue to serve as a member of the Audit Committee. Mr Agarwal is considered an independent Director.

(f) In relation to Ordinary Resolution No. 8, Mr Chia Kim Huat will be retiring from office at the Annual General Meeting pursuant to Article 96 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 FY2016-17 for more information relating to Mr Chia. Mr Chia is considered an independent Director.

(g) In relation to Ordinary Resolution No. 9, Ms Jessica Tan Soon Neo will be retiring from office at the Annual General Meeting pursuant to Article 96 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 FY2016-17 for more information relating to Ms Tan. Ms Tan is considered an independent Director.

2. Ordinary Resolution No. 10 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 ("**FY2017-18**"). There will be no change in the fees for the current FY2017-18, with the scale of fees payable to the non-executive Directors held flat since 2010. If approved, the proposed fees for FY2017-18 will facilitate the payment of Directors' fees during the financial year in which such fees are incurred. The amount of Directors' fees has been computed on the basis of the anticipated number of Board and Board Committee meetings for FY2017-18, assuming attendance in person by all the Directors at such meetings, at the scale of fees set out in the section on "Corporate Governance" in the SATS Annual Report for FY2016-17, 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 FY2017-18. 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 2018 before any such payments are made.

3. Ordinary Resolution No. 12, if passed, will empower 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 25 May 2017 (the "**Latest Practicable Date**"), the Company had 9,147,955 treasury shares and no subsidiary holdings.

4. Ordinary Resolution No. 13 is to empower the Directors to grant awards pursuant to the Performance Share Plan and/or Restricted Share Plan and to allot and issue Shares pursuant to the Share Option Plan, Performance Share Plan and Restricted Share Plan, provided that:

   (a) the aggregate number of new Shares which may be issued under the Share Option Plan, Performance Share Plan and Restricted Share Plan is limited to 15 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time; and

   (b) the aggregate number of Shares under awards 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 Shares (excluding treasury shares and subsidiary holdings) from time to time.

   The 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 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. 14 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 SGX-ST) 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. 15 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 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 22,298,166 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 22,298,166 Shares at the Maximum Price of S$5.40 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 22,298,166 Shares is approximately S$120,410,096.

   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 2017, based on certain assumptions, are set out in paragraph 3.7.4 of the Letter to Shareholders.

   Please refer to the Letter to Shareholders for more details.

Notice of Annual General Meeting

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

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.

   (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 44th Annual General Meeting of the Company to be held on 21 July 2017, the Transfer Books and Register of Members of the Company will be closed on 28 July 2017 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 27 July 2017 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 in the capital of the Company as at 5.00 p.m. on 27 July 2017 will be entitled to the proposed final dividend.

The proposed final dividend, if approved by shareholders, will be paid on 11 August 2017.

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 23 June 2017.

*I/We ______________________________ (Name)

______________________________ (NRIC/Passport/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 21 July 2017 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, Audited Financial Statements and the Auditors' Report thereon		
2	Declaration of a final dividend		
3	Re-election of Ms Euleen Goh Yiu Kiang as Director		
4	Re-election of Mr Yap Chee Meng as Director		
5	Re-election of Mr Michael Kok Pak Kuan as Director		
6	Re-election of Mr Yap Kim Wah as Director		
7	Re-election of Mr Achal Agarwal as Director		
8	Re-election of Mr Chia Kim Huat as Director		
9	Re-election of Ms Jessica Tan Soon Neo as Director		
10	Approval of Directors' fees for the financial year ending 31 March 2018		
11	Re-appointment of Auditors and authorisation for Directors to fix their remuneration		
SPECIAL BUSINESS			
12	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		
13	To grant authority to the Directors to grant awards and issue shares in accordance with the provisions of the SATS Performance Share Plan and SATS Restricted Share Plan, and to issue shares pursuant to the SATS Employee Share Option Plan		
14	To approve the proposed renewal of the Mandate for Interested Person Transactions		
15	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 ______________ 2017.

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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3rd fold along this line and glue overleaf. Do not staple.

Please affix postage stamp

The Company Secretary
SATS Ltd.
c/o M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

3rd fold along this line and glue overleaf. Do not staple.

3rd fold along this line and glue overleaf. Do not staple.

Corporate Information

As at 25 May 2017

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)
Michael Kok Pak Kuan
Yap Chee Meng
Yap Kim Wah

Nominating Committee

Koh Poh Tiong (Chairman)
Euleen Goh Yiu Kiang
Tan Soo Nan

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

Eugene Cheng Chee Mun
Executive Vice President,
Group Services
(from 29 May 2017)

Yacoob Bin Ahmed Piperdi
Executive Vice President,
Gateway Services

Helen Chan Yin Foong
Acting Chief Financial Officer,
Senior Vice President,
Finance

Bob Chi Cheng Bock
Senior Vice President,
Sales and Marketing

Thomas Ching Chun Fong
Senior Vice President,
Institutional Catering

Foh Chi Dong
Senior Vice President,
Food Solutions, China

Goh Siang Han
Senior Vice President,
Inflight Catering

Andrew Lim Cheng Yueh
Senior Vice President,
Greater China

Denis Suresh Kumar Marie
Senior Vice President,
Apron Services and
Security Services

Nazri Bin Othman
Senior Vice President,
Passenger Services

Prema d/o K Subramaniam
Senior Vice President,
Legal and Secretariat,
General Counsel and
Company Secretary

Tan Li Lian
Senior Vice President,
Human Capital

Pauline Tan Poh Lin
Senior Vice President,
Technology

Wong Chee Meng
Senior Vice President,
Cargo Services

Ronald Yeo Yoon Choo
Senior Vice President,
Planning and Support 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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E: info_enquiry@sats.com.sg

Investor Relations
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