



EXECUTION OF A SALE AND PURCHASE AGREEMENT IN RELATION TO SHARES IN ASIA AIRFREIGHT TERMINAL CO. LTD.

1. Introduction

- 1.1 SATS Ltd. (the "**Company**") owns 49% of the total issued share capital of Asia Airfreight Terminal Co. Ltd ("**AAT**"), a cargo terminal operator operating in the Hong Kong International Airport at Chek Lap Kok, Hong Kong ("**HKIA**"). AAT is jointly owned by the Company and the following parties:
- (a) Eastern Option Limited owning 20% of AAT's issued share capital ("**EOL**");
 - (b) Torres Investments Limited owning 15% of AAT's issued share capital ("**TIL**");
 - (c) Keppel Telecommunications & Transportation Ltd. owning 10% of AAT's issued share capital ("**KTTL**"); and
 - (d) Federal Express Corporation, owning 6% of AAT's issued share capital ("**FedEx**").
- 1.2 Pursuant to Rule 703(1) of the Listing Manual, the Company wishes to announce that it has entered into a conditional sale and purchase agreement ("**SPA**"), pursuant to which EOL and itself (collectively, the "**Purchasers**") shall acquire additional shares in AAT from TIL, K TTL and FedEx (collectively, the "**Vendors**"), such that the Company and EOL shall ultimately own 65.4% and 34.6% in the total issued share capital of AAT respectively ("**Proposed Transaction**").
- 1.3 Immediately following the Proposed Transaction, the Vendors shall cease to have any interest in AAT, and AAT shall become a subsidiary of the Company.

2. Principal Terms of the Proposed Transaction

- 2.1 Pursuant to the SPA, the Company shall acquire an additional 59,040,000 shares in AAT (the "**Shares**"), representing 16.4% of the total issued share capital of AAT from the Vendors for a total consideration of HK\$ 339,480,000 (approximately S\$58,531,034)¹ (HK\$5.75 (or approximately S\$0.99) per share) in the following manner ("**Purchase Consideration**"):

| Vendor | Number of shares | Percentage of shares |
|--------------|-------------------|----------------------|
| KTT | 36,000,000 | 10.0% |
| TIL | 1,440,000 | 0.4% |
| FedEx | 21,600,000 | 6.0% |
| TOTAL | 59,040,000 | 16.4% |

¹ The exchange rate used in this announcement is S\$1: HK\$5.8 (as at 23 February 2022) which is solely for illustrative purposes and should not be construed as a representation that the relevant amounts have been or could be converted at this rate or at any other rate.

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- 2.2 EOL shall acquire an additional 52,560,000 shares in AAT from TIL, representing 14.6% of the total issued share capital of AAT, for a total consideration of H\$302,220,000 (approximately S\$52,106,897) (HK\$5.75 (or approximately S\$0.99) per share).
- 2.3 Completion of the Proposed Transaction is conditional upon certain specified conditions precedent being fulfilled or waived such as:-
- (a) the written consent of the Airport Authority Hong Kong to proceed with the Proposed Transaction; and
 - (b) the fact that no fundamental warranties made by each of the Purchasers and Vendors are untrue or incorrect in any material respects as at completion.
- 2.4 The Purchase Consideration is payable in cash to the Vendors from the Purchasers at completion with no further adjustments to be made.

3. Rationale

Gateway services, including cargo handling, is one of the Company's existing principal businesses, and Hong Kong is a key gateway for trade routes into the Greater China region, with HKIA handling more than 4.6 million tonnes of cargo in 2021, representing 12.9% year-on-year growth. The acquisition is in the course of the Company's ordinary course of business and is a part of the Company's strategy to expand its cargo handling network and accelerate innovation to drive sustainable business growth. Backed by a cloud-based cargo handling system which digitally connects its cold chain, eCommerce and cargo corridors for end-to-end traceability, the Company provides seamless connections for businesses, people and communities.

4. Financial Effects of the Proposed Transaction

The Purchase Consideration was arrived at after arms' length negotiations between the parties on a willing buyer(s) and willing seller(s) basis, taking into account, *inter alia*, the financial performance and position of AAT. The Purchase Consideration will be funded by the Company through internal resources and paid in cash.

As at 31 December 2021, the unaudited book value and net tangible asset value attributable to the Shares were approximately HK\$197 million (equivalent to approximately S\$34 million¹).

Had the proposed acquisition of the Shares taken place on 1 April 2021, being the beginning of the current financial year of the Company:

- the Company would have realized an estimated one-off incidental gain² of approximately \$19.8 million;

² As the Proposed Transaction is considered a step-up acquisition for the purposes of Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), the applicable accounting standards under SFRS(I) require the acquisition of the incremental 16.4% interest in AAT pursuant to the Proposed Transaction to be accounted for as if there was a disposal of the Company's existing 49% interest in AAT, followed by a back-to-back acquisition of 65.4% of AAT's issued share capital. This would trigger a one-off accounting gain which is non-cash in nature.

- the Company's consolidated earnings per share for the 9 months ended 31 December 2021 would have increased from 1.6 cents to 3.6 cents; and.
- the consolidated net asset value per share as at 31 December 2021 would have increased from 140.8 cents to 142.8 cents.

5. Interest of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction other than through (i) their shareholdings (if any) in the Company and/or (ii) their non-substantial shareholdings (if any) in Keppel Corporation Limited, a holding company of Keppel Telecommunications & Transportation Ltd. The Company nevertheless notes that Temasek Holdings (Private) Limited, which has an interest of more than 15% in the Company, also holds an interest of more than 15% in Keppel Corporation Limited, the holding company of Keppel Telecommunications & Transportation Ltd which is a party to the SPA.

6. Documents for Inspection

A copy of the SPA will be made available for inspection during normal business hours at the Company's registered office at 20 Airport Boulevard, Singapore 819659 for a period of three months from the date of this announcement.

Issued by SATS Ltd. on 23 February 2022