

**SATS**  
SUMMARY REPORT  
2003/2004



# **ATTAINING HIGHER GROUND**

## MISSION STATEMENT

» SATS AIMS TO BE THE BEST HANDLING AGENT IN THE WORLD, PROVIDING AIRPORT GROUND HANDLING, INFLIGHT CATERING AND AVIATION SECURITY SERVICES OF THE HIGHEST QUALITY, WHILE GIVING VALUE TO CUSTOMERS AND SHAREHOLDERS, AND CAREER FULFILMENT TO STAFF.

## CONTENTS

1	CORPORATE INFORMATION
2	FINANCIAL CALENDAR
3	STATISTICAL HIGHLIGHTS
4	CHAIRMAN'S STATEMENT
6	REPORT BY THE BOARD OF DIRECTORS
11	AUDITORS' REPORT
12	CONSOLIDATED PROFIT AND LOSS ACCOUNT
13	BALANCE SHEETS
14	STATEMENT OF CHANGES IN EQUITY
16	CONSOLIDATED CASH FLOW STATEMENT
17	NOTES TO FINANCIAL STATEMENTS
19	ADDITIONAL INFORMATION REQUIRED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
20	INFORMATION ON SHAREHOLDINGS
22	NOTICE OF ANNUAL GENERAL MEETING
25	PROXY FORM
27	REQUEST FORM

**BOARD OF DIRECTORS**

**CHENG WAI WING EDMUND**  
Chairman

**CHEW CHOON SENG**  
Deputy Chairman

**BARRY HENRY PATRICK DESKER**  
Director

**RICHARD CHARLES HELFER**  
Director

**HONG HAI**  
Director

**NG KEE CHOE**  
Director

**OW CHIN HOCK**  
Director

**PHOON SIEW HENG JIMMY**  
Director

**TAN JIAK NGEЕ MICHAEL**  
Director

**AUDIT COMMITTEE**

**NG KEE CHOE**  
Chairman

**CHEW CHOON SENG**  
Member

**HONG HAI**  
Member

**BOARD COMMITTEE**

**CHENG WAI WING EDMUND**  
Chairman

**CHEW CHOON SENG**  
Member

**TAN JIAK NGEЕ MICHAEL**  
Member

**REMUNERATION COMMITTEE**

**RICHARD CHARLES HELFER**  
Chairman

**HONG HAI**  
Member

**TAN JIAK NGEЕ MICHAEL**  
Member

**NOMINATING COMMITTEE**

**BARRY HENRY PATRICK DESKER**  
Chairman

**CHEW CHOON SENG**  
Member

**NG KEE CHOE**  
Member

**BOARD RISK MANAGEMENT COMMITTEE**

**HONG HAI**  
Chairman

**OW CHIN HOCK**  
Member

**TAN JIAK NGEЕ MICHAEL**  
Member

**CAPITAL STRUCTURE COMMITTEE**

**CHEW CHOON SENG**  
Chairman

**NG KEE CHOE**  
Member

**PHOON SIEW HENG JIMMY**  
Member

**COMPANY SECRETARY**

**YIP WAI PING ANNABELLE**

**SHARE REGISTRAR**

**KPMG**  
Registrar and Transfer Office  
138 Robinson Road #17-00  
The Corporate Office  
Singapore 068906

**AUDITORS**

**ERNST & YOUNG**  
Certified Public Accountants  
10 Collyer Quay #21-01  
Ocean Building  
Singapore 049315

**NAGARAJ SIVARAM**  
Audit Partner-in-charge  
(appointed in FY2000/2001)

**CORPORATE MANAGEMENT**

**NG CHIN HWEE**  
President and Chief Executive Officer

**KARMJIT SINGH**  
Chief Operating Officer

**LIM KEI HIN**  
Chief Financial Officer

**LEONG KOK HONG**  
Senior Vice-President (Cargo)

**TAN CHUAN LYE**  
Senior Vice-President (Catering)

**DENIS MARIE**  
General Manager  
SATS Security Services Pte Ltd

**WONG SEE HENG**  
General Manager  
Aero Laundry & Linen Services Pte Ltd

**ONG THIAM GUAN**  
General Manager  
Aerolog Express Pte Ltd

**TAN CHIEW KUANG FRANKIE**  
Chief Executive Officer  
Country Foods Pte Ltd

**FINANCIAL YEAR ENDED 31 MARCH 2004**

**30 JULY 2003**

Announcement of First Quarter results

**29 OCTOBER 2003**

Announcement of Second Quarter and Half Year results

**30 OCTOBER 2003**

Media/Analysts' briefing on Half Year 2003-2004 results

**28 NOVEMBER 2003**

Payment of 2003-2004 Interim Dividend

**5 FEBRUARY 2004**

Announcement of Third Quarter results

**14 MAY 2004**

Announcement of Full Year results

**17 MAY 2004**

Media/Analysts' briefing on Full Year 2003-2004 results

**11 JUNE 2004**

Despatch of Summary Financial Report to Shareholders

**23 JUNE 2004**

Despatch of Annual Report to Shareholders

**20 JULY 2004**

Annual General Meeting

**4 AUGUST 2004**

Proposed Payment of 2003-2004 Final and Special Dividend

**FINANCIAL YEAR ENDING 31 MARCH 2005**

**JULY 2004**

Proposed Announcement of First Quarter results

**OCTOBER 2004**

Proposed Announcement of Second Quarter and Half Year results

**FEBRUARY 2005**

Proposed Announcement of Third Quarter results

**MAY 2005**

Proposed Announcement of Full Year results

	2003-2004	2002-2003	% CHANGE
<b>FINANCIAL STATISTICS</b>			
<b>GROUP (\$MILLION)</b>			
Total revenue	<b>868.7</b>	958.1	- 9.3
Total expenditure	<b>677.9</b>	729.9	- 7.1
Operating profit	<b>190.8</b>	228.2	- 16.4
Profit before tax	<b>217.6</b>	258.1	- 15.7
Profit after tax	<b>189.6</b>	214.8	- 11.7
Profit attributable to shareholders	<b>189.8</b>	214.7	- 11.6
Share capital	<b>100.6</b>	100.0	+ 0.6
Share premium	<b>8.7</b>	-	-
Distributable reserves	<b>1,116.3</b>	985.2	+ 13.3
Non-distributable reserves	<b>2.5</b>	1.6	+ 56.3
Shareholders' funds	<b>1,228.1</b>	1,086.8	+ 13.0
Return on shareholders' funds (%)	<b>16.4</b>	21.3	- 4.9points
Total assets	<b>1,558.6</b>	1,672.1	- 6.8
Net liquid assets	<b>397.9</b>	268.1	+ 48.4
Value added	<b>627.1</b>	704.5	- 10.9
Economic value added	<b>101.2</b>	136.9	- 26.1
<b>PER SHARE DATA</b>			
Earnings before tax (cents)	<b>21.6</b>	25.8	- 16.3
Earnings after tax (cents)			
- basic	<b>18.9</b>	21.5	- 12.1
- diluted	<b>18.9</b>	21.4	- 11.7
Net tangible assets (cents)	<b>121.1</b>	107.8	+ 16.9
Net asset value (cents)	<b>122.1</b>	108.7	+ 16.9
<b>DIVIDENDS</b>			
Interim dividend (cents per share)	<b>3.0</b>	3.0	-
Proposed final dividend (cents per share)	<b>5.0</b>	4.0	+ 25.0
Proposed special dividend (cents per share)	<b>37.0</b>	-	-
Dividend cover (times)	<b>0.5</b>	3.9	- 3.4 times
<b>OPERATING STATISTICS</b>			
<b>EMPLOYEE PRODUCTIVITY</b>			
Average number of employees	<b>9,374</b>	9,327	+ 0.5
Revenue per employee (\$)	<b>92,668</b>	102,728	- 9.8
Value added per employee (\$)	<b>66,897</b>	75,533	- 11.4
<b>OPERATING DATA</b>			
Air freight throughput (in million tonnes)	<b>1.38</b>	1.44	- 3.8
Passengers served (in millions)	<b>21.24</b>	24.47	- 13.2
Inflight meals prepared (in millions)	<b>19.73</b>	22.19	- 11.1
Flights handled (in thousands)	<b>63.13</b>	75.11	- 15.9

**NOTES:**

1. SATS financial year is from 1 April to 31 March. Throughout this report, all financial figures are stated in Singapore Dollars, unless stated otherwise.
2. Return on shareholders' funds is the profit after taxation and minority interests expressed as a percentage of the average shareholders' funds.
3. Net liquid assets is derived by offsetting current loan liabilities against liquid assets.
4. Basic earnings per share is computed by dividing the profit attributable to shareholders by the weighted average number of fully paid shares in issue.
5. Diluted earnings per share is computed by dividing the weighted average number of fully paid shares in issue after adjusting for dilution of shares under the employee share option plan.
6. Dividend cover is profit attributable to shareholders divided by net dividends.

**DEAR SHAREHOLDERS**

The financial year ending 31 March 2004 was one of the most challenging for SATS in recent times. Severe Acute Respiratory Syndrome (SARS) plagued the Asian travel markets in the first quarter of FY2003/2004, bringing tourist and business travel to a virtual standstill. During this period, Changi Airport experienced massive cancellation and suspension of flights as demand fell precipitously. Adding to the difficult business environment are the already depressed state of global and regional economies and the overhanging threat of terrorism on air travel.

Despite the formidable challenges in the first quarter of the year, the SATS Group managed to post a reasonable performance for FY2003/2004, thanks to a strong recovery in traffic volumes in the second half of the financial year. Credit too must be given to SATS Management and staff for the decisive actions taken in response to the declining business volumes as well as sacrifices made through wage cuts. Painful but necessary, the cost management efforts have helped to withstand the shock of the dramatic plunge in revenue during the first quarter.

The Group posted a profit after tax and minority interests of \$189.8 million for FY2003/2004, a decline of 11.6%. Revenue for the year declined by 9.3% to \$868.7 million while cost fell by a smaller margin of 7.1% to \$677.9 million. A tax write-back of \$21.1 million as a result of the favourable change in corporate tax rate as well as stronger profit contributions from our overseas associates amounting to \$33.8 million also helped the performance.

We continued to be on track with our strategy to diversify our earnings base and tap into growth markets through overseas investments. Our share of profits from these investments grew by 11.9% to contribute up to 15.5% of our profit before tax, a significant improvement from 11.7% the previous year. Our ventures in Taipei, Hong Kong, India and the Maldives, in particular, enjoyed healthy growth. The Group will step up efforts to increase our overseas investments and for the medium term, grow the share of profits from our overseas ventures to 20 – 25% of the Group's profit before tax.

Just in April 2004, we announced the signing of an agreement to acquire 49.8% of the leading Indonesian ground and cargo handler, PT Jasa Angkasa Semesta Tbk ("JAS Airport Services") for US\$60 million. When the acquisition is completed, JAS Airport Services will be our thirteenth operating overseas venture and will mark our entry into the Indonesian market. The Group is optimistic about the growth potential of Indonesia, and our partnership with well managed JAS Airport Services will enable the Group to tap into the expected increase in demand for air travel and international trade to and from Indonesia.

SATS is indebted to its well-trained and dedicated staff for many of its achievements and accolades received. In 2003, a record 1,003 staff from SATS won the national Excellent Service Awards (EXSA), making SATS easily the largest winner ever. The number of awards received surpassed by 79% the record achieved in 2002.

SATS Security (SSS) won the "Outstanding Security Organization" award for 2003 from aviation security journal, Aviation Security International. The award was given in recognition of the contributions that SSS has made to global aviation security. SSS was commended for its commitment to providing excellent aviation security services to airlines and airport operators in Singapore.

Our airline clients and their passengers continued to enjoy enhanced product and service offerings from SATS at Changi Airport which is reputed as the world's best airport. This underscores the commitment by SATS to maintain Singapore's status as the premier air hub in the region so that increased passenger flows will directly benefit the Group in business volume. We have upgraded our SATS Premier Lounge at Terminal 1 with new facilities and improved menus. We have also launched the SATS Operations Control Centre, an integrated and centralised facility which coordinates all ground handling activities at Changi Airport for tighter monitoring and quicker decision making to the benefit of our clients.

**"Despite the formidable challenges in the first quarter of the year, the SATS Group managed to post a reasonable performance for FY2003/2004..."**

**“The Group remains steadfast in its overriding strategy of offering quality service at competitive rates while seeking out overseas expansion to augment its growth. SATS will be ready for the challenges ahead.”**

The key challenge facing SATS in the coming year is the increasingly competitive landscape resulting from the entry of the third ground handler expected in 2005 and third inflight caterer in 2006. The Singapore authorities have taken steps to open up the ground handling market at Changi Airport with the intention of increasing competition and lowering handling rates. The outcome of the tender exercise will only be known in the second half of 2004. This development may put pressure on rates and market share.

SATS is not in unfamiliar territory when it comes to competition, having fought for dominance against existing competition in the past. Management is continuing its efforts to improve on cost competitiveness and service quality. The Group remains steadfast in its overriding strategy of offering quality service at competitive rates while seeking out overseas expansion to augment its growth. SATS will be ready for the challenges ahead.

On 14 May 2004, the SIA Board, after its review, decided to retain SIA's 87% ownership of SATS at this point in time. SATS welcomes this position as it lifts the uncertainty over the issue and allows Management to sharpen focus on meeting the challenges of a more competitive environment. More importantly, the Group will continue to work relentlessly at meeting and exceeding the expectations of SIA, our largest customer, both in service delivery and cost competitiveness.

This past year has also seen changes at the helm. Prush Nadaisan retired as CEO SATS on 31 December 2003, following 27 years of invaluable service to our Group, for which we thank him. Ng Chin Hwee assumed the position of Group CEO of SATS on 2 January 2004 and following the streamlining of the organisation structure, he was retitled President and CEO on 27 May 2004. With over 19 years' experience in the aviation industry, Chin Hwee has the dedication and the drive to lead the SATS Group in its next stage of development.

Recently, Joseph Chew retired from his position of Chief Executive of SATS Catering after 34 years of service to the SIA Group including 4 years at SATS. With Joseph's retirement, Karmjit Singh, who was Chief Executive of SATS Airport Services, has assumed the role of Chief Operating Officer in charge of both ground handling and inflight catering operations in Singapore.

The Board is pleased to propose a final dividend of 5 cents gross per share and a special dividend of 37 cents gross per share for FY2003/2004. Including the interim dividend of 3 cents gross per share paid on 28 November 2003, the ordinary dividends for FY2003/2004 will increase from 7 cents gross per share to 8 cents gross per share this year. This works out to an ordinary dividend payout of 33.6% of net profits (FY2002/2003: 25.4%).

With the special dividend, the total gross dividend for the year is 45 cents per share. Based on the average share price of \$1.96 for FY2003/2004, the dividend yield is 23.0%.

Finally, on behalf of the Board, I would like to express our sincere appreciation to past Chairman, Dr Cheong Choong Kong, for his invaluable contributions to the Group during his 19 years of stewardship as Chairman and Director before stepping down on 21 May 2003. I would also like to thank my Board colleagues for their wise counsel and contributions. My thanks also go out to our shareholders, clients, partners and business associates for the support they have extended to us.

Last but certainly not least, I would like to thank the management and staff for their commitment, dedication and loyalty.

**EDMUND CHENG WAI WING**  
Chairman

28 May 2004

**IMPORTANT NOTE**

The summary financial statement as set out on pages 6 to 19 does not contain sufficient information to allow for a full understanding of the results and state of affairs of the Company or of the Group. For further information, the full annual financial statements, the auditors' report on those financial statements, and the directors' report should be consulted. Shareholders may request a copy of the full annual report at no cost from the Company Secretary. Please use the request form at the end of this summary financial report.

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the year ended 31 March 2004.

**1. DIRECTORS OF THE COMPANY**

The names of the directors in office at the date of this report are:

Edmund Cheng Wai Wing – Chairman (Appointed on 22 May 2003)  
 Chew Choon Seng – Deputy Chairman (Appointed on 22 May 2003)  
 Michael Tan Jiak Ngee  
 Barry Desker  
 Richard Charles Helfer  
 Hong Hai  
 Ng Kee Choe  
 Ow Chin Hock  
 Jimmy Phoon Siew Heng

**2. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES**

The following directors who held office at the end of the financial year have, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in the ordinary shares, share options and debentures of the Company, the Company's immediate holding company and subsidiary companies of the Company's immediate and ultimate holding company other than wholly-owned subsidiary companies, as stated below:

NAME OF DIRECTOR	DIRECT INTEREST		DEEMED INTEREST	
	1.4.2003/ DATE OF APPOINTMENT	31.3.2004	1.4.2003/ DATE OF APPOINTMENT	31.3.2004
<b>INTEREST IN SINGAPORE AIRLINES LIMITED</b>				
<b><u>ORDINARY SHARES OF \$0.50 EACH</u></b>				
Edmund Cheng Wai Wing	–	–	3,000	–
Chew Choon Seng	214,000	214,000	–	–
Michael Tan Jiak Ngee	79,600	79,600	–	–
Barry Desker	2,000	2,000	4,000	4,000
Hong Hai	20,000	20,000	–	–
<b><u>OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES OF \$0.50 EACH</u></b>				
Chew Choon Seng	454,000	606,000	–	–
Michael Tan Jiak Ngee	454,000	606,000	–	–



**2. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (continued)**

NAME OF DIRECTOR	DIRECT INTEREST		DEEMED INTEREST	
	1.4.2003/ DATE OF APPOINTMENT	31.3.2004	1.4.2003/ DATE OF APPOINTMENT	31.3.2004
<b>INTEREST IN SINGAPORE AIRPORT TERMINAL SERVICES LIMITED</b>				
<b><u>ORDINARY SHARES OF \$0.10 EACH</u></b>				
Chew Choon Seng	10,000	10,000	-	-
Michael Tan Jiak Ngee	16,000	16,000	-	-
Barry Desker	11,000	11,000	-	-
Richard Charles Helfer	11,000	11,000	-	-
Ng Kee Choe	11,000	11,000	-	-
<b>INTEREST IN SIA ENGINEERING COMPANY LIMITED</b>				
<b><u>ORDINARY SHARES OF \$0.10 EACH</u></b>				
Chew Choon Seng	20,000	20,000	-	-
Michael Tan Jiak Ngee	41,000	41,000	-	-
Barry Desker	-	-	5,000	5,000
<b>INTEREST IN SINGAPORE TELECOMMUNICATIONS LIMITED</b>				
<b><u>ORDINARY SHARES OF \$0.15 EACH</u></b>				
Chew Choon Seng	11,800	11,800	-	-
Michael Tan Jiak Ngee	6,740	6,740	-	-
Barry Desker	1,540	1,540	7,740	7,740
Hong Hai	1,540	1,540	1,540	1,540
Ng Kee Choe	1,740	1,740	1,740	1,740
Ow Chin Hock	8,540	13,440	-	-
Jimmy Phoon Siew Heng	1,820	1,820	2,740	2,740
<b>INTEREST IN SINGAPORE TECHNOLOGIES ENGINEERING LIMITED</b>				
<b><u>ORDINARY SHARES OF \$0.10 EACH</u></b>				
Barry Desker	-	-	5,000	10,000
<b>INTEREST IN SNP CORPORATION LIMITED</b>				
<b><u>ORDINARY SHARES OF \$0.50 EACH</u></b>				
Edmund Cheng Wai Wing	10,000	35,000	-	-
Barry Desker	-	-	3,000	3,000
<b>INTEREST IN RAFFLES HOLDINGS LIMITED</b>				
<b><u>ORDINARY SHARES OF \$0.50 EACH</u></b>				
Chew Choon Seng	12,000	12,000	-	-
Michael Tan Jiak Ngee	16,000	16,000	-	-
Barry Desker	-	-	60,000	60,000
Hong Hai	20,000	20,000	-	-
Ng Kee Choe	10,000	10,000	-	-
Richard Charles Helfer	250,000	250,000	-	-
<b><u>OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES OF \$0.50 EACH</u></b>				
Richard Charles Helfer	2,000,000	-	-	-

**2. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES** (continued)

NAME OF DIRECTOR	DIRECT INTEREST		DEEMED INTEREST	
	1.4.2003/ DATE OF APPOINTMENT	31.3.2004	1.4.2003/ DATE OF APPOINTMENT	31.3.2004
<b>INTEREST IN SMRT CORPORATION LIMITED</b>				
<b><u>ORDINARY SHARES OF \$0.10 EACH</u></b>				
Chew Choon Seng	50,000	50,000	-	-
<b>INTEREST IN CAPITALAND LIMITED</b>				
<b><u>ORDINARY SHARES OF \$1 EACH</u></b>				
Edmund Cheng Wai Wing	-	-	28,000	-
Richard Charles Helfer	70,000	-	-	-
<b><u>OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES OF \$1 EACH</u></b>				
Richard Charles Helfer	1,045,064	-	-	-
<b>INTEREST IN ST ASSEMBLY TEST SERVICES LIMITED</b>				
<b><u>ORDINARY SHARES OF \$0.25 EACH</u></b>				
Hong Hai	10,000	10,000	-	-
Barry Desker	-	-	20,000	20,000
<b>INTEREST IN CHARTERED SEMICONDUCTOR MANUFACTURING LIMITED</b>				
<b><u>ORDINARY SHARES OF \$0.26 EACH</u></b>				
Hong Hai	4,000	4,000	-	-
Barry Desker	-	-	5,000	5,000
<b>INTEREST IN SEMBCORP LOGISTICS LIMITED</b>				
<b><u>ORDINARY SHARES OF \$0.25 EACH</u></b>				
Barry Desker	-	-	10,000	10,000
<b>INTEREST IN CAPITAMALL TRUST</b>				
<b><u>UNITS OF \$100,000 EACH</u></b>				
Richard Charles Helfer	1	-	-	-
<b>INTEREST IN THE ASCOTT GROUP LIMITED</b>				
<b><u>OPTIONS TO SUBSCRIBE FOR ORDINARY SHARES OF \$0.20 EACH</u></b>				
Richard Charles Helfer	120,000	-	-	-

There was no change in any of the above-mentioned interests between the end of the financial year and 21 April 2004. Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangements to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares and share options in, or debentures of, the Company or any other body corporate, other than pursuant to the Employee Share Option Plan of its immediate holding company, and the subsidiary companies of the Company's ultimate holding company.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants 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.

### 3. 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 which the director has a substantial financial interest.

### 4. OPTIONS ON SHARES IN THE COMPANY

SATS Employee Share Option Plan ("the Plan"), which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, was approved by shareholders of the Company at the Company's Extraordinary General Meeting held on 7 July 2001.

Under the 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 SGX-ST for the five market days immediately preceding the date of grant.

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.

At the date of this report, the Committee administering the Plan comprises the following directors:

Richard Charles Helfer – Chairman  
Michael Tan Jiak Ngee – Member  
Hong Hai – Member

No options have been granted to Directors of the Company, controlling shareholders of the Company or their associates, or parent group employees.

No employee has received 5% or more of the total number of options available under the Plan and no option was granted at a discount.

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.

**4. OPTIONS ON SHARES IN THE COMPANY** (continued)

During the financial year, in consideration of the payment of \$1 for each offer accepted, offers of options were granted pursuant to the Plan in respect of 16,007,800 unissued ordinary shares of \$0.10 each in the Company at an exercise price of \$1.77 per share.

At the end of the financial year, options to take up 68,911,300 unissued ordinary shares of \$0.10 each in the Company were outstanding:

<b>DATE OF GRANT</b>	<b>BALANCE AT 01.04.2003/ DATE OF GRANT</b>	<b>LAPSED</b>	<b>EXERCISED</b>	<b>NOT ACCEPTED</b>	<b>BALANCE AT 31.03.2004</b>	<b>EXERCISE PRICE</b>	<b>EXERCISABLE PERIOD</b>
28.3.2000	17,837,200	(350,100)	-	-	17,487,100	\$2.50	28.3.2001-27.3.2010
3.7.2000	13,780,000	(163,025)	(116,925)	-	13,500,050	\$2.10	3.7.2001- 2.7.2010
2.7.2001	15,080,800	(188,800)	(5,852,150)	-	9,039,850	\$1.54	2.7.2002- 1.7.2011
1.7.2002	15,101,200	(246,100)	(36,400)	-	14,818,700	\$1.90	1.7.2003-30.6.2012
1.7.2003	16,007,800	(103,300)	-	(1,838,900)	14,065,600	\$1.77	1.7.2004-30.6.2013
	77,807,000	(1,051,325)	(6,005,475)	(1,838,900)	68,911,300		

**5. AUDIT COMMITTEE**

The Audit Committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

**6. AUDITORS**

The auditors, Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment.

The summary financial statements on pages 12 to 18 was approved by the Board on 11 May 2004 and was signed on its behalf by:

**EDMUND CHENG WAI WING**

Chairman

**CHEW CHOON SENG**

Deputy Chairman

Dated this 11th day of May 2004

We have examined the accompanying summary financial statement set out on pages 6 to 18.

In our opinion, the summary financial statement is consistent, in all material respects, with the full financial statements and the directors' report of Singapore Airport Terminal Services Limited and its subsidiary companies for the financial year ended 31 March 2004 from which they were derived, and complies with the requirements of S203A of the Companies (Amendment) Act 1995, and regulations made thereunder.

In our auditor's report dated 11 May 2004, which is reproduced below, we expressed an unqualified opinion on the financial statements of Singapore Airport Terminal Services Limited and its subsidiary companies:

"We have audited the accompanying financial statements of Singapore Airport Terminal Services Limited (the "Company") and its subsidiaries (the "Group") set out on pages # to # for the year ended 31 March 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- a. the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2004, and changes in equity of the Group and of the Company, the results, and cash flows of the Group for the financial year ended on that date; and
- b. the accounting and other records (excluding registers) required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act."

For a better understanding of the financial position of the Company and the Group and the results of the operations of the Group for the year and of the scope of our audit, the summary financial statement should be read in conjunction with the full financial statements from which the summarised financial statement was derived and our audit report thereon.

**ERNST & YOUNG**  
Certified Public Accountants

Dated this 11th day of May 2004  
Singapore

**NOTE :**

# The page numbers are stated in the Auditors' report dated 11 May 2004 included in the SATS Annual Report for the financial year ended 31 March 2004.

	<b>GROUP</b>	
	<b>2003-2004</b>	<b>2002-2003</b>
<b>REVENUE</b>	<b>868,668</b>	958,145
<b>EXPENDITURE</b>		
Staff costs	<b>(366,057)</b>	(402,637)
Cost of raw materials	<b>(66,059)</b>	(70,436)
Licensing fees	<b>(60,661)</b>	(68,479)
Depreciation charges	<b>(61,500)</b>	(60,440)
Company accommodation and utilities	<b>(55,773)</b>	(56,563)
Other costs	<b>(67,799)</b>	(71,399)
	<b>(677,849)</b>	(729,954)
<b>OPERATING PROFIT</b>	<b>190,819</b>	228,191
Interest on borrowings	<b>(6,108)</b>	(5,834)
Interest income	<b>5,071</b>	3,856
Dividends from long-term investment, gross	<b>678</b>	691
Share of profits of associated companies	<b>33,774</b>	30,201
(Loss)/gain on disposal of fixed assets	<b>(97)</b>	83
Amortisation of goodwill	<b>(77)</b>	(28)
Amortisation of deferred income	<b>1,576</b>	911
<b>PROFIT BEFORE EXCEPTIONAL ITEMS</b>	<b>225,636</b>	258,071
Exceptional items	<b>(8,008)</b>	-
<b>PROFIT BEFORE TAXATION</b>	<b>217,628</b>	258,071
Taxation	<b>(27,976)</b>	(43,259)
<b>PROFIT AFTER TAXATION</b>	<b>189,652</b>	214,812
Minority interests	<b>217</b>	(54)
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>189,869</b>	214,758
<b>DIVIDENDS PAID</b>		
Final dividend of 4 cents (2003: 4 cents) per ordinary share of \$0.10 each less 22% (2003: 22%) tax in respect of previous financial year	<b>31,228</b>	31,200
Interim dividend of 3 cents (2003: 3 cents) per ordinary share of \$0.10 each less 22% (2003: 22%) tax in respect of current financial year	<b>23,521</b>	23,400
	<b>54,749</b>	54,600
Basic earnings per share (cents)	<b>18.9</b>	21.5
Diluted earnings per share (cents)	<b>18.9</b>	21.4

AT 31 MARCH 2004 (IN \$ THOUSANDS)

	GROUP		COMPANY	
	31.3.2004	31.3.2003	31.3.2004	31.3.2003
<b>SHARE CAPITAL</b>				
Authorised	200,000	200,000	200,000	200,000
Issued and fully paid	100,601	100,000	100,601	100,000
Share premium	8,726	-	8,726	-
<b>RESERVES</b>				
Distributable				
Revenue reserve	1,113,068	978,875	689,723	619,797
Foreign currency translation reserve	3,171	6,357	-	-
Non-distributable				
Statutory reserve	2,528	1,601	-	-
	1,118,767	986,833	689,723	619,797
<b>SHARE CAPITAL AND RESERVES</b>	1,228,094	1,086,833	799,050	719,797
<b>MINORITY INTERESTS</b>	2,509	2,726	-	-
<b>DEFERRED TAXATION</b>	81,309	103,808	41,305	51,564
<b>LOAN FROM IMMEDIATE HOLDING COMPANY</b>	43,649	45,965	43,649	45,965
<b>TERM LOANS</b>	2,990	863	-	-
<b>DEFERRED INCOME</b>	29,816	31,891	29,816	31,891
	1,388,367	1,272,086	913,820	849,217
Represented by:				
<b>FIXED ASSETS</b>				
Leasehold land and buildings	578,182	593,304	561,666	587,560
Progress payments	25,219	17,260	205	748
Others	185,678	207,052	2,814	1,802
	789,079	817,616	564,685	590,110
<b>SUBSIDIARY COMPANIES</b>	-	-	43,275	43,275
<b>LONG-TERM INVESTMENTS</b>	7,886	7,886	7,886	7,886
<b>ASSOCIATED COMPANIES</b>	141,001	137,905	95,231	95,231
<b>GOODWILL ON CONSOLIDATION</b>	1,441	1,518	-	-
<b>LOAN TO THIRD PARTY</b>	43,649	45,965	43,649	45,965
<b>DEFERRED TAXATION</b>	-	85	-	-
<b>CURRENT ASSETS</b>				
Trade debtors	59,986	67,454	1,052	526
Other debtors	9,297	29,087	5,436	25,952
Related companies	215,023	238,583	145,071	185,678
Associated companies	641	1,108	641	1,108
Stocks	8,954	10,108	343	454
Short-term non-equity investments	94,830	117,785	94,830	117,785
Bank fixed deposits	177,052	182,168	176,052	182,168
Cash and bank balance	9,812	14,811	3,897	6,157
	575,595	661,104	427,322	519,828
Less:				
<b>CURRENT LIABILITIES</b>				
Term loans	770	620	-	-
Bank overdraft - secured	2,297	-	-	-
Trade creditors	85,543	104,633	3,630	4,181
Other creditors	25,726	30,620	19,697	21,192
Related companies	-	-	232,556	211,056
Notes payable	-	200,000	-	200,000
Provision for taxation	55,948	64,120	12,345	16,649
	170,284	399,993	268,228	453,078
<b>NET CURRENT ASSETS</b>	405,311	261,111	159,094	66,750
	1,388,367	1,272,086	913,820	849,217

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2004 (IN \$ THOUSANDS)**

P. 14

	<b>SHARE CAPITAL</b>	<b>SHARE PREMIUM</b>	<b>REVENUE RESERVE</b>	<b>STATUTORY RESERVE*</b>	<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>	<b>TOTAL EQUITY</b>
<b>GROUP</b>						
Balance at 1 April 2002	100,000	-	819,496	822	9,939	930,257
Transfer to statutory reserve	-	-	(779)	779	-	-
Foreign currency translation adjustment	-	-	-	-	(3,582)	(3,582)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	(779)	779	(3,582)	(3,582)
Profit attributable to shareholders for the financial year	-	-	214,758	-	-	214,758
Dividends	-	-	(54,600)	-	-	(54,600)
Balance at 31 March 2003	100,000	-	978,875	1,601	6,357	1,086,833
Share options exercised	601	8,726	-	-	-	9,327
Transfer to statutory reserve	-	-	(927)	927	-	-
Foreign currency translation adjustment	-	-	-	-	(3,186)	(3,186)
Net gain/(loss) not recognised in the profit and loss accounts	-	-	(927)	927	(3,186)	(3,186)
Profit attributable to shareholders for the financial year	-	-	189,869	-	-	189,869
Dividends	-	-	(54,749)	-	-	(54,749)
Balance at 31 March 2004	100,601	8,726	1,113,068	2,528	3,171	1,228,094

\* Certain countries in which some of the Group's associated companies are incorporated legally require statutory reserves to be set aside. The laws of the countries restrict the distribution and use of these statutory reserves.



	<b>SHARE CAPITAL</b>	<b>SHARE PREMIUM</b>	<b>REVENUE RESERVE</b>	<b>TOTAL EQUITY</b>
<b>COMPANY</b>				
Balance at 1 April 2002	100,000	–	419,881	519,881
Profit attributable to shareholders for the financial year	–	–	254,516	254,516
Dividends	–	–	(54,600)	(54,600)
Balance at 31 March 2003	100,000	–	619,797	719,797
Share options exercised	601	8,726	–	9,327
Profit attributable to shareholders for the financial year	–	–	124,675	124,675
Dividends	–	–	(54,749)	(54,749)
Balance at 31 March 2004	100,601	8,726	689,723	799,050

	2003-2004	2002-2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	217,628	258,071
Adjustments for:		
Interest income	(5,071)	(3,856)
Interest on borrowings	6,108	5,834
Dividend from long-term investment	(678)	(691)
Depreciation of fixed assets	61,500	60,440
Effects of exchange rate changes	3,223	3,013
Loss/(gain) on disposal of fixed assets	97	(83)
Share of results of associated companies	(33,774)	(30,201)
Amortisation of goodwill	77	28
Amortisation of deferred income	(1,576)	(911)
Operating profit before working capital changes	247,534	291,644
Decrease/(increase) in debtors	8,759	(8,558)
Decrease/(increase) in stocks	1,154	(905)
(Increase)/decrease in amounts owing by related companies	(10,574)	6,639
(Decrease)/increase in creditors	(29,723)	1,510
Decrease/(increase) in amounts due from associated companies	57	(152)
Cash generated from operations	217,207	290,178
Interest paid to third parties	(6,158)	(5,882)
Tax paid	(35,349)	(51,109)
<b>Net cash provided by operating activities</b>	<b>175,700</b>	<b>233,187</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(28,201)	(12,429)
Investment in associated companies	-	(3,447)
Repayment of loan from associated companies	405	739
Dividends from associated companies	22,940	15,687
Proceeds from disposal of fixed assets	329	3,634
Interest received from deposits	4,906	3,614
Dividends received from long-term investment	678	691
Sale/(purchase) of short-term non-equity investments	22,955	(117,785)
Acquisition of subsidiary company, net of cash acquired	-	(2,093)
<b>Net cash provided by/(used in) investing activities</b>	<b>24,012</b>	<b>(111,389)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of term loan and notes payable	(200,620)	(620)
Proceeds from borrowings	2,898	-
Proceeds from exercise of share options	9,327	-
Repayment of hire purchase creditor	-	(193)
Dividends paid	(54,749)	(54,600)
Deferred income	-	32,802
<b>Net cash used in financing activities</b>	<b>(243,144)</b>	<b>(22,611)</b>
Net (decrease)/increase in cash and cash equivalents	(43,432)	99,187
Effect of exchange rate changes	(3,223)	(3,013)
Cash and cash equivalents at beginning of financial year	350,230	254,056
Cash and cash equivalents at end of financial year	<b>303,575</b>	<b>350,230</b>

31 MARCH 2004

**1. GENERAL**

Singapore Airport Terminal Services Limited ("the Company") is a limited liability company incorporated in the Republic of Singapore. The Company is a subsidiary of Singapore Airlines Limited and its ultimate holding company is Temasek Holdings (Private) Limited, both incorporated in the Republic of Singapore. Related companies in these financial statements refer to members of the group of companies owned or controlled by Singapore Airlines Limited.

The registered office of the Company is at 20 Airport Boulevard, Singapore 819659.

The Company is principally an investment holding company. Its other activities include rental of premises.

The principal activities of the Group are to provide the following services at Singapore Changi Airport to its airline customers:

- Ground handling services including airfreight handling services, passenger services, baggage handling services and apron services;
- Inflight catering services including aircraft interior cleaning and cabin handling services;
- Aviation security services;
- Airline laundry services; and
- Airport cargo delivery management services.

The Group is also engaged in the activity of manufacturing and distribution of chilled and frozen processed foods. There have been no other significant changes in the nature of the activities during the financial year.

**2. SIGNIFICANT RELATED PARTY TRANSACTIONS (IN \$ THOUSANDS)**

The following transactions are entered into by the Group with related parties at market rates:

	<b>GROUP</b>	
	<b>2003-2004</b>	<b>2002-2003</b>
Services rendered by:		
Immediate holding company	<b>15,250</b>	15,872
Related companies	<b>346</b>	2,002
	<b>15,596</b>	17,874
Sales to:		
Immediate holding company	<b>361,272</b>	418,192
Related companies	<b>151,899</b>	157,226
Associated companies	<b>1,284</b>	905
	<b>514,455</b>	576,323
Interest income from:		
Immediate holding company	<b>1,080</b>	1,448
Related companies	<b>3,967</b>	2,361
Associated companies	<b>24</b>	47
	<b>5,071</b>	3,856

31 MARCH 2004

**2. SIGNIFICANT RELATED PARTY TRANSACTIONS (IN \$ THOUSANDS)** (continued)

Directors' fees declared by the Company amounted to \$0.4 million (2003: \$0.4 million). Key executives' remuneration totalled \$2.3 million (2003: \$1.8 million).

Share options granted to and exercised by directors and key executives of the Company are as follows:

<b>NAME OF PARTICIPANT</b>	<b>OPTIONS GRANTED DURING FINANCIAL YEAR UNDER REVIEW</b>	<b>EXERCISE PRICE FOR OPTIONS GRANTED DURING FINANCIAL YEAR UNDER REVIEW</b>	<b>AGGREGATE OPTIONS GRANTED SINCE COMMENCEMENT OF SCHEME TO END OF FINANCIAL YEAR UNDER REVIEW</b>	<b>AGGREGATE OPTIONS EXERCISED SINCE COMMENCEMENT OF SCHEME TO END OF FINANCIAL YEAR UNDER REVIEW</b>	<b>AGGREGATE OPTIONS OUTSTANDING AT END OF FINANCIAL YEAR UNDER REVIEW</b>
Karmjit Singh	191,000	\$1.77	1,040,000	-	1,040,000
Joseph Chew	110,000	\$1.77	873,000	(92,000)	781,000
Leong Kok Hong	81,500	\$1.77	431,500	-	431,500
Tan Chuan Lye	81,500	\$1.77	431,500	-	431,500

**3. EXCEPTIONAL ITEMS**

The exceptional items relate to retrenchment and early retirement costs.

**1. INTERESTED PERSONS TRANSACTIONS (IN \$ THOUSANDS)**

Interested persons transactions under the shareholders' mandate for the year are as follows:

NAME OF INTERESTED PERSONS	AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS ENTERED INTO DURING THE FINANCIAL YEARS BELOW (EXCLUDING TRANSACTIONS OF VALUE LESS THAN \$100,000 AND TRANSACTIONS CONDUCTED UNDER THE SHAREHOLDERS' MANDATE PURSUANT TO RULE 920)		AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS ENTERED INTO DURING THE FINANCIAL YEARS BELOW UNDER THE SHAREHOLDERS' MANDATE PURSUANT TO RULE 920 (EXCLUDING TRANSACTIONS OF VALUE LESS THAN \$100,000)	
	2003-2004	2002-2003	2003-2004	2002-2003
Singapore Airlines Ltd	-	-	9,732	7,972
Invo-Tech Engineering Pte Ltd	-	-	4,384	1,006
NCS Communications Engineering Pte Ltd	-	-	2,728	-
Premas International Ltd	-	-	2,180	-
Keppel Electric Pte Ltd	-	-	1,680	1,500
SembCorp Power Pte Ltd	-	-	1,463	-
CET Technologies Pte Ltd	-	-	974	-
SIA Engineering Company Ltd	-	-	308	574
SIA Properties Pte Ltd	-	-	276	-
SilkAir Pte Ltd	-	-	241	1,020
Eagle Services Asia Pte Ltd	-	-	154	154
SIA Cargo Pte Ltd	-	-	144	151
Singapore Food Industries Ltd	-	-	117	151
SembCorp Logistics Ltd	255	-	-	-
Keppel FMO Pte Ltd	-	-	-	3,347
Changi International Airport Services Pte Ltd	-	-	-	1,441
Total interested persons transactions	255	-	24,381	17,316

**NOTE:**

All the above interested persons transactions were done on normal commercial terms.

AS AT 14 MAY 2004

## SHARE CAPITAL

Authorised share capital: 2,000,000,000 ordinary shares of S\$0.10 each  
 Issued and fully paid: 1,006,060,675 ordinary shares of S\$0.10 each  
 Voting Rights: One Vote Per Share

## ANALYSIS OF SHAREHOLDINGS

RANGE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDERS	%	AMOUNT OF SHAREHOLDINGS	%
1 – 999	126	0.54	49,562	0.00
1,000 – 10,000	22,736	97.81	36,508,850	3.63
10,001 – 1,000,000	374	1.61	16,993,649	1.69
1,000,001 and above	9	0.04	952,508,614	94.68
Total	23,245	100.00	1,006,060,675	100.00

## MAJOR SHAREHOLDERS

NO.	NAME	NUMBER OF SHARES HELD	%
1.	SINGAPORE AIRLINES LIMITED	870,000,000	86.48
2.	UNITED OVERSEAS BANK NOMINEES PTE LTD	21,989,400	2.18
3.	RAFFLES NOMINEES PTE LTD	17,495,900	1.74
4.	DBS NOMINEES PTE LTD	16,589,561	1.65
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	12,550,953	1.25
6.	HSBC (SINGAPORE) NOMINEES PTE LTD	4,961,700	0.49
7.	OVERSEA-CHINESE BANK NOMINEES PTE LTD	4,722,100	0.47
8.	MERRILL LYNCH (S'PORE) PTE LTD	3,135,000	0.31
9.	MORGAN STANLEY ASIA (S'PORE)	1,064,000	0.11
10.	REALTY & INVESTMENT HOLDINGS PTE LTD	600,000	0.06
11.	UOB KAY HIAN PTE LTD	535,000	0.05
12.	HEN TICK COLDSTORAGE PTE LTD	480,000	0.05
13.	BNP PARIBAS PEREGRINE SEC PTE LTD	477,000	0.05
14.	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	466,000	0.05
15.	DB NOMINEES (S) PTE LTD	455,000	0.04
16.	OCBC SECURITIES PRIVATE LTD	381,500	0.04
17.	CITIBANK CONSUMER NOMINEES PTE LTD	368,000	0.04
18.	ROYAL BANK OF CANADA NOMINEES PTE LTD	350,000	0.03
19.	DBS VICKERS SECURITIES (S) PTE LTD	337,000	0.03
20.	YAP SIEAN SIN	300,000	0.03
		957,258,114	95.15

AS AT 14 MAY 2004

**SUBSTANTIAL SHAREHOLDERS**

As at 14 May 2004, 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:

<b>NAME OF SUBSTANTIAL SHAREHOLDER</b>	<b>NUMBER OF SHARES IN WHICH THE SUBSTANTIAL SHAREHOLDER HAS A DIRECT INTEREST (REPRESENTING PERCENTAGE OF TOTAL SHAREHOLDING)</b>	<b>NUMBER OF SHARES IN WHICH THE SUBSTANTIAL SHAREHOLDER HAS A DEEMED INTEREST (REPRESENTING PERCENTAGE OF TOTAL SHAREHOLDING)</b>	<b>TOTAL NUMBER OF SHARES IN WHICH THE SUBSTANTIAL SHAREHOLDER IS INTERESTED (REPRESENTING PERCENTAGE OF TOTAL SHAREHOLDING)</b>
Temasek Holdings (Private) Limited	–	* 870,010,000 (approximately 86.48%)	870,010,000 (approximately 86.48%)
Singapore Airlines Limited	870,000,000 (approximately 86.48%)	–	870,000,000 (approximately 86.48%)

\* derived mainly through the direct interest of Singapore Airlines Limited

**SHAREHOLDING HELD BY THE PUBLIC**

As at 14 May 2004, the percentage of shareholding of the Company held in the hands of the public was approximately 13.50%, and accordingly the Company confirms that Rule 723 of the SGX-ST Listing Manual has been complied with.

**NOTICE IS HEREBY GIVEN** that the 31st Annual General Meeting of the Company will be held at the Mandarin Court, Level 4, Grand Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867, on Tuesday 20 July 2004 at 10.00 am to transact the following business:

### **ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 March 2004 and the Auditors' Report thereon.
2. To declare a final dividend of 50% or 5 cents per share less income tax of 20% for the year ended 31 March 2004.
3. To re-elect Dr Richard Charles Helfer, who will retire by rotation in accordance with Article 83 of the Company's Articles of Association and who, being eligible, will offer himself for re-election as Director.
4. To re-elect Dr Hong Hai, who will retire by rotation in accordance with Article 83 of the Company's Articles of Association and who, being eligible, will offer himself for re-election as Director.
5. To re-elect Mr Tan Jiak Ngee Michael, who will retire by rotation in accordance with Article 83 of the Company's Articles of Association and who, being eligible, will offer himself for re-election as Director.
6. To re-appoint Messrs Ernst & Young as Auditors of the Company to hold office until the next Annual General Meeting and to authorise the Directors to fix their remuneration.
7. To approve payment of Directors' Fees of \$411,600.00 (FY2002/03: \$377,370.96) for the year ended 31 March 2004.

### **SPECIAL BUSINESS**

#### **ORDINARY RESOLUTIONS**

8. To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

8.1 That authority be and is hereby given to the Directors of the Company to:

- a. (i) issue shares in the capital 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 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 Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- c. 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 but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 50 per cent. (or such other limit as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (d) 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 but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 20 per cent. (or such other limit as may be prescribed by the SGX-ST) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (d) below);



**SPECIAL BUSINESS** (continued)**ORDINARY RESOLUTIONS**

- d. (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (c) above:
- (i) the percentage of issued share capital shall be calculated based on the issued share capital of the Company 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 in issue which are outstanding or subsisting at the time this Resolution is passed; and
    - (bb) any subsequent consolidation or subdivision of shares; and
  - (ii) in relation to an Instrument, the number of shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;
- e. in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- f. (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 or the expiration of such other period as may be prescribed by the Companies Act, Chapter 50 of Singapore (whichever is the earliest)."

8.2 "That the Board of Directors of the Company be and is hereby authorised to offer and grant Options (as defined in the SATS Employee Share Option Plan (the "Plan")) in accordance with the rules of the Plan and to allot and issue from time to time such number of ordinary shares of \$0.10 each in the capital of the Company as may be required to be issued pursuant to the exercise of the Options under the Plan, Provided Always that the aggregate number of such ordinary shares to be issued pursuant to the Plan shall not exceed 15 per cent. of the total issued share capital of the Company from time to time."

9. To transact any other business which may arise and can be transacted at an annual general meeting.

**NOTICE IS HEREBY GIVEN THAT**, subject to approval being obtained at the 31st Annual General Meeting of the Company for the declaration of the final dividend to be paid on 4 August 2004, the Transfer Books and Register of Members of the Company will be closed on 27 July 2004 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 Registrars, KPMG, at 138 Robinson Road, #17-00, The Corporate Office, Singapore 068906, up to 5.00 pm on 26 July 2004 will be registered to determine shareholders' entitlement 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 pm on 26 July 2004 will be entitled to the proposed final dividend.

By order of the Board

**YIP WAI PING ANNABELLE**  
Company Secretary

Dated this 11th day of June 2004  
Singapore

**EXPLANATORY NOTES**

- i. In relation to Ordinary Resolutions Nos. 3 to 5, Dr Richard Charles Helfer will upon re-election continue to serve as Chairman of the Remuneration Committee. Dr Hong Hai will upon re-election continue to serve as Chairman of the Board Risk Management Committee and member of the Audit Committee and Remuneration Committee. Mr Tan Jiak Ngee Michael will upon re-election continue to serve as member of the SATS Board Committee, Remuneration Committee and Board Risk Management Committee. The Nominating Committee and the Board consider Dr Helfer and Dr Hong as independent Directors and Mr Tan as a non-independent Director. Please refer to the sections on Board of Directors and Corporate Governance in the SATS Annual Report for FY2003-04 for more information relating to Dr Helfer, Dr Hong and Mr Tan.
- ii. Ordinary Resolution No. 7 is to approve the payment of Directors' Fees of \$411,600.00 (FY2002/03: \$377,370.96) for the year ended 31 March 2004, for services rendered by Directors on the Board as well as various Board Committees. The formula for computation of the said Directors' Fees is set out in the Corporate Governance section in the SATS Annual Report for FY2003-04. The increase in the aggregate amount of Directors' Fees in FY2003/04 is due to the existence of the Board Risk Management Committee for the full financial year as compared to FY2002/03 (since the Board Risk Management Committee had been formed on 30 October 2002), and the inclusion of fees payable to the Chairman and members of the Capital Structure Committee (whose members previously did not receive fees in respect of their membership) in recognition of their efforts and substantive contributions to the Company.
- iii. Ordinary Resolution No. 8.1 is to empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, to issue shares in the capital of the Company, make or grant instruments convertible into shares and to issue shares pursuant to such instruments up to an amount not exceeding in total 50 per cent of the issued share capital of the Company for the time being, with a sub-limit of 20 per cent. for issues other than on a pro rata basis to all shareholders (or such other percentage as may be prescribed by the SGX-ST), and calculated in accordance with the listing rules of the SGX-ST.
- iv. Ordinary Resolution No. 8.2 is to authorise the Directors to offer and grant Options and to allot and issue shares upon the exercise of such Options in accordance with the provisions of the Company's Employee Share Option Plan (the "Plan"). The modified and restated Plan was approved at the Extraordinary General Meeting of the Company held on 7 July 2001, and amended by the Company to comply with the provisions of the revised Listing Manual of the SGX-ST as announced on 4 June 2003, and further amended at the Extraordinary General Meeting of the Company held on 19 July 2003.

**NOTES:**

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at Robinson Road Post Office, P O Box 2114, Singapore 904114 not less than 48 hours before the time appointed for the Meeting.

**SINGAPORE AIRPORT TERMINAL SERVICES LIMITED**  
**(INCORPORATED IN THE REPUBLIC OF SINGAPORE)**

**IMPORTANT**

1. For Investors who have used their CPF monies to buy the Company's shares, this report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

**PROXY FORM**

\* I/We \_\_\_\_\_ NRIC / Passport No. \_\_\_\_\_ of

being a \*member/members of Singapore Airport Terminal Services Limited, hereby appoint

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (NO. OF SHARES)
and/or (delete as appropriate)			
NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (NO. OF SHARES)

Or failing \*him/her, the Chairman of the Annual General Meeting ("AGM") of the Company, as \*my/our \*proxy/proxies to attend and to vote for \*me/us and on \*my/our behalf and, if necessary, to demand a poll, at the AGM of the Company to be held on 20 July 2004 and at any adjournment thereof.

\*I/We direct \*my/our \*proxy/proxies to vote for or against the Ordinary 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/proxies to vote, for or against the Ordinary 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.	ORDINARY RESOLUTIONS	**FOR	**AGAINST
<b>ORDINARY BUSINESS</b>			
1.	Adoption of the Directors' Report, Audited Accounts and the Auditors' Report		
2.	Declaration of final dividend		
3.	Re-election of Dr Richard Charles Helfer retiring by rotation in accordance with Article 83		
4.	Re-election of Dr Hong Hai retiring by rotation in accordance with Article 83		
5.	Re-election of Mr Tan Jiak Ngee Michael retiring by rotation in accordance with Article 83		
6.	Re-appointment and remuneration of Auditors		
7.	Approval of Directors' Fees		
<b>SPECIAL BUSINESS</b>			
8.1	Authority for Directors to issue shares pursuant to Section 161 of the Companies Act (Cap 50)		
8.2	Authority for Directors to offer and grant options and issue shares in accordance with the provisions of the SATS Employee Share Option Plan		

\* Delete Accordingly

\*\* Please indicate your vote "For" or "Against" with a "✓" within the box provided

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2004.

**NO. OF SHARES HELD**

\_\_\_\_\_  
 Signature(s) of Shareholder(s) or Common Seal

**IMPORTANT**  
**PLEASE READ NOTES OVERLEAF**

**NOTES**

1. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member appoints two proxies, he must specify the proportion of his shareholding to be represented by each proxy, failing which the appointments will be deemed in the alternative.
3. The instrument appointing a proxy or representative 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 also appoint by resolution of its directors or other governing body an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act (Cap 50), to attend and vote on its behalf.
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 Robinson Road Post Office, P.O. Box 2114 Singapore 904114, at least 48 hours before the time appointed for the AGM.
6. On a show of hands, the Chairman of the AGM, who may be appointed as proxy by one or more members and who may also be a member in his own name, may vote as he deems fit, subject to applicable law.
7. A member should insert the total number of Ordinary Shares held. If the member has Ordinary Shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act (Cap 50)), he should insert that number of Ordinary Shares. If the member has Ordinary Shares registered in his name in the Register of Members, he should insert that number of Ordinary Shares. If the member has Ordinary Shares entered against his name in the Depository Register as well as Ordinary Shares registered in his name in the Register of Members, he should insert the aggregate number of Ordinary Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Ordinary Shares held by the member.
8. The Company shall be entitled to reject this instrument of proxy if it is incomplete, or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of a member whose Ordinary Shares are entered in the Depository Register, the Company shall be entitled to reject this instrument of proxy which has been lodged if such member is not shown to have Ordinary Shares entered against his name in the Depository Register at least 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

**FOLD ALONG THIS LINE (1)**



**PLEASE  
AFFIX  
POSTAGE  
STAMP**

**THE COMPANY SECRETARY**

**SINGAPORE AIRPORT TERMINAL SERVICES LIMITED**

Robinson Road Post Office

P O Box 2114

Singapore 904114

**FOLD ALONG THIS LINE (2)**

**SINGAPORE AIRPORT TERMINAL SERVICES LIMITED**

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

**REQUEST FORM**

11 June 2004

Dear Shareholder,

This is a copy of the Summary Financial Report ("SFR") of Singapore Airport Terminal Services Limited ("SATS") for financial year 2003/04. The SFR contains a review of the SATS Group for the year ended 31 March 2004. It also contains a summary of the audited financial statements of SATS and the SATS Group for that financial year. We will continue to send you a copy of the SFR for subsequent financial years, for as long as you are a SATS shareholder, unless you indicate or had previously indicated otherwise.

The Directors' Report and the full financial statements of SATS and the SATS Group are set out in a separate report called the Annual Report. This report is available to all SATS shareholders at no cost upon request.

If you wish to receive a copy of the Annual Report for the financial year 2003/04 and for subsequent financial years for as long as you are a shareholder, please complete the request form below by ticking the appropriate box, and return it to us at the address specified overleaf, by no later than 16 June 2004. **If we do not receive your request form by such date, it will indicate that you do not wish to receive the Annual Report for the financial year 2003/04 and for future financial years.** Nonetheless, please note that you may change your wishes in respect of our SFR and Annual Report for future financial years. Also, if you had previously indicated your wishes to us in connection with your receipt of the SFR and/or Annual Report for this and future financial years, we will take it that there have been no changes to your wishes and will act accordingly unless you inform us otherwise.

Yours faithfully

**FOR SINGAPORE AIRPORT TERMINAL SERVICES LIMITED**

**ANNABELLE YIP**

Company Secretary

TO: **SINGAPORE AIRPORT TERMINAL SERVICES LIMITED**

Robinson Road Post Office

PO Box 2114

Singapore 904114

**NB. Please tick only one box. Incomplete or incorrectly completed forms will not be processed.**

Please do not send to me/us the Summary Financial Report and Annual Report for as long as I am/we are shareholder(s) of Singapore Airport Terminal Services Limited.

Please send to me/us the Annual Report in addition to the Summary Financial Report for financial year 2003/04 and for as long as I am/we are shareholder(s) of Singapore Airport Terminal Services Limited.

Name(s) of shareholder(s): \_\_\_\_\_

NRIC/Passport Number(s): \_\_\_\_\_

# CDP Securities Account Number: 

1	6	8	1	-															
---	---	---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Address: \_\_\_\_\_

Signature(s): \_\_\_\_\_ Date: \_\_\_\_\_

# this is only applicable if your shares in SATS are registered with The Central Depository (Pte) Limited

FOLD ALONG THIS LINE (1)



POSTAGE WILL BE PAID  
BY ADDRESSEE.  
FOR POSTING IN  
SINGAPORE ONLY

**BUSINESS REPLY SERVICE**  
**PERMIT NO. 06426**



**THE COMPANY SECRETARY**  
**SINGAPORE AIRPORT TERMINAL SERVICES LIMITED**  
Robinson Road Post Office  
P O Box 2114  
Singapore 904114

FOLD ALONG THIS LINE (2)

DESIGNED & PRODUCED BY  
**RAINDANCE**



REGISTERED  
OFFICE

Singapore Airport Terminal Services Limited (SATS)  
20 Airport Boulevard  
SATS Inflight Catering Centre 1  
Singapore 819659

CORPORATE  
WEBSITE

[www.sats.com.sg](http://www.sats.com.sg)

INVESTOR  
RELATIONS  
CONTACT

T (65) 6541 8153  
F (65) 6541 8154