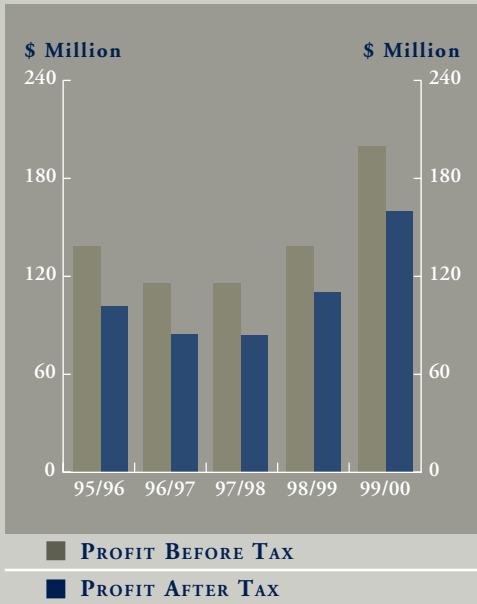


# FINANCIAL

## *Financial Report And Auditor's Report*

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**GROUP PROFIT BEFORE AND AFTER TAX**



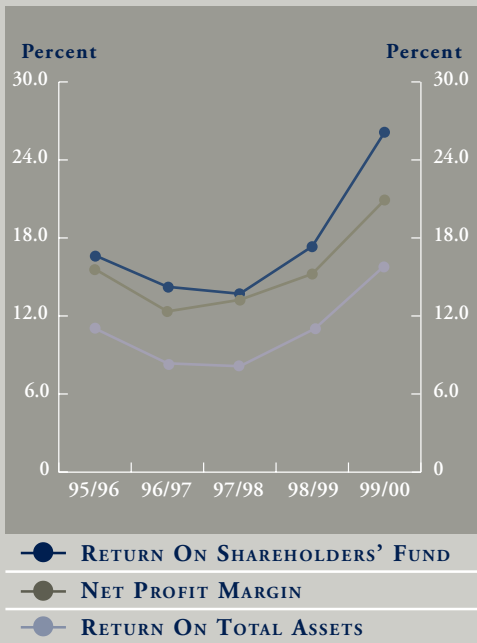
**EARNINGS**

The SATS Group's operating profit increased \$22 million (+13.7%) to \$181 million. Profit before tax was \$200 million, an increase of \$61 million (+43.9%). Profit attributable to shareholders rose \$50 million (+45.1%) to \$160 million.

Profit attributable to shareholders grew by a higher percentage than operating profit because of a substantial loss on sale of short-term investments in 1998-99.

Earnings per share was 16 cents, an increase of 5 cents (+45.5%). Profit margin on sales was 5.5 percentage points higher at 20.3%. Return on average shareholders' funds was 24.4%, an increase of 8.2 percentage points. Return on turnover and return on total assets improved 5.5% and 4.9% respectively.

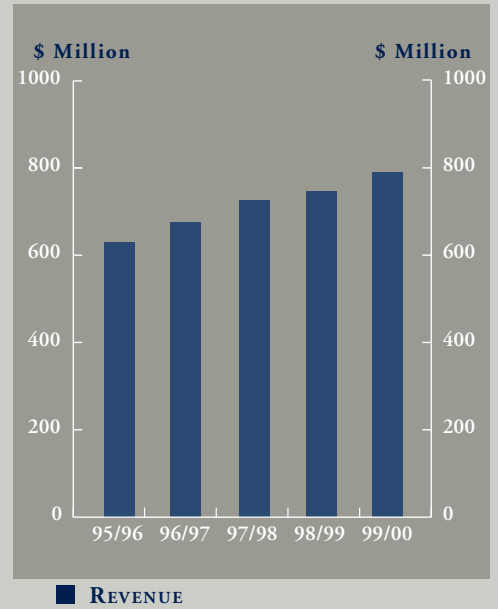
**GROUP PROFITABILITY RATIOS**



**REVENUE**

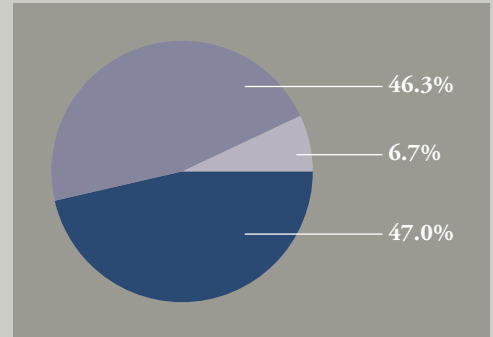
The Group's revenue rose \$44 million (+5.9%) to \$790 million. Inflight catering revenue contributed \$372 million, up \$25 million (+7.2%) on account of a 7.9% increase in the number of meals uplifted. Ground handling revenue was \$18 million (+5.3%) higher at \$366 million. Revenue from services other than inflight catering and ground handling amounted to \$53 million, up \$1 million (+1.3%). Part of this was contributed by security services whose revenue rose 5.7% to \$39 million.

**GROUP REVENUE**

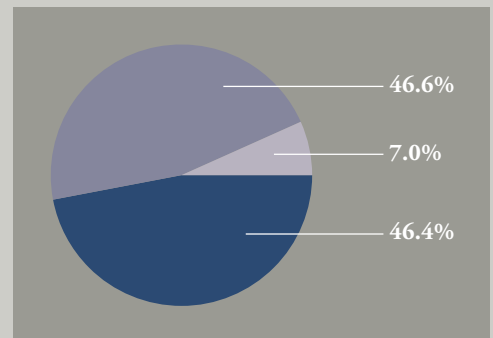


**GROUP REVENUE COMPOSITION**

a) 1999-00



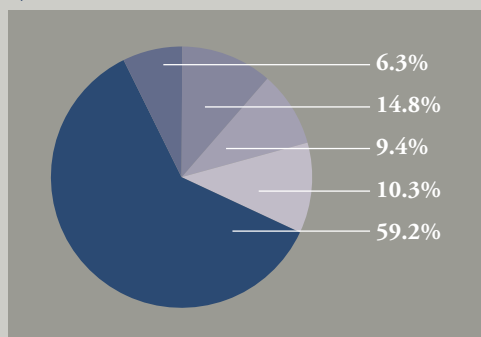
b) 1998-99



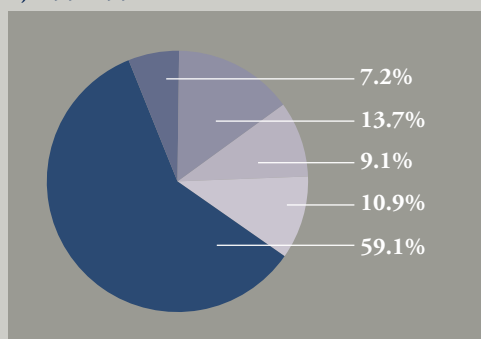
- INFLIGHT CATERING
- GROUND HANDLING
- OTHERS

**GROUP EXPENDITURE BREAKDOWN**

**a) 1999-00**



**b) 1998-99**



- STAFF COSTS
- DEPRECIATION
- OTHER COSTS
- LICENSING FEES
- RAW MATERIALS

**EXPENDITURE COMPOSITION**

	1999-00		1998-99		CHANGE
	\$ MILLION	%	\$ MILLION	%	%
Staff costs	360.4	59.2	346.9	59.1	+ 3.9
Raw materials	62.5	10.3	63.9	10.9	- 2.2
Licensing fees	57.3	9.4	53.2	9.1	+ 7.7
Depreciation	38.5	6.3	42.3	7.2	- 9.0
Other costs	90.1	14.8	80.3	13.7	+12.2
<b>Total</b>	<b>608.8</b>	<b>100</b>	<b>586.6</b>	<b>100</b>	<b>+ 3.8</b>

# Other costs include accommodation expenses, IT expenses, equipment maintenance cost and cost of office supplies.

**EXPENDITURE**

The Group's expenditure rose 3.8% or \$22 million to \$609 million.

The increase in Group's expenditure was due to:

	CHANGE	
	\$ MILLION	%
Staff costs	+13.5	+ 3.9
Licensing fees	+ 4.1	+ 7.7
Depreciation	- 3.8	- 9.0
Raw materials	- 1.4	- 2.2
Other costs	+ 9.8	+12.2
<b>Total</b>	<b>+22.2</b>	<b>+ 3.8</b>

The increase in staff costs of \$14 million (+3.9%) was attributable mainly to (i) a higher profit sharing bonus, (ii) a 4.3% service increment and (iii) higher contract labour cost (+\$3 million). These were partially offset by the reduction in employer's CPF contribution rate from 20% to 10% effective January 1999, and a decrease in staff strength.

Licensing fees was \$57 million, up \$4 million (+7.7%).

Depreciation charges went down by \$4 million (-9.0%), mainly because of equipment being fully depreciated to their residual values.

Raw material costs dropped \$1 million (-2.2%) as a result of more effective purchasing, inventory control and use of raw materials.

Other costs increased \$10 million (+12.2%).

**SHARE OF RESULTS OF ASSOCIATED COMPANIES**

Profits from associated companies increased \$8 million (+88.2%), coming mainly from Asia Airfreight Terminal (+\$6 million) and Tan Son Nhat Cargo (+\$1 million).

**TAXATION**

The Group's provision for taxation in 1999-00 was \$40 million, an increase of \$11 million (+39.1%) from 1998-99.

**DIVIDENDS**

The Company paid a special and final gross dividend of \$143 million (\$107 million net of tax) on 28 March 2000. Together with the interim gross dividend of \$55 million (\$42 million net of tax which included a \$6 million tax exempt dividend) paid in November 1999, the total dividend (net of tax) paid out of the 1999-00 earnings was \$149 million.

**FINANCIAL POSITION**

At 31 March 2000, the shareholders' funds in the Group was \$611 million, down \$89 million (-12.7%) from a year ago.

Prior to its listing, the Company capitalised \$100 million from revenue reserve through a bonus issue of 100,000,000 ordinary shares of \$1.00 each. The bonus shares were subsequently cancelled by distributing the \$100 million capitalised to its shareholder, Singapore Airlines Limited. A special and final dividend of \$107 million (net of tax) was also paid to Singapore Airlines Limited on 28 March 2000.

On 20 March 2000, the Company split its issued share capital from 100,000,000 ordinary shares of \$1.00 each to 1,000,000,000 ordinary shares of \$0.10 par value per share.

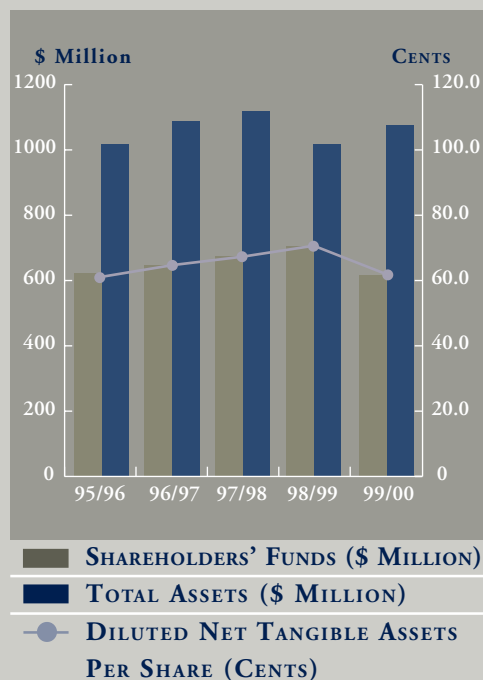
The net tangible assets per share of the Group declined 9 cents (-12.7%) to 61 cents on 31 March 2000 as a result of the capital payback to Singapore Airlines Limited.

The Group's total assets amounted to \$1,084 million at 31 March 2000, up \$69 million (+6.8%).

The Group's net debt was \$132 million at 31 March 2000, compared to net liquid assets of \$115 million on 31 March 1999. Additional borrowings amounted to \$175 million.

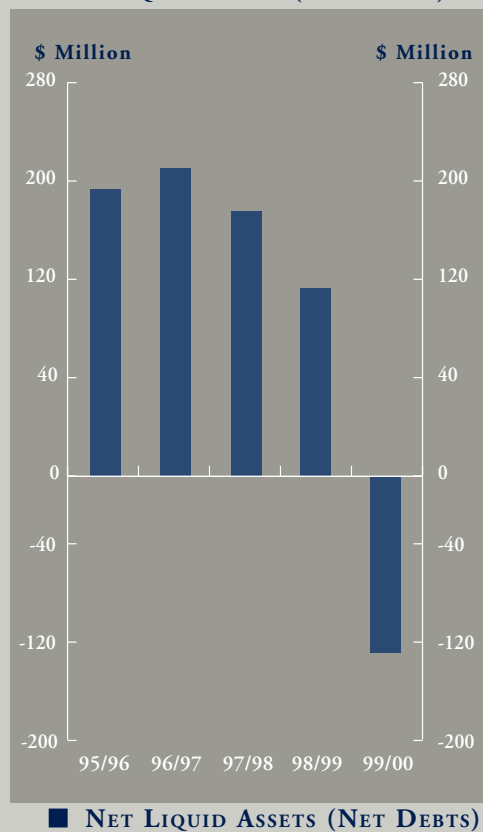
The debt equity ratio of the Group increased from 0.07:1 to 0.37:1 as at 31 March 2000. After offsetting liquid assets, the net debt equity ratio was 0.22:1.

**SHAREHOLDERS' FUNDS, TOTAL ASSETS, AND DILUTED NET TANGIBLE ASSETS PER SHARE**



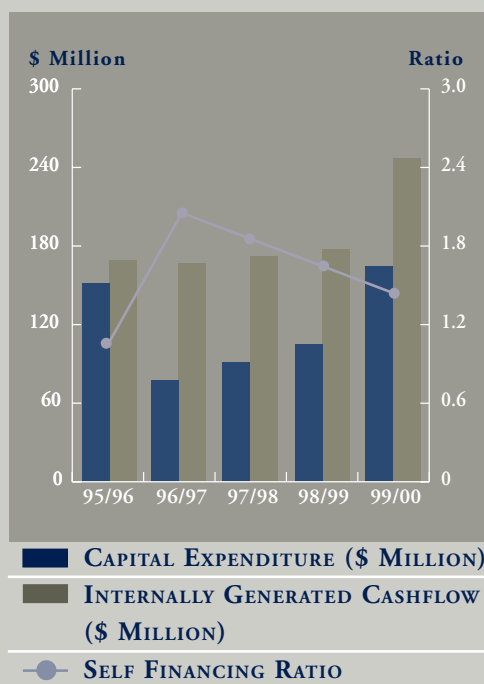
■ SHAREHOLDERS' FUNDS (\$ MILLION)  
 ■ TOTAL ASSETS (\$ MILLION)  
 ● DILUTED NET TANGIBLE ASSETS PER SHARE (CENTS)

**NET LIQUID ASSETS (NET DEBTS)**



■ NET LIQUID ASSETS (NET DEBTS)

**CAPITAL EXPENDITURE & INTERNALLY GENERATED CASHFLOW**



**CAPITAL EXPENDITURE AND CASH FLOW**

The Group's capital expenditure was \$167 million, \$64 million (+61.5%) higher than the preceding year. The increase was mainly due to progress payments made for the third inflight kitchen and sixth airfreight terminal.

Internally generated cash flow amounted to \$247 million, an increase of 38.9% compared to last year. The self-financing ratio of cash flow to capital expenditure was down from 1.72:1 to 1.48:1 in 1999-00.

**BREAKDOWN BY BUSINESS ACTIVITIES**

	REVENUE \$ MILLION		OPERATING PROFIT \$ MILLION	
	1999-00	1998-99	1999-00	1998-99
Inflight catering	371.5	346.4	98.2	80.2
Ground handling	365.8	347.5	62.2	59.6
Others #	52.9	52.2	21.0	19.7
	790.2	746.1	181.4	159.5

	PROFIT BEFORE TAX \$ MILLION		AVERAGE NUMBER OF EMPLOYEES*	
	1999-00	1998-99	1999-00	1998-99
Inflight catering	102.6	82.9	2,762	2,823
Ground handling	76.9	67.0	5,196	5,319
Others #	20.1	(11.2)	965	933
	199.6	138.7	8,923	9,075

	TOTAL ASSETS \$ MILLION		CAPITAL EXPENDITURE \$ MILLION	
	1999-00	1998-99	1999-00	1998-99
Inflight catering	426.8	386.2	99.2	41.8
Ground handling	539.2	527.5	66.9	59.7
Others #	118.4	102.1	0.6	1.7
	1,084.4	1,015.8	166.7	103.2

# Others include aviation security services, airline laundry services and leasing of office space to airline clients and cargo agents.

\* Figures do not include number of contract workers.

### INFLIGHT CATERING

Revenue increased \$25 million (+7.2%) to \$372 million on a 7.9% increase in volume of meals uplifts. Revenue from SIA and SilkAir went up 8.5%, while that from other operators increased by 5.2%.

The operating profit grew \$18 million (+22.4%) to \$98 million, and profit before tax was up \$20 million (+23.8%) to \$103 million.

Total assets amounted to \$427 million, an increase of \$41 million (+10.5%) from a year ago.

The capital expenditure of \$99 million was mainly for the development of the third inflight kitchen.

### GROUND HANDLING

Revenue rose \$18 million (+5.3%) to \$366 million. Revenue from SIA and SilkAir went up 8.1%, while that from other operators increased by 1.9%.

The operating profit increased \$3 million (+4.4%) to \$62 million, and profit before tax grew \$10 million (+14.8%) to \$77 million.

Total assets amounted to \$539 million, an increase of \$12 million (+2.2%) from a year ago.

The capital expenditure of \$67 million was largely on the development of the sixth airfreight terminal.

### BREAKDOWN BY GEOGRAPHICAL LOCATION

	REVENUE		PROFIT BEFORE TAX	
	\$ MILLION		\$ MILLION	
	1999-00	1998-99	1999-00	1998-99
Singapore	790.2	746.1	182.3	131.4
Overseas	–	–	17.3	7.3
	790.2	746.1	199.6	138.7

	TOTAL ASSETS		CAPITAL EXPENDITURE	
	\$ MILLION		\$ MILLION	
	1999-00	1998-99	1999-00	1998-99
Singapore	995.4	942.8	166.7	103.2
Overseas	89.0	73.0	–	–
	1,084.4	1,015.8	166.7	103.2

## STATEMENT OF VALUE ADDED AND ITS DISTRIBUTION (IN \$ MILLION)

	1999-00	1998-99	1997-98	1996-97	1995-96
Total revenue	790.2	746.1	726.5	683.5	630.2
Less: purchases of goods & services	226.0	208.7	211.5	202.8	184.0
Value added by the Group	564.2	537.4	515.0	480.7	446.2
Add/(less):					
Net interest income	1.6	3.8	4.8	3.3	3.7
Share of profits of associated companies	17.5	9.3	6.2	1.4	(2.1)
Net income from short-term investments	–	(33.2)	(20.5)	2.9	7.4
Loss on long-term investments	(1.0)	(2.3)	–	(0.5)	(4.9)
Total value added available for distribution	582.3	515.0	505.5	487.8	450.3
Applied as follows:					
To employees - Salaries and other staff costs	344.3	334.1	341.4	333.3	280.2
To government - Corporate taxes	39.5	28.4	32.1	31.6	36.9
To supplier of capital - Dividends	148.7	81.4	65.1	65.1	61.7
Retained for future capital requirements					
- Depreciation	38.5	42.4	48.1	38.6	31.8
- Retained earnings	11.3	28.7	18.8	19.2	39.7
Total value added	582.3	515.0	505.5	487.8	450.3
Value added per \$ revenue	0.74	0.69	0.70	0.71	0.71
Value added per \$ employment cost	1.69	1.54	1.48	1.46	1.61
Value added per \$ investment in fixed assets	0.73	0.65	0.63	0.61	0.78

Value added is a measure of wealth created. The statement above shows the Group's value added from 1995-96 to 1999-00 and its distribution by way of payments to employees, government, and to those who have provided capital. It also indicates the portion retained in the business for future capital requirements.



**VALUE ADDED**

The total value added of the Group was \$582 million, up \$67 million (+13.1%) from 1998-99. This was due to increase in revenue (+ \$44 million or 5.9%), and higher share of associated companies' profits (+\$8 million or 88.2%).

Of the total value added of \$582 million, \$344 million (59.1%) went to salaries and other staff costs. Shareholders received \$149 million (25.5%) in dividends, while corporate taxes accounted for \$40 million (6.8%). The remaining \$49 million (8.6%) was retained for future capital requirements.

**STAFF STRENGTH AND PRODUCTIVITY**

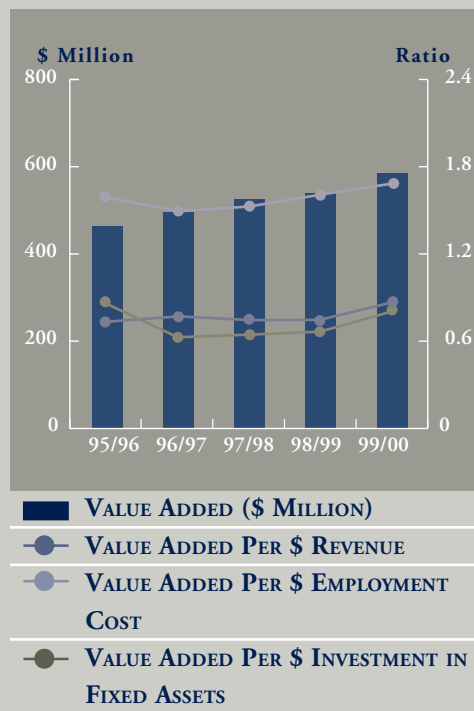
In 1999-00, the Group's average staff strength was 8,923 employees, a slight decrease of 152 (-1.7%) over the previous year. A breakdown of the Group's staff strength is as follows:

	1999-00	1998-99	% CHANGE
Inflight catering	2,762	2,823	- 2.2
Ground handling	5,196	5,319	- 2.3
Aviation security	790	761	+ 3.8
Others	175	172	+ 1.7
	8,923	9,075	- 1.7

The Group's staff productivity, measured by the revenue generated and value added per employee, improved 7.7% and 15.0% respectively over the previous year:

	1999-00	1998-99	% CHANGE
Revenue per employee (\$'000)	88,554	82,220	+ 7.7
Value added per employee (\$'000)	65,264	56,760	+15.0

**VALUE ADDED FOR THE GROUP**



**GROUP STAFF STRENGTH & PRODUCTIVITY**



The directors submit their report together with the audited financial statements of the Company and of the Group for the year ended 31 March 2000.

**CONVERSION TO PUBLIC COMPANY**

On 25 March 2000, the Company converted from a private company into a public company and changed its name to Singapore Airport Terminal Services Limited.

**1. ACCOUNTS**

	<b>GROUP</b>	<b>COMPANY</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before taxation	199,521	122,439
Taxation	(39,466)	(21,132)
Profit after taxation	160,055	101,307
Transfer to statutory reserve	(344)	–
Transfer from revenue reserve	–	47,433
	159,711	148,740
Dividends paid and proposed, less tax	(148,740)	(148,740)
Profit retained	10,971	–

In the opinion of the directors, the results of the operations of the Company and of the Group during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

**2. TRANSFER TO/(FROM) RESERVES AND PROVISIONS**

There were no material transfers to/(from) reserves and provisions of the Company and of the Group during the financial year except as disclosed in the financial statements.

**3. DIVIDENDS**

During the year the following dividends were paid by the Company:

- a) A final dividend of 66.0%, less tax of 26%, amounting to \$48,840,000 in respect of the previous year as proposed in the directors' report of that year;
- b) An interim tax exempt dividend of 5.8%, amounting to \$5,790,000 in respect of the year under review;
- c) An interim dividend of 49.2%, less tax of 26%, amounting to \$36,415,400 in respect of the year under review; and
- d) A special and final dividend of 143.0%, less tax of 25.5%, amounting to \$106,535,000 in respect of the year under review.

**4. PRINCIPAL ACTIVITIES**

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
  - apron services
- Inflight catering services including
  - aircraft interior cleaning
  - cabin handling services
- Aviation security services
- Airline laundry services

There have been no significant changes in the nature of these activities during the year.

**5. DIRECTORS**

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

Cheong Choong Kong	–	Chairman
Michael Tan Jiak Ngee	–	Deputy Chairman
Chew Choon Seng		
Barry Desker	–	Appointed on 1 August 1999
Richard Charles Helfer	]	Appointed on 1 March 2000
Hong Hai		
Ng Kee Choe		

- b) The following directors who held office at the end of the financial year, according to the register required to be kept under section 164 of the Companies Act, Cap. 50, had an interest in shares of the Company's immediate holding company and subsidiaries of the Company's immediate and ultimate holding company, as stated below:

NAME OF DIRECTOR	HELD BY DIRECTOR		DEEMED INTEREST	
	AT 1.4.99		AT 1.4.99	
	OR DATE OF APPOINTMENT	AT 31.3.2000	OR DATE OF APPOINTMENT	AT 31.3.2000
<b>INTEREST IN SINGAPORE AIRLINES LIMITED</b>				
<b>Ordinary shares of \$1 each</b>				
Cheong Choong Kong	480,800	<b>480,800</b>	20,000	<b>24,000</b>
Michael Tan Jiak Ngee	79,600	<b>79,600</b>	–	–
Chew Choon Seng	214,000	<b>214,000</b>	–	–
Barry Desker	2,000	<b>2,000</b>	4,000	<b>4,000</b>
Hong Hai	10,000	<b>10,000</b>	–	–
<b>INTEREST IN SINGAPORE TELECOMMUNICATIONS LIMITED</b>				
<b>Ordinary shares of \$0.15 each</b>				
Cheong Choong Kong	1,580	<b>1,640</b>	1,580	<b>1,640</b>
Michael Tan Jiak Ngee	6,580	<b>6,640</b>	–	–
Chew Choon Seng	11,700	<b>11,760</b>	–	–
Barry Desker	1,380	<b>1,440</b>	7,580	<b>7,640</b>
Ng Kee Choe	1,640	<b>1,640</b>	–	–
Hong Hai	1,440	<b>1,440</b>	1,440	<b>1,440</b>
<b>INTEREST IN SINGAPORE TECHNOLOGIES ENGINEERING LTD</b>				
<b>Ordinary shares of \$0.10 each</b>				
Barry Desker	–	–	5,000	<b>5,000</b>
<b>INTEREST IN SNP CORPORATION LTD</b>				
<b>Ordinary shares of \$0.50 each</b>				
Barry Desker	–	–	–	<b>3,000</b>
Ng Kee Choe	750	<b>750</b>	–	–

NAME OF DIRECTOR	HELD BY DIRECTOR		DEEMED INTEREST	
	AT 1.4.99		AT 1.4.99	
	OR DATE OF APPOINTMENT	AT 31.3.2000	OR DATE OF APPOINTMENT	AT 31.3.2000
<b>INTEREST IN VICKERS CAPITAL LTD</b>				
<b>Ordinary shares of \$0.25 each</b>				
Barry Desker	–	–	–	3,000
<b>OPTIONS TO SUBSCRIBE FOR SINGAPORE AIRLINES LIMITED</b>				
<b>Shares of \$1 each</b>				
Cheong Choong Kong	–	240,000	–	–
Michael Tan Jiak Ngee	–	60,000	–	–
Chew Choon Seng	–	60,000	–	–

- c) There was no change in any of the abovementioned interests between the end of the financial year and 21 April 2000.
- d) No director who held office at the end of the financial year had an interest in shares or debentures of the Company's ultimate holding company or any of the subsidiaries of the Company's ultimate holding companies except as disclosed above.
- e) Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than under the Employee Share Option Plan of its immediate holding company.
- f) Since the end of the previous financial year, no director has received or has become entitled to receive benefits under contracts required to be disclosed by section 201(8) of the Companies Act, Cap. 50, except those disclosed in note 4 to the financial statements.

## **6. AUDIT COMMITTEE**

The Audit Committee which was formed on 2 March 2000, comprises three members, two of whom are independent non-executive directors.

The members of the Audit Committee at the date of this report are:

Ng Kee Choe (Chairman)

Hong Hai

Michael Tan Jiak Ngee

The Audit Committee has reviewed the financial statements of the Group and the Company and the auditors' report thereon before their submission to the Board of Directors.

The Audit Committee shall carry out its functions and duties as specified in the Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) and the Best Practice Guide for the subsequent financial year.

The committee has recommended to the Board of Directors the nomination of Ernst and Young for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

**7. SHARE CAPITAL**

During the year, the Company:

- a) increased its authorised share capital from \$100,000,000 to \$200,000,000 by creating additional 100,000,000 ordinary shares of \$1 each;
- b) capitalised \$100,000,000 from revenue reserve pursuant to a bonus issue of 100,000,000 ordinary shares of \$1 each;
- c) reduced its issued share capital from \$200,000,000 to \$100,000,000 by cancelling 100,000,000 ordinary shares and distributing \$100,000,000 in cash to the Company’s immediate holding company; and
- d) split the authorised share capital of \$200,000,000 ordinary shares of \$1 each and paid up share capital of 100,000,000 ordinary shares of \$1 each into 2,000,000,000 ordinary shares of \$0.10 each and 1,000,000,000 ordinary shares of \$0.10 each respectively.

**8. EMPLOYEE SHARE OPTIONS**

The SATS Employee Share Option Plan (“Plan”) comprising the “Senior Executive Share Option Scheme” and the “Employee Share Option Scheme” was approved by the shareholder at the Extraordinary General Meeting held on 20 March 2000.

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 options will be the average of the closing prices of the ordinary shares on the SGX-ST for the five market days immediately preceding the date of grant. For the options granted in conjunction with an initial public offering, the exercise price of the options is \$2.50, which is the price of the ordinary shares offered to the public.

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:

- one year after the date of grant for 25% of the ordinary shares subject to the options;
- two years after the date of grant for an additional 25% of the ordinary shares subject to the options;
- three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and
- four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

The Plan is administrated by the Senior Officer Remuneration Committee, consisting of three directors namely Cheong Choong Kong, Michael Tan Jiak Ngee and Chew Choon Seng, all of whom are non-executive directors. The Senior Officer Remuneration Committee has discretion over the granting of options, and the number of options granted to individual employees will be based on a number of factors, including rank and performance.

At the end of the financial year, options to take up 19,124,800 unissued shares of \$ 0.10 each in SATS were outstanding:

DATE OF GRANT	BALANCE AT	NO. OF ORDINARY SHARES OF \$0.10 EACH		BALANCE AT	EXERCISE PRICE	EXPIRY DATE
	DATE OF GRANT	CANCELLED	EXERCISED	31.3.2000		
28.3.2000	19,124,800	–	–	19,124,800	\$2.50	27.3.2010

**9. ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

There was no acquisition or disposal of subsidiary during the year.

**10. OTHER STATUTORY INFORMATION**

- a) Before the profit and loss account and balance sheet of the Company were made out, the directors took reasonable steps to ascertain that:
  - i) proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts, and
  - ii) any current assets which were unlikely to realise their book value in the ordinary course of business were written down to an amount which they might be expected so to realise.
- b) At the date of this report, the directors are not aware of any circumstances which would render:
  - i) the amount written off for bad debts or the amount of the provision for doubtful debts in the Group inadequate to any substantial extent, and
  - ii) the values attributed to current assets in the consolidated financial statements misleading.
- c) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company and of the Group which would render any amount stated in the financial statements and consolidated financial statements misleading.
- d) As at the date of this report:
  - i) there are no charges on the assets of the Company and of the Group which have arisen since the end of the financial year to secure the liabilities of any other person; and
  - ii) there are no contingent liabilities which have arisen since the end of the financial year in respect of the Company and of the Group.
- e) No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or of the Group to meet their obligations as and when they fall due.
- f) In the opinion of the directors, no other item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made.

**11. AUDITORS**

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

On behalf of the board,

**CHEONG CHOONG KONG**

Chairman

**MICHAEL TAN JIAK NGE**

Deputy Chairman

Dated this 16th day of May, 2000

Singapore

We have audited the financial statements of Singapore Airport Terminal Services Limited set out on pages 50 to 74. These financial statements comprise the balance sheets of the Company and the Group as at 31 March 2000, the profit and loss accounts of the Company and the Group, and the cash flow statement of the Group for the year then ended. 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 financial statements are properly drawn up in accordance with the provision of the Companies Act and Statements of Accounting Standard so as to give a true and fair view of:
  - i) the state of affairs of the Company and of the Group as at 31 March 2000, the results of the Company and of the Group, and the cash flows of the Group for the year then ended; and
  - ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements.
- b) the accounting and other records, and the registers required by the Act to be kept by the Company and those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

**ERNST & YOUNG**

Certified Public Accountants

Dated this 16th day of May, 2000

Singapore



## Profit and Loss Accounts

For The Year Ended 31 March 2000

	Notes	GROUP		COMPANY	
		1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000
<b>Revenue</b>	3	<b>790,164</b>	746,147	<b>39,020</b>	39,902
<b>Expenditure</b>		<b>(608,806)</b>	(586,648)	<b>(28,367)</b>	(30,498)
<b>Operating profit</b>	4	<b>181,358</b>	159,499	<b>10,653</b>	9,404
Other income/(expense)					
Interest income	5	<b>1,992</b>	4,069	<b>1,297</b>	2,127
Financing charges	6	<b>(352)</b>	(7,959)	<b>(2,237)</b>	(9,304)
Income from short-term investments	7	–	(23,894)	–	(21,776)
Gross dividends from subsidiary companies		–	–	<b>107,137</b>	97,790
Gross dividends from associated companies		–	–	<b>6,589</b>	–
Share of results of associated companies		<b>17,523</b>	9,259	–	–
Provision for diminution in value of investment in an associated company		<b>(1,000)</b>	(2,313)	<b>(1,000)</b>	(2,313)
<b>Profit before taxation</b>		<b>199,521</b>	138,661	<b>122,439</b>	75,928
Taxation	8	<b>(39,466)</b>	(28,393)	<b>(21,132)</b>	(15,450)
<b>Profit after taxation</b>		<b>160,055</b>	110,268	<b>101,307</b>	60,478
Transfer to statutory reserve		<b>(344)</b>	(225)	–	–
Transfer from revenue reserve	11	–	–	<b>47,433</b>	20,922
		<b>159,711</b>	110,043	<b>148,740</b>	81,400
Dividends paid and proposed					
Interim dividend of 49.2% (1999: 44.0%) less income tax of 26.0%		<b>(36,415)</b>	(32,560)	<b>(42,205)</b>	(32,560)
Interim tax exempt dividend of 5.8% (1999: nil)		<b>(5,790)</b>	–	–	–
Special and final dividend of 143.0% (1999: nil) less income tax of 25.5% (1999: 26.0%)		<b>(106,535)</b>	–	<b>(106,535)</b>	–
Proposed final dividend of Nil (1999: 66%) less income tax of 25.5% (1999: 26.0%)		–	(48,840)	–	(48,840)
<b>Profit retained</b>	11	<b>10,971</b>	28,643	–	–
Basic and diluted earnings per share (cents)	9	<b>16</b>	11	–	–

The notes on pages 54 to 74 form an integral part of the financial statements.

	Notes	GROUP		COMPANY	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>Authorised share capital</b>					
2,000,000,000 (1999: 100,000,000)					
ordinary shares of \$0.10 (1999: \$1.00) each	10	200,000	100,000	200,000	100,000
<b>Capital and reserves</b>					
Issued share capital					
1,000,000,000 (1999: 100,000,000)					
ordinary shares of \$0.10(1999: \$1.00) each	10	100,000	100,000	100,000	100,000
<b>Reserves</b>					
Distributable		510,345	599,720	233,641	381,074
Non-distributable		569	225	–	–
	11	510,914	599,945	233,641	381,074
		610,914	699,945	333,641	481,074
<b>Deferred taxation</b>	12	81,158	69,915	47,900	41,000
<b>Loan from immediate holding company</b>	13	45,195	44,794	45,195	44,794
<b>Term loan</b>	14	2,723	3,343	–	–
<b>Hire purchase creditors</b>	15	587	968	–	–
		740,577	818,965	426,736	566,868
Represented by:					
<b>Fixed assets</b>					
	16				
Leasehold land and buildings		325,458	341,815	321,005	337,191
Progress payments		336,876	184,193	268,653	152,810
Others		85,467	93,575	22	5
		747,801	619,583	589,680	490,006
<b>Investment in subsidiaries</b>					
Unquoted shares, at cost		–	–	42,015	42,015
<b>Long-term investments</b>	17	7,886	7,886	7,886	7,886
<b>Associated companies</b>	18	68,449	62,346	42,574	45,277
<b>Loans to third parties</b>	19	45,195	44,794	45,195	44,794

## Balance Sheets

At 31 March 2000

	Notes	GROUP		COMPANY	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
<b>Current assets</b>					
Loans to third parties	19	584	588	584	588
Trade debtors	20	49,369	46,877	243	149
Other debtors	21	34,232	29,946	32,651	27,941
Related companies	22	93,647	177,887	3,214	29,069
Associated companies	18	2,761	507	2,021	340
Stocks	23	9,097	12,457	–	–
Fixed deposits		16,041	8,646	15,541	8,146
Cash and bank balances		9,396	4,318	3,536	678
		<b>215,127</b>	281,226	<b>57,790</b>	66,911
Less:					
<b>Current liabilities</b>					
Term loan	14	620	620	–	–
Short-term loan from immediate holding company	24	160,000	–	160,000	–
Short-term bank loan	25	15,000	–	15,000	–
Trade creditors		102,761	71,560	2,550	669
Other creditors	26	21,453	32,160	16,849	19,399
Related companies	22	–	–	162,939	59,851
Provision for taxation		44,047	43,690	1,066	1,262
Proposed dividend, net		–	48,840	–	48,840
		<b>343,881</b>	196,870	<b>358,404</b>	130,021
<b>Net current (liabilities)/assets</b>		<b>(128,754)</b>	84,356	<b>(300,614)</b>	(63,110)
		<b>740,577</b>	818,965	<b>426,736</b>	566,868

The notes on pages 54 to 74 form an integral part of the financial statements.

# Consolidated Cash Flow Statement

For The Year Ended 31 March 2000

	Notes	1999-00 \$'000	1998-99 \$'000
<b>Cash flows from operating activities</b>			
Profit before taxation		199,521	138,661
Adjustments for:			
Income from investments & deposits		(1,992)	(9,555)
Interest expenses		352	7,959
Depreciation of fixed assets		38,488	42,258
Surplus on sale of fixed assets		(27)	(27)
Income from short-term investments		–	25,413
Provision for diminution in value of associated company		1,000	2,313
Share of results of associated companies		(17,523)	(9,259)
Operating profit before working capital changes		219,819	197,763
Increase in debtors		(2,850)	(1,388)
Decrease/(increase) in general consumable stores		3,360	(1,481)
Increase in amounts owing by related companies		(2,967)	(2,751)
Increase/(decrease) in creditors		24,535	(15,531)
(Increase)/decrease in amounts due from associated companies		(893)	121
Cash generated from operations		241,004	176,733
Interest paid to third parties		(129)	(254)
Tax paid		(29,159)	(18,837)
Net cash provided by operating activities		211,716	157,642
<b>Cash flows from investing activities</b>			
Purchase of fixed assets		(170,787)	(115,533)
Investment in associated companies		–	(1,921)
Decrease in short-term investment		–	112,969
Loans to third parties and associated companies		(54)	(3,148)
Dividends from associated companies		5,920	1,093
Proceeds from sale of fixed assets		49	40
Interest received from deposits		1,808	9,075
Dividends received from investments		–	1,358
Interest paid to immediate holding company		(137)	(11,077)
Net cash used by investing activities		(163,201)	(7,144)
<b>Cash flows from financing activities</b>			
Proceeds from loan from third party		15,000	–
Repayment of term loan		(620)	(620)
Proceeds from loans from immediate holding company		160,401	3,402
Capital reduction		(100,000)	–
Repayment of loan from immediate holding company		–	(146,451)
Repayment of hire purchase creditor		(368)	(354)
Dividends paid		(197,580)	(65,120)
Net cash used by financing activities		(123,167)	(209,143)
Net decrease in cash and cash equivalents		(74,652)	(58,645)
Cash and cash equivalents at beginning of financial year	27	119,461	178,106
Cash and cash equivalents at end of financial year	27	44,809	119,461

The notes on pages 54 to 74 form an integral part of the financial statements.

**1. GENERAL**

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

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; and
- Airline laundry services

There have been no significant changes in the nature of these activities during the financial year.

The subsidiary and associated companies as at 31 March 2000 were:

NAME OF COMPANY (COUNTRY OF INCORPORATION)	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS)	COST TO COMPANY		PERCENTAGE OF EQUITY HELD	
		31 MARCH 2000 \$'000	1999 \$'000	31 MARCH 2000 %	1999 %
<b>SUBSIDIARIES</b>					
<b>Held by the company</b>					
SATS Apron Services Pte Ltd (Singapore)	Under voluntary liquidation (Singapore)	6,000	6,000	100	100
SATS Airport Services Pte Ltd (Singapore)	Airport ground handling services (Singapore)	16,500	16,500	100	100
SATS Catering Pte Ltd (Singapore)	Inflight catering services (Singapore)	14,000	14,000	100	100
SATS Security Services Pte Ltd (Singapore)	Aviation security services (Singapore)	3,000	3,000	100	100
Aero Laundry and Linen Services Pte Ltd (Singapore)	Providing and selling laundry and linen services (Singapore)	2,515	2,515	100	100
Asia-Pacific Star Pte Ltd (Singapore)	Dormant (Singapore)	#	#	100	100
		<b>42,015</b>	<b>42,015</b>		

# Denotes less than \$1,000

NAME OF COMPANY (COUNTRY OF INCORPORATION)	PRINCIPAL ACTIVITIES (PLACE OF BUSINESS)	COST TO COMPANY		PERCENTAGE OF EQUITY HELD BY GROUP	
		31 MARCH		31 MARCH	
		2000 \$'000	1999 \$'000	2000 %	1999 %
<b>ASSOCIATED COMPANIES</b>					
Maldives Inflight Catering Pte Ltd (Republic of Maldives)	Inflight catering services (Republic of Maldives)	287	287	40.0	40.0
Beijing Airport Inflight Kitchen Ltd (Peoples' Republic of China)	Inflight catering services (Peoples' Republic of China)	13,882	13,882	40.0	40.0
Beijing Aviation Ground Services Co Ltd (Peoples' Republic of China)	Airport ground handling services (Peoples' Republic of China)	5,710	5,710	40.0	40.0
AVISERV LTD (Pakistan)	Inflight catering services (Pakistan)	3,313	3,313	49.0	49.0
Tan Son Nhat Cargo Services Ltd (Vietnam)	Airport ground handling services (Vietnam)	1,958	1,958	30.0	30.0
Asia Airfreight Terminal Co Ltd (Hong Kong)	Airport ground handling services (Hong Kong)	16,162	16,162	24.5	24.5
SERVAIR – SATS Holding Company Pte Ltd (Singapore)	Investment holding company (Singapore)	509	509	49.0	49.0
MacroAsia-Eurest Catering Services, Inc (Philippines)	Inflight catering services (Philippines)	2,027	2,027	20.0	20.0
Taj Madras Flight Kitchen Limited (India)	Inflight catering services (India)	1,901	1,901	30.0	30.0
Singapore Airport Duty-Free Emporium (Pte) Ltd (Singapore)	Dormant (Singapore)	1,560	1,560	24.0	24.0
		<b>47,309</b>	<b>47,309</b>		

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### a) **Basis of accounting**

The financial statements of the Company and of the Group are prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements are expressed in Singapore dollars.

#### b) **Basis of consolidation**

The accounting year of the Company and all its subsidiary companies ends on 31 March and the consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies. Material intercompany balances and transactions are eliminated upon consolidation. The results of subsidiary companies acquired or disposed off during the financial year are included in or excluded from the respective dates of acquisition or disposal, as applicable.

On acquisition of a subsidiary company, any excess of the consideration over the net assets acquired is included in goodwill on consolidation and written off against the Group's reserves in the year in which it arises.

#### c) **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalised and expenditures for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss accounts.

#### d) **Unquoted investments**

Unquoted investments held on a long-term basis are stated at cost. Provision is made for any diminution in value which is considered to be permanent.

#### e) **Dividend and interest income from quoted investments**

Dividend income from quoted equity investments is recognised when the shareholder's right to receive the payment is established. Interest income from quoted non-equity investments and fixed deposits is accrued on a day-to-day basis.

#### f) **Subsidiary and associated companies**

Shares in subsidiary and associated companies are stated at cost. Provision is made for any permanent diminution in value.

Subsidiary companies are those companies in which the Group holds more than 50% of the issued share capital and over which the Group exercises management control.

An associated company is defined as a company, not being a subsidiary, in which the Group has a long-term interest of not less than 20% (or more than 50%) of the issued share capital and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's share of the profit/(loss) of associated companies is included in its consolidated profit and loss accounts of the Group and the Group's share of the post-acquisition changes in shareholder's equity is added to the value of investments in associated companies shown in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the associated company concerned, adjusted as appropriate, to the end of the financial year. The excess of the cost of acquisition over the Group's share of fair values of the net identifiable assets of the associated companies is dealt with as goodwill arising on consolidation. Such goodwill is written off against Group reserves in the year of acquisition.

g) **Stocks**

Stocks which consist mainly of equipment spare parts and food supplies, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis.

h) **Deferred taxation**

Deferred taxation is provided, under the liability method, on all temporary differences at the balance sheet date 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 and are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates that have been enacted or subsequently enacted at the balance sheet date. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

i) **Cash and cash equivalents**

Cash and cash equivalents include bank balances and time and demand deposits held with immediate holding company.

j) **Depreciation of fixed assets**

Depreciation of fixed assets is calculated using the straight-line method to write off the cost of the assets over their estimated useful lives. The estimated useful lives are as follows:

Leasehold land rights and buildings	–	over the term of the lease or 30 years whichever is the shorter
Office fittings and fixtures	–	5 years
Fixed and mobile ground equipment and motor vehicles	–	1 to 10 years

No depreciation is provided for progress payments.

Fully depreciated fixed assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

k) **Foreign currencies**

Foreign currency transactions are converted into the operating entity's functional currency at exchange rates closely approximating those prevailing on the transactions dates. Foreign currency monetary assets and liabilities are converted into the functional currency at year-end exchange rates. All foreign exchange differences arising from conversion are included in the profit and loss accounts.

For the purposes of consolidation, the net assets of the associated companies incorporated or established in foreign jurisdictions are translated into Singapore dollars at the exchange rates prevailing on the balance sheet date. The resultant gain or loss on translation are included in shareholder's equity as a foreign currency translation adjustment.

l) **Revenue recognition**

Revenue from ground handling, inflight catering, aviation security services and airline laundry are recognised upon the services being rendered.

m) **Income recognition**

Interest income is accrued on a day-to-day basis unless collectibility is in doubt.



**3. REVENUE**

a) **Revenue**

Revenue represents rental income, airport terminal services, inflight catering, aviation security services and airline laundry services rendered by the Company and the Group. It excludes dividends, interest income and in respect of the Group, intra-Group transactions. Revenue is analysed as follows:

	GROUP		COMPANY	
	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000
External customers	326,519	316,767	4,719	5,139
Immediate holding company	443,753	409,182	3,252	4,562
Subsidiary companies	–	–	29,777	28,865
Related companies	19,892	20,198	1,272	1,336
	<b>790,164</b>	<b>746,147</b>	<b>39,020</b>	<b>39,902</b>

b) **Analysis by activity**

	GROUP		COMPANY	
	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000
Inflight catering services	371,476	346,393	–	–
Ground handling services	365,735	347,457	–	–
Others	52,953	52,297	39,020	39,902
	<b>790,164</b>	<b>746,147</b>	<b>39,020</b>	<b>39,902</b>

**4. OPERATING PROFIT**

	GROUP		COMPANY	
	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000
Operating profit is stated after charging/(crediting):				
Depreciation of fixed assets	38,488	42,258	16,226	17,782
Directors' emoluments				
- Directors of the Company	58	41	18	13
- Other directors of subsidiaries	901	880	–	–
Auditors remuneration				
- Audit fee	92	90	9	9
- Non-audit fee	294	42	261	–
Exchange gain, net	(225)	(625)	(241)	(630)
Gain on sale of fixed assets	(27)	(27)	(1)	(3)
(Writeback)/provision for doubtful debts	(1,108)	1,154	(2)	2
Bad debts written off	5	163	1	4

## 5. INTEREST INCOME

	GROUP		COMPANY	
	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000
Interest income from:				
Immediate holding company	971	3,349	288	1,422
Third parties	787	552	775	537
Associated companies	234	168	234	168
	<b>1,992</b>	<b>4,069</b>	<b>1,297</b>	<b>2,127</b>

## 6. FINANCING CHARGES

	GROUP		COMPANY	
	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000
Interest expense on:				
Loan from immediate holding company	219	7,705	219	7,705
Loan from third parties	133	254	4	–
Deposit from subsidiaries	–	–	2,014	1,599
	<b>352</b>	<b>7,959</b>	<b>2,237</b>	<b>9,304</b>

## 7. INCOME FROM SHORT-TERM INVESTMENTS

	GROUP		COMPANY	
	1999-00 \$'000	1998-99 \$'000	1999-00 \$'000	1998-99 \$'000
Loss on foreign exchange	–	(3,967)	–	(3,236)
Gross dividends from quoted equity investments	–	1,237	–	1,152
Interest income from quoted non-equity investments	–	4,249	–	3,782
Loss on sale of quoted investments	–	(25,413)	–	(23,474)
	–	<b>(23,894)</b>	–	<b>(21,776)</b>

**8. TAXATION**

	GROUP		COMPANY	
	1999-00	1998-99	1999-00	1998-99
	\$'000	\$'000	\$'000	\$'000
Taxation in respect of profit for the year:				
- Current taxation	<b>32,169</b>	28,572	<b>20,849</b>	10,973
- Deferred taxation	<b>11,243</b>	7,795	<b>6,900</b>	4,988
Over accrual in respect of prior years	<b>(6,397)</b>	(9,240)	<b>(7,286)</b>	(511)
Associated companies	<b>2,451</b>	1,266	<b>669</b>	-
	<b>39,466</b>	28,393	<b>21,132</b>	15,450

The Company's taxation charge materially differs from the amount determined by applying the Singapore income tax of 25.5% to the profit before tax because of tax-exempt dividend received.

The Group's taxation charge for the year materially differs from the amount determined by applying the Singapore income tax of 25.5% to profit before tax because of non-deductible expenses and the difference in tax rates applicable to associated companies and investment allowance claimed.

**9. EARNINGS PER SHARE**

Earnings per share is calculated by dividing the profit after taxation by the Company's outstanding share capital of 1,000,000,000 shares of \$0.10 each, which is after giving effect to a share split in March 2000 (Note 10).

For purposes of calculating diluted earnings per shares, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect on the exercise of all outstanding share option granted to employees. This dilutive effect is computed based on the difference between the number of shares under option and the number of shares that could have been issued at fair values. The fair value is assumed to be the offer price of the Company's ordinary shares in the initial public offering.

## 10. SHARE CAPITAL

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Authorised:				
Balance at beginning of year				
100,000,000 ordinary shares of \$1 each	100,000	100,000	100,000	100,000
Increase during the year				
100,000,000 ordinary shares of \$1 each (1999: nil)	100,000	–	100,000	–
	200,000	100,000	200,000	100,000
Split 200,000,000 ordinary shares				
of \$1 each into 2,000,000,000 ordinary shares of \$0.10 each	200,000	–	200,000	–
Balance at end of the year				
2,000,000,000 ordinary shares of \$0.10 each (1999: 100,000,000 ordinary shares of \$1 each)	200,000	100,000	200,000	100,000
Issued and fully paid:				
Balance at beginning of year				
100,000,000 ordinary shares of \$1 each	100,000	100,000	100,000	100,000
Issued during the year				
100,000,000 bonus ordinary shares issued (1999: nil) by way of capitalisation of \$100,000,000 out of revenue reserve	100,000	–	100,000	–
Capital reduction by distribution of cash	(100,000)	–	(100,000)	–
	100,000	100,000	100,000	100,000
Sub-division of 100,000,000 ordinary shares				
of \$1 each into 1,000,000,000 ordinary shares of \$0.10 each	100,000	–	100,000	–
Balance at end of the year				
1,000,000,000 ordinary shares of \$0.10 each (1999: 100,000,000 ordinary shares of \$1 each)	100,000	100,000	100,000	100,000

As at 31 March 2000, there are approximately 19,124,800 unissued ordinary shares under the Singapore Airport Terminal Services Limited Employees Share Option Plan. These are exercisable at \$2.50 per share between 28 March 2001 to 27 March 2010.

**11. RESERVES**

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
<b>Revenue reserve</b>				
Balance at beginning of year	591,508	562,865	381,074	401,996
Transfer to share capital for issue of bonus				
ordinary shares by way of capitalisation of revenue reserve	(100,000)	–	(100,000)	–
Profit retained	10,971	28,643	–	–
Transfer to profit and loss account	–	–	(47,433)	(20,922)
Balance at end of year	502,479	591,508	233,641	381,074
Foreign currency translation reserve				
Balance at beginning of year	8,212	2,619	–	–
Net movement	(346)	5,593	–	–
Balance at end of year	7,866	8,212	–	–
Total distributable reserves	510,345	599,720	233,641	381,074
<b>Statutory reserve</b>				
Balance at beginning of year	225	–	–	–
Share of associated companies' statutory reserve	344	225	–	–
Balance at end of year	569	225	–	–
Total non-distributable reserves	569	225	–	–
Total reserves	510,914	599,945	233,641	381,074

**12. DEFERRED TAXATION**

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year	69,915	62,120	41,000	36,012
Provided during the year	11,243	7,795	6,900	4,988
Balance at end of year	81,158	69,915	47,900	41,000
The deferred taxation arises as a result of:				
Excess of net book value over tax written				
down value of fixed assets,	82,661	71,003	47,908	41,008
Less: Provisions	(1,503)	(1,088)	(8)	(8)
	81,158	69,915	47,900	41,000

**13. LOAN FROM IMMEDIATE HOLDING COMPANY**

Loan from immediate holding company is to finance the loan to August Skyfreighter 1994 Trust. It is unsecured and bears interest of rates ranging from 5.48% to 6.55% (1999: 5.48% to 9.25%) per annum. The loan has no fixed term of repayment and is scheduled to mature on 28 March 2007.

**14. TERM LOAN**

The term loan is repayable over 10 years commencing 31 July 1996 and bears interest at 1/4% per annum above the one month (Singapore) swap offer rate for the first five years and 3/8% per annum above the one month (Singapore) swap offer rate for the next five years. In respect of the current financial year, interest rates ranged from 1.26% to 4.2% (1999: 1.69% to 7.82%) per annum.

**15. HIRE PURCHASE CREDITORS**

	GROUP 31 MARCH	
	2000	1999
	\$'000	\$'000
Repayable within one year (included in other creditors)	381	368
Repayable after one year	587	968
	<b>968</b>	<b>1,336</b>

	GROUP 31 MARCH	
	2000	1999
	\$'000	\$'000
The future payments under hire purchase are as follows:		
Financial year ended 2000	–	408
Financial year ended 2001	408	408
Financial year ended 2002	408	408
Financial year ended 2003	186	186
Financial year ended 2004	9	9
	<b>1,011</b>	<b>1,419</b>
Amounts representing interest	(43)	(83)
	<b>968</b>	<b>1,336</b>

**16. FIXED ASSETS**

**GROUP**

	AT 1.4.99 \$'000	RECLASSIFICATIONS \$'000	ADDITIONS \$'000	DISPOSALS \$'000	AT 31.3.00 \$'000
<b>Cost</b>					
Leasehold land and buildings	478,330	–	35	(3)	478,362
Fixed ground support equipment	186,265	–	4,165	(2,624)	187,806
Mobile ground support equipment	56,975	–	880	(1,663)	56,192
Furniture fittings and fixtures	20,206	55	1,855	(116)	22,000
Office & commercial equipment	27,479	2,437	3,640	(1,751)	31,805
Motor vehicles	26,729	–	978	(1,109)	26,598
	795,984	2,492	11,553	(7,266)	802,763
Progress payments	184,193	(2,492)	155,175	–	336,876
	980,177	–	166,728	(7,266)	1,139,639
<b>Accumulated depreciation</b>					
Leasehold land and buildings	136,515	–	16,392	(3)	152,904
Fixed ground support equipment	118,432	–	11,234	(2,624)	127,042
Mobile ground support equipment	47,501	–	4,622	(1,663)	50,460
Furniture fittings and fixtures	16,593	–	1,333	(116)	17,810
Office & commercial equipment	19,077	–	3,051	(1,730)	20,398
Motor vehicles	22,476	–	1,856	(1,108)	23,224
	360,594	–	38,488	(7,244)	391,838
Net book value	619,583				747,801

The net book value of fixed assets under hire purchase amounted to approximately S\$1,535,000 (1999: S\$1,788,000).

## COMPANY

	AT 1.4.99	ADDITIONS	DISPOSALS	AT 31.03.00
	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>				
Leasehold land and buildings	473,208	34	(3)	473,239
Fixed ground support equipment	7,430	–	–	7,430
Mobile ground support equipment	15,825	–	(377)	15,448
Office & commercial equipment	51	23	(3)	71
Motor vehicles	5,547	–	–	5,547
	502,061	57	(383)	501,735
Progress payments	152,810	115,843	–	268,653
	654,871	115,900	(383)	770,388
<b>Accumulated depreciation</b>				
Leasehold land and buildings	136,017	16,220	(3)	152,234
Fixed ground support equipment	7,430	–	–	7,430
Mobile ground support equipment	15,825	–	(377)	15,448
Office & commercial equipment	46	6	(3)	49
Motor vehicles	5,547	–	–	5,547
	164,865	16,226	(383)	180,708
Net book value	490,006			589,680

	GROUP		COMPANY	
	1999-00	1998-99	1999-00	1998-99
	\$'000	\$'000	\$'000	\$'000
<b>Depreciation charge for the financial year</b>				
Leasehold land and buildings	16,392	17,339	16,220	17,167
Fixed ground support equipment	11,234	13,035	–	–
Mobile ground support equipment	4,622	5,337	–	415
Furniture, fittings and fixtures	1,333	1,473	–	–
Office & commercial equipment	3,051	2,872	6	18
Motor vehicles	1,856	2,202	–	182
	38,488	42,258	16,226	17,782

## 17. LONG-TERM INVESTMENTS

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Unquoted equity investment at cost	12,738	12,738	12,738	12,738
Provision for diminution in value of investments	(4,852)	(4,852)	(4,852)	(4,852)
	7,886	7,886	7,886	7,886



**18. ASSOCIATED COMPANIES**

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Unquoted shares, at cost	47,309	47,309	47,309	47,309
Provision for diminution in value	(3,313)	(2,313)	(4,735)	(3,735)
Goodwill paid on acquisition	(739)	(739)	–	–
	<b>43,257</b>	<b>44,257</b>	<b>42,574</b>	<b>43,574</b>
Share of post-acquisition profit of associated companies	16,757	7,948	–	–
Share of statutory reserves of associated companies	569	225	–	–
Foreign currency translation adjustment	7,866	8,212	–	–
	<b>68,449</b>	<b>60,642</b>	<b>42,574</b>	<b>43,574</b>
Amounts receivable/(payable) on:				
- Current account	935	42	195	(125)
- Loans due from associated companies	1,826	2,169	1,826	2,168
	<b>71,210</b>	<b>62,853</b>	<b>44,595</b>	<b>45,617</b>
Receivable within one year	(2,761)	(507)	(2,021)	(340)
	<b>68,449</b>	<b>62,346</b>	<b>42,574</b>	<b>45,277</b>

Loans due from associated companies bear interest between 6% and 18.1% per annum. The loans are due from two associated companies, of which an amount of \$573,000 is due in June 2000 and the remaining amount of \$1,253,000 owing by another associated company is due in December 2000.

The amounts receivable/(payable) on current account are interest-free and have no fixed terms of repayment. Further details of associated companies are set out in Note 1.

**19. LOANS TO THIRD PARTIES**

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Loan to August Skyfreighter 1994 Trust	45,195	44,794	45,195	44,794
Loan to Vietnam Airlines	584	588	584	588
	<b>45,779</b>	<b>45,382</b>	<b>45,779</b>	<b>45,382</b>
Repayable within one year	584	588	584	588
Repayable after one year	45,195	44,794	45,195	44,794
	<b>45,779</b>	<b>45,382</b>	<b>45,779</b>	<b>45,382</b>

The loan to August Skyfreighter 1994 Trust is unsecured and bears interest between 5.48% and 6.55% (1999: 5.48% to 6.15%) per annum. The loan is repayable on 28 March 2007.

The loan to Vietnam Airlines is unsecured and interest free. The loan is repayable within three years from the year Tan Son Nhat Cargo Services Ltd becomes profitable or from the fourth year after 15 December 1994 in three yearly instalments of not less than USD333,333 per year.

**20. TRADE DEBTORS**

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Trade debtors are stated after				
deducting provision for doubtful debts of	3,745	4,853	30	32
Analysis of the movements in provision for doubtful debts				
Balance at beginning of year	4,853	5,324	32	30
(Write back)/charge to profit & loss accounts	(1,108)	1,154	(2)	2
Amount written off against accounts receivable	–	(1,625)	–	–
	3,745	4,853	30	32
Bad debts written off directly to profit and loss accounts	5	163	1	4

**21. OTHER DEBTORS**

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Staff loans	6,868	6,332	6,827	6,292
Prepaid expenses	1,775	1,294	1,116	753
Sundry receivables	1,712	2,186	831	762
Tax recoverable	23,877	20,134	23,877	20,134
	34,232	29,946	32,651	27,941

**22. RELATED COMPANIES**

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Deposits with immediate holding company	19,372	106,497	3,214	28,064
Amounts owing by/(to) immediate holding company	72,768	68,411	(3,238)	1,005
Amounts owing by/(to) related companies	1,507	2,979	(1,299)	(40)
Amounts owing to subsidiary companies	–	–	(902)	(1,311)
Deposits placed by subsidiary companies	–	–	(157,500)	(58,500)
	<b>93,647</b>	<b>177,887</b>	<b>(159,725)</b>	<b>(30,782)</b>

Deposits placed with the immediate holding company are available on demand and bear interest rates ranging from 1.29% to 2.38% (1999: 1.26% to 6.34%) per annum.

The amounts owing by/(to) the immediate holding and related companies are trade-related, interest-free and have no fixed terms of repayment.

The amounts owing to subsidiary companies are interest-free and have no fixed terms of repayment. The deposits placed by subsidiary companies bear interest rates ranging from 1.27% to 5.85% (1999: 1.27% to 5.85%) per annum.

**23. STOCKS**

	GROUP	
	31 MARCH	
	2000	1999
	\$'000	\$'000
Food supplies and dry stores	4,737	7,071
Technical spares	4,121	5,165
Stationery and office supplies	39	45
Uniforms	172	167
Fuel and oil	28	9
	<b>9,097</b>	<b>12,457</b>
Stocks are stated after deducting provision for slow moving stocks of	450	–
Analysis of the movements in provision for slow moving stocks:		
Balance at beginning of year	–	–
Charge to profit and loss account	450	–
Balance at end of year	450	–

**24. SHORT-TERM LOAN FROM IMMEDIATE HOLDING COMPANY**

Short-term loan from immediate holding company is unsecured and bears interest ranging from 2.47% to 3.08% (1999: nil) per annum. The loan is repayable on 31 March 2001.

**25. SHORT-TERM BANK LOAN**

The short-term bank loan is unsecured and bears interest at 2.64% (1999: nil) per annum.

**26. OTHER CREDITORS**

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Tender deposits	1,071	1,083	365	403
Accrued expenses	10,078	16,727	9,185	8,229
Purchase of fixed assets	9,923	13,982	7,299	10,767
Hire purchase creditors (note 15)	381	368	–	–
	<b>21,453</b>	<b>32,160</b>	<b>16,849</b>	<b>19,399</b>

**27. CASH AND CASH EQUIVALENTS**

a) Cash and cash equivalents included in the Group's consolidated cash flow statement comprise the following balance sheet amounts:

	GROUP	
	31 MARCH	
	2000	1999
	\$'000	\$'000
Fixed deposits	16,041	8,646
Cash and bank balances	9,396	4,318
Deposits with immediate holding company (note 22)	19,372	106,497
	<b>44,809</b>	<b>119,461</b>

b) Analysis of capital expenditure cash flow

	GROUP	
	31 MARCH	
	2000	1999
	\$'000	\$'000
Addition of fixed assets	166,728	103,227
Adjustment for fixed assets acquired under credit terms	4,059	12,306
Cash invested in fixed assets	<b>170,787</b>	<b>115,533</b>

**28. RELATED PARTY TRANSACTIONS**

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

	GROUP		COMPANY	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Services rendered by:				
Immediate holding company	5,403	–	49	–
Subsidiary companies	–	–	500	500
Related companies	5,309	2,182	1,188	1,262
	<b>10,712</b>	<b>2,182</b>	<b>1,737</b>	<b>1,762</b>
Sales to:				
Immediate holding company	443,753	409,182	3,252	4,562
Subsidiary companies	–	–	29,777	28,865
Related companies	19,892	20,198	1,272	1,336
	<b>463,645</b>	<b>429,380</b>	<b>34,301</b>	<b>34,763</b>

Other transactions with related parties are disclosed in notes 3, 5, 6 and 22.

**29. CAPITAL AND OTHER COMMITMENTS**

a) The Group has the following commitments for capital expenditure which have not been provided for in the financial statements:

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Authorised and contracted for	146,153	266,253	47,863	138,648
Authorised but not contracted for	122,223	141,926	66,724	91,592
	<b>268,376</b>	<b>408,179</b>	<b>114,587</b>	<b>230,240</b>

b) The Group leases a leasehold building and two pieces of leasehold land under lease agreements. The lease of the leasehold building expires on 30 June 2024 and the leases of the leasehold land expire on 30 October 2022 and 30 July 2021. The leases of the leasehold properties contain provision for rental adjustments and the future minimum lease payments are as follows:

	GROUP		COMPANY	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
1999/2000	–	2,368	–	2,176
2000/2001	2,365	2,368	2,173	2,176
2001/2002	2,365	2,368	2,173	2,176
2002/2003	2,365	2,368	2,173	2,176
2003/2004	2,365	2,368	2,173	2,176
2004/2005	2,365	2,368	2,173	2,176
Remaining years	43,437	40,122	39,540	36,226
	<b>55,262</b>	<b>54,330</b>	<b>50,405</b>	<b>49,282</b>

**30. CONTINGENT LIABILITIES**

Contingent liabilities not provided for in the financial statements are as follows:

	GROUP		COMPANY	
	31 MARCH		31 MARCH	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
a) Guarantees given to banks in connection with credit facilities granted to an associated company	23,791	24,060	23,791	24,060
b) Counter guarantees given to an associated company to guarantee payment for banking facilities granted to a joint venture company of the associated company	1,264	1,274	1,264	1,274
	<b>25,055</b>	<b>25,334</b>	<b>25,055</b>	<b>25,334</b>

**31. SEGMENT REPORTING**

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and services. The ground handling services segment provides mainly airport terminal services, such as air freight handling services, passenger services, baggage handling services and apron services. The inflight catering services segment is engaged mainly in the provision of inflight meals to the Group's airline customers. The other services segment includes provision of aviation security services, airline laundry and linen services and rental of premises.

Segment accounting policies are the same as the policies described in Note 2. The Group generally account for inter-segments sales and transfers as if the sales or transfers were to third parties at current market prices.

The following tables present revenue and net income information for the Group's industry segment for the years ended 31 March 1999 and 31 March 2000 and certain asset and liability information regarding the Group's industry segment as at 31 March 1999 and 31 March 2000.

**BY INDUSTRY**

	CATERING \$'000	GROUND HANDLING/ CARGO \$'000	OTHERS \$'000	ELIMINATIONS \$'000	TOTAL \$'000
<b>Financial year ended 31 March 2000</b>					
Revenue					
External revenue	371,476	365,735	52,953	–	790,164
Inter-segment revenue	24	105	34,680	(34,809)	–
Total revenue	371,500	365,840	87,633	(34,809)	790,164
Operating profit	98,231	62,214	20,913	–	181,358
Interest income	1,279	1,183	1,544	(2,014)	1,992
Financing charges	–	–	(2,366)	2,014	(352)
Share of results of associated companies	4,082	13,438	3	–	17,523
Provision for diminution in value of investment in associated company	(1,000)	–	–	–	(1,000)
Profit before income tax	102,592	76,835	20,094	–	199,521
<b>As at 31 March 2000</b>					
Segment assets	397,489	497,470	118,289	–	1,013,248
Associated companies	29,273	41,769	168	–	71,210
Total assets	426,762	539,239	118,457	–	1,084,458
Total liabilities	82,775	85,096	305,673	–	473,544
Capital expenditures	99,211	66,931	586	–	166,728
Depreciation of fixed assets	14,621	22,638	1,229	–	38,488
<b>Financial year ended 31 March 1999</b>					
Revenue					
External revenue	346,393	347,457	52,297	–	746,147
Inter-segment revenue	–	100	33,695	(33,795)	–
Total revenue	346,393	347,557	85,992	(33,795)	746,147
Operating profit	80,201	59,619	19,679	–	159,499
Interest income	1,536	1,609	924	–	4,069
Financing charges	–	–	(7,959)	–	(7,959)
Income from short-term investments	–	–	(23,894)	–	(23,894)
Share of results of associated companies	3,516	5,728	15	–	9,259
Provision for diminution in value of investment in associated company	(2,313)	–	–	–	(2,313)
Profit before income tax	82,940	66,956	(11,235)	–	138,661

## BY INDUSTRY (Continued)

	CATERING \$'000	GROUND HANDLING/ CARGO \$'000	OTHERS \$'000	ELIMINATIONS \$'000	TOTAL
<b>As at 31 March 1999</b>					
Segment assets	358,667	492,376	101,939	–	952,982
Associated companies	27,570	35,102	181	–	62,853
Total assets	386,237	527,478	102,120	–	1,015,835
Total liabilities	70,469	73,535	171,886	–	315,890
Capital expenditures	41,768	59,753	1,706	–	103,227
Depreciation of fixed assets	14,914	25,897	1,447	–	42,258

## BY GEOGRAPHICAL LOCATION

	SINGAPORE \$'000	OVERSEAS \$'000	TOTAL \$'000
<b>Financial year ended 31 March 2000</b>			
Revenue	790,164	–	790,164
Operating profit	181,358	–	181,358
Interest income	1,284	708	1,992
Financing charges	(352)	–	(352)
Share of results of associated companies	3	17,520	17,523
Provision for diminution in value of investment in associated company	–	(1,000)	(1,000)
Profit before income tax	182,293	17,228	199,521
<b>As at 31 March 2000</b>			
Segment assets	995,297	17,951	1,013,248
Associated companies	168	71,042	71,210
Total assets	995,465	88,993	1,084,458
Total liabilities	471,183	2,361	473,544
Capital expenditures	166,728	–	166,728
Depreciation of fixed assets	38,488	–	38,488



**BY GEOGRAPHICAL LOCATION (Continued)**

	SINGAPORE \$'000	OVERSEAS \$'000	TOTAL \$'000
<b>Financial year ended 31 March 1999</b>			
Revenue	746,147	–	746,147
Operating profit	159,499	–	159,499
Interest income	3,682	387	4,069
Financing charges	(7,959)	–	(7,959)
Income from short-term investments	(23,894)	–	(23,894)
Share of results of associated companies	15	9,244	9,259
Provision for diminution in value of investment	–	(2,313)	(2,313)
Profit before income tax	131,343	7,318	138,661
<b>As at 31 March 1999</b>			
Segment assets	942,671	10,311	952,982
Associated companies	181	62,672	62,853
Total assets	942,852	72,983	1,015,835
Total liabilities	315,890	–	315,890
Capital expenditures	103,227	–	103,227
Depreciation of fixed assets	42,258	–	42,258

**32. ADDITIONAL INFORMATION REQUIRED BY THE SGX-ST**

1) **Directors' remuneration**

The number of directors of the Company whose emoluments fall within the following bands:

	THE COMPANY	
	2000 \$'000	1999 \$'000
\$500,000 and above	–	–
\$250,000 to \$499,999	–	–
Below \$250,000	7	4
	7	4

		FIRST HALF	SECOND HALF	TOTAL
<b>Total revenue</b>				
1999-00	(\$ million)	382.5	407.7	790.2
	(%)	48.4	51.6	100.0
1998-99	(\$ million)	368.3	377.8	746.1
	(%)	49.4	50.6	100.0
<b>Expenditure</b>				
1999-00	(\$ million)	285.7	323.1	608.8
	(%)	46.9	53.1	100.0
1998-99	(\$ million)	295.5	291.1	586.6
	(%)	50.4	49.6	100.0
<b>Operating profit</b>				
1999-00	(\$ million)	96.8	84.6	181.4
	(%)	53.4	46.6	100.0
1998-99	(\$ million)	72.8	86.7	159.5
	(%)	45.6	54.4	100.0
<b>Profit before tax</b>				
1999-00	(\$ million)	106.8	92.8	199.6
	(%)	53.6	46.4	100.0
1998-99	(\$ million)	49.6	89.1	138.7
	(%)	35.8	64.2	100.0
<b>Profit after tax</b>				
1999-00	(\$ million)	89.1	71.0	160.1
	(%)	55.7	44.3	100.0
1998-99	(\$ million)	41.1	69.2	110.3
	(%)	37.3	62.7	100.0
<b>Earnings (after tax) per share</b>				
1999-00	(cents)	8.9	7.1	16.0
	(%)	55.7	44.3	100.0
1998-99	(cents)	4.1	6.9	11.0
	(%)	37.3	62.7	100.0

## Five Year Financial Summary of the Group

	1999-00	1998-99	1997-98	1996-97	1995-96
<b>Profit and loss account (\$ million)</b>					
Total revenue	790.2	746.1	726.5	683.5	630.2
Expenditure	608.8	586.6	602.0	576.4	496.5
Operating profit	181.4	159.5	124.5	107.1	133.7
Other income (loss)	18.2	(20.8)	(8.5)	8.8	4.6
Profit before tax	199.6	138.7	116.0	115.9	138.3
Profit after tax	160.1	110.3	83.9	84.3	101.4
<b>Balance sheet (\$ million)</b>					
Paid up capital	100.0	100.0	100.0	100.0	100.0
Distributable reserves	510.3	599.7	566.2	544.8	525.7
Non-distributable reserves	0.6	0.2	–	–	–
Shareholders' funds	610.9	699.9	666.2	644.8	625.7
Deferred taxation	81.2	69.9	62.1	58.3	51.7
Fixed assets	747.8	619.6	558.6	518.3	481.4
Loan to third parties	45.2	44.8	42.5	38.1	36.7
Associated companies	68.4	62.3	49.2	33.2	25.9
Long-term investments	7.9	7.9	7.9	7.9	13.1
Current assets	215.1	281.2	462.0	500.8	463.0
Total assets	1,084.4	1,015.8	1,120.2	1,098.2	1,020.0
Long-term liabilities	48.5	49.1	193.1	181.6	168.4
Current liabilities	343.8	196.9	198.8	213.5	174.2
Total liabilities	392.3	246.0	391.9	395.1	342.6
Net liquid assets	(132.1)	115.2	164.7	210.5	191.6
<b>Cash flow statement (\$ million) #</b>					
Cash flow from operations	241.0	176.7	168.8	164.2	166.6
Internally generated cash flow	247.0	177.8	172.0	167.2	169.1
Capital expenditure	166.7	103.2	88.5	76.9	151.5

# Internally generated cash flow comprises cash generated from operations, dividends from associated companies, and proceeds from sale of fixed assets.

	1999-00	1998-99	1997-98	1996-97	1995-96
<b>Profitability ratios (%)</b>					
Return on shareholders' funds	24.4	16.2	12.8	13.3	16.7
Return on total assets	15.2	10.3	7.6	8.0	10.5
Return on turnover	20.3	14.8	11.6	12.3	16.1
<b>Productivity and employee data</b>					
Value added (\$ million)	582.3	515.0	505.5	487.8	450.3
Value added per employee (\$)	65,264	56,760	55,130	54,878	52,629
Revenue per employee (\$)	88,554	82,220	79,239	76,892	73,655
Average employee strength	8,923	9,075	9,169	8,889	8,556

## Information on Shareholdings

As At 26 May 2000

### ANALYSIS OF SHAREHOLDINGS

Authorised share capital : 2,000,000,000 ordinary shares of S\$0.10 each  
Issued and fully paid : 1,000,000,000 ordinary shares of S\$0.10 each

RANGE OF SHAREHOLDINGS	NUMBER OF		NUMBER OF	
	SHAREHOLDERS	%	SHARES	%
1 – 1,000	21,147	70.51	21,131,500	2.11
1,001 – 10,000	8,495	28.32	23,482,300	2.35
10,001 – 1,000,000	337	1.12	15,470,200	1.55
1,000,001 and above	14	0.05	939,916,000	93.99
Total	29,993	100.00	1,000,000,000	100.00

### MAJOR SHAREHOLDERS

NO.	NAME	NUMBER OF SHARES HELD	%
1	Singapore Airlines Ltd	870,000,000	87.00
2	Citibank Nominees Singapore Pte Ltd	21,487,000	2.15
3	DBS Nominees Pte Ltd	16,307,500	1.63
4	Raffles Nominees Pte Ltd	6,779,000	0.68
5	United Overseas Bank Nominees Pte Ltd	6,276,400	0.63
6	HSBC (Singapore) Nominees Pte Ltd	5,414,000	0.54
7	Overseas Union Bank Nominees Pte Ltd	2,314,500	0.23
8	Oversea-Chinese Bank Nominees Pte Ltd	2,117,600	0.21
9	NTUC Income Insurance Co-operative Ltd	2,000,000	0.20
10	J M Sassoon & Co (Pte) Ltd	1,776,000	0.18
11	Prudential Assurance Co Singapore (Pte) Ltd – Life Fund	1,706,000	0.17
12	Prudential Assurance Co Singapore (Pte) Ltd – Prulink Fund	1,379,000	0.14
13	Lim & Tan Securities Pte Ltd	1,266,000	0.12
14	Phillip Securities Pte Ltd	1,093,000	0.11
15	DB Nominees (S) Pte Ltd	900,000	0.09
16	The Overseas Assurance Corporation Ltd – Singapore Life Insurance Fund	850,000	0.09
17	BNP Nominees Singapore Pte Ltd	649,000	0.06
18	Goh Lik Tuan	500,000	0.05
19	ABN AMRO Nominees Singapore Pte Ltd	477,000	0.05
20	Keppel Bank Nominees Pte Ltd	415,700	0.04
Total		943,707,700	94.37

### SUBSTANTIAL SHAREHOLDERS

NO.	NAME	DIRECT INTEREST	INDIRECT INTEREST	TOTAL INTEREST	%
1	Temasek Holdings (Private) Limited	–	871,827,000	871,827,000	87.18
2	Singapore Airlines Limited	870,000,000	–	870,000,000	87.00

**Notice is hereby given** that the 27th Annual General Meeting of the Company will be held at the Les Oiseaux Room, Level 5, Marina Mandarin Hotel, 6 Raffles Boulevard, Marina Square, Singapore 039594, on Friday, 14 July 2000 at 3.30 pm to transact the following business:

## **ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 March 2000 and the Auditors' Report thereon.
2. To approve Directors' Fees of \$18,437.00 (1999: \$13,125.00) for the year ended 31 March 2000.
3. To re-elect the following Directors in accordance with Article 90 of the Company's Articles of Association;
  - a. Mr Barry Desker
  - b. Mr Richard Charles Helfer
  - c. Dr Hong Hai
  - d. Mr Ng Kee Choe

Note: Mr Ng Kee Choe and Dr Hong Hai are independent Directors and, if re-elected, will be re-appointed to the Company's Audit Committee.

4. To re-elect Dr Cheong Choong Kong and Mr Michael Tan Jiak Ngee, who will retire by rotation in accordance with Article 83 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election as Directors.
5. 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.

## **SPECIAL BUSINESS**

### **ORDINARY RESOLUTIONS**

6. To consider and, if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:
  - 6.1 "That subject to the Companies Act (Cap. 50) and the Articles of Association of the Company, the Directors of the Company be and are hereby authorised pursuant to Section 161 of the Companies Act, Cap. 50, to issue shares in the Company (whether by ways of rights, bonus or otherwise) 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, PROVIDED ALWAYS THAT the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per cent of the total issued share capital of the Company for the time being, of which the aggregate number of shares that may be issued other than on a pro rata basis to existing shareholders shall not exceed 20 per cent of the total issued share capital of the Company for the time being, and, unless revoked or varied by the Company in general meeting, such authority 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 or the bye-laws of the Company to be held, whichever is the earlier."
  - 6.2 "That for the purposes of Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited:
    - i) approval be and is hereby given for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the minutes of the Extraordinary General Meeting dated 27 March 2000 (the "EGM Minutes") with any party who is of the class of Interested Persons described in the EGM Minutes, provided that such transactions are made on an arm's length basis and on normal commercial terms;
    - ii) such approval (the "Mandate") shall, unless revoked or varied by the Company in General Meeting, continue in force until the next Annual General Meeting of the Company; and
    - iii) the Directors of the Company 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 may consider expedient or necessary or in the interest of the Company to give effect to the Mandate and/or this Resolution."

6.3 “That the Board of Directors of the Company be and is hereby authorised to offer and grant options in accordance with the provisions of the SATS Employee Share Option Plan (the “Plan”) and to allot and issue from time to time such number of ordinary shares of S\$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 ordinary shares to be issued pursuant to the Plan shall not exceed fifteen per cent (15%) of the total issued share capital of the Company from time to time.”

7. To transact any other business.

By order of the board

**AGNES YAO HIANG**

Company Secretary

Dated this 19th day of June, 2000

Singapore

#### **EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED**

- i. Ordinary Resolution No. 6.1 is to empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to issue shares in the Company. The number of shares which the Directors may issue under this Resolution would not exceed fifty per cent (50%) of the issued share capital of the Company for the time being. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed twenty per cent (20%) of the total issued share capital of the Company for the time being.
- ii. Ordinary Resolution No. 6.2 is to renew the mandate to allow the Company, its subsidiaries and target associated companies or any of them to enter into certain interested person transactions with persons who are considered “interested persons” (as defined in Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited).
- iii. Ordinary Resolution No. 6.3 is to authorise the Directors to offer and grant options in accordance with the provisions of the Company’s Employee Share Option Plan (“the Plan”) which was approved at the Extraordinary General Meeting of the Company on 20 March 2000 and to allot and issue shares under the Plan.

#### **NOTES**

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two 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.