

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.

MISSION STATEMENT

CONTENTS

2	STATISTICAL HIGHLIGHTS
3	FINANCIAL CALENDAR
4	CHAIRMAN'S STATEMENT
8	BOARD OF DIRECTORS
12	SATS SUBSIDIARIES
12	OVERSEAS INVESTMENTS
13	CORPORATE INFORMATION
14	AWARDS
15	MILESTONES
18	SINGAPORE OPERATIONS REVIEW
26	OVERSEAS OPERATIONS REVIEW
34	FINANCIAL REVIEW
45	CORPORATE GOVERNANCE
57	INTERNAL CONTROLS STATEMENT
63	KEY MANAGEMENT
64	INVESTOR RELATIONS PROGRAMME
65	FINANCIALS
115	NOTICE OF ANNUAL GENERAL MEETING

STATISTICAL HIGHLIGHTS

	2004-05	2003-04	% CHANGE
FINANCIAL STATISTICS			
GROUP (\$ MILLIONS)			
Total revenue	975.7	868.7	12.3
Total expenditure	775.5	677.9	14.4
Operating profit	200.2	190.8	4.9
Profit before tax	223.3	217.6	2.6
Profit after tax	174.1	189.6	- 8.2
Profit attributable to shareholders	173.8	189.8	- 8.4
Share capital	102.8	100.6	2.2
Distributable reserves	918.4	1,116.3	- 17.7
Non-distributable reserves			
Share premium	44.3	8.7	409.2
Statutory reserve	2.7	2.5	8.0
Shareholders' funds	1,068.2	1,228.1	- 13.0
Return on shareholders' funds (%)	15.1	16.4	- 1.3 points
Total assets	1,600.3	1,558.6	2.7
Total debt	249.0	49.7	401.0
Total debt equity ratio (times)	0.23	0.04	0.19 times
Net liquid assets	311.3	397.9	- 21.8
Value added	671.7	627.1	7.1
Economic value added	91.5	80.4	13.8
PER SHARE DATA (CENTS)			
Earnings before tax	21.9	21.6	1.4
Earnings after tax			
- basic	17.0	18.9	- 10.1
- diluted	16.9	18.9	- 10.6
Net asset value	103.9	122.1	- 14.8
DIVIDENDS			
Interim dividend (cents per share)	3.0	3.0	-
Proposed final dividend (cents per share)	6.0	5.0	1.0 cent
Proposed special dividend (cents per share)	-	37.0	- 37.0 cents
Dividend cover (times)	2.4	0.5	1.9 times
OPERATING STATISTICS			
EMPLOYEE PRODUCTIVITY			
Average number of employees	8,521	9,374	- 9.1
Revenue per employee (\$)	114,509	92,668	23.6
Value added per employee (\$)	78,824	66,897	17.8
OPERATING DATA			
Air freight throughput (in million tonnes)	1.42	1.38	3.1
Passengers served (in millions)	25.27	21.24	19.0
Inflight meals prepared (in millions)	23.53	19.73	19.3
Flights handled (in thousands)	76.09	63.13	20.5

NOTES:

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

FINANCIAL CALENDAR

FINANCIAL YEAR ENDED 31 MARCH 2005

30 JULY 2004

Announcement of First Quarter results

28 OCTOBER 2004

Announcement of Second Quarter and Half Year results

29 OCTOBER 2004

Media/Analysts' briefing on Second Quarter and Half Year results

26 NOVEMBER 2004

Payment of 2004-05 Interim Dividend

26 JANUARY 2005

Announcement of Third Quarter results

11 MAY 2005

Announcement of Full Year results

12 MAY 2005

Media/Analysts' briefing on Full Year results

06 JUNE 2005

Despatch of Summary Financial Report to Shareholders

20 JUNE 2005

Despatch of Annual Report to Shareholders

19 JULY 2005

Annual General Meeting

03 AUGUST 2005

Proposed Payment of 2004-05 Final Dividend

FINANCIAL YEAR ENDING 31 MARCH 2006

JULY 2005

Proposed Announcement of First Quarter results

OCTOBER 2005

Proposed Announcement of Second Quarter and Half Year results

JANUARY/FEBRUARY 2006

Proposed Announcement of Third Quarter results

MAY 2006

Proposed Announcement of Full Year results

CHAIRMAN'S STATEMENT



Significantly, the contribution from our overseas operations rose 49.4% to \$50.5 million, vindicating our strategy to broaden SATS' earnings base by tapping into the dynamic growth of the regional aviation market through strategic investments and joint ventures.


 EDMUND CHENG WAI WING

The financial year 2004-2005 is a watershed for SATS. The competitive landscape was significantly altered when a third ground handler was established at Changi Airport in 2004 and our erstwhile competitor went through an ownership change. The changes raise the intensity of competition and put our mettle to the test.

In the last eighteen months or so, we had pro-actively taken steps to ensure that SATS remains well positioned in the new market environment. Several measures were taken to improve our cost competitiveness and product quality. They included the streamlining of our organisation structure and processes and a flexible wage structure. These measures, while achieving some positive effects were, however, insufficient to protect our market leader position in the new competitive environment. Decisive pre-emptive measures were needed to protect our market-leading position. In September 2004, a restructuring exercise had to be implemented involving staff retrenchments and outsourcing of positions. Retrenchment is always a measure of last resort but given the new competitive environment, the painful but necessary action could not be avoided. Management spent great effort to communicate the decision to staff and unions, and worked closely with the unions to minimize the pain for all affected staff. We are very appreciative of the support and cooperation of the unions. At a cost of \$28.8 million, the restructuring is expected to provide an annual savings of \$21 million, going forward.

Against this turbulent backdrop, management and staff of SATS worked hard throughout the financial year, and delivered a commendable performance. The Group's revenue for the year rose 12.3% to \$975.7 million, attributed to the strong rebound in air traffic during 2004. Whilst expenditure grew 14.4% to \$775.5 million mainly because of higher bonus provision and cost of raw materials, SATS was still able to report a 4.9% increase in operating profit of \$200.2 million. Even after accounting for the exceptional item of \$28.8 million associated with the cost of restructuring, profit before tax improved by 2.6% to \$223.3 million. Profit after tax, however, fell by 8.4% to \$173.8 million because of a one-off \$21.1 million tax writeback recorded for the financial year 2003-2004.

Significantly, the contribution from our overseas operations rose 49.4% to \$50.5 million, vindicating our strategy to broaden SATS' earnings base by tapping into the dynamic growth of the regional aviation market through strategic investments and joint ventures. Over the last 3 years, share of profits from our associated companies grew at a compounded annual growth rate of 29% and now contributes a full 20% of Group profit before tax. With growing pressure on rates and margins in our Singapore home market, SATS will continue to look afar for investment opportunities in the region. In this regard, I am pleased that following the completion of our purchase of a 49.8% stake in Jas Airport Services, a leading ground handler in Indonesia, in June 2004, we were also able to

CHAIRMAN'S STATEMENT

Indeed, our staff has done us proud. Despite the difficulties posed by the restructuring, SATS staff stayed focused on our mission to deliver superior service and the best value to our customers.

double our stake from 24.5% to 49%, in Asia Airfreight Terminal in August last year. The latter is a successful cargo handling joint venture in Hong Kong that we have been managing since its operational start-up in 1998. Air cargo traffic in Hong Kong is expected to continue on its healthy growth trend, riding on the economic boom in China, and construction for a second terminal has commenced to expand our handling capacity.

Notwithstanding the success achieved in our overseas ventures, we will continue to focus on strengthening and growing our Singapore operations. Last year, SATS welcomed a number of new airline customers during the year under review, including Air Zimbabwe, Austrian Airlines, Cardig Air, Northwest Airlines and Shandong Airlines. We also continued to grow our market share in the expanding budget carrier segment with the addition of Jetstar Asia, Tiger Airways and Valuair to our list of clients.

As at the end of the financial year, SATS had 52 airline clients to whom we provide in-flight catering, ground handling, aviation security or a combination of all three services. This represents a leading 77% market share of all airlines operating out of Singapore. In terms of number of flights operating out of Singapore, our market share is higher, at 85%.

SATS also broadened our service and product capability during the year, assuming service operations at the new

VIP Complex on behalf of the Ministry of Foreign Affairs at Changi Airport, handling the arrivals and departures of diplomatic guests and dignitaries. Indeed, it is a testimony to our service reputation and the quality of service delivery by our staff.

Indeed, our staff has done us proud. Despite the difficulties posed by the restructuring, SATS staff stayed focused on our mission to deliver superior service and the best value to our customers. Many of them surpassed themselves in terms of service excellence and, in 2004, a record total of 1,142 staff were recognized for exemplary service at the national Excellent Service Awards, or EXSA, surpassing our previous record of 1,003 awards garnered in 2003. SATS was by far the biggest winner at EXSA, with 131 staff receiving the "Star" award, 386 receiving the "Gold" award and 625 receiving the "Silver" award. It is the dedication and hard work of each and every member of the SATS family that makes the Group a truly world-class ground handling agent and the market leader in what we do.

It has indeed been a challenging year for SATS, as we improved our cost efficiency, further raised our level of service, widened our range of services and products, continued to diversify earnings through strategic overseas growth, while continuing to provide good earnings for our shareholders. Through it all, staff, unions and management have remained steadfast in our mission to be the best ground handling company.



The Board is pleased to announce a final dividend of 6 cents gross per share, amounting to \$49.3 million after tax. Together with the interim dividend of 3 cents gross per share, amounting to \$24.6 million after tax, paid on 26 November 2004, the ordinary dividend after tax for the year will amount to \$73.9 million, representing a dividend payout of 42.5% or 37.6% if we exclude the \$28.8 million exceptional charge. This is an increase of one cent gross per share, or 12.5%, compared to the previous year, and is the third consecutive year that we have increased the dividend payment. Based on the average share price of \$2.08 for the financial year, the dividend yield is an attractive 4.3%.

Finally, I would like to thank my fellow Board members for their invaluable inputs and contributions throughout this past financial year. On behalf of the Board, I would also like to express our sincere appreciation to Mr Barry Desker who will be retiring from the Board on 19 July 2005 at the Company's Annual General Meeting, having served unstintingly for almost 6 years with SATS. Barry has been with the Company since prior to its public listing, contributing enormously not only at Board meetings but also on the Nominating Committee which he chaired.

I would also like to thank our airline clients, business partners and associates, and all of our shareholders for their continued and valued support. Most importantly, I would like to extend my sincere thanks to the SATS

Management team, unions and to all staff for their continued loyalty, hard work and commitment. As a result of their combined efforts, SATS is now well-positioned to meet the challenges that lie ahead, and to further meet and surpass the expectations of our customers.

Edmund Cheng Wai Wing
Chairman

27 May 2005

BOARD OF DIRECTORS

Mr Cheng Wai Wing Edmund
Chairman



Mr Chew Choon Seng
Deputy Chairman



Mr Barry Henry Patrick Desker
Director



Mr Cheng Wai Wing Edmund, 52, was appointed Chairman SATS on 22 May 2003. Mr Cheng is the Deputy Chairman of Wing Tai Holdings Limited.

Mr Cheng graduated with a Bachelor of Science in Civil Engineering from Northwestern University, USA, and also holds a Masters of Architecture from Carnegie-Mellon University, USA.

Mr Cheng is the Chairman of Mapletree Investments Pte Ltd, The Esplanade Co Ltd, DesignSingapore Council and The Old Parliament House Limited. He is also the Deputy Chairman of the National Arts Council and a Director on the Boards of SNP Corporation Ltd, CIH Limited, SNP Leefung Holdings Limited and DNP Holdings Bhd. Mr Cheng was a Director of Singapore Airlines Limited from 1 June 1996 until 29 July 2004.

He was also Chairman of the Singapore Tourism Board from 1993 until 2001.

Mr Cheng was a recipient of the Public Service Star Award (PBB) in 1999.

Mr Chew Choon Seng, 58, was appointed Deputy Chairman SATS on 22 May 2003. Mr Chew is the Chief Executive Officer and a member of the Board of Singapore Airlines Limited.

Mr Chew obtained his Bachelor of Engineering degree with First Class Honours from the University of Singapore, followed by a Masters in Operations Research and Management Studies from London's Imperial College.

Mr Chew joined Singapore Airlines Limited in 1972. He has held senior assignments in Tokyo, Rome, Sydney, Los Angeles and London and headed the Planning and Marketing divisions at corporate headquarters. In his previous post of Senior Executive Vice President (Administration), he had overall charge of finance, treasury, corporate planning, human resources, and legal and corporate affairs.

Mr Chew is the Chairman of Singapore Aircraft Leasing Enterprise Pte Ltd, the Deputy Chairman of SIA Engineering Company Limited, and a Director of Singapore Exchange Limited and Virgin Atlantic Limited. Mr Chew is also a Member of the Board of Governors of the Singapore International Foundation. Mr Chew was previously the Chairman of SMRT Corporation Limited.

Mr Barry Desker, 58, Director of the Institute of Defence and Strategic Studies, Nanyang Technological University, and Honorary Advisor to the Minister for Trade and Industry, Singapore.

Mr Desker, a President's Scholar, graduated from the University of Singapore with a Bachelor of Arts (First Class Honours) degree and obtained his Master's Degree from the University of London on a Ford Foundation Fellowship. He joined the Singapore Administrative Service and served as Counsellor at the Singapore Embassy in Jakarta, Singapore's Deputy Permanent Representative to the United Nations in New York and Director of the Policy, Planning and Analysis Division of the Ministry of Foreign Affairs. He was Singapore's Ambassador to Indonesia from 1986 to 1993 and Chief Executive Officer of the Trade Development Board from 1994 to 2000.

Mr Desker is the Chairman of the Singapore International Foundation and Vice-Chairman of the Singapore Business Federation. He is also the Chairman of Jurong Port Pte Ltd and Singapore Technologies Marine Ltd and Director of SembCorp Logistics Ltd.

Mr Desker will be retiring from the SATS Board at its Annual General Meeting on 19 July 2005.

Dr Hong Hai
Director



Dr Richard Charles Helfer
Director



Dr Hong Hai, 61, Professor and Dean, the Nanyang Business School, Nanyang Technological University.

Dr Hong obtained a Bachelor of Engineering (First Class Honours) degree from the University of Canterbury on a Colombo Plan scholarship. He also holds a Masters degree in Public Administration from Harvard University, a Ph.D. in Economics from the Carnegie-Mellon University, USA, and a BA in Chinese Language and Literature from Beijing Normal University. He is also a registered Traditional Chinese Medical Practitioner.

Dr Hong's previous position, held from February 1990 until his retirement in April 2003, was President & Chief Executive Officer of Haw Par Corporation Limited and Haw Par Healthcare Limited. He also served on the Boards of these corporations until 2005 and 2003 respectively. Dr Hong was also previously the Group General Manager of Wearne Brothers Limited, Managing Director of Applied Research Corporation, and a Member of Parliament.

Dr Hong serves as a Council member of the Nanyang Academy of Fine Arts and Nanyang Technological University, and is a member of the Traditional Chinese Medicine Practitioners Board.

Dr Hong is currently a Director of IDT Holdings (Singapore) Limited, Poh Tiong Choon Logistics Limited, Asia Food and Properties Ltd and Golden Agri-Resources Ltd.

Dr Richard Charles Helfer, 54, Chairman of RCH International Pte Ltd, a strategic tourism/hospitality/lifestyle organization providing all-inclusive services including conceptualisation, operational management and marketing strategies to the tourism/hospitality sector.

Dr Helfer holds a Bachelor of Arts (Honours) degree in Hotel and Restaurant Management from Michigan State University, USA and a Doctor of Business Administration in Hospitality Management, Honoris Causa, from Johnson & Wales University, USA.

Dr Helfer has been in the hotel, hospitality and tourism industries for more than 30 years, with expertise in a broad spectrum of portfolios including the conceptualisation, corporate structuring/organization, development, marketing and operation of hotels/resorts, mixed-use hotel, commercial and retail facilities, and other master-planned tourism-related projects.

Dr Helfer was the founding President and Chief Executive Officer of Raffles Holdings Limited and Chairman and Chief Executive Officer of Raffles International Limited from 1989 to 2003. He also served on the Boards of these corporations until 2003.

Dr Helfer is a member of the Board of Yellow Pages (Singapore) Limited, Zhongguo Powerplus Industries Limited, Preservation of Monuments Board, Sculpture Square Limited (where he is Chairman) and The Old Parliament House Limited. He is also Senior Advisor, at cabinet level, to the 5 Ministries which comprise the Tourism Authority of Cambodia, and also the Senior Advisor to the Chief Minister of Assam, North East India. Dr Helfer was previously Chairman of Societe Montreux-Palace SA.

BOARD OF DIRECTORS

Mr Ng Kee Choe
Director



Dr Ow Chin Hock
Director



Mr Tan Jiak Ngee Michael
Director



Mr Ng Kee Choe, 61,
non-Executive Chairman of
Singapore Power Limited.

Mr Ng graduated with a Bachelor of Science (Honours) degree from the University of Singapore.

Mr Ng joined the Development Bank of Singapore Ltd ("DBS Bank") in 1970. He was Vice Chairman of the bank prior to his retirement in June 2003; after his retirement as Vice Chairman, he stayed on as Senior Advisor to the Chief Executive Officer of DBS Bank.

Mr Ng sits on the boards of Singapore Exchange Limited, NTUC Income Insurance Cooperative Limited and Singapore Power Limited. He is also a Commissioner of PT Bank Danamon Indonesia Tbk, a member of the Temasek Advisory Panel, a Governor of the Singapore International Foundation, and a member of the International Advisory Council of China Development Bank.

Mr Ng was previously a Director of DBS Group Holdings Ltd, DBS Bank, DBS Thai Danu Bank Public Co Ltd, DBS Kwong On Bank Limited and Wing Lung Bank Limited.

For his contributions to the public service, Mr Ng was awarded the Public Service Star Award (PBB) in 2001.

Dr Ow Chin Hock, 61,
Adjunct Professor at the School of Humanities and Social Sciences at the Nanyang Technological University.

Dr Ow graduated with a Bachelor of Arts (Honours) from the University of Singapore. He also holds a Masters of Arts in Economic Development and a Ph.D. in Economics, both from Vanderbilt University, Nashville, Tennessee, USA.

Dr Ow was a Member of Parliament from 1976 to 2001, and has held several positions in the Singapore government, the most recent being Ambassador-at-large (part-time) at the Ministry of Foreign Affairs. Dr Ow was also previously Minister of State for Foreign Affairs, Mayor of Tanjong Pagar CDC District and Chairman of Tanjong Pagar-West Coast Town Council.

Dr Ow is a Director of People's Food Holdings Limited and Longcheer Holdings Ltd.

Mr Tan Jiak Ngee Michael, 63,
Executive Vice-President
(Chairman's Office) of Millennium & Copthorne Hotels plc ("M&C"), the London-listed hotel arm of the Hong Leong Group Singapore.

Mr Tan was previously Senior Executive Vice President (Commercial) of Singapore Airlines Limited until his retirement in January 2004. Mr Tan was Deputy Chairman SATS until 21 May 2003. Since then, he has continued to be a Board Director of SATS.

Mr Tan joined Malayan Airways Ltd, a forerunner of Singapore Airlines Limited, in 1960. He rose through the ranks, holding various positions from country manager in a number of Asian countries, to senior positions in Planning, Sales, Marketing and Commercial at the Head Office of Singapore Airlines Limited.

Mr Tan was previously the Chairman of Singapore Airlines Cargo Pte Ltd and sat on the Boards of Virgin Atlantic Limited and Air New Zealand Ltd.

PROPOSED DIRECTOR

Mr Khaw Kheng Joo Director



Mr Khaw Kheng Joo, 56,
Chief Executive Officer and Director,
Mediaring Ltd.

Mr Khaw holds a Diploma in Electronic and Communications Engineering from Singapore Polytechnic, a Bachelor of Science in Electrical and Computer Engineering (with Highest Scholarship) from Oregon State University, USA, and a Master of Business Administration (Distinction) from Santa Clara University, USA.

Mr Khaw spent the first 26 years of his career at Hewlett Packard Company ("HP"), rising to the position of General Manager of HP's Handheld Computing Products Division. In that position, he was responsible for the design, manufacture and marketing of HP's Pocket PC, and pioneered the Win CE and GSM/GPRS wireless communication for PDAs. He also held the position of General Manager of HP's Asia Pacific PC Division, pioneering HP's entry into China for manufacturing and establishing Singapore as the strategic manufacturing site for HP's computer products.

After leaving HP in 1999, Mr Khaw was President of Omni Electronics (S) Pte Ltd and Senior Vice President of Celestica Inc (which acquired Omni Electronics Limited), before his current position as Chief Executive Officer of Mediaring Ltd, one of the leading companies in telephony services based on VoIP technology.

Mr Khaw is a Director of Senoko Power Limited, Total Automation Ltd and Amtek Engineering Limited.

SATS SUBSIDIARIES*

as at 27 May 2005

SINGAPORE AIRPORT TERMINAL SERVICES LIMITED (SATS)

SATS AIRPORT SERVICES PTE LTD	SATS CATERING PTE LTD	SATS SECURITY SERVICES PTE LTD	AERO LAUNDRY & LINEN SERVICES PTE LTD	AEROLOG EXPRESS PTE LTD	COUNTRY FOODS PTE LTD
100.0%	100.0%	100.0%	100.0%	70.0%	66.7%

OVERSEAS INVESTMENTS*

as at 27 May 2005

INFLIGHT CATERING

** SERVAIR-SATS HOLDING COMPANY PTE LTD	TAJ-SATS AIR CATERING LTD (Mumbai, Kolkata, Delhi, India)	BEIJING AIRPORT INFLIGHT KITCHEN LTD (Beijing, People's Republic of China)	MALDIVES INFLIGHT CATERING PTE LTD (Male, Maldives)	TAJ MADRAS FLIGHT KITCHEN LTD (Chennai, India)	MACROASIA-EUREST CATERING SERVICES, INC (Manila, Philippines)	EVERGREEN SKY CATERING CORPORATION (Taipei, Taiwan)
49.0%	49.0%	40.0%	35.0%	30.0%	20.0%	15.0%

MACAU CATERING SERVICES CO LTD (Macau, People's Republic of China)
34.0%

TIANJIN AIRPORT KITCHEN LTD (Tianjin, People's Republic of China)
60.0%

* excluding dormant/inactive companies
 ** Investment-holding company, incorporated in Singapore

Note: Shareholding percentages of the second tier companies reflected in this diagram are the effective interests of the relevant first tier companies in such second tier companies.

GROUND HANDLING

PT JASA ANGKASA SEMESTA TBK (12 airports, Indonesia)	ASIA AIRFREIGHT TERMINAL CO LTD (Hong Kong, People's Republic of China)	BEIJING AVIATION GROUND SERVICES CO LTD (Beijing, People's Republic of China)	TAN SON NHAT CARGO SERVICES LTD (Ho Chi Minh City, Vietnam)	EVERGREEN AIR CARGO SERVICES CORPORATION (Taipei, Taiwan)	EVERGREEN AIRLINE SERVICES CORPORATION (Taipei, Taiwan)
49.8%	49.0%	40.0%	30.0%	25.0%	20.0%

ASIA AIRFREIGHT SERVICES LIMITED (Hong Kong, People's Republic of China)
100.0%

BEIJING CHINA SOUTHERN AIRLINES GROUND SERVICES CO LTD (Beijing, People's Republic of China)
50.0%

CORPORATE INFORMATION

as at 27 May 2005

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

Tan Jiak Ngee Michael
Director

** Mr Barry Desker will retire from the Board at the Annual General Meeting on 19 July 2005*

Mr Khaw Kheng Joo**
Proposed Director

*** The resolution to appoint Mr Khaw as Director will be tabled at the Annual General Meeting on 19 July 2005*

AUDIT & RISK MANAGEMENT COMMITTEE

Ng Kee Choe
Chairman

Hong Hai
Member

Ow Chin Hock
Member

Tan Jiak Ngee Michael
Member

BOARD EXECUTIVE COMMITTEE

Cheng Wai Wing Edmund
Chairman

Chew Choon Seng
Member

Ng Kee Choe
Member

REMUNERATION & HUMAN RESOURCE COMMITTEE

Cheng Wai Wing Edmund
Chairman

Chew Choon Seng
Member

Richard Charles Helfer
Member

NOMINATING COMMITTEE

Barry Henry Patrick Desker***
Chairman

Richard Charles Helfer
Member

Hong Hai***
Member

Tan Jiak Ngee Michael
Member

**** Dr Hong will take over from Mr Desker as Chairman of the Nominating Committee on 19 July 2005*

COMPANY SECRETARY

Yip Wai Ping Annabelle

REGISTERED OFFICE

20 Airport Boulevard
Singapore 819659

COMPANY REGISTRATION NO.

197201770G

SHARE REGISTRAR

M & C Services Private Limited
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
(From FY2000-01 to FY2004-05)

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

Leong Yew Weng
Manager
Aerolog Express Pte Ltd

Tan Chiew Kuang Frankie
Chief Executive Officer
Country Foods Pte Ltd

AWARDS

SATS continues to set the standard for award-winning service quality and commitment to clients.

IN RECOGNITION OF SERVICE EXCELLENCE

Service excellence remains SATS' defining quality. In the past year, SATS and its group companies demonstrated the strength of its commitment, raising the bar on quality service to its clientele, befitting its status as market leader. Backed by a team of dedicated staff, our commitment to providing excellent customer service has resulted in numerous accolades received during the year.

Marking yet another record-breaking year, 1,142 staff from SATS Passenger Services, Apron, Load Control, Baggage, Cargo and Security were proud recipients of the "Star" (131), "Gold" (386) and "Silver" (625) awards at the prestigious 2004 Excellence Service Awards (EXSA). These national awards are presented yearly by SPRING Singapore and seek to encourage service providers across all service industries to deliver a high level of quality service, emphasizing the need for every individual to make service excellence a reality. SATS was by far and away the top winner this year, recording its largest number of winners yet in the 10-year history of the awards.

SATS staff walked away with six of the 22 awards for service excellence at the Annual Airport Reception organised by the Civil Aviation Authority of Singapore. Customer Services Agent, Tan Beng Luan was given the Service Personality of the Year award, the most prestigious award for staff at Changi Airport, in acknowledgement of at least two outstanding acts of service performed during the year.

SATS Passenger Services was named Best Service Provider of 2004 by SilkAir in July, 2004. It was ranked ahead of 24 other stations within SilkAir's network when judged on criteria such as complaints and compliments, flight punctuality, visa violations and efficiency of check-in services, and SilkAir's passenger survey on ground services.

SATS Passenger Services also clinched the Best Staff of the Year award by Eva Air. Duty Manager, Woo Weng Hung and Customer Services Officer, Neo Kim Hiang were praised for delivering consistently good performance.

Customer service staff of SATS Passenger Services also won praise from Asiana Airlines for their alertness when they spotted passengers attempting to check in with forged passports. The award recognized customer service staff for their impressive level of service.

In the annual Singapore Airlines' CEO Transforming Customer Service (TCS) Awards held in May, 2004, SATS Load Control won the Merit award in the Team's Choice Category, earning recognition for outstanding service and dedication demonstrated by SATS Load Control in support of Singapore Airlines' operations and is testament to their instrumental role in providing prompt support to Singapore Airlines' overseas stations, and facilitating the airline's operations across the entire network.

IN RECOGNITION OF QUALITY EXCELLENCE

SATS beat two highly-acclaimed contenders from Switzerland and Germany in winning the silver medal in the Gourmet Team Challenge at the Food and Hotel Asia 2004, the largest food and hospitality show in Asia. A bi-annual event, Food and Hotel Asia (FHA) 2004 took place in April and showcased about 2,700 exhibiting companies from over 60 countries. The SATS team was the only non-national and non-hotel team to win at the FHA Culinary Challenge.

SATS was named Best Air Cargo Terminal Operator at the 2005 Asian Freight and Supply Chain Awards in May 2005 for a record ninth time, having received the highest number of votes from over 13,000 senior cargo industry professionals in Asia-Pacific. Award winners were assessed on qualities such as consistency in service, continuous innovation and customer relationship management.

MILESTONES

20 April 2004

SATS acquires a 49.8% stake valued at US\$60 million in JAS Airport Services. This marks SATS' entry into the growing Indonesian airport ground handling market. This is SATS' 13th operating overseas venture and the largest one to date.

5 May 2004

SATS welcomes Valuair as its new client.

29 May 2004

Shandong Airlines joins SATS' client list.

3 June 2004

Austrian Airlines signs up as a new client.

17 June 2004

SATS doubles its stake to 49% in Asia Airfreight Terminal Company Limited (AAT) to become the single largest shareholder in the company.

30 July 2004

SATS Group posts net profit of S\$49.3 million for the first quarter of FY2004-05.

1 September 2004

SATS Security is engaged to man and operate the new state-of-the-art Hold Baggage Screening System (HBSS), a S\$79 million investment by the Civil Aviation Authority of Singapore to handle checked baggage screening.

15 September 2004

Tiger Airways is a second low cost carrier client win in under six months.

22 September 2004

SATS restructures its workforce to gear up for increased competition, releasing 108 staff from employment and offered another 1,064 staff re-employment in contract companies.

28 October 2004

SATS Group records a net profit of S\$31.4 million for the second quarter of FY2004-05.

22 November 2004

SATS secures another new client win with Air Zimbabwe, whose inaugural flight from Harare, Zimbabwe arrives at Singapore Changi Airport, marking the first direct air link between Singapore and Zimbabwe.

13 December 2004

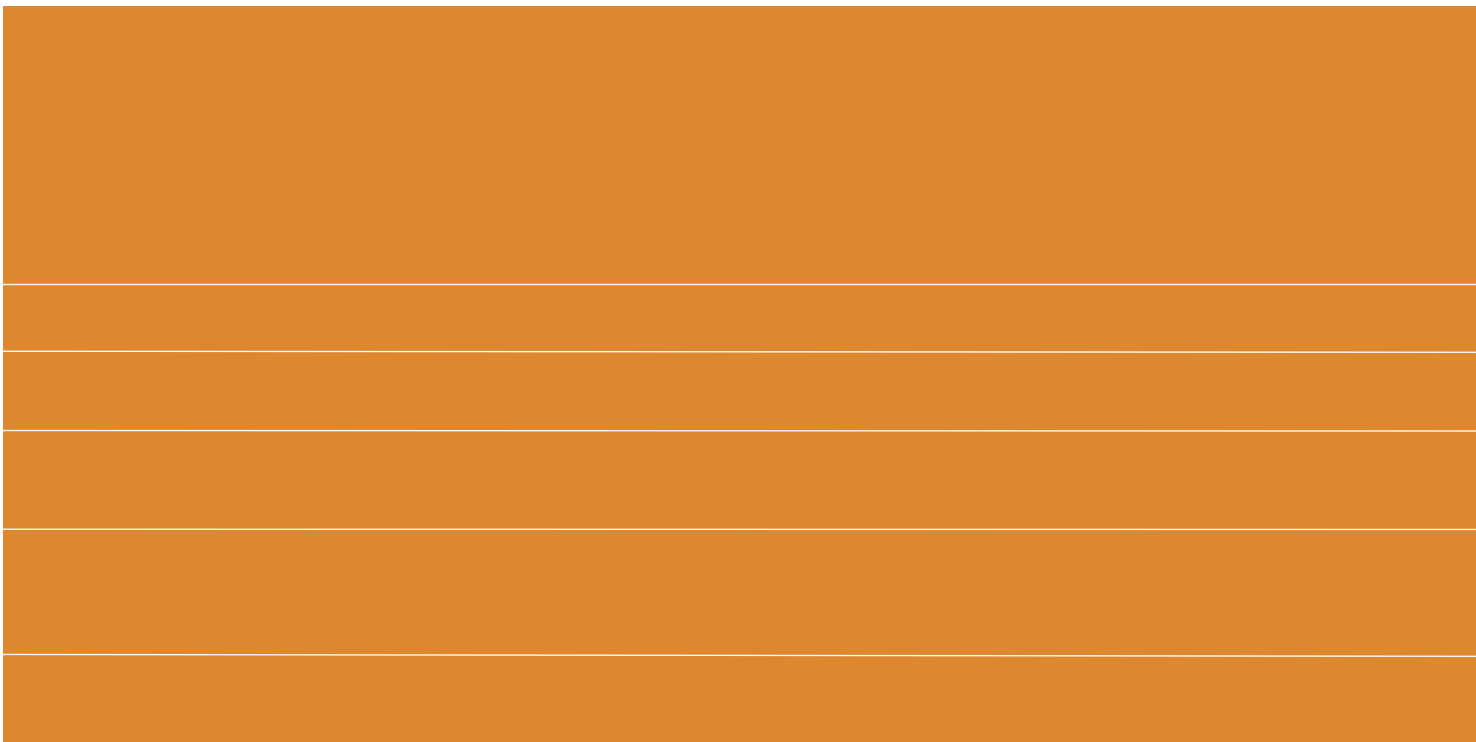
Jetstar Asia takes off on its inaugural flight from Singapore to Hong Kong. The addition of Jetstar Asia brings SATS' new client wins in the low cost carrier market segment to three.

26 January 2005

SATS Group announces net profit of S\$50.7 million in the third quarter of FY2004-05.

11 May 2005

SATS Group posts net profit of S\$173.8 million for FY2004-05.





SATS continued to focus on exceeding current service, enhancing productivity and better management of cost structures, while leveraging on new technology and innovative processes and techniques.



SINGAPORE OPERATIONS REVIEW

In an increasingly competitive environment, the watchwords for the year were exceeding current service standards, enhancing productivity and better management of cost structures. SATS continued to leverage on new technology and innovative processes and techniques to further develop its capabilities.

EMBRACING THE COMPETITION

During the past year, the competitive landscape in Singapore changed significantly. The acquisition of Changi International Airport Services (CIAS) by the Dubai-based DNATA of the Emirates Group, and the start-up of operations by third ground handler, Swissport, were developments that sought to challenge SATS' market leadership position at Singapore Changi Airport.

During the year, SATS put in place the final phase of organisational restructuring efforts aimed at achieving better efficiencies and lowering overall cost structures. Carried out in September and October 2004, this workforce restructuring initiative saw 1,164 positions outsourced to contract labour companies. Increasing the proportion of contract positions facilitates greater flexibility in resource deployment according to business volume fluctuations. Concurrently, other initiatives such as multi-skilling and re-skilling continue to improve cost competitiveness and enhance staff productivity levels. In reiterating its commitment to clients, SATS stepped up its marketing efforts, succeeding in renewing a number of existing contracts for longer terms or for more services,

or a combination of both. In the past year, SATS also made strategic new client wins, including, significantly, in the fast-expanding budget carrier market.

WINNING NEW CUSTOMERS

SATS continued to win new customers in FY2004-05 with the following additions to its strong client list:

Valuair	May 2004
Shandong Airlines	May 2004
Austrian Airlines	Jun 2004
Northwest Airlines	Sep 2004
Tiger Airways	Sep 2004
Air Zimbabwe	Nov 2004
Cardig Air	Dec 2004
Jetstar Asia	Dec 2004

However, the increasingly competitive landscape meant the migration of Emirates (for inflight catering and ground handling services) and Swiss International (for passenger and ramp handling services) to CIAS and Swissport respectively.

As at 31 March 2005, SATS provided 52 airline clients with inflight catering, ground handling, aviation security services or a comprehensive package of services. This represents 77% of the market share in terms of scheduled airlines operating in Singapore.



DEVELOPING SPECIALIST CAPABILITIES

Well known for providing excellent service and backed by an enviable track record, SATS is in a strong position to capitalise on new market opportunities.

In April 2004, SATS was engaged by the Ministry of Foreign Affairs (MFA) to provide handling services at the VIP Complex at Singapore Changi Airport. Strict protocol standards called for specially selected SATS staff to be assigned to the VIP Complex. These selected SATS staff then underwent rigorous training before taking up appointments as Airport Protocol Officers (APO). The APOs undertake various liaison duties and help to process the airport formalities for visiting and departing foreign dignitaries, government ministers and VIP delegations at the VIP Complex. In addition, the APOs are also responsible for the management of the two VVIP rooms, six VIP rooms and the delegation lounge area at the VIP Complex.

In May 2004, our subsidiary, Country Foods, primarily a manufacturer and distributor of chilled and frozen processed foods, explored new markets by taking on institutional catering for the National University Hospital (NUH).

Preparations are underway for the launch of the new low cost terminal, expected to be operational by the first quarter of 2006. Construction work is currently in progress for the new terminal, which will be located next to SATS Inflight Catering Centre. A SATS team comprising staff from Apron, Baggage and Passenger

Services divisions has been tasked with working together with CAAS in reviewing handling operations at the new terminal.

ENHANCING THE PASSENGER EXPERIENCE

Premium Class passengers departing from Terminal 2 at Singapore Changi Airport from May 2005 could enjoy upgraded facilities at the newly-refurbished SATS Premier Lounge. Launched in April 2005, Premium Class passengers visiting the revamped lounge could make use of facilities such as plasma television sets, new menus, massage chairs, business facilities and StarHub wireless broadband coverage.

In a first-of-its-kind initiative, SATS launched the tablet PC as part of its passenger check-in service offerings. Designed with mobility in mind, the tablet PC brings check-in services to the passenger. Check-in staff tasked with queue-combing duties, can be equipped with a tablet PC to offer passengers an abbreviated check-in process through a wide range of services previously confined to static check-in positions. These services include providing important updated information on flight arrivals and departures and advising alternative arrangements.

The Common User Self-Service (CUSS) Project, a collaborative effort between Singapore Airlines and SATS, was launched for deployment initially in Terminal 2 of Singapore Changi Airport. Marking yet another innovation aimed at bringing quality service to the passenger, this

SINGAPORE OPERATIONS REVIEW



project will see the installation of self-service kiosks throughout the terminal that facilitate check-in for Singapore Airlines passengers with confirmed and ticketed bookings. Key features include the ability to handle multi-sector, multi-passenger check-in, enabling passenger seat selection with graphical seating map representation, baggage tag printing, biometric identification, issue of boarding passes and visa checks. This service is expected to launch in January 2006.

First introduced in June 2004, a special VIP handling team was set up to look after the needs of Singapore Airlines VIP passengers. The current team, consisting of 3 duty managers and 7 customer services officers, monitors VIP flight movements and facilitates smooth handling of all Singapore Airlines VIP flights.

GROWING TO MEET GREATER DEMAND

It was a year of capacity expansion, facilities upgrading and equipment renewal for Aero Laundry & Linen Services in FY 2004-05, a reflection of the growth in daily workload volumes, which increased by 39% over the previous financial year. The increased volume can be attributed to a mixture of both organic growth within the airline client sector and expansion into the non-airline client sector.

ALLS added a state-of-the-art eight-module, 60 kilogram Continuous Batch Washer (CBW) system to complement its existing 12-module 60 kilogram CBW system. The S\$1.23 million acquisition increased the plant's

overall production capacity by 40% or to 28 tons from 20 on a 10-hour shift. Additionally, a third steam boiler was purchased for present needs and in anticipation of future demand, adding 50% to the existing capacity. ALLS also embarked on a series of measures to promote more efficient work processes and enhance productivity. First, ALLS added a production mezzanine floor to more efficiently and quickly handle blanket folding. The additional 409 sq m workspace brings ALLS' total built-up area to 5,226 sq m. In addition, a new ironing line with integrated feeder and folder was installed at a cost of S\$0.42 million, allowing large linen of varying sizes to be fed, ironed and folded automatically into predetermined sizes.

DEVELOPING NEW IT CAPABILITIES

SATS continued to enhance its service offering with the adoption of the latest technological innovations. SATS launched the new SITA Baggage Reconciliation System (BRS) to improve security for its airline clients. Since its implementation for Singapore Airlines flights in June 2004, the new system has been providing real-time baggage management solutions for the collation and reconciliation of passenger and baggage data. It enhances airline security by ensuring that passengers are matched with their bags on the same flight, thus complying with the industry ICAO Annex 17 requirements, which calls for any unaccompanied bag to be quickly identified and offloaded. With the BRS in place, the time taken to locate bags has been shortened considerably, minimising disruption to flight schedules. Following its successful



rollout with Singapore Airlines, other airlines such as Air New Zealand, All Nippon Airways, Austrian Airlines, British Airways, Cathay Pacific and Qantas Airways are now using the BRS.

In the financial year under review, SATS Cargo improved its billing process with the introduction of the 'Cargo Billing Data Support Module' (CBDSM), enabling more accurate billing computations, enhancing secure transactions and shortening the cargo billing process. New recruits and existing Passenger Services staff have the benefit of learning at their own pace with the introduction of e-learning courseware, with the launch of the first module, "Customer Service Procedures On-Line". At the end of the course, participants are assessed on their understanding of the module. Its interactive capability and ease of use proved popular and its feasibility for implementation in other functional areas is currently being examined.

Following the encouraging results from Singapore Airlines freighter flights in 2002, SATS Load Control extended the Aircraft Communications Addressing and Reporting System (ACARS) Loadsheets processes and procedures to Qantas Airways and Australian Airlines flights departing from Singapore in July 2004. Cutover involving the despatch of the ACARS loadsheet to these flights was successfully carried out. ACARS employs satellite technology for the transmission of flight messages from ground control to the airline cockpit. The system also allows the Load Controller to monitor the apron loading and passenger boarding processes more efficiently.

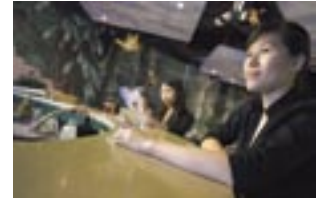
PROMOTING SAFETY AT WORK

With the growth in flight and passenger traffic comes a stronger focus on fundamental concerns such as aviation safety, both in the air and on the ground, for staff and for passengers alike. As a premier ground handler, SATS adopts a combination of structured safety training programmes, periodic company-wide safety initiatives, and concerted efforts to place safety on the agenda in all training programmes, so as to reinforce a "Safety First" mindset amongst its staff.

In November 2004, as part of safety initiatives undertaken by the SIA Group, SATS launched the Ground Ramp Incident Prevention (GRIP) Programme so as to enhance worker ramp safety and minimise possible damage to aircraft, equipment and facilities at the apron. Part of the programme included the formation of a GRIP Committee to oversee all safety aspects of airside operations. An in-house safety video on safe practices for ramp staff was also produced and screened at staff training sessions.

IMPROVING SERVICE QUALITY AND TRAINING

In the financial year under review, SATS Catering set up a dedicated Premium Kitchen for the preparation of First and Business Class Western meals. Constructed at a cost of S\$1.2 million and manned by specially recruited skilled staff, the Premium Kitchen is designed for smaller batch size cooking, allowing better control in the meal preparation process as compared with the main kitchen



SINGAPORE OPERATIONS REVIEW

where meal preparation is carried out in bulk. More specialty production kitchens, including dedicated Thai and Chinese Kitchens are being looked into with the aim of having better specialisation and expertise in the production of certain cuisine or meal types.

In July 2004, SATS Cargo's ISO 9001:2000 Quality Management System were integrated with those of SATS Apron, Baggage and Passenger Services under the single umbrella of SATS Airport Services, resulting in significant cost savings as well as improved co-ordination among the three divisions when conducting audits. The fourth continuing assessment cycle for the ISO 9001:2000 Standards was completed in August 2004, making it the first assessment under the combined audit for the various divisions in SATS.

The year in review saw SATS Apron staff being able to practice aerobridge docking techniques with the aid of a new mobile, fabricated aircraft fuselage. Constructed at the cost of S\$10,000, the simulated aircraft fuselage allows new recruits to be trained without incurring damage and possible ensuing repair costs to actual aircraft while having the advantage of providing for a more realistic and effective learning experience. Apart from training new recruits, the simulator may also be used for refresher training.

SATS Passenger Services' frontline staff continued to undergo cross-cultural awareness training from in-house SATS courses or those jointly conducted with our airline clients. During the year, All Nippon Airways (ANA) and

SATS conducted a three-day 'Step Up Training' course designed to help frontline staff understand and service Japanese passengers better. For improved customer experience, SATS Passenger Services also recruited native speakers (e.g. in Korean, Mandarin, German and Japanese languages) as frontline staff, to assist as interpreters or work as customer services agents.

SATS Passenger Services staff also underwent fraud detection training conducted by the Air New Zealand's Revenue Protection Department. They learnt about the increasingly sophisticated methods employed by fraudsters and the latest techniques used in the detection of stolen, counterfeit and washed tickets. The training equipped frontline staff with the necessary skill to detect ticket irregularities, thereby minimising revenue losses to the airline clients.

In line with the continuing emphasis on employee skills upgrading, 34 Auxiliary Police Officers from SATS Security Services completed a five-week residential basic police course at the CISCO Training School. These officers were updated on the latest developments in the application and enforcement of the police regulations, and also received training in skills such as firearms handling. Assessments of the Auxiliary Police Officers' X-ray detection skills were also carried out as part of ongoing skills training. The training armed SATS Security Services staff with the requisite skills in detecting illegal immigrants and false identification documents. For the first time, SATS Security Services also introduced psychometric testing for its Auxiliary Police Officers. Designed to assess officers'



ability to cope under stressful situations, the programme equipped them with the skills needed to deal with emergency situations, underlining SATS Security Services' commitment to skills upgrading for its employees.

FOSTERING INDUSTRY RELATIONS THROUGH THE EXCHANGE OF IDEAS AND EXPERIENCES

Based on the belief that experiences shared can lead to improved service and enhanced efficiencies across all disciplines, SATS has always actively encouraged the exchange of ideas through joint efforts with valued industry partners. One example is the International Inflight Caterers Association/International Inflight Food Service Association (IFCA/IFSA) Asia Pacific Conference and Exhibition held in China in September 2004. This important gathering played host to senior level decision makers from airlines, caterers and suppliers with business interests in the Far East region, whose insight and experience proved invaluable to the participating SATS team.

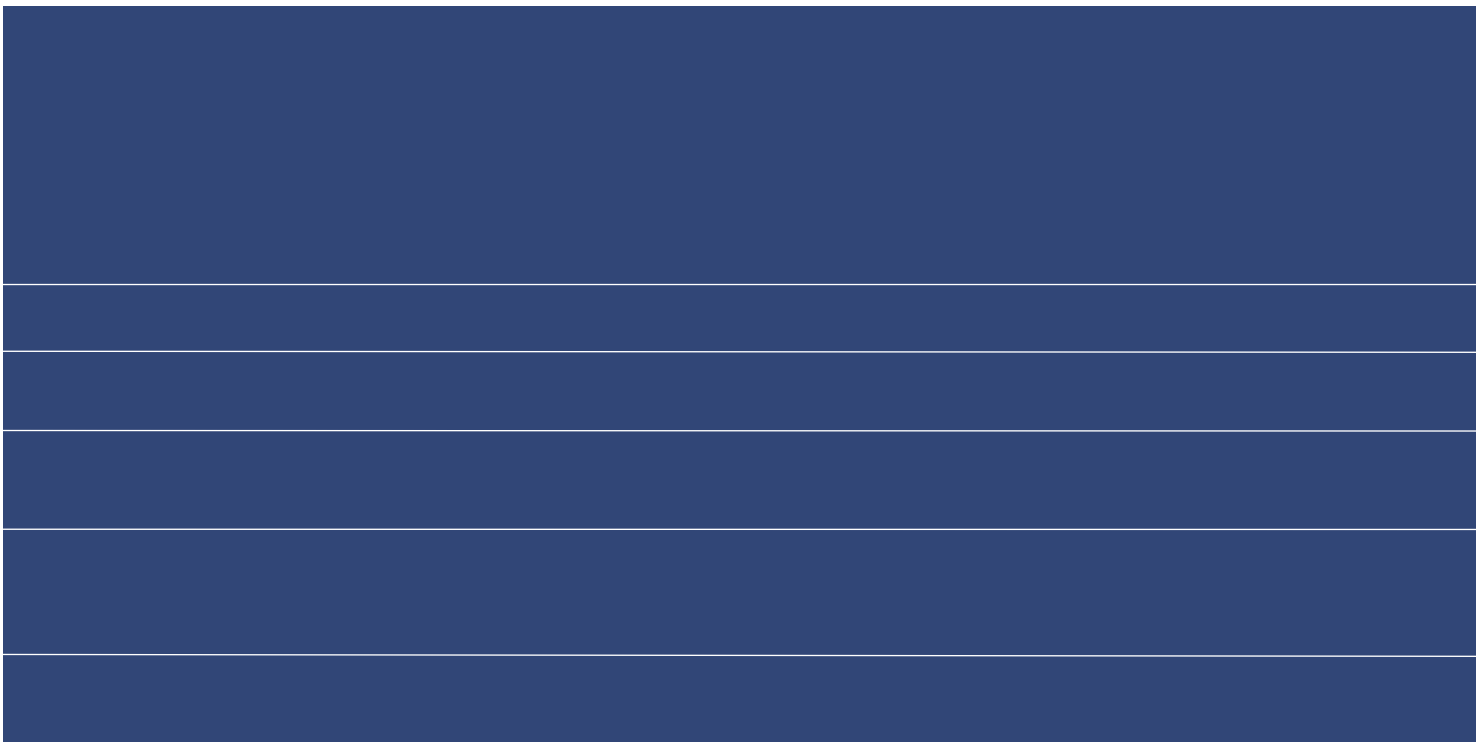
SATS Security Services hosted the Aviation Security (AVSEC) 2004 Conference and Exhibition which took place in Singapore from 14 to 16 April 2004. The three-day event witnessed the participation of over 250 delegates from 47 countries in an exchange of views and experiences on aviation security issues such as sky marshalling, baggage and cargo screening. Conference participants also shared updates on security trends, and experienced a first-hand look of the latest security and surveillance technology showcased during the exhibition.

During the past year, SATS Catering played host to four students from culinary academy, At-Sunrice, The Singapore Culinary Academy and Spice Garden. These students underwent a six-month attachment programme in a work/study environment during which they gained practical work experience in the preparation of Asian and Western cuisine as part of their diploma course.

PROTECTING THE ENVIRONMENT

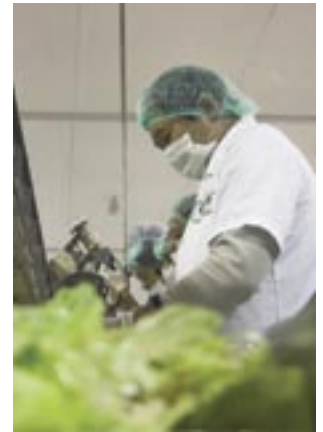
The SATS Environmental Management System (EMS) was developed out of a concern for operational impact on the environment. It looks into the efficient and environmentally-sound use of non-renewable resources and the management of waste generated from operational processes. Key performance indicators have been set up to track performance levels and adoption of recommended practices, while "green practices" training programmes were implemented in addition to training modules in preparation for the ISO 14001 audit. The EMS initiatives received a positive response from the Singapore Productivity and Standards Board (PSB) Certification auditors during an assessment of SATS' compliance with ISO 14001 standards.

Besides EMS, the SATS Group also implemented various initiatives to further reduce environmental pollution produced in its operational facilities. The SATS Group will continue to explore innovative ways to more effectively conserve resources, minimise waste, lower production costs and improve work efficiency while leveraging on environmentally friendly technology.





SATS' overseas ventures continued to show strong growth. During the period under review, share of profits from these overseas investments increased by \$16.7 million or 49.4% over the previous year.



OVERSEAS OPERATIONS REVIEW

OVERSEAS

SATS' overseas ventures continued to show strong growth. During the period under review, share of profits from these overseas investments increased by \$16.7 million or 49.4% over the previous year. Overseas ventures now account for 20% of the Group's profit before tax, up from 15% last year, meaning that the SATS Group is well on its way to achieving its target of 25% profit contribution from its overseas ventures.

ASIA AIRFREIGHT TERMINAL CO LTD (AAT)

SATS doubled its stake in AAT in August 2004 to bring its shareholding to 49%, making it the single largest shareholder of the company. In order to cope with increasing volumes handled as well as to tap growth opportunities arising from Hong Kong International Airport's position as North Asia's leading air freight hub, AAT commenced construction of a second airfreight terminal.

Targeted for completion in 2006, the new facility will include a multi-storey warehouse with two airside levels and landside access on every floor. It will add 910,000 tonnes to its existing annual cargo handling capacity. On completion, the two airfreight terminals will provide a total handling capacity of 1.5 million tonnes per annum.

AAT was awarded the Good People Management Award 2004 by the Labour Department of Hong Kong. This was



the second time that AAT had received the award, the first being in 2000. The award was given to Hong Kong-based companies in recognition of good human resource policies and practices.

In FY2004-05, AAT welcomed a total of six new clients including Valuair and World Airways.

BEIJING AIRPORT INFLIGHT KITCHEN (BAIK)

BAIK celebrated its tenth anniversary in style at the Grand Beijing Hotel together with BGS which also turned a decade old. Minister for Transportation for Singapore, Mr Yeo Cheow Tong and the Civil Aviation Authority of China (CAAC) minister, Mr Yang Yuanyuan, graced the occasion as guests-of-honour. Other distinguished guests present at the celebrations included the Singapore Ambassador to China, BG Chin Siat Yoon, Executive Director & CEO of Temasek Holdings, Mdm Ho Ching and the Head of China Customs, Health & Quarantine and Immigrations.

BAIK reached a new milestone with the establishment of a joint venture with Tianjin Airport Authority in September 2004. The new JV Company, Tianjin Airport Kitchen (TAK), provides catering services to airlines operating in Binhai International Airport in Tianjin. Under the guidance of SATS and Beijing Capital International Airport Co Ltd (BCIA) since 1993, BAIK is proud to have acquired the necessary technical and management skills to operate an inflight kitchen. It has now developed the capability

to impart its skills and help improve catering service standards at other inflight kitchens in China.

During the year in review, BAIK received recognition from Northwest Airlines (NW) for delivery of outstanding service. BAIK commenced handling NW flights in May 2004 and was awarded the Certificate of Recognition after only five months' handling. The certificate was awarded to BAIK in recognition of its efforts in providing consistent, high-level quality service to the airline and its passengers.

In FY2004-05, BAIK won a total of 6 new airline accounts including British Airways, KLM and Northwest Airlines and now handles a total of 16 international and 25 domestic airline customers.

BEIJING AVIATION GROUND SERVICES (BGS)

BGS, together with Beijing China Southern Airlines Ground Services Co Ltd (CGS), a joint venture formed in 2003 between BGS and China Southern Airlines, invested much time and effort, not to mention additional manpower and equipment, to ensure the smooth takeover of apron and cargo handling for 80 additional flights a day and about 100,000 tonnes of cargo per annum for the China Southern Group of airlines when Terminal 1 of Beijing Capital International Airport finally re-opened its doors on 20 September 2004.



OVERSEAS OPERATIONS REVIEW

During the past year, BGS added a total of 7 airlines to its stable of clients and now handles a total of 24 international and 5 domestic airline customers.

During the financial year under review, management staff of BCIA, SATS and BGS participated in a Management Round Table to take stock of the company's position and to develop the strategic direction for the company's future.

MACROASIA-EUREST CATERING SERVICES (MECS)

MacroAsia-Eurest Catering Services celebrated its 6th year of operations in August 2004. Recounting the many achievements in the past years, General Manager, Mr Jamtander took the opportunity to thank staff for their vital contributions to the company, challenging them to prepare for the coming year, outlining their plans and strategies for the company to attain and exceed its targets.

As part of its ongoing efforts to improve food safety standards, the company has been working towards attaining industry certification for its food safety program. In August 2004, MECS was awarded the HACCP certification by Certification International. In addition, MECS upgraded its ISO certification in 2004 from the ISO 9002:1994 version obtained in 2000 to the ISO 9001:2000 version. These accreditations distinguish MECS as the first and only inflight caterer in the Philippines to hold the HACCP, ISO 9001:2000 and Halal certifications. MECS also launched its website

www.macroasia-eurest.com in July 2004. At about the same time, MECS took over the operation of the Sampaguita Lounge at Terminal 1, opening it to the public as an economy class lounge and providing food and beverages to travelers.

During the year in review, MECS received recognition from Northwest Airlines (NW) and was given the Team Achievement Award 2004 on 25 February 2005 for its significant contribution towards achieving the airline's mission and delivery of outstanding service. MECS has catered to NW since June 2003 and has consistently ranked as one of the best performing caterers in the region.

In FY2004-05, after months of hard work, MECS secured three new clients despite a stiff competitive environment. Palau Micronesia Air, Air Niugini and KLM-Royal Dutch Airlines joined the MECS' stable of clients, bringing the total number of MECS' airline clients to 13.

MALDIVES INFLIGHT CATERING (MIC)

A new inflight kitchen for MIC is expected to be ready by end-2005 to replace its existing 15-year old kitchen. The ground-breaking ceremony for the new kitchen was held in August 2004 and was graced by Minister of Transport & Civil Aviation, Hon Ilyas Ibrahim and Deputy Minister of Tourism, Mr Mohamed Saeed.



When completed, the new inflight kitchen will have the capacity to prepare 4,000 meals per day with provision for expanding production by another 4,000 meals in phase 2. The new kitchen is designed to ensure an efficient flow of process materials and waste. The equipment and facilities of the new kitchen are designed to meet rigorous hygiene standards, food safety and preparation guidelines.

During the year, MIC also announced the appointment of its new chairman, Mr Ahmed Ali Maniku, who has been a member of the MIC Board since November 2002. Mr Ahmed takes the place of Hon. Abdul Sattar Anbaree who was the State Minister of Defence and National Security of Maldives and has been the Chairman of MIC for 15 years.

The culinary team of MIC's hotel unit, Hulhule Island Hotel (HIH), emerged victorious at the Hotel Asia Culinary Challenge Competition 2004 held in August 2004. The HIH team, led by Executive Chef Sase, won two gold, two silver and two bronze medals including a trophy for the best carver category.

TAJ-SATS AIR CATERING (TSAC)

TSAC Mumbai was awarded the ISO 9001:2000 certification in October 2004, living up to its mission of delivering world class quality products and services to clients. The attainment of the ISO certification was the culmination of years of effort, commencing in 1999 when Taj Air Caterers was the first unit within the Taj Group

of Hotels to achieve the HACCP certification in food production and delivery processes. The target then was to obtain the ISO certification by 2005.

In November 2004, Mr Raymond Bickson, Managing Director of Indian Hotels Company Limited (IHCL) was appointed Chairman of TSAC, replacing Mr Zubin Dubash. Mr Bickson brings with him over 30 years' experience in the international hospitality industry.

During the year in review, TSAC re-commenced catering services for Qantas Airways, after the airline resumed flights to India following a two-year hiatus. Qantas now offers non-stop services from Sydney to India's financial capital, Mumbai.

At Kolkata, TSAC expanded the capacity of its inflight kitchen to cater for the strong growth in traffic. Renovations were completed in February 2005. The newly expanded kitchen has the capacity to produce 6,500 meals per day, up from 2,500 meals previously.

TSAC was selected as Delta Airline's International Caterer of the Year 2004 - Atlantic Region. TSAC's catering performance in 2004 was rated by Delta as outstanding, it consistently achieved a quality and performance score of 100% every month of the year.

OVERSEAS OPERATIONS REVIEW



TAN SON NHAT CARGO SERVICES COMPANY (TCS)

TCS is working on plans to build a new cargo terminal. When completed at the end of 2006, the new cargo terminal will have the capacity to handle 200,000 tonnes per annum.

JAS AIRPORT SERVICES

In April 2004, SATS marked its entry into the Indonesian market with an acquisition of a 49.8% stake in PT Jasa Angkasa Semesta TBK (PT JAS). Valued at US\$60 million, the acquisition is SATS' 13th overseas venture and allows it access to the fast-growing Indonesian ground handling market.

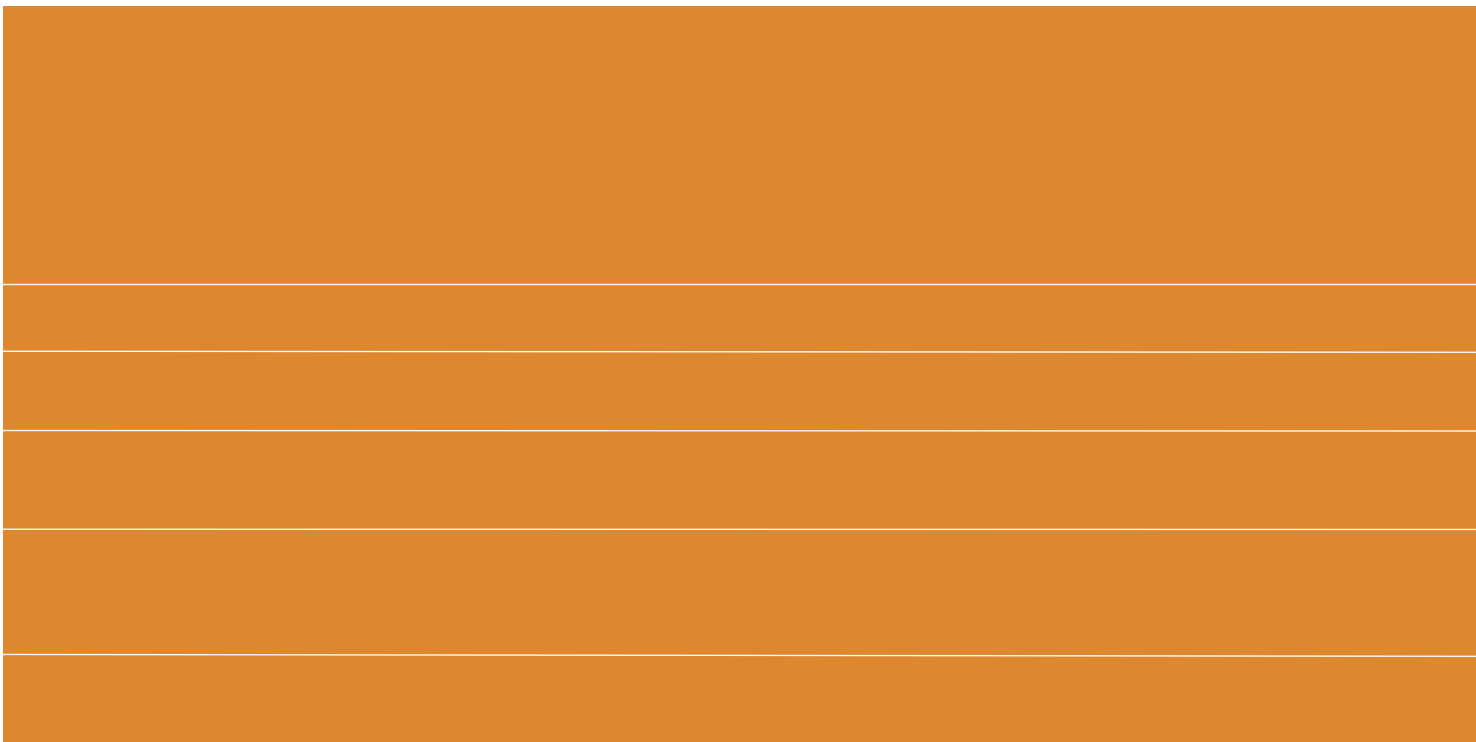
Currently operating at 12 airports across Indonesia with a full range of services provided to Jakarta, Surabaya, Denpasar/Bali, Manado, Makassar and Medan, PT JAS is the market leader for ground and cargo handling services in Indonesia, commanding up to 75% market share for international flights and cargo at the Jakarta and Surabaya airports.

The investment represents SATS' commitment to significantly grow its overseas businesses, in line with its strategy to expand beyond Singapore and to fulfill its ambition to be the leading ground handler in the region.

SATS and PT JAS enjoy a long working relationship together, which began when SATS seconded its staff to help the Indonesian ground handler start up its operations in 1984.

In 2004, PT JAS received numerous accolades, including the Excellent Award Zero Aircraft Ground Damage for the period 2000 to 2004 and Best Cargo Handling Performance 2003-04, both from Emirates. PT JAS also received the Best Performance award for the ETHIX (Electronic Ticket) system from Lufthansa German Airlines and achieved 5 "Crowns" from KLM for good performance. In addition, PT JAS's Jakarta station was awarded the Best Station Performer by Saudi Arabian Airlines and the Excellent Performance Station by EVA Airways.







Group operating profit increased by 4.9% to \$200.2 million; and profit before tax rose by 2.6% to \$223.3 million despite an exceptional item of \$28.8 million for the cost of the restructuring exercise in September 2004.

FINANCIAL REVIEW

FOR FY2004/2005

Earnings

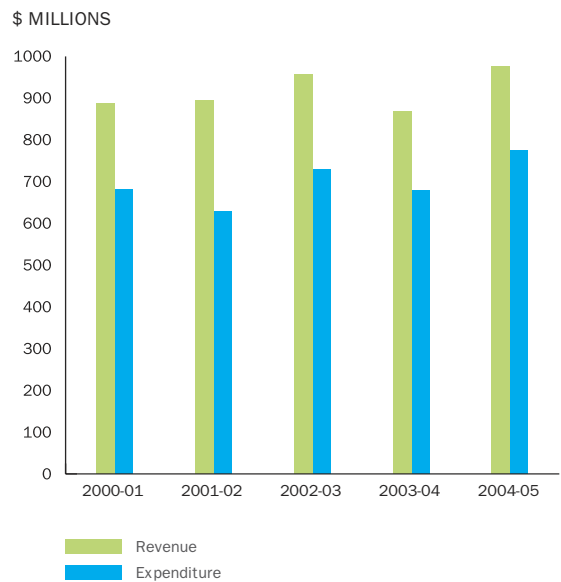
The Group's operating profit increased \$9.4 million or 4.9% to \$200.2 million. Profit before tax increased \$5.7 million or 2.6% to \$223.3 million despite an exceptional item of \$28.8 million for the one-time cost of restructuring exercise in September 2004. Profit after tax and minority interest however, fell \$16.0 million to \$173.8 million, an 8.4% decrease compared to the previous financial year, which had benefitted from a \$21.1 million tax write-back in financial year 2003-04.

Basic earnings per share dropped 1.9 cents or 10.1% to 17 cents.

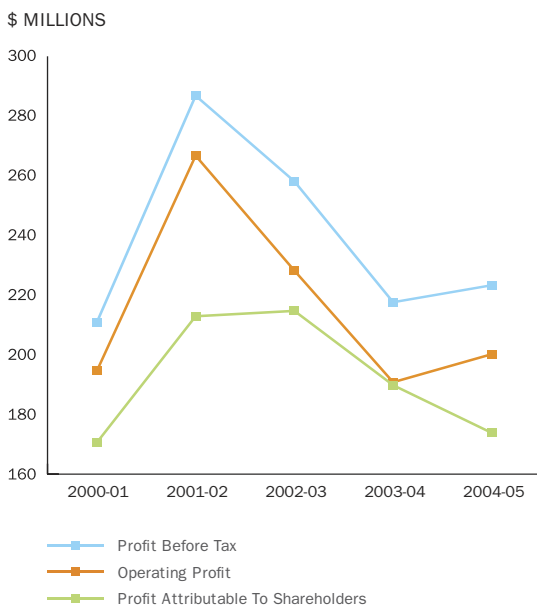
Profitability ratios of the Group are as follows:

	2004-05 %	2003-04 %	Change % Points
Return on Turnover	17.8	21.8	- 4.0
Return on Average Shareholders' Funds	15.1	16.4	- 1.3
Return on Total Assets	11.0	11.7	- 0.7

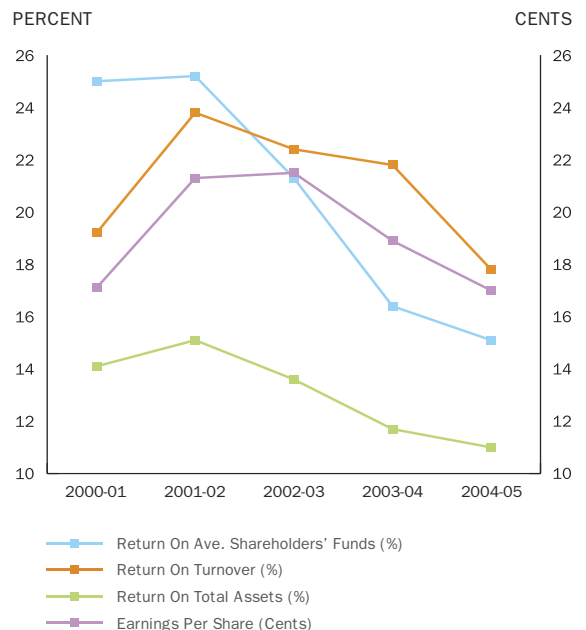
GROUP REVENUE AND EXPENDITURE



GROUP OPERATING PROFIT, PROFIT BEFORE TAX AND PROFIT ATTRIBUTABLE TO SHAREHOLDERS



GROUP PROFITABILITY RATIOS



Revenue

The Group's operating revenue for the financial year 2004-05 was \$975.7 million, an increase of 12.3% over the previous financial year. This was primarily due to higher business volumes, reflecting the recovery from the previous financial year, which had been impacted by the outbreak of the Severe Acute Respiratory Syndrome (SARS) in the first quarter of the year.

Segmental revenue and its composition are summarised below:

	2004-05		2003-04		% Change
	\$M	%	\$M	%	
Inflight Catering	422.8	43.4	356.5	41.0	+ 18.6
Ground Handling	438.4	44.9	418.3	48.2	+ 4.8
Aviation Security	73.4	7.5	59.9	6.9	+ 22.5
Others*	41.1	4.2	34.0	3.9	+ 20.9
Total	975.7	100.0	868.7	100.0	+ 12.3

* Other services include airline laundry services, cargo delivery, manufacturing and distribution of chilled and frozen processed food, and leasing of office space to airline clients and cargo agents.

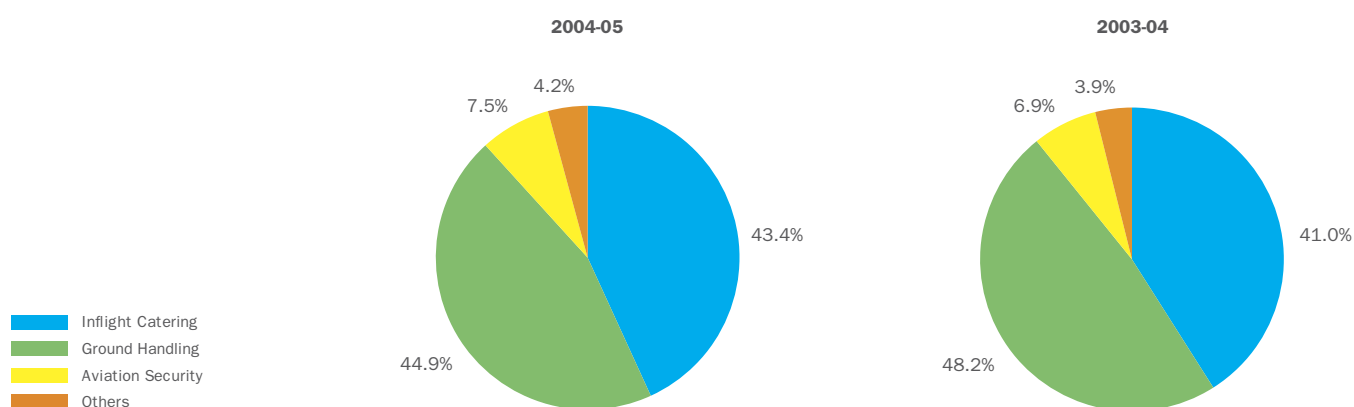
Revenue from inflight catering, which constituted 43.4% of the total Group's revenue, rose 18.6% from \$356.5 million to \$422.8 million for the financial year ended 31 March 2005. This was due to a 19.3% increase in the volume of inflight meals uplifted compared to the previous financial year which had been affected by the SARS outbreak.

Revenue from ground handling, which constituted 44.9% of the total Group's revenue, increased 4.8% from \$418.3 million to \$438.4 million due to a higher number of flights and higher cargo volume handled in the financial year under review.

Revenue from aviation security services, which comprised 7.5% of the total Group's revenue, rose 22.5% from \$59.9 million to \$73.4 million because of new security screening services rendered at the airport's gate hold room from September 2003.

Revenue from other services, which made up 4.2% of the total Group's revenue, increased 20.9% from \$34.0 million to \$41.1 million. This came primarily from the subsidiary M/S Country Foods.

GROUP REVENUE COMPOSITION



FINANCIAL REVIEW

FOR FY2004/2005

Expenditure

The Group's expenditure increased \$97.6 million or 14.4% to \$775.5 million for the financial year ended 31 March 2005, mainly from increased staff costs and raw materials cost.

Staff costs increased \$60.9 million or 16.6% due to a higher profit-sharing bonus in FY2004-05 compared to the previous financial year (+\$26.1 million), higher overtime and allowances due to an increase in business volume (+\$14.1 million), service increment from October 2004 (+\$4.6 million), and higher contract labour costs (+\$21.4 million) due to the higher workload and increase in outsourcing initiatives. In addition, there was a one-time payment of \$7.3 million to staff as a result of the new Collective Agreement.

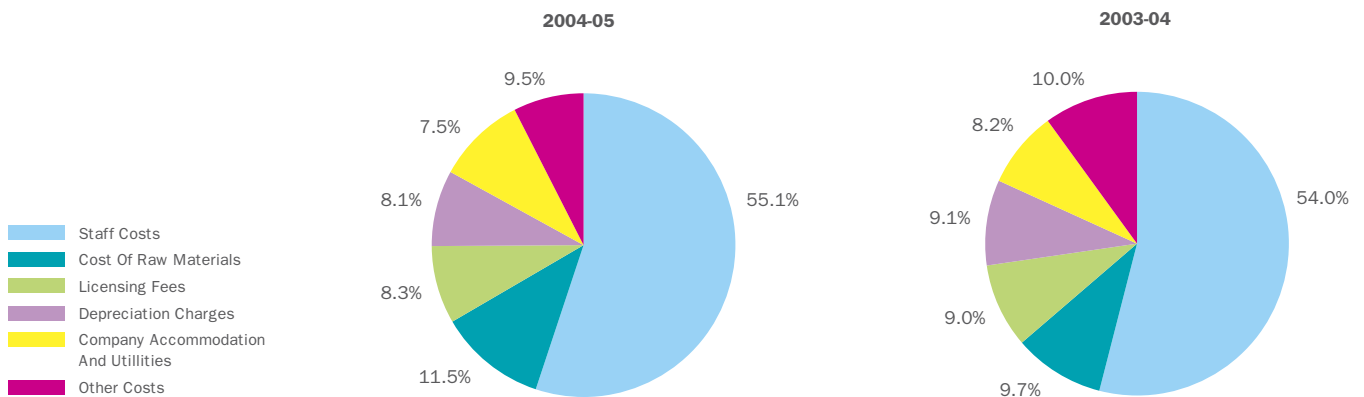
Cost of raw materials increased \$23.5 million or 35.6% to \$89.5 million as a result of the higher meal production volume and higher prices of seafood, meat and poultry resulting from the outbreak of Avian flu and the Bovine Spongiform Encephalopathy (BSE)-induced ban on US beef from late 2003. In addition, better quality and more expensive ingredients used by airlines also contributed to the increase in raw materials cost.

Licensing fees increased 5.8% to \$64.2 million because of higher revenue earned. However, this was partly offset by a reduction in fees resulting from the revised ground handling agreement with the airport authority effective 7 August 2004.

Depreciation charges increased \$1.7 million or 2.8% mainly because of the capitalization of the SATS Operations Control Centre system and the upgrading of the Material Handling System at airfreight terminals.

Other costs increased \$5.5 million or 8.1% because of higher maintenance costs for equipment and vehicles, higher IT expenses, higher fuel costs and higher operating expenses resulting from the rise in business volume. The increase in other costs was also because of lower expenses in financial year 2003-04 due to the SARS outbreak, the write-back of doubtful debt provisions, and lower insurance premiums.

	2004-05		2003-04		% Change
	\$M	%	\$M	%	
Staff Costs	427.0	55.1	366.1	54.0	+ 16.6
Cost of Raw Materials	89.5	11.5	66.0	9.7	+ 35.6
Licensing Fees	64.2	8.3	60.7	9.0	+ 5.8
Depreciation Charges	63.2	8.1	61.5	9.1	+ 2.8
Company Accommodation and Utilities	58.3	7.5	55.8	8.2	+ 4.5
Other Costs	73.3	9.5	67.8	10.0	+ 8.1
Total	775.5	100.0	677.9	100.0	+ 14.4

GROUP EXPENDITURE COMPOSITION**Profit Contribution from Associated Companies**

Profit contribution from overseas operations through associated companies increased 49.4% from \$33.8 million to \$50.5 million for the financial year ended 31 March 2005, mainly from the doubling of the equity stake in Asia Airfreight Terminal and improved profits from the China and Vietnam associated companies.

The profit contribution from associated companies for FY2004-05 increased 5.0 percentage points from the previous financial year and currently represents 20.0% of the Group's profit before tax and exceptional item.

Exceptional Items

The Group incurred \$28.8 million in exceptional items for the costs of the restructuring exercise conducted in September 2004.

Taxation

The Group's taxation for the period under review was \$49.2 million, which was \$21.2 million or 75.7% higher than the previous financial year, mainly because of a \$21.1 million tax write-back in FY2003-04.

Dividends

The Company paid an interim dividend of 3 cents per share, amounting to \$24.6 million after tax, on 26 November 2004. The directors proposed that a final dividend of 6 cents per share, amounting \$49.3 million after tax, be paid. The total dividend less tax, payable out of profits for financial year 2004-05, will amount to \$73.9 million, representing a dividend payout of 42.5%.

FINANCIAL REVIEW

FOR FY2004/2005

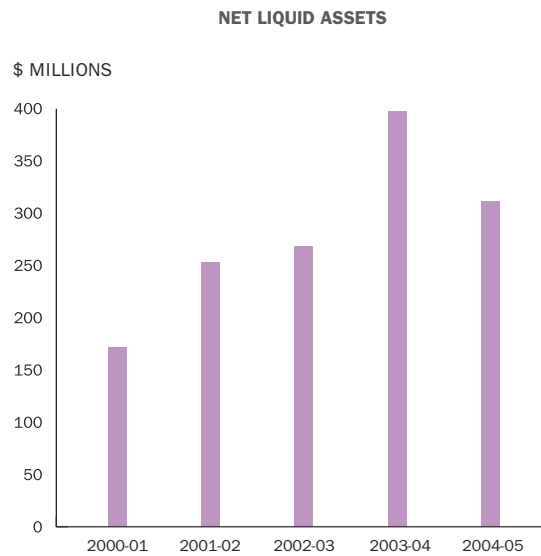
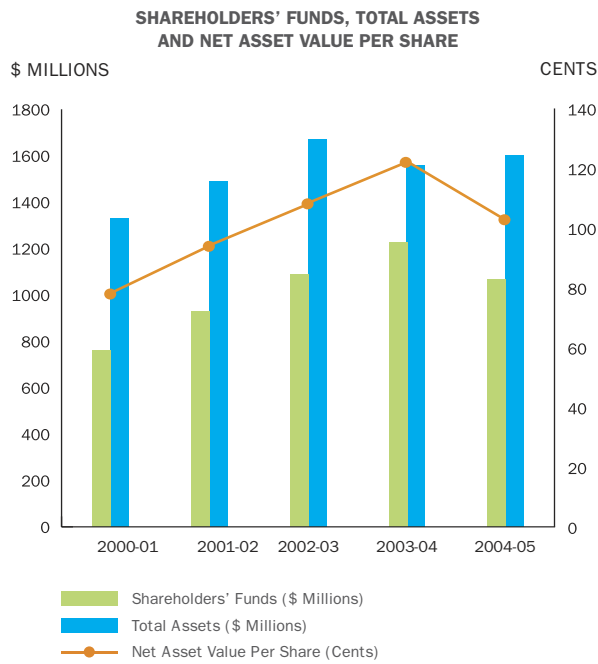
Financial Position

The Group's total assets stood at \$1,600.3 million as at 31 March 2005, which was \$41.7 million or 2.7% higher than the \$1,558.6 million as at 31 March 2004.

The net asset value per share was \$1.04, 18 cents or 14.8% lower than that as at 31 March 2004 after the payment of special dividend and final dividend for FY2003-04 of \$301.8 million and \$40.8 million respectively on 4 August 2004, and after the payment of the interim dividend for FY2004-05 of \$24.6 million on 26 November 2004.

As at 31 March 2005, the shareholders' funds of the Group was \$1,068.2 million, representing a decrease of \$159.9 million or 13.0% compared to that as at 31 March 2004 because of the dividend payments. The return on shareholders funds, at 15.1%, was 1.3 percentage points lower than that for FY2003-04.

Net liquid assets of the Group decreased \$86.6 million to \$311.3 million. The debt to equity ratio for the Group as at 31 March 2005 increased to 0.23 compared to 0.04 as at 31 March 2004, due to the issuance of \$200 million 5-year fixed rate notes on 2 September 2004.



Share Capital And Share Options Of The Company

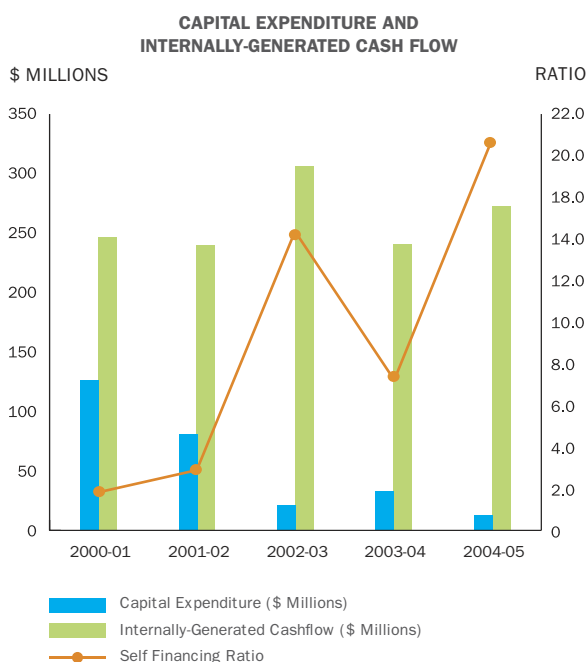
The company's issued and paid-up capital of the Company increased from S\$100,600,548 as at 31 March 2004 to S\$102,784,083 as at 31 March 2005. The increase was due to the allotment and issue of 21,835,350 new ordinary shares of S\$0.10 each of the Company ("Shares") pursuant to the exercise of options granted under the SATS Employee Share Option Plan ("Plan"), which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees.

On 1 July 2004, options were granted under the Plan to eligible employees to subscribe for 17,658,100 Shares, out of which options in respect of 16,329,600 Shares were accepted by the employees. The exercise periods of the said options commence on 1 July 2005 for Senior Executives (as defined under the Plan) and 1 July 2006 for other employees, and expire on 30 June 2014. The exercise price of the Shares under the said options is S\$2.09 per Share (after adjustment of \$0.30 per Share approved by the shareholders at the extraordinary general meeting held on 20 July 2004). As at 31 March 2005, options to subscribe for a total of 62,756,850 Shares were outstanding under the Plan. As at 31 March 2004, options to subscribe for a total of 68,911,300 Shares were outstanding under the Plan.

Capital Expenditure And Cash Flow

The Group incurred \$13.1 million in capital expenditure in FY2004-05 compared to \$33.4 million in the previous financial year. Internally-generated cash flow was \$272.7 million, \$32.2 million higher than in the previous financial year. As a result, the self-financing ratio of cash flow to capital expenditure increased from 7.2:1 in the previous financial year to 20.8:1 in FY2004-05.

The Group's cash and cash equivalents were \$274.4 million as at 31 March 2005, \$29.2 million lower than a year ago. The major cash outflows during FY2004-05 included payments of a special dividend of \$301.8 million and investments in overseas joint ventures amounting to \$175.1 million. During the financial year, the Company also issued a \$200 million 5-year fixed rate notes.



FINANCIAL REVIEW

FOR FY2004/2005

Value Added

The total value added of the Group was \$671.7 million during the year under review, an increase of \$44.6 million over the previous financial year, of which \$381.3 million (56.8%) was attributed to salaries and other staff costs. Shareholders received \$367.2 million (54.7%) in dividends, interest on borrowings accounted for \$3.9 million (0.6%), while corporate taxes accounted for \$49.2 million (7.3%), and \$63.2 million (9.4%) was retained for future capital requirements. Due to the payment of special dividends during the year, \$193.4 million (-28.8%) was drawn from retained earnings.

Statement of value added and its distribution (in \$ millions)

	2004-05	2003-04	2002-03	2001-02	2000-01
Total revenue	975.7	868.7	958.1	895.3	887.2
Less : Purchases of goods & services	330.9	274.6	289.3	267.5	266.7
	644.8	594.1	668.8	627.8	620.5
Add/(less):					
Interest income	3.3	5.0	3.9	4.0	2.9
Share of results of associated companies	50.5	33.8	30.2	22.1	17.7
Amortisation of deferred income	1.4	1.6	0.9	-	-
Amortisation of goodwill	(0.1)	(0.1)	-	-	-
Income from long-term investment	0.6	0.7	0.7	0.6	0.4
Exceptional items	(28.8)	(8.0)	-	-	-
Total value added available for distribution	671.7	627.1	704.5	654.5	641.5
Applied as follows:					
To employee					
– Salaries and other staff costs	381.3	341.9	380.2	304.3	385.9
To government					
– Corporate taxes	49.2	28.0	43.3	74.7	40.3
To supplier of capital					
– Dividend	367.2	54.7	54.6	45.3	15.1
– Minority interests	0.3	(0.2)	0.1	(0.1)	-
– Interest on borrowings	3.9	6.1	5.8	5.9	4.7
Retained for future capital requirements					
– Depreciation	63.2	61.5	60.4	56.8	40.0
– Retained earnings	(193.4)	135.1	160.1	167.6	155.5
Total value added	671.7	627.1	704.5	654.5	641.5
Value added per \$ revenue	0.69	0.72	0.74	0.73	0.72
Value added per \$ employment costs	1.76	1.83	1.86	2.15	1.66
Value added per \$ investment in fixed assets	0.53	0.50	0.57	0.53	0.69

Staff Strength And Productivity

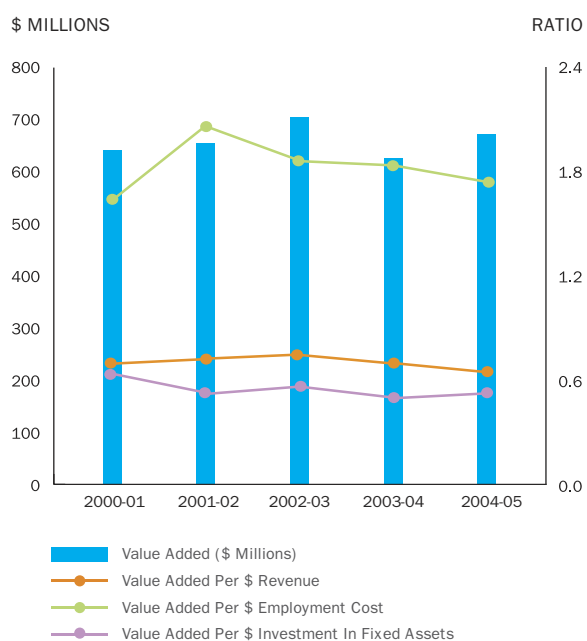
The Group's average staff strength for FY2004-05 was 8,521. This was 9.1% lower than last financial year mainly because of the restructuring exercise in September 2004. The breakdown is as follows:

	2004-05	2003-04	% Change
Inflight Catering	2,283	2,710	- 15.8
Ground Handling	4,304	4,969	- 13.4
Aviation Security	1,459	1,206	+ 21.0
Others	475	489	- 2.9
Total	8,521	9,374	- 9.1

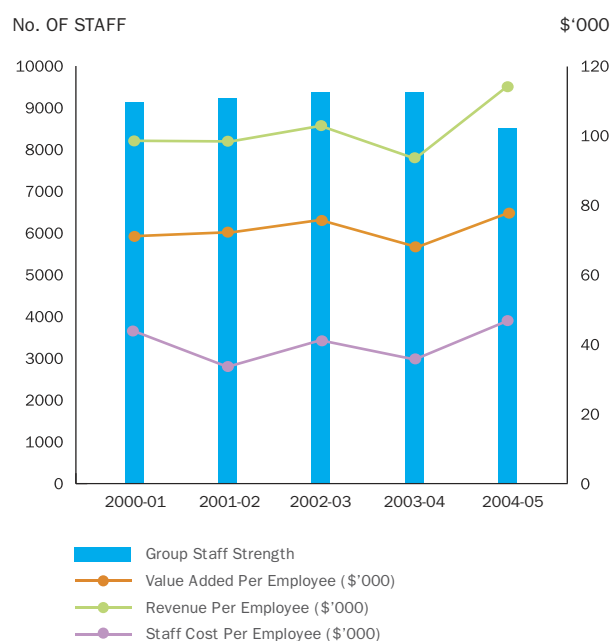
The staff productivity measured by value added per employee for FY2004-05 increased 17.8% to \$78,824. Revenue and staff costs per employee also went up 23.6% and 23.0% respectively.

	2004-05	2003-04	% Change
Value Added per Employee (\$)	78,824	66,897	+ 17.8
Revenue per Employee (\$)	114,509	92,668	+ 23.6
Staff Costs per Employee (\$)	44,751	36,391	+ 23.0

VALUE ADDED FOR THE GROUP



GROUP STAFF STRENGTH AND PRODUCTIVITY



FINANCIAL REVIEW

FOR FY2004/2005

Economic Value Added (EVA)

EVA for the Group was \$91.5 million, \$11.1 million or 13.8% higher than in the previous financial year. The EVA was computed using a weighted average cost of capital of 7.4% for both years.

Breakdown By Business Activities

	Revenue		Operating Profit	
	2004-05 \$M	2003-04 \$M	2004-05 \$M	2003-04 \$M
Inflight Catering	422.8	356.5	93.5	78.1
Ground Handling	438.4	418.3	68.0	74.2
Aviation Security	73.4	59.9	16.6	19.8
Others*	41.1	34.0	22.1	18.7
Total	975.7	868.7	200.2	190.8

	Profit Before Tax		Profit After Tax	
	2004-05 \$M	2003-04 \$M	2004-05 \$M	2003-04 \$M
Inflight Catering	91.5	86.9	73.8	71.1
Ground Handling	93.3	94.4	72.9	84.0
Aviation Security	16.8	19.0	13.0	15.1
Others*	21.7	17.3	14.4	19.4
Total	223.3	217.6	174.1	189.6

	Total Assets		Capital Expenditure	
	2004-05 \$M	2003-04 \$M	2004-05 \$M	2003-04 \$M
Inflight Catering	477.2	550.8	2.6	5.1
Ground Handling	835.9	704.3	7.6	16.9
Aviation Security	29.0	33.9	0.1	0.9
Others*	258.2	269.6	2.8	10.5
Total	1,600.3	1,558.6	13.1	33.4

* Other services include airline laundry services, cargo delivery, manufacturing and distribution of chilled and frozen processed food, and leasing of office space to airline clients and cargo agents.

Performance By Major Business Units

Inflight Catering

Revenue for inflight catering increased by \$66.3 million or 18.6% to \$422.8 million largely because of a 19.3% increase in the number of meals uplifted. Operating profit increased \$15.4 million or 19.7%. Profit before tax and profit after tax increased \$4.6 million (+5.3%) and \$2.7 million (+3.8%) respectively.

Total assets amounted to \$477.2 million, which was \$73.6 million or 13.4% lower than one year ago.

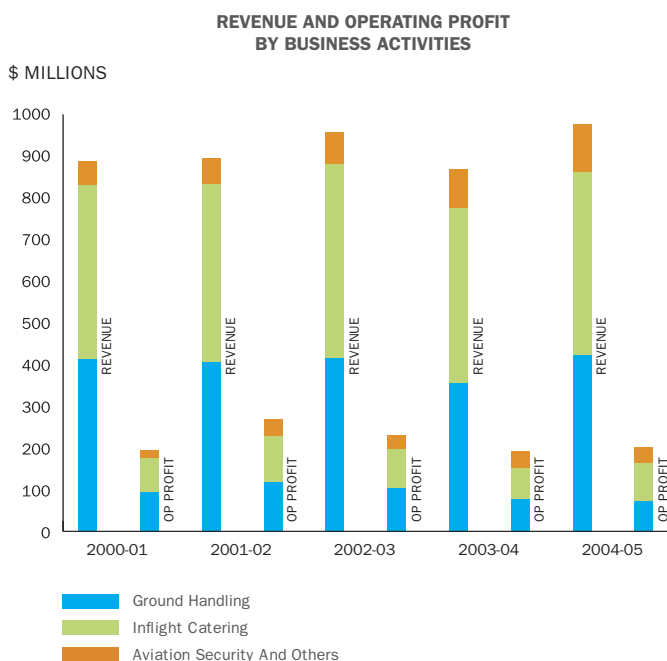
The capital expenditure for inflight catering was \$2.6 million, which was \$2.5 million lower than the previous financial year.

Ground Handling

Revenue for ground handling increased \$20.1 million (+4.8%) to \$438.4 million as the number of flights handled rose 20.5% because of the resumption of flights cancelled by airlines during the SARS outbreak in the previous year. Cargo throughput however only increased 3.1% due to the loss of a few contracts. Operating profit declined \$6.2 million (-8.4%) to \$68.0 million as operating expenditure increased at a higher rate of 7.6% against the revenue increase of 4.8%. Profit before tax dropped \$1.1 million (-1.2%) to \$93.3 million while profit after tax decreased \$11.1 million to \$72.9 million.

Total assets amounted to \$835.9 million, an increase of \$131.6 million (+18.7%) from a year ago mainly due to higher investments in associated companies.

The capital expenditure was \$7.6 million, \$9.3 million lower than in the previous financial year.



FINANCIAL REVIEW

FOR FY2004/2005

Breakdown By Geographical Location

	Revenue		Profit Before Tax	
	2004-05 \$M	2003-04 \$M	2004-05 \$M	2003-04 \$M
Singapore	975.7	868.7	172.7	183.3
Overseas	-	-	50.6	34.3
Total	975.7	868.7	223.3	217.6

	Total Assets		Capital Expenditure	
	2004-05 \$M	2003-04 \$M	2004-05 \$M	2003-04 \$M
Singapore	1,211.6	1,352.7	13.1	33.4
Overseas	388.7	205.9	-	-
Total	1,600.3	1,558.6	13.1	33.4

Sensitivity Analysis

Revenue

Inflight catering and ground handling revenue contributed 43.4% and 44.9% respectively to the total Group's revenue in the financial year 2004-05. Inflight catering's revenue is mainly dependent on passenger number and the types of meals uplifted by airlines customers, while ground handling revenue is dependent on both flight frequency and cargo throughput. A one percent change in the passenger number will have an impact of approximately \$4.2 million in revenue for inflight catering. For ground handling, a one percent movement in flight frequency and cargo throughput will result in a change of \$4.4 million in revenue.

Profit Margin

Based on revenue of \$975.7 million for the financial year 2004-05, a one percent movement in the net profit margin will result in a change of \$9.8 million in the Group's profit after tax.

Interest Rate

The Group's cash and cash equivalents are mainly invested in short-term deposits and non-equity instruments. Movements in interest rates will have significant impact on the interest income for the Group. Based on the Group's cash and non-equity instrument value of \$312.2 million as at 31 March 2005, a one percentage point movement in the interest rate will result in \$3.1 million change in the interest income for the Group.

CORPORATE GOVERNANCE

Singapore Airport Terminal Services Limited (“SATS” or the “Company”) is committed to maintaining high standards of corporate governance within the Company and its subsidiaries (the “Group”) as part of its mission to be and grow as a strong, sound and respected leader in its industry, and enhance Shareholder value for the long term. The Company’s corporate governance policies and practices are aligned with and guided by the corporate governance principles set out in the Code of Corporate Governance (“Code”), issued by the Corporate Governance Committee in March 2001.

1. BOARD OF DIRECTORS

1.1 BOARD’S CONDUCT OF ITS AFFAIRS

- a. Responsibilities: The Board supervises the Management of the Company and sets the overall business strategy and direction of the Group. Key functions of the Board include evaluating and approving important matters such as major investments, funding needs and expenditure. It regularly reviews the business plans and the financial performance of the Company and the Group and has overall responsibility for corporate governance, including the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance.
- b. Board Committees: In carrying out its responsibilities, the Board is supported by the following 4 Board Committees:
 - (1) Board Executive Committee;
 - (2) Audit and Risk Management Committee;
 - (3) Nominating Committee; and
 - (4) Remuneration and Human Resource Committee.

Their composition, functions and activities are set out in Paragraph 2 below.

The Company previously had 6 Board Committees. In October 2004, the Company undertook a review and rationalization of its Board Committees. As part of the review, the Company did a broad survey of the Board Committees of several other corporations listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). Pursuant to the review exercise, the Company merged its Audit Committee and Board Risk Management Committee to form the Audit and Risk Management Committee, expanded the functions of the SATS Board Committee and renamed it the “Board Executive Committee”, and also expanded the functions of the Remuneration Committee and renamed it the “Remuneration and Human Resource Committee”. It dissolved the Capital Structure Committee as the purpose for which it had been set up had been completed. Finally, changes were made to the composition of the various Board Committees.

- c. Board Meetings: The Board meets every 2 months on average. Fixed and optional meetings are scheduled, with optional meetings held as scheduled if there are matters requiring the Board’s decision at the relevant time. In addition, ad-hoc Board meetings are called if there are pressing matters requiring the Board’s consideration and decision between the scheduled meetings. The Board also schedules a Board Strategy meeting (presently on an annual basis) to discuss strategic issues.

The Company’s Articles of Association (“Articles”) allow a Director to participate in a Board meeting by telephone conference or other similar means whereby all persons participating in the meeting are able to hear each other, without requiring his physical presence at the meeting.

- d. In the financial year ended 31 March 2005 of the Company (“FY04/05”), 8 Board meetings, including 2 ad-hoc Board meetings and one full day off-site Board Strategy Meeting, were held. The attendance of the Directors on the Board at the end of FY04/05 at the meetings was as follows:

CORPORATE GOVERNANCE

1. BOARD OF DIRECTORS (continued)

1.1 BOARD'S CONDUCT OF ITS AFFAIRS (continued)

NAME OF DIRECTOR	NO.OF BOARD MEETINGS ATTENDED
Mr Edmund Cheng	8
Mr Chew Choon Seng	7
Mr Barry Desker	6
Dr Richard Helfer	6
Dr Hong Hai	7
Mr Ng Kee Choe	7
Dr Ow Chin Hock	7
Mr Jimmy Phoon*	1
Mr Michael Tan	7

* Mr Phoon stepped down from the Board on 20 July 2004.

- e. Board Decisions: Decisions of the Board are communicated to Management through attendance of key Management (including President & Chief Executive Officer ("CEO"), Chief Operating Officer and Chief Financial Officer of the Company) at Board meetings and circulation of the minutes of Board meetings or relevant extracts to Management.
- f. The Board has adopted a set of Guidelines on matters that require its approval. Matters requiring the Board's approval specified in the Guidelines include all matters of strategic importance, corporate governance practices, legal and regulatory compliance, risk management, maintenance of performance standards, corporate strategy, approval of business plans, approval of manpower establishment, operating and capital expenditure budgets, and approval and monitoring of major investment and strategic commitments.
- g. Continuing education for Directors: Directors are encouraged to attend relevant and useful seminars for their continuing education and skills improvement, conducted by external organizations, at the Company's cost.

1.2 BOARD COMPOSITION AND MEMBERSHIP

- a. Board members: The Board Members as at the end of FY04/05 were:

NAME OF DIRECTOR	POSITION HELD ON THE BOARD	DATE OF FIRST APPOINTMENT TO THE BOARD	DATE OF LAST RE-ELECTION AS A DIRECTOR
Mr Edmund Cheng	Chairman	22 May 2003 (as Director and Chairman)	19 July 2003
Mr Chew Choon Seng	Director	1 June 1996 (as Director) 22 May 2003 (as Deputy Chairman)	19 July 2003
Mr Barry Desker	Director	1 August 1999	19 July 2003*
Dr Richard Helfer	Director	1 March 2000	20 July 2004
Dr Hong Hai	Director	1 March 2000	20 July 2004
Mr Ng Kee Choe	Director	1 March 2000	19 July 2003*
Dr Ow Chin Hock	Director	21 May 2002	9 July 2002*
Mr Michael Tan	Director	1 September 1977	20 July 2004

* Mr Ng and Dr Ow will be retiring and standing for re-election at the Company's AGM on 19 July 2005. Mr Desker will be retiring at the AGM and will not be standing for re-election.

1. BOARD OF DIRECTORS (continued)

1.2 BOARD COMPOSITION AND MEMBERSHIP (continued)

- b. Non-Executive Directors and Directors' Independence: All Directors on the Board are non-executive Directors. Mr Edmund Cheng**, Mr Barry Desker, Dr Richard Helfer**, Dr Hong Hai, Mr Ng Kee Choe and Dr Ow Chin Hock are considered by the Nominating Committee to be independent Directors. Mr Chew Choon Seng and Mr Michael Tan are considered by the Nominating Committee to be non-independent Directors.

** Mr Cheng was previously considered by the Nominating Committee and the Board to be a non-independent Director as he was previously a Director of the Company's immediate holding company Singapore Airlines Limited ("SIA"). Mr Cheng stepped down from the SIA Board at its Annual General Meeting ("AGM") in July 2004 and the Nominating Committee and the Board now consider him to be an independent Director. Dr Helfer was until 2 April 2003 the President and Chief Executive Officer of Raffles Holdings Limited ("RHL") and the Chairman and Chief Executive Officer of Raffles International Limited ("RHI"). Both RHL and RHI are related companies of the Company through their common ultimate controlling shareholder Temasek Holdings (Private) Limited ("Temasek"). Dr Helfer was appointed to the Board prior to RHL and RHI becoming Temasek group companies, and he has continued to be a Director of the Company after his recent departure from RHL and RHI. The Nominating Committee and the Board have always regarded Dr Helfer as independent; they consider that his previous employment by RHL and RHI would not interfere, nor would it be reasonably perceived to interfere, with the exercise of his independent business judgment with a view to the best interests of the Company.

- c. Retirement and re-election of Directors: The Articles require 1/3 (or the number nearest 1/3 rounded upwards to the next whole number) of the Directors for the time being to retire from office at each AGM. Retiring Directors are selected on the basis of those who have been longest in office since their last election, failing which they will be selected by agreement or by lot. They are eligible for re-election under the Articles. All Directors are required to retire from office at least once every 3 years.
- d. The Directors standing for re-election at the AGM scheduled on 19 July 2005 are Mr Ng Kee Choe and Dr Ow Chin Hock. The Nominating Committee recommends their re-election, after assessing their contribution and performance (including attendance, preparedness, participation and candour), including as independent Directors.
- e. The Board, through the Nominating Committee, reviews the structure, size and composition of the Board. The Nominating Committee (having taken the principles for the determination of the Board size and composition adopted by it into consideration), and the Board, recommend the election of Mr Khaw Kheng Joo as Director by the Shareholders at the Company's AGM on 19 July 2005. Please see Paragraph 2 sub-paragraph 2.3 below on the Nominating Committee for further information.
- f. Key information on the Directors, their respective backgrounds and fields of expertise can be found in the "Board of Directors" section in this Annual Report. Similar information on Mr Khaw Kheng Joo can be found in the "Proposed Director" section in this Annual Report.

1.3 NO RELATIONSHIP BETWEEN CHAIRMAN AND CEO

The Chairman and CEO are not related to each other. There is a clear separation of the roles and responsibilities between the Chairman and the CEO, who is not a Board member.

1.4 BOARD PERFORMANCE

- a. The Board has implemented a process for assessing the effectiveness of the Board as a whole, with the objective of continuous improvement. The Board appointed a consulting firm specializing in Board evaluation and human resource to assist the Board in designing and implementing the process, comprising 2 parts - a structured qualitative assessment of the functioning of the Board, and a review of selected financial performance indicators. Both sets of performance

CORPORATE GOVERNANCE

1. BOARD OF DIRECTORS (continued)

1.4 BOARD PERFORMANCE (continued)

criteria, recommended by the consultants, have the approval of the Nominating Committee and the Board. This is the third year in which the collective Board evaluation process has been implemented. The qualitative assessment utilizing a confidential questionnaire submitted by each Director individually, has remained unchanged for FY04/05. As for the quantitative performance criteria, the Board has asked for another measure to be included for a more comprehensive evaluation exercise, and also directed that the appointed consulting firm work with Management to come up with appropriate additional criteria and additional/replacement listed company peers for comparison purposes, which will be implemented later this year.

- b. The Nominating Committee and the Board will implement a formal process for assessing the contribution of each Director to the effectiveness of the Board as a second phase. It was felt that individual assessment should not yet be introduced, so as to give the collective Board evaluation process a chance to stabilise and for the results of the process to be demonstrated, before implementing an additional process.

1.5 BOARD ACCESS

- a. Access to Information: The Board is issued with detailed Board papers by Management giving the background, explanatory information and justification for each decision and mandate sought by Management, including, where applicable, relevant budgets, forecasts and projections, and issues being dealt with by Management. Information papers on material matters and issues being dealt with by Management are also circulated to the Board. In addition, the Board's various Committees receive minutes and Papers from Management relating to their specific areas of oversight, which may contain more detailed and specific information than what is circulated to the rest of the Board members. Chairmen of the various Board Committees with Management's input will assess whether it is appropriate to also circulate such minutes and Papers to the full Board.
- b. As part of good corporate governance, Board papers for decision or discussion at Board meetings are circulated a reasonable period in advance of the meetings for Directors' review and consideration, and key matters requiring decision are reserved for resolution at Board meetings rather than by circulation to facilitate discussion. The detailed agenda of each Board meeting, prepared by Management and approved by the Chairman, contain as a regular item an update on business development and potential investment opportunities, as well as specific matters for the decision and information of the Board.
- c. Monthly Management accounts of the Group (covering, inter alia, consolidated unaudited profit and loss accounts, revenue breakdown by client, consolidated balance sheet and explanatory notes explaining variance) are circulated to the Board for their information.
- d. Access to Management: The Board has separate access to the CEO, the Chief Financial Officer and other key Management, as well as the Company's internal and external auditors. Queries by individual Directors on circulated papers are directed to Management who will respond accordingly. Where relevant, Directors' queries and Management's responses are circulated to all Board members for their information.
- e. Company Secretary: The Directors also have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings and minutes the proceedings. The role of the Company Secretary has been defined by the Board to include supervising, monitoring and advising on compliance by the Company with its Memorandum and Articles of Association, laws and regulations, and the Listing Manual of the SGX-ST; communicating with relevant regulatory authorities and bodies and Shareholders on behalf of the Company; and performing such other duties of a company secretary, as required under laws and regulations or as specified in the SGX-ST Listing Manual or the Articles, or as required by Chairman SATS or the Chairman of any Board Committee or the Directors (or any of them), as the case may be.
- f. Independent advice: The Directors have also approved a procedure for Directors, either individually or collectively, in furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

2. BOARD COMMITTEES

As at the end of FY04/05, there were 4 Board Committees, comprising the following Board members:

BOARD MEMBERS	BOARD EXECUTIVE COMMITTEE	AUDIT AND RISK MANAGEMENT COMMITTEE	NOMINATING COMMITTEE	REMUNERATION AND HUMAN RESOURCE COMMITTEE
Mr Edmund Cheng	Chairman			Chairman
Mr Chew Choon Seng	Member			Member
Mr Barry Desker			Chairman*	
Dr Richard Helfer			Member	Member
Dr Hong Hai		Member	Member*	
Mr Ng Kee Choe	Member	Chairman		
Dr Ow Chin Hock		Member		
Mr Michael Tan		Member	Member	

* Dr Hong will take over from Mr Desker as Chairman of the Nominating Committee when Mr Desker retires from the Board at the Company's AGM on 19 July 2005.

2.1 BOARD EXECUTIVE COMMITTEE

- a. For better operational efficiency, the SATS Board Committee was formed on 24 March 2000 to deputise for the Board in operational matters, and is duly empowered to, inter alia, open bank accounts, grant powers of attorney, affix the Company's seal, and nominate board members to the Company's subsidiaries and associated companies. In October 2004, the terms of reference of the Committee were expanded to give it the power to grant initial or final approval (depending on the value of the transaction) of transactions of the Company or its subsidiaries relating to the acquisition or disposal of businesses, assets or undertaking, joint ventures, mergers, amalgamations or similar corporate transactions. The name of the Committee was changed to the "Board Executive Committee" in line with its enhanced powers and functions. Subsequently, the Board Executive Committee was given further powers to act more in the capacity of an executive committee, vested with the power to guide Management on business, strategic and operational issues, and to undertake an initial review of the 3 to 5 year forecast/business plan and annual capital and operating expenditure and manpower establishment budgets for the Group.
- b. The Board Executive Committee did not meet regularly until it was decided in November 2004 that it would meet no less than once a year to discuss inter alia the annual budgets for the Group. At present, the Board Executive Committee is scheduled to meet once a quarter. Regular reports will be presented to it at each meeting on the performance of the Group's associated companies and joint ventures, and the operational performance of the Company, as well as a commercial update. During FY04/05, the Board Executive Committee met once and all its members attended the meeting, together with CEO and Chief Operating Officer SATS. 2 out of the Board Executive Committee's 3 members, including its Chairman, are independent Directors.
- c. In FY04/05, 12 resolutions in writing were passed by the Committee.
- d. Resolutions approved by the Board Executive Committee in writing are duly notified to fellow Directors through their inclusion in the minutes of Board meetings. Minutes of Board Executive Committee meetings are circulated to the Board.

CORPORATE GOVERNANCE

2. BOARD COMMITTEES (continued)

2.2 AUDIT AND RISK MANAGEMENT COMMITTEE

- a. The Audit Committee was formed on 2 March 2000. It presently comprises 4 members, 3 of whom, including its Chairman, are independent Directors. The Audit Committee was merged with the Board Risk Management Committee in October 2004, and its functions expanded to include risk review and oversight. In line with the increase of its responsibilities, the Committee was renamed the "Audit and Risk Management Committee".
- b. The Board is of the view that the Audit and Risk Management Committee has the necessary and appropriate expertise and experience required by the Code.
- c. Under the Company's Audit and Risk Management Committee Charter, the Audit and Risk Management Committee's responsibilities include the review of the following:
 - quarterly and annual financial statements and financial announcements as required under the Listing Manual of the SGX-ST
 - the audit plan, the external auditors' Management letter and the scope and results of the annual audit
 - independence and objectivity of the external auditors, their appointment and reappointment and audit fee
 - adequacy of the internal audit function, scope of internal audit work and audit programme
 - effectiveness of the Company's material internal controls, on an annual basis with Management and the internal and/or external auditors
 - the risk management function to ensure that it is adequately resourced, has appropriate standing within the Group, and has a direct line of reporting to the Chairman of the Audit and Risk Management Committee (with parallel reporting to CEO)
 - the risk management policies, the types and level of risks undertaken by the Group in relation to its business strategy, and the practices adopted by Management to manage, prevent and mitigate risks including the processes and methodologies for identifying, evaluating, monitoring, managing and reporting significant risks affecting the Group's operations
 - suspected fraud or irregularity or suspected infringement of any Singapore law, rule or regulation of which the Audit and Risk Management Committee is aware, which has or is likely to have a material impact on the Company's or Group's operating results or financial position, and the findings of any internal investigations and Management's response thereto
 - Interested Person Transactions as required under the Listing Manual of the SGX-ST and the Company's Shareholders' Mandate for Interested Person Transactions.

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

- d. The Audit and Risk Management Committee has full access to and co-operation of Management, and has full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to discharge its functions.
- e. The Audit and Risk Management Committee is required by its Charter to meet at least 4 times a year, with the internal and external auditors of the Company present, including at least once without the presence of Management. In FY04/05, 4 meetings of the Committee were held. All the meetings were attended by all the members of the Committee except that Mr Ng Kee Choe was not able to attend the last Audit and Risk Management Committee meeting of FY04/05. In addition, prior to the merger of the Audit Committee with the Board Risk Management Committee, the latter met once in FY04/05 and all its members - Dr Hong Hai (who was also its Chairman), Dr Ow Chin Hock and Mr Michael Tan - attended the meeting.
- f. The Audit and Risk Management Committee reviews the independence of the external auditors annually. It has also reviewed the nature and volume of non-audit services provided by its external auditors to the Group during FY04/05, and the fees, expenses and emoluments provided to the external auditors, and is satisfied that they have no significant impact on the independence and objectivity of the external auditors.

2. BOARD COMMITTEES (continued)

2.2 AUDIT AND RISK MANAGEMENT COMMITTEE (continued)

- g. Minutes of Audit and Risk Management Committee meetings are circulated to fellow Directors by the Secretary to the Audit and Risk Management Committee.

2.3 NOMINATING COMMITTEE

- a. The Nominating Committee was established on 23 October 2001. Under the Nominating Committee Charter adopted by the Board, the Nominating Committee's functions include the following: to review and make recommendations to the Board on the structure, size and composition of the Board, make recommendations to the Board regarding selection of new Directors, re-nominations and re-elections of existing Directors, evaluate the independence of Directors, and do all things as may form part of the responsibilities of the Nominating Committee under the provisions of the Code.
- b. At the end of FY04/05, the Nominating Committee comprised 4 members, 3 of whom, including the Chairman, are independent Directors. The Nominating Committee is presently chaired by Mr Barry Desker; Dr Hong Hai will take over as Chairman of the Nominating Committee when Mr Desker retires from the Board at the AGM on 19 July 2005. Dr Hong is also an independent Director of the Company. The Nominating Committee met once by teleconference during FY04/05. All its members attended the meeting. At that meeting, the Nominating Committee passed resolutions in relation to the selection of Directors retiring and standing for re-election at the Company's AGM, the independence of Directors, whether Directors holding multiple directorships have been adequately carrying out their duties, and the Board Evaluation process. Minutes of the meeting were circulated to the Board.
- c. The Nominating Committee has adopted principles for the determination of the Board size and composition and Directors' independence, based on the principles of the Code. The Nominating Committee's conclusions in this regard have been adopted by the Board. The principles were reviewed and updated at the Nominating Committee meeting in April 2005, and the updated principles have been circulated to the Board.

2.4 REMUNERATION AND HUMAN RESOURCE COMMITTEE

- a. The Senior Officers' Remuneration Committee, formed on 17 February 2000, was on 23 October 2001 renamed by the Board as the Remuneration Committee and vested additionally with the duties of the remuneration committee as set out in the Code as well as the duties of the SATS Committee on Staff Matters which was then disbanded. In October 2004, the terms of reference of the Remuneration Committee were expanded to cover issues of succession planning, organizational structure and oversight of industrial relations matters; in line with its additional duties, the Committee was renamed the "Remuneration and Human Resource Committee".
- b. In addition to the newly included matters stated above, the Remuneration and Human Resource Committee's terms of reference include the following:
- reviewing and recommending the remuneration framework for the Board (including Directors' fees and allowances)
 - overseeing the terms of appointment, scope of duties and remuneration of CEO and Chief Operating Officers, and the remuneration packages of those occupying the position of Vice-President and above within the Group
 - implementing and administering the Company's Employee Share Option Plan ("Plan") in accordance with the prevailing Rules of the Plan, requirements of the SGX-ST and applicable laws and regulations
 - overseeing the recruitment, promotion and distribution within the Group, of staff talent
 - doing all other things and exercising all other discretions as may form part of the responsibilities of the remuneration committee under the provisions of the Code.

CORPORATE GOVERNANCE

2. BOARD COMMITTEES (continued)

2.4 REMUNERATION AND HUMAN RESOURCE COMMITTEE (continued)

- c. The Remuneration and Human Resource Committee presently comprises 3 members, all of whom are non-executive Directors. It is chaired by Mr Edmund Cheng, an independent Director, and its other members are Mr Chew Choon Seng and Dr Richard Helfer. Dr Helfer is also an independent Director. The Secretary to the Remuneration and Human Resource Committee is Vice-President (Human Resource) SATS. The Committee met 4 times during FY04/05. All its members attended all the meetings except that Dr Hong Hai was not able to attend the Remuneration Committee meeting held in August 2004.
- d. During FY04/05, the Remuneration and Human Resource Committee passed resolutions inter alia in relation to the following matters:
- Sixth Grant of Options under the Plan for senior executives
 - Sixth Grant of Options under the Plan for all other employees
 - Individual performance bonus for Managers
 - Voluntary Retirement Scheme
 - Salary Review of Vice-Presidents and above
 - Modifications to the Plan (this was subsequently presented to and endorsed by Shareholders at the extraordinary general meeting on 20 July 2004).
- e. Minutes of Remuneration and Human Resource Committee meetings are circulated to the Board.

3. ANNUAL REMUNERATION REPORT

3.1 DIRECTORS' REMUNERATION

- a. The Fees and Allowances proposed to be paid to Directors for FY04/05 are as follows:

TYPE OF APPOINTMENT	EXISTING FEE (FY03/04)	PROPOSED FEE (FY04/05)
BOARD OF DIRECTORS	\$	\$
Basic Fee	28,000	40,000
Board Chairman's Allowance	28,000	25,000
Board Deputy Chairman's Allowance	14,000	20,000
AUDIT AND RISK MANAGEMENT COMMITTEE		
Committee Chairman's Allowance	16,800	24,000
Member's Allowance	8,400	12,000
OTHER BOARD COMMITTEES		
Committee Chairman's Allowance	8,400	12,000
Member's Allowance	4,200	8,000
OVERALL CAP ON FEES AND ALLOWANCES		
Chairman of the Board	84,000	—
Deputy Chairman of the Board	70,000	—
Director	56,000	—

3. ANNUAL REMUNERATION REPORT (continued)

3.1 DIRECTORS' REMUNERATION (continued)

Every Director will receive the basic fee. In addition, he will receive the Chairman's or Deputy Chairman's allowance if he was Chairman or Deputy Chairman of the Board respectively, as well as the relevant allowance (depending on whether he was Chairman or Member of the relevant Board Committee) for each position he held on a Board Committee, during FY04/05. If he occupied a position for part of FY04/05, the fee or allowance payable will be prorated accordingly.

The proposed basic fee and the allowances for the Deputy Chairman and for Chairmen and members of the various Board Committees have been increased, in line with market practice and commensurate with their duties and responsibilities, and to address the need for the Company to pay competitive and equitable remuneration in order to attract and retain Directors with the necessary capabilities and desired attributes to serve on the Board and add value to the Company and its Shareholders. Prior to this proposed increase, the basic fee for Directors had been kept at \$28,000 since financial year 2000-01 (and indeed had been reduced for financial year 2001-02 due to the general economic downturn and the events of 11 September 2001 which occurred in that financial year).

For at least as long as individual Directors' performance evaluation has not been implemented (please see Paragraph 1 sub-paragraph 1.4b. above), the performance of individual Directors will not be taken into account in determining the fees and allowances payable to them.

- b. Based on the proposed formula set out above, all 8 Directors on the Board at the end of FY04/05 will each receive total fees and allowances not exceeding \$250,000.00. Each individual Director will receive fees and allowances as follows:

NAME OF DIRECTOR	TOTAL FEES AND ALLOWANCES (\$)
Mr Edmund Cheng	82,194.52
Mr Chew Choon Seng	89,610.96
Mr Barry Desker	52,000.00
Dr Richard Helfer	53,731.51
Dr Hong Hai	66,805.48
Mr Ng Kee Choe	76,536.99
Dr Ow Chin Hock	49,731.51
Mr Michael Tan	62,268.49
Total fees and allowances payable to all Directors	532,879.46

- c. None of the immediate family members of a Director on the Board or of CEO as at the end of FY04/05 is employed by the Company or its related companies at a remuneration exceeding \$150,000.00 during the year.

CORPORATE GOVERNANCE

3. ANNUAL REMUNERATION REPORT (continued)

3.2 KEY EXECUTIVES' REMUNERATION

a. The remuneration of the top 4* key executives of the Group during FY04/05 was as follows:

REMUNERATION BAND AND NAME OF KEY EXECUTIVE	SALARY (%)	BONUSES		BENEFITS (%)	TOTAL (%)	SHARE OPTIONS##
		FIXED	VARIABLE#			
\$500,001 – \$750,000						
Ng Chin Hwee CEO	58	5	26	11	100	326,000
\$250,000 – \$500,000						
Karmjit Singh Chief Operating Officer	50	5	31	14	100	94,000
Leong Kok Hong Senior Vice-President (Cargo)	62	6	28	4	100	70,000
Tan Chuan Lye Senior Vice-President (Catering)	62	6	28	4	100	81,500

* While the Code states that information on the remuneration of at least the top 5 key executives of the Company should be provided to Shareholders, the Company considers it appropriate to furnish such information with respect to the 4 key executives listed above only, as they are of the managerial grade of Senior Vice-President and above, and the managerial grade below that is Vice-President, in which there are 8 executives of equal rank.

Includes profit-sharing bonus determined on an accrual basis for FY04/05.

Share options granted on 1 July 2004 under the Senior Executive Share Option Scheme exercisable at a price of \$2.09 each.

- b. The Remuneration Bands above do not include the value of the share options granted on 1 July 2004.
- c. Details of key executives can be found in the “Key Management” section of this Annual Report.

3.3 THE SATS EMPLOYEE SHARE OPTION PLAN

The Plan comprises 2 schemes, namely:

- (a) The Senior Executive Share Option Scheme for senior executives; and
 (b) The Employee Share Option Scheme for all other employees.

Its objective is to promote group cohesiveness and team spirit through a sense of ownership of the Company. The Senior Executive Share Option Scheme is intended to attract, retain and motivate senior executives whose participation in policy and decision-making can influence the Company’s performance and returns to Shareholders.

Options under the Plan may be granted only to full-time and part-time employees of the Company or of its wholly-owned subsidiaries (other than subsidiaries whose shares become listed on a recognised stock exchange), who satisfy the eligibility criteria under the Plan.

3. ANNUAL REMUNERATION REPORT (continued)

3.3 THE SATS EMPLOYEE SHARE OPTION PLAN (continued)

Non-executive Directors of the Company are not eligible to be granted Options. Directors and employees of the Company's immediate holding company SIA or of SIA's subsidiaries (other than the Company itself) are also not eligible as such to be granted Options. No controlling Shareholder (as defined in the Listing Manual of the SGX-ST) of the Company, or the associates (as so defined) of such controlling Shareholder, have been granted Options under the Plan. No grantee of Options under the Plan has received 5% or more of the total number of Options available under the Plan.

The aggregate nominal amount of shares over which Options may be granted on any date, when added to the nominal amount of shares issued and issuable in respect of all Options granted under the Plan, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

The maximum number of shares over which Options may be granted under the Plan in each financial year to any employee, based on the Company's current issued share capital, ranges from 4,800 for administrative officers to 2,600 for employees other than administrative officers and supervisors, under the Employee Share Option Scheme. No maximum limit applies under the Senior Executive Share Option Scheme, in order to allow greater flexibility in putting together appropriate remuneration packages for senior executives.

The actual number of shares to be offered to any employee under the Plan will be determined by the Remuneration and Human Resource Committee at its absolute discretion after taking into account the employee's performance and/or other criteria as the Remuneration and Human Resource Committee may consider appropriate, subject to any applicable maximum limits.

The Exercise Price for each share on exercise of an Option shall be the average of the last dealt prices for the shares (as determined by reference to the daily official list or any other publication published by the SGX-ST) for the 5 consecutive market days immediately preceding the date of grant of the Option, but shall not be less than the nominal value of the shares. No Options are granted on the basis that the Exercise Price is at a discount to the market price for the relevant period.

Options granted may be exercised in whole or in part during the period commencing on the first anniversary of the date of grant and expiring on its 10th anniversary, subject to the following vesting schedule:

- (i) for senior executives, 25% of the total amount of the grant will vest on each of the first to fourth anniversaries of the date of grant; and
- (ii) for all other employees, the grant of Options will vest on the second anniversary of the date of grant.

4. ACCOUNTABILITY AND AUDIT

4.1 INTERNAL CONTROLS

- a. The Board recognizes the importance of a sound system of internal controls to safeguard Shareholders' interests and investments and the Company's assets, and manage risks. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems.
- b. To this end, the Audit and Risk Management Committee provides the Board-institutionalized oversight of the Company's risk management structure and processes, and reviews the effectiveness of the Group's internal controls (please see Paragraph 2 sub-paragraph 2.2 above).
- c. The "Internal Controls Statement" section in this Annual Report sets out details of the Company's system of internal controls and risk management structure and processes, and the Board's views on the adequacy of the Company's internal controls.

CORPORATE GOVERNANCE

4. ACCOUNTABILITY AND AUDIT (continued)

4.2 INTERNAL AUDIT

The Company's internal audit function is undertaken by SIA's Internal Audit department. It is designed to provide reasonable assurance on the adequacy and effectiveness of controls over operations, reliability of financial information and compliance with the Company's policies and procedures, applicable laws and regulations. At present, the internal auditors issue summaries of their findings and reports to the Audit and Risk Management Committee at least 4 times a year, and sends copies of their detailed reports to the CEO. In situations where the audit work to be carried out by SIA's Internal Audit department could give rise to potential conflicts of interest, such as audit work relating to transactions between the Company and SIA, the Audit and Risk Management Committee may authorize such audit work to be carried out by an independent third party as it deems appropriate. SIA's Internal Audit Department meets the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

5. COMMUNICATIONS WITH SHAREHOLDERS

- a. The Company strives to convey to Shareholders pertinent information in a clear, forthcoming, detailed, timely manner and on a regular basis and take into consideration their views and inputs, and address Shareholders' concerns. While the Company's Investor Relations department communicates with analysts regularly, the Company monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Material information is published on SGXNET and on the Company's website, and where appropriate, through media releases.
- b. The Company's dedicated Investor Relations department, established on 1 April 2001, manages the dissemination of corporate information to the media, the public, as well as institutional investors and public Shareholders, and promotes relations with and acts as a liaison point for such entities and parties. More details of the Company's investor relations programme can be found in the "Investor Relations Programme" section of this Annual Report.
- c. While Shareholders have a right to appoint a proxy to attend and vote at General Meetings on their behalf, the Articles currently do not provide for Shareholders to vote at General Meetings in absentia such as by mail, email or fax. The Company will consider implementing the relevant amendment to the Articles if the Board is of the view that there is a demand for the same, and after the Company has evaluated and put in place the necessary security and other measures to facilitate absentia voting and protect against errors, fraud and other irregularities.
- d. Chairmen of the Audit and Risk Management, Nominating, and Remuneration and Human Resource Committees, or members of the respective Committees standing in for them, as well as the external auditors, will be present and available to address questions at the AGM and extraordinary general meeting scheduled on 19 July 2005.

6. SECURITIES TRANSACTIONS

As recommended by the SGX-ST's Best Practices Guide, the Company has a set of Policy and Guidelines on Dealings in the securities of the Company and the other SIA group companies, which has been disseminated to employees of the Group and Directors of the Group companies. The Policy and Guidelines restrict certain employees (all administrative officers and employees of managerial grade, and certain other employees in departments which are likely to be privy to confidential material price-sensitive information, such as the Legal, Finance and Business Planning and Development departments) from trading in the Company's securities during the period falling 2 weeks prior to each announcement of its quarterly financial results by the Company and one month prior to each announcement of full year financial results by the Company. The Policy and Guidelines also remind Group employees and Directors to be mindful of the insider trading prohibitions under the Securities and Futures Act whenever trading in the Company's or any other corporation's securities.

INTERNAL CONTROLS STATEMENT

RESPONSIBILITY

The continuous commitment of the Company and its subsidiaries (the “Group”) to maintaining high standards of risk management and internal controls enables the Group to achieve its corporate objectives. The Group’s risk management framework enhances its performance to benefit its shareholders, employees, business partners and other stakeholders.

The Board has ultimate responsibility for the system of internal controls maintained by the Group and for reviewing its effectiveness. This system by its nature can only provide reasonable, but not absolute, assurance regarding:

- the safeguarding and protection of the Group’s assets against unauthorised or improper use or disposition;
- protection against material misstatements or losses;
- the maintenance of proper accounting records;
- the reliability of financial information used within the business and for publication;
- the compliance with appropriate legislations, regulations and best practices; and
- the identification and containment of business risks.

The Board is assisted by the Audit and Risk Management Committee (“ARMC”) which reviews risk management framework and processes of the Group and ensures that risks are identified and updated and mitigation plans are in place. More information on the ARMC’s responsibilities can be found in the “Corporate Governance” section of this Annual Report.

CONTROL ENVIRONMENT

The Board is fully committed to ensuring that a proper control environment is maintained within the Group. The Group has an established risk management framework in place. The key features of the control environment in which the Group operates and which governs its activities include:

- comprehensive terms of reference for the Board’s various committees;
- guidelines adopted by the Board setting out a list of matters that require the Board’s approval;
- clear organisational and risk management structures;
- documented delegation of authority from the Board to Executive Management;
- a Group policy framework setting out risk management and control standards for the Group’s operations; and
- procedures for the approval of major transactions and capital allocation and signing of agreements and other legal documents.

The internal control system involves each business and key Management from each business, and the Board, and is designed to meet the Group’s particular needs and to manage the risks to which it is exposed.

RISK MANAGEMENT ORGANISATIONAL STRUCTURES

The Group has formalized its risk management framework with the establishment of risk management organisational structures to the level of its operating subsidiaries, joint ventures and associated companies, each with its assigned responsibilities and objectives.

The ARMC is made up of 4 Directors, a majority of whom are independent, and is chaired by an independent non-executive Director. It reviews the activities of the SATS Group Risk Management Committee (“SGRMC”) and focuses on risks facing the Group generally. The ARMC receives minutes of the meetings of the SGRMC.

The SGRMC is vested with specific accountability for reviewing the system of risk management encompassing business continuity management and for reporting key risks and their associated mitigating factors to the ARMC, for considering what changes to risk management and control processes, and methodologies of risk management, should be recommended, and for ensuring that processes and the methodologies of risk management are put in place. The SGRMC assists the ARMC in overseeing the management of risks within the Group.

INTERNAL CONTROLS STATEMENT

Management or the SGRMC will report to the ARMC on any major changes to the business and external environment that affect the Group's key risks. The ARMC will in turn report the same to the Board if it considers the matter sufficiently significant to do so.

The membership of the SGRMC was revised during the financial year under review. The SGRMC now comprises the Group's President and Chief Executive Officer (who also chairs the SGRMC), Chief Operating Officer, Chief Financial Officer, Senior Vice Presidents, General Manager SATS Security Services, Vice President Corporate Services and the Group's Risk Manager (who also acts as secretary of the SGRMC).

A centralised Risk Management unit coordinates and facilitates the risk management processes within the Group. It provides support to the SGRMC in carrying out its functions. The unit's mission is to develop, implement and maintain an enterprise risk management framework that allows for efficient, effective and prudent risk taking and management.

The SGRMC is represented at biannual meetings with the Group Risk Management Committee of Singapore Airlines Limited ("SIA"), the Company's immediate holding company. Both these committees and the risk management units of SIA and SATS share information to facilitate an integrated SIA group-wide approach to risk management.

A regular status report and update on risk management initiatives, processes and exercises is presented to and reviewed by the ARMC on a quarterly basis. The risk management structure is depicted below:



RISK MANAGEMENT PROCESS

The risk management policies of the Company outline the guiding principles of the approach to risk management, Group-wide risk assessment process, the risk management structure, roles, responsibilities, accountabilities and reporting requirements of the Group.

The risk management framework is designed to increase the awareness of the Group's employees in carrying out the on-going process for identifying, evaluating, monitoring and managing significant risks that will impede the achievement of the Group's objectives. Risk management is embedded in the Group's management system and is every employee's responsibility.

The risk management process is illustrated diagrammatically below:



In the risk identification process, all possible risks are identified and analysed. It includes risks that are not directly quantifiable in financial terms such as the Group's image/reputation, security, environment, health and safety, service quality, information communication and technology, and competition issues. The categorisation of risks based on probability and impact as shown in the table on the following page enables the Group to allocate its resources to deal with different levels of business risks.

INTERNAL CONTROLS STATEMENT

		PROBABILITY				
	HIGH	HIGH	VERY HIGH	VERY HIGH	VERY HIGH	VERY HIGH
	MEDIUM	HIGH	HIGH	VERY HIGH	VERY HIGH	VERY HIGH
	MEDIUM	MEDIUM	HIGH	HIGH	VERY HIGH	VERY HIGH
	LOW	MEDIUM	MEDIUM	HIGH	HIGH	VERY HIGH
	LOW	LOW	MEDIUM	MEDIUM	HIGH	HIGH
	LOW	LOW	LOW	MEDIUM	MEDIUM	HIGH

IMPACT

CONTROL SELF ASSESSMENT - RISK EVALUATION

An integral part of the Group’s risk management framework is the adoption of Control Self Assessment - Risk Evaluation (“CSA-RE”) which is a process through which internal control effectiveness is examined and assessed with the objective to provide reasonable assurance that all business objectives will be met. It provides a self-renewing process that draws out and leverages on the collective knowledge and insights of the Group regarding business risks and internal control effectiveness. It addresses the Board’s needs in meeting their responsibilities through:

- reporting on internal controls and risks in core areas of the business; and
- establishing the foundation for Management’s ongoing monitoring of business activities through key indicators tracking and risk management reporting.

CSA-RE provides the Group with a formal documented process in which Management and/or work teams are directly involved in the business functions. It creates a highly efficient and sustainable risk identification and assessment process. A risk awareness culture is inculcated as risks ownership vested with the respective departments and process owners, will improve accountability for the management of risks.

SIA Group Internal Audit, which provides the internal audit function for the Group, leverages on the implementation of CSA-RE by applying continuous monitoring and developing more robust and meaningful periodic risk assessments. From time to time, it also re-evaluates the internal audit risk assessment and audit framework. All business units are required to document the controls and processes for managing risks and assess their effectiveness on an annual basis. Management and the Risk Management Committees review the results and monitor the progress of this exercise prior to the ARMC’s review.

OTHER KEY ELEMENTS OF INTERNAL CONTROLS

The Group's key insurance coverage is taken up under the umbrella of the SIA Group insurance program. The Group has in place an effective Business Continuity Management ("BCM") capability that meets the nature, scale and complexity of the Group's businesses. The Group's BCM objectives include the following:

- ensure safety of staff and protection of the Group's assets;
- maximise defence of the Group's image/reputation;
- minimise the impact of business continuity incidents/crises on customers as well as limit/prevent impact beyond the Group;
- demonstrate effective and efficient governance to the media, markets and shareholders; and
- meet insurance, legal and regulatory requirements.

Selected business continuity/contingency plans were tested during the financial year under review.

Recently the Group's corporate policies on banking and borrowing activities were reviewed and revised in line with the SIA Group's policies.

All banking and finance transactions undertaken by the Group must be properly authorised, including the opening of new bank accounts and any proposed credit facilities. The Group has its own approval limits and procedures for every banking and finance transaction, having regard to the nature of the transaction concerned. These approval limits and procedures are updated from time to time and are available on request to the bankers of and lenders to the Group.

The Group has well established internal audit, risk management and compliance functions. The Company's internal audit function provides an independent resource and perspective to the ARMC, on the processes and controls that help to safeguard against or mitigate major risks, particularly those which may have material financial impact on the Company. There are formal procedures in place for both internal and external auditors to report independently their conclusions and recommendations to Management and the ARMC.

The Board has approved a detailed checklist of key elements of internal controls which each operating subsidiary must ensure has been complied with, and based on which the executive heads of all the operating subsidiaries are required on an annual basis to make a representation to the Board that the internal controls at their respective operating subsidiary levels are adequate.

All of the Company's active associated companies have also been asked to implement a similar detailed checklist of key elements of internal controls.

Written assurances and representations have been obtained from all the executive heads of all the Company's operating subsidiaries as well as from the Chairman, Board, executive head or other appropriate officer of all of the Company's active associated companies, that their respective companies' internal controls were adequate during the financial year under review.

INTERNAL CONTROLS STATEMENT

CONCLUSION

The Board recognises the importance of sound system of internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's system of internal controls and risk management, and for reviewing the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. Additionally, it should be noted that any reasonable system of internal controls will contain inherent limitations and that no cost-effective system of internal controls can provide absolute protection against poor judgment in decision-making, human error, losses, fraud and other irregularities.

The Board believes that, in the absence of any evidence to the contrary, taking into account the views of the ARMC in the exercise of their responsibilities under its Charter, the system of internal control maintained by the Group's Management and that was in place throughout FY04/05 and up to and as of the date of this Annual Report, provides reasonable, but not absolute, assurance against material financial misstatement or loss, and on the whole is adequate to meet the needs of the Group in its current business environment.

KEY MANAGEMENT

NG CHIN HWEE (age: 44)

Mr Ng Chin Hwee is the President & CEO of Singapore Airport Terminal Services Ltd (SATS). He joined SATS Ltd in January 2004. He has been with the Singapore Airlines (SIA) Group of companies since 1985, when he joined as a Cadet Admin Officer. During his 18-year stint in SIA, he has worked in planning, marketing, ground services and country management. He has held positions as Divisional Vice President of Ground Services, based in Singapore but with worldwide responsibilities for airport operations, and Senior Vice President The Americas, based in Los Angeles. His other overseas stints included postings in Germany, Australia and Myanmar.

Mr Ng is a Board member of SATS Airport Services, SATS Catering and PT Jasa Angkasa Semesta TBK. He is also the Vice Chairman of Beijing Aviation Ground Services and Beijing Airport Inflight Kitchen.

Mr Ng holds a Bachelor of Engineering (1st Class Honours) from the National University of Singapore and a Master of Management Science (Sloan Fellow) degree from the Massachusetts Institute of Technology.

KARMJIT SINGH (age: 57)

Mr Singh is the Chief Operating Officer of SATS Ltd., overseeing the ground handling and inflight catering operations of the Group. Prior to joining SATS in July 1998, he spent 24 years with Singapore Airlines (SIA), serving the airline in a variety of managerial capacities covering corporate affairs, planning, aviation fuel and administrative services. In SATS, he has held the positions of Chairman and General Manager SATS Security Services, General Manager (SATS Apron) and Chief Executive of SATS Airport Services.

Mr Singh is a Board member of SATS Airport Services, SATS Catering and Mid-East Airport Services. His other board appointments are Chairman of Aerolog Express, Asia-Pacific Star and Asia Airfreight Terminal.

Mr Singh graduated from the University of Singapore with a Bachelor of Arts (Honours) degree, majoring in Geography.

LEONG KOK HONG (age: 54)

Mr Leong is the Senior Vice President (Cargo) of SATS Airport Services Pte Ltd. He joined SATS in 1976 and was appointed to his present post in February 2000. He previously worked in the areas of Catering, Cargo, IT Systems and Corporate Planning.

Mr Leong serves as Vice Chairman of Tan Son Nhat Cargo Services and also sits on the boards of Beijing Aviation Ground Services, Evergreen Air Cargo Services Corporation and Asia Airfreight Terminal.

Mr Leong graduated from the University of Singapore with a Bachelor of Science (Honours) degree in Physics.

TAN CHUAN LYE (age: 54)

Mr Tan is the Senior Vice President (Catering) of SATS Catering Pte Ltd. He joined SATS in 1976 and was appointed to his present post in February 2000. Mr Tan previously held positions in SIA Ground Services and SATS Airport Services, and was also in charge of managing Changi Airport Terminal 2 for SIA and SATS Operations.

Mr Tan is the Chairman of Country Foods, and also sits on the boards of Taj-SATS Air Catering, Beijing Airport Inflight Kitchen, Evergreen Sky Catering and Aviserv.

Mr Tan graduated from the University of Singapore with a Bachelor of Social Science (Honours) degree, majoring in Economics.

INVESTOR RELATIONS PROGRAMME

The SATS Investor Relations programme focuses on the transparency of disclosure and prompt dissemination of information. SATS has a team which organises press and investment analyst briefings to keep shareholders, analysts, fund managers and the media abreast of the Group's strategies, key developments and performance.

Information is disseminated through various channels:

CORPORATE LITERATURE

- The annual report, which is distributed in June, aims to provide a comprehensive coverage of the Group's business performance in the past financial year.
- Newsletters which are distributed to employees, clients and associates. These are available on a monthly basis and electronic versions are put on the corporate website www.sats.com.sg.
- News releases which announce the latest important events relating to the Group are distributed to the local and international media, and are posted on the corporate website.
- The corporate website has a section on "Investor Relations" containing key corporate information, financial data, annual reports and operational statistics. The information is currently hosted by the investor relations portal, www.irasia.com.

DIRECT MEETINGS

- The Group maintains direct dialogue with investors, potential investors, analysts and media through investor meetings, results briefings and the annual general meeting. Senior management meet up regularly with institutional investors and analysts frequently to update them on the Group's strategies, performance and activities. In FY2004-05, 38 investor and analyst meetings were organised, an increase over the 26 meetings held in FY2003-04.
- Going forward, the Group intends to participate in roadshows and investor conferences organized by investment banks whenever possible.

ANNOUNCEMENT OF FINANCIAL RESULTS

- Quarterly announcements of the Group's financial results are published through news releases and announcements issued to the media and investment community and are posted on the corporate website and www.irasia.com.
- Results briefings attended by institutional investors, analysts and the media are organised after the release of the 2nd quarter (half-year) and year-end (full year) results with the senior management team present to answer questions.

ANNUAL GENERAL MEETING

- The Annual General Meeting is held in July. SATS Board members attend the AGM where shareholders present are given an opportunity to clarify or question the company on issues pertaining the resolutions proposed to be passed. The executive management and external auditors are also present to assist the Directors in answering questions from shareholders.

FINANCIALS

CONTENTS

66	REPORT BY THE BOARD OF DIRECTORS
71	STATEMENT BY THE DIRECTORS
72	AUDITORS' REPORT
73	CONSOLIDATED PROFIT AND LOSS ACCOUNT
74	BALANCE SHEETS
75	STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
77	CONSOLIDATED CASH FLOW STATEMENT
78	NOTES TO FINANCIAL STATEMENTS
106	ADDITIONAL INFORMATION
108	QUARTERLY RESULTS OF THE GROUP
108	QUARTERLY OPERATIONAL SUMMARY OF THE GROUP
109	FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP
110	FIVE-YEAR OPERATIONAL SUMMARY OF THE GROUP
111	INFORMATION ON SHAREHOLDINGS
113	SATS SHARE PRICE AND TURNOVER

REPORT BY THE BOARD OF DIRECTORS

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 2005.

1. DIRECTORS OF THE COMPANY

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

Edmund Cheng Wai Wing - Chairman
 Chew Choon Seng - Deputy Chairman
 Michael Tan Jiak Ngee
 Barry Desker
 Richard Charles Helfer
 Hong Hai
 Ng Kee Choe
 Ow Chin Hock

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	
	1.4.2004	31.3.2005	1.4.2004	31.3.2005
INTEREST IN SINGAPORE AIRLINES LIMITED				
<u>Ordinary shares of \$0.50 each</u>				
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	-	-
<u>Options to subscribe for ordinary shares of \$0.50 each</u>				
Chew Choon Seng	606,000	834,000	-	-
Michael Tan Jiak Ngee	606,000	606,000	-	-
INTEREST IN SINGAPORE AIRPORT TERMINAL SERVICES LIMITED				
<u>Ordinary shares of \$0.10 each</u>				
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	-	-
INTEREST IN SIA ENGINEERING COMPANY LIMITED				
<u>Ordinary shares of \$0.10 each</u>				
Chew Choon Seng	20,000	20,000	-	-
Michael Tan Jiak Ngee	41,000	41,000	-	-
Barry Desker	-	-	5,000	5,000

REPORT BY THE BOARD OF DIRECTORS

2. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (CONT'D)

Name Of Director	Direct Interest		Deemed Interest	
	1.4.2004	31.3.2005	1.4.2004	31.3.2005
INTEREST IN SINGAPORE TELECOMMUNICATIONS LIMITED				
<u>Ordinary shares of \$0.15 each</u>				
Chew Choon Seng	11,880	11,040	-	-
Michael Tan Jiak Ngee	6,740	6,260	-	-
Barry Desker	1,540	1,430	7,740	7,190
Hong Hai	1,540	51,430	1,540	1,430
Ng Kee Choe	1,740	1,620	1,740	1,620
Ow Chin Hock	13,440	12,520	-	-
INTEREST IN SINGAPORE TECHNOLOGIES ENGINEERING LIMITED				
<u>Ordinary shares of \$0.10 each</u>				
Barry Desker	-	-	10,000	10,000
INTEREST IN SNP CORPORATION LIMITED				
<u>Ordinary shares of \$0.50 each</u>				
Edmund Cheng Wai Wing	35,000	35,000	-	-
Barry Desker	-	-	3,000	3,000
<u>Options to subscribe for ordinary shares of \$0.50 each</u>				
Edmund Cheng Wai Wing	30,000	80,000	-	-
INTEREST IN RAFFLES HOLDINGS LIMITED				
<u>Ordinary shares of \$0.50 each</u>				
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	100,000	-	-
INTEREST IN SMRT CORPORATION LIMITED				
<u>Ordinary shares of \$0.10 each</u>				
Chew Choon Seng	50,000	50,000	-	-
INTEREST IN CAPITALAND LIMITED				
<u>Ordinary shares of \$1 each</u>				
Ng Kee Choe	13,000	13,000	-	-
INTEREST IN ST ASSEMBLY TEST SERVICES LIMITED				
<u>Ordinary shares of \$0.25 each</u>				
Hong Hai	10,000	10,000	-	-
Barry Desker	-	-	20,000	20,000
INTEREST IN CHARTERED SEMICONDUCTOR MANUFACTURING LIMITED				
<u>Ordinary shares of \$0.26 each</u>				
Hong Hai	4,000	4,000	-	-
Barry Desker	-	-	5,000	5,000

REPORT BY THE BOARD OF DIRECTORS

2. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (CONT'D)

Name Of Director	Direct Interest		Deemed Interest	
	1.4.2004	31.3.2005	1.4.2004	31.3.2005
INTEREST IN SEMBCORP LOGISTICS LIMITED				
<u>Ordinary shares of \$0.25 each</u>				
Barry Desker	-	-	10,000	10,000
INTEREST IN SEMBCORP INDUSTRIES LIMITED				
<u>Ordinary shares of \$0.25 each</u>				
Edmund Cheng Wai Wing	-	-	-	5,000
INTEREST IN CAPITAMALL TRUST MANAGEMENT LIMITED				
<u>Unit holdings in CapitaMall Trust</u>				
Barry Desker	-	-	55,000	60,500
Ng Kee Choe	-	150,000	-	20,000
INTEREST IN VERTEX TECHNOLOGY FUND (II) LIMITED				
<u>Ordinary shares of US\$1 each</u>				
Ng Kee Choe	50	50	-	-
<u>Redeemable preference shares of US\$0.01 each</u>				
Ng Kee Choe	-	50	-	-

There was no change in any of the above-mentioned interests between the end of the financial year and 21 April 2005.

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

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

Under the 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.

REPORT BY THE BOARD OF DIRECTORS

4. OPTIONS ON SHARES IN THE COMPANY (CONT'D)

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

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

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

Edmund Cheng Wai Wing	-	Chairman
Chew Choon Seng	-	Member
Richard Charles Helfer	-	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.

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 17,658,100 unissued ordinary shares of \$0.10 each in the Company at an exercise price of \$2.09* per share.

At the end of the financial year, options to take up 62,756,850 unissued ordinary shares of \$0.10 each in the Company were outstanding:

Date Of Grant	Balance At 1.4.2004/ **Date Of Grant	Lapsed	Exercised	Not Accepted	Balance At 31.3.2005	Exercise Price*	Exercisable Period
28.3.2000	17,487,100	(198,800)	-	-	17,288,300	\$2.20	28.3.2001 - 27.3.2010
3.7.2000	13,500,050	(49,500)	(5,754,100)	-	7,696,450	\$1.80	3.7.2001 - 2.7.2010
2.7.2001	9,039,850	(54,000)	(6,623,900)	-	2,361,950	\$1.24	2.7.2002 - 1.7.2011
1.7.2002	14,818,700	(76,900)	(9,185,750)	-	5,556,050	\$1.60	1.7.2003 - 30.6.2012
1.7.2003	14,065,600	(132,200)	(271,600)	-	13,661,800	\$1.47	1.7.2004 - 30.6.2013
1.7.2004	17,658,100	(137,300)	-	(1,328,500)	16,192,300	\$2.09	1.7.2005 - 30.6.2014
	86,569,400	(648,700)	(21,835,350)	(1,328,500)	62,756,850		

* At the extraordinary general meeting of the Company held on 20 July 2004, the Company's shareholders approved an amendment to the Plan allowing for adjustment to the exercise prices of existing options by the Committee administering the Plan, in the event of the declaration of a special dividend. At the same meeting, the Company's shareholders approved the declaration of a special dividend. The said Committee then approved a S\$0.30 reduction of the exercise prices of the outstanding share options. Ernst & Young, the auditors of the Company, have confirmed such adjustments to be, in their opinion, fair and reasonable. The exercise prices reflected here are the exercise prices after such adjustment.

** Balance at date of grant for the most recent grant

REPORT BY THE BOARD OF DIRECTORS

5. **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Audit and Risk Management 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.

On behalf of the Board,

EDMUND CHENG WAI WING

Chairman

CHEW CHOON SENG

Deputy Chairman

Dated this 6th day of May 2005

STATEMENT BY THE DIRECTORS

PURSUANT TO SECTION 201(15)

We, EDMUND CHENG WAI WING and CHEW CHOON SENG, being two of the directors of SINGAPORE AIRPORT TERMINAL SERVICES LIMITED, do hereby state that in the opinion of the directors:

- a) the accompanying balance sheets and statements of changes in equity, consolidated profit and loss account and consolidated cash flow statement set out on pages 73 to 105, are drawn up 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 2005, and the changes in equity of the Group and of the Company, the results of the business and the cash flows of the Group for the financial year ended on that date;
- b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

EDMUND CHENG WAI WING

Chairman

CHEW CHOON SENG

Deputy Chairman

Dated this 6th day of May 2005

AUDITORS' REPORT

TO THE MEMBERS OF SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

We have audited the accompanying financial statements of Singapore Airport Terminal Services Limited (the "Company") and its subsidiaries (the "Group") set out on pages 73 to 105 for the year ended 31 March 2005. 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, Cap. 50 (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 2005, 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 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.

ERNST & YOUNG

Certified Public Accountants

Dated this 6th day of May 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2005 (IN \$ THOUSANDS)

	Notes	Group	
		2004-05	2003-04
REVENUE	3	975,733	868,668
EXPENDITURE			
Staff costs	4	(426,965)	(366,057)
Cost of raw materials		(89,464)	(66,059)
Licensing fees		(64,154)	(60,661)
Depreciation charges		(63,198)	(61,500)
Company accommodation and utilities		(58,341)	(55,773)
Other costs		(73,450)	(67,799)
		(775,572)	(677,849)
OPERATING PROFIT	5	200,161	190,819
Interest on borrowings	6	(3,852)	(6,108)
Interest income	7	3,278	5,071
Dividend from long-term investment, gross		579	678
Share of profits of associated companies		50,489	33,774
Gain/(loss) on disposal of fixed assets		152	(97)
Amortisation of goodwill		(78)	(77)
Amortisation of deferred income		1,381	1,576
PROFIT BEFORE EXCEPTIONAL ITEMS		252,110	225,636
Exceptional items	8	(28,824)	(8,008)
PROFIT BEFORE TAXATION		223,286	217,628
Taxation	9	(49,184)	(27,976)
PROFIT AFTER TAXATION		174,102	189,652
Minority interests		(336)	217
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		173,766	189,869
Basic earnings per share (cents)	11	17.0	18.9
Diluted earnings per share (cents)	11	16.9	18.9

The notes on pages 78 to 105 form an integral part of the financial statements.

BALANCE SHEETS

AT 31 MARCH 2005 (IN \$ THOUSANDS)

	Notes	Group		Company	
		31.3.2005	31.3.2004	31.3.2005	31.3.2004
SHARE CAPITAL					
Authorised	12	200,000	200,000	200,000	200,000
Issued and fully paid	12	102,784	100,601	102,784	100,601
RESERVES					
Distributable					
Revenue reserve		919,418	1,113,068	590,125	689,723
Foreign currency translation reserve		(1,107)	3,171	-	-
Non-distributable					
Share premium		44,295	8,726	44,295	8,726
Statutory reserve		2,726	2,528	-	-
		965,332	1,127,493	634,420	698,449
SHARE CAPITAL AND RESERVES		1,068,116	1,228,094	737,204	799,050
MINORITY INTERESTS		2,845	2,509	-	-
DEFERRED TAXATION	13	76,443	81,309	40,408	41,305
NOTES PAYABLE	14	200,000	-	200,000	-
LOAN FROM IMMEDIATE HOLDING COMPANY	15	43,024	43,649	43,024	43,649
TERM LOANS	16	4,270	2,990	-	-
DEFERRED INCOME	17	28,086	29,816	27,996	29,816
		1,422,784	1,388,367	1,048,632	913,820
Represented by:					
FIXED ASSETS	18				
Leasehold land and buildings		548,383	578,182	531,968	561,666
Progress payments		12,310	25,219	259	205
Others		174,546	185,678	1,959	2,814
		735,239	789,079	534,186	564,685
SUBSIDIARY COMPANIES	19	-	-	43,275	43,275
LONG-TERM INVESTMENT	20	7,886	7,886	7,886	7,886
ASSOCIATED COMPANIES	21	331,684	141,001	272,424	95,231
GOODWILL ON CONSOLIDATION	22	1,363	1,441	-	-
LOAN TO THIRD PARTY	23	43,024	43,649	43,024	43,649
CURRENT ASSETS					
Trade debtors	24	53,780	59,986	1,139	1,052
Other debtors	25	16,512	9,297	12,725	5,436
Related companies	26	204,522	215,023	152,900	145,071
Associated companies	21	1,072	641	1,072	641
Stocks	27	10,938	8,954	261	343
Short-term non-equity investments		37,750	94,830	37,750	94,830
Bank fixed deposits		139,341	177,052	138,841	176,052
Cash and bank balances		17,218	9,812	9,089	3,897
		481,133	575,595	353,777	427,322
Less:					
CURRENT LIABILITIES					
Term loans	16	893	770	-	-
Bank overdraft - secured	29	841	2,297	-	-
Trade creditors		110,605	97,121	16,140	15,208
Other creditors	28	8,945	14,148	4,509	8,119
Related companies	26	-	-	170,577	232,556
Provision for taxation		56,261	55,948	14,714	12,345
		177,545	170,284	205,940	268,228
NET CURRENT ASSETS		303,588	405,311	147,837	159,094
		1,422,784	1,388,367	1,048,632	913,820

The notes on pages 78 to 105 form an integral part of the financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2005 (IN \$ THOUSANDS)

	Note	Share Capital	Share Premium	Revenue Reserve	Statutory Reserve*	Foreign Currency Translation Reserve	Total Equity
GROUP							
Balance at 1 April 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 account		-	-	(927)	927	(3,186)	(3,186)
Profit attributable to shareholders for the financial year		-	-	189,869	-	-	189,869
Dividends, net	10	-	-	(54,749)	-	-	(54,749)
Balance at 31 March 2004		100,601	8,726	1,113,068	2,528	3,171	1,228,094
Share options exercised		2,183	35,569	-	-	-	37,752
Transfer to statutory reserve		-	-	(198)	198	-	-
Foreign currency translation adjustment		-	-	-	-	(4,278)	(4,278)
Net gain/(loss) not recognised in the profit and loss account		-	-	(198)	198	(4,278)	(4,278)
Profit attributable to shareholders for the financial year		-	-	173,766	-	-	173,766
Dividends, net	10	-	-	(367,218)	-	-	(367,218)
Balance at 31 March 2005		102,784	44,295	919,418	2,726	(1,107)	1,068,116

* 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.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2005 (IN \$ THOUSANDS)

	Note	Share Capital	Share Premium	Revenue Reserve	Total Equity
COMPANY					
Balance at 1 April 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, net	10	-	-	(54,749)	(54,749)
Balance at 31 March 2004		100,601	8,726	689,723	799,050
Share options exercised		2,183	35,569	-	37,752
Profit attributable to shareholders for the financial year		-	-	267,620	267,620
Dividends, net	10	-	-	(367,218)	(367,218)
Balance at 31 March 2005		102,784	44,295	590,125	737,204

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005 (IN \$ THOUSANDS)

	Note	2004-05	2003-04
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		223,286	217,628
Adjustments for:			
Interest income		(3,278)	(5,071)
Interest on borrowings		3,852	6,108
Dividend from long-term investment		(579)	(678)
Depreciation of fixed assets		63,198	61,500
Effects of exchange rate changes		493	3,223
(Gain)/loss on disposal of fixed assets		(152)	97
Share of results of associated companies		(50,489)	(33,774)
Amortisation of goodwill		78	77
Amortisation of deferred income		(1,381)	(1,576)
Operating profit before working capital changes		235,028	247,534
(Increase)/decrease in debtors		(1,557)	8,759
(Increase)/decrease in stocks		(1,984)	1,154
Decrease/(increase) in amounts owing by related companies		9,097	(10,574)
Increase/(decrease) in creditors		8,094	(29,224)
Decrease in amounts due from associated companies		685	57
Cash generated from operations		249,363	217,706
Interest paid to third parties		(3,376)	(6,158)
Tax paid		(41,246)	(35,349)
Net cash provided by operating activities		204,741	176,199
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	30	(11,962)	(28,201)
Investment in associated companies		(175,104)	-
Repayment of loan from associated companies		254	405
Dividends from associated companies		20,235	22,940
Proceeds from disposal of fixed assets		376	329
Interest received from deposits		3,552	4,906
Dividend received from long-term investment		579	678
Sale of short-term non-equity investments		57,080	22,955
Net cash (used in)/provided by investing activities		(104,990)	24,012
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank charges on sale and lease back arrangement		(493)	(499)
Repayment of term loan and notes payable		-	(200,620)
Proceeds from borrowings		201,401	2,898
Proceeds from exercise of share options		37,752	9,327
Dividends paid		(367,218)	(54,749)
Deferred income		144	-
Net cash used in financing activities		(128,414)	(243,643)
Net decrease in cash and cash equivalents		(28,663)	(43,432)
Effect of exchange rate changes		(493)	(3,223)
Cash and cash equivalents at beginning of financial year		303,575	350,230
Cash and cash equivalents at end of financial year	30	274,419	303,575

The notes on pages 78 to 105 form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

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 of chilled and frozen meat, seafood products, soups, sauces, convenient meals, processed fruits and vegetables. During the year, the Group acquired 34% interest in Ready Fresh Pte Ltd. There have been no significant changes in the nature of the activities during the financial year.

The consolidated financial statements for the financial year ended 31 March 2005 were authorised for issue in accordance with a resolution of the Directors on 6 May 2005.

2. ACCOUNTING POLICIES

The main accounting policies of the Group, which have been consistently applied except where indicated otherwise, are described in the following paragraphs.

(a) Basis of accounting

The financial statements of the Group and of the Company, which are expressed in Singapore dollars (\$), are prepared under the historical cost convention and in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act, Cap 50. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous financial year.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies for the financial year ended 31 March. A list of the Group's subsidiary companies is shown in Note 19 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

2. ACCOUNTING POLICIES (CONT'D)

(c) **Subsidiary and associated companies**

Shares in subsidiary and associated companies are stated at cost, less impairment losses.

A subsidiary company is defined as a company in which the Group, directly or indirectly controls more than half of the voting power, or controls the composition of the board of directors.

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

The Group's share of the consolidated results of associated companies and their subsidiary companies, with appropriate adjustments to account for the amortization of goodwill, is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves is added to the value of investments in associated companies shown on the consolidated balance sheet. The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method. Where dates of the audited financial statements used are not co-terminus with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. A list of the Group's associated companies is shown in Note 21 to the financial statements.

(d) **Goodwill**

When subsidiary companies or interests in associated companies are acquired, any excess of the consideration over the fair value of the net assets as at the date of acquisition represents goodwill. Goodwill arising on or after 1 April 2001 is amortised using the straight-line method over a period of between 10 to 20 years. Goodwill is stated at cost less accumulated amortisation and any impairment losses. Amortised goodwill arising from acquisition of associated companies is reported net against the share of results of associated companies. Amortised goodwill arising from acquisition of subsidiary companies is reported as a separate line item after operating profit.

Goodwill arising prior to 1 April 2001 has been written-off against Group reserves in the financial year in which it arose. When determining goodwill, assets and liabilities of the acquired interest are translated using the exchange rate at the date of acquisition if the financial statements of the acquired interest are not denominated in Singapore dollars.

(e) **Foreign currencies**

Foreign currency transactions are converted into Singapore dollars at exchange rates which approximate bank rates prevailing at dates of transactions. All foreign currency monetary assets and liabilities are translated into Singapore dollars using year-end exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. Gains and losses arising from conversion of monetary assets and liabilities are dealt with in the profit and loss account.

For the purposes of the Group financial statements, the net assets of foreign associated companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date. The financial results of foreign associated companies are translated into Singapore dollars at the annual average exchange rates. The resulting gains or losses on exchange are taken to the foreign currency translation reserve.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

2. ACCOUNTING POLICIES (CONT'D)

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. 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. Expenditure for additions, improvements and renewals is capitalised and expenditure for maintenance and repairs is charged to the profit and loss account. When assets are sold or retired, their costs and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount, and if the carrying values exceed this recoverable amount, assets are written-down. In determining the recoverable amount for fixed assets, the higher of the net selling price and the value in use of the fixed assets is considered.

(g) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis at rates which are calculated to write-down their cost to their estimated residual values at the end of their useful lives. The estimated useful lives are as follows:

Leasehold land and buildings	- according to the lease period or 30 years whichever is the shorter
Office fittings & fixtures and office & commercial equipment	- 1 to 5 years
Fixed and mobile ground support equipment and motor vehicles	- 1 to 12 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. No depreciation is charged after assets are depreciated to their residual values.

(h) Leased assets

Operating lease – as lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Gains arising from sale and operating leaseback of assets are determined based on fair values. Sale proceeds in excess of fair values are deferred and amortized over the minimum lease terms.

(i) Unquoted investments

Unquoted investments held on a long-term basis are stated at cost. Provision is made for any impairment in value.

(j) 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. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

2. ACCOUNTING POLICIES (CONT'D)

(k) Trade and other debtors

Trade and other debtors, which generally have 30-90 day terms, are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. A provision for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Amounts owing to the holding company and the related companies are carried at cost, less impairment losses on any uncollectible amounts.

(l) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Cash on hand and in banks, demand deposits and short-term deposits which are held to maturity are carried at amortised cost.

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

(m) Deferred taxation

Deferred income tax is provided, using 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.

Additionally, the Group's deferred tax liabilities include all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. For deductible temporary differences associated with investments in subsidiaries and associated companies, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or different period, directly to equity.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

2. ACCOUNTING POLICIES (CONT'D)

(n) Employee benefits

Defined contribution plan

As required by law, the Group's companies in Singapore make contributions to the state provident fund, The Central Provident Fund ("CPF"), for the benefits of its employees.

Equity Compensation Plan

The Group has in place an Employee Share Option Plan (the "Plan") for the granting of share options to senior executives and all other employees to subscribe for shares in the Company. There are no charges to the profit and loss account upon the grant or exercise of the options. The exercise price approximates the market value of the shares on the date of grant.

Details of the Plan are disclosed in Note 12 to the financial statements.

(o) Trade and other creditors

Trade and other creditors, which are normally settled on 30-90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Group.

Amounts owing to holding company and the related companies are carried at cost.

(p) Revenue

Revenue from ground handling, inflight catering, aviation security services, airline laundry and airport cargo delivery management services is recognised upon the rendering of services. Revenue from manufacturing and exporting chilled and frozen processed foods is recognised upon delivery and acceptance of goods sold.

(q) Income from investments

Dividend income from investments is recognised when the shareholders' right to receive payments is established.

Interest income from investments and fixed deposits is accrued on a day-to-day basis (taking into account the effective yield on the asset) unless collectibility is in doubt.

(r) Loans and borrowings

Loans, notes payable and other borrowings are recognised at cost, unless collectibility is in doubt.

(s) Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the profit and loss account unless it reverses a previous revaluation credited to equity, in which case it is charged to equity. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

(t) Segmental reporting

Business segment

The Group's businesses are organised and managed separately according to the nature of the services provided. The significant business segments of the Group are inflight catering, cargo and ground handling services.

Geographical segment

Revenue for the Group is derived in Singapore. Assets, except for its investments in associated companies, are mainly located in Singapore.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

2. ACCOUNTING POLICIES (CONT'D)

(u) Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in the profit and loss account over the periods necessary to match them on a systematic basis, to the costs which it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit and loss account over the expected useful life of the relevant asset by equal instalments.

3. REVENUE (In \$ Thousands)

(a) Revenue

Revenue represents rental income, airport ground handling services, inflight catering, aviation security services, airline laundry services, airport cargo delivery management services rendered and manufacturing and sale of processed food 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	
	2004-05	2003-04
External customers	397,219	355,497
Immediate holding company	422,762	361,272
Related companies	155,752	151,899
	975,733	868,668

(b) Analysis by activity

	Group	
	2004-05	2003-04
Inflight catering services	422,801	356,505
Ground handling services	438,439	418,284
Others	114,493	93,879
	975,733	868,668

4. STAFF COSTS (In \$ Thousands)

	Group	
	2004-05	2003-04
Staff costs:		
- Salaries, bonuses and other costs *	398,232	336,678
- CPF and other defined contributions	28,733	29,379
	426,965	366,057
Number of employees at end of year	7,861	9,227

* Included in salaries, bonuses and other costs are contract labour expenses of \$45,645,000 (2004: \$24,864,000).

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

5. OPERATING PROFIT (In \$ Thousands)

	Group	
	2004-05	2003-04
Operating profit is stated after charging/(crediting):		
Directors' emoluments		
- Directors of the Company	533	412
- Write-back of Directors' fees waived by the Directors in 2002-03	-	(188)
- Directors of subsidiary companies	536	1,410
Auditors' remuneration		
- Audit fee	213	150
- Non-audit fee	109	131
Exchange (gain)/loss, net	(935)	4,510

6. INTEREST ON BORROWINGS (In \$ Thousands)

	Group	
	2004-05	2003-04
Interest expense on:		
Loan from third parties	313	183
Notes payable	3,539	5,925
	3,852	6,108

7. INTEREST INCOME (In \$ Thousands)

	Group	
	2004-05	2003-04
Interest income from:		
Immediate holding company	953	1,080
Third parties	2,318	3,967
Associated companies	7	24
	3,278	5,071

8. EXCEPTIONAL ITEMS

The exceptional items relate to retrenchment and early retirement costs.

9. TAXATION (In \$ Thousands)

	Group	
	2004-05	2003-04
Current taxation:		
Provision in respect of profit for the year	43,210	44,190
Over provision in respect of prior year	(1,589)	(320)
Deferred taxation:		
Write-back in respect of profit for the year	(4,866)	(2,662)
Over provision in respect of prior years	-	(10,325)
Write-back due to change in tax rate	-	(9,427)
Share of associated companies taxation	12,429	6,520
	49,184	27,976

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

9. TAXATION (CON'TD) (In \$ Thousands)

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

	Group	
	2004-05	2003-04
Profit before taxation	223,286	217,628
Taxation at statutory tax rate of 20% (2004: 20%)	44,657	43,526
ADJUSTMENTS		
Expenses not deductible for tax purposes	5,334	4,511
Additional tax on income of associated companies whose effective tax rate is higher than the statutory tax rate	1,205	187
Changes in statutory tax rate	-	(9,427)
Overprovision of deferred taxation in respect of prior years	-	(10,325)
Overprovision of current taxation in respect of prior years	(1,589)	(320)
Others	(423)	(176)
Current financial year's taxation charge	49,184	27,976

10. DIVIDENDS PAID AND PROPOSED (In \$ Thousands)

	Group And Company	
	2004-05	2003-04
Dividends paid:		
Final dividend of 5 cents (2004: 4 cents) per ordinary share of \$0.10 each less 20% (2004: 22%) tax in respect of previous financial year	40,786	31,228
Special dividend of 37 cents (2004: NIL) per ordinary share of \$0.10 each less 20% (2004: NIL) tax in respect of previous financial year	301,808	-
Interim dividend of 3 cents (2004: 3 cents) per ordinary share of \$0.10 each less 20% (2004: 22%) tax in respect of current financial year	24,624	23,521
	367,218	54,749

The Directors proposed the following dividends for the financial year ended 31 March 2005:

	2004-05
Final dividend of 6 cents per ordinary share of \$0.10 each less 20% tax	49,336

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

11. EARNINGS PER SHARE

	Group	
	2004-05	2003-04
Profit attributable to shareholders (In \$ Thousands)	173,766	189,869
	Group 31 March	
	2005	2004
Weighted average number of ordinary shares in issue used for computing basic earnings per share	1,019,623,431	1,003,200,386
Adjustment for share options	7,688,599	3,683,039
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	1,027,312,030	1,006,883,425
Basic earnings per share (cents)	17.0	18.9
Diluted earnings per share (cents)	16.9	18.9

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the effect of dilutive options.

12. SHARE CAPITAL (In \$ Thousands)

	Group And Company 31 March	
	2005	2004
Authorised:		
2,000,000,000 ordinary shares of \$0.10 each	200,000	200,000
Issued and fully paid:		
Balance at beginning of the year		
1,006,005,475 (2004: 1,000,000,000) ordinary shares of \$0.10 each	100,601	100,000
21,835,350 (2004: 6,005,475) share options exercised during the year	2,183	601
Balance at end of the year		
1,027,840,825 (2004: 1,006,005,475) ordinary shares of \$0.10 each	102,784	100,601

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

12. SHARE CAPITAL (CONT'D) (In \$ Thousands)

SHARE OPTION PLAN

The 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, grants non-transferrable options to selected employees. Options are granted for terms of 10 years to purchase the shares of the Company at an exercise price equivalent to the average of the last dealt prices of the Company's ordinary shares on the SGX-ST for the five consecutive 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.

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

	Group 31 March	
	2005	2004
Outstanding at beginning of the year	68,911,300	61,799,200
Granted	17,658,100	16,007,800
Not accepted	(1,328,500)	(1,838,900)
Exercised	(21,835,350)	(6,005,475)
Lapsed	(648,700)	(1,051,325)
Outstanding at end of the year	62,756,850	68,911,300
Exercisable at end of the year	31,574,025	39,256,575
Details of share options granted during the financial year:		
Expiry date	30.6.2014	30.6.2013
Exercise price *	\$2.09	\$1.47

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

12. SHARE CAPITAL (CONT'D) (In \$ Thousands)

SHARE OPTION PLAN (CONT'D)

Terms of share options outstanding as at 31 March 2005:

Exercise Period	Exercise Price*	Number Outstanding	Number Exercisable
28.03.2001 to 27.03.2010	\$2.20	262,900	262,900
28.03.2002 to 27.03.2010	\$2.20	16,499,600	16,499,600
28.03.2003 to 27.03.2010	\$2.20	262,900	262,900
28.03.2004 to 27.03.2010	\$2.20	262,900	262,900
03.07.2001 to 02.07.2010	\$1.80	259,300	259,300
03.07.2002 to 02.07.2010	\$1.80	6,884,400	6,884,400
03.07.2003 to 02.07.2010	\$1.80	274,775	274,775
03.07.2004 to 02.07.2010	\$1.80	277,975	277,975
02.07.2002 to 01.07.2011	\$1.24	7,500	7,500
02.07.2003 to 01.07.2011	\$1.24	1,898,900	1,898,900
02.07.2004 to 01.07.2011	\$1.24	10,400	10,400
02.07.2005 to 01.07.2011	\$1.24	445,150	-
01.07.2003 to 30.06.2012	\$1.60	138,200	138,200
01.07.2004 to 30.06.2012	\$1.60	4,469,550	4,469,550
01.07.2005 to 30.06.2012	\$1.60	474,150	-
01.07.2006 to 30.06.2012	\$1.60	474,150	-
01.07.2004 to 30.06.2013	\$1.47	64,725	64,725
01.07.2005 to 30.06.2013	\$1.47	12,932,225	-
01.07.2006 to 30.06.2013	\$1.47	332,425	-
01.07.2007 to 30.06.2013	\$1.47	332,425	-
01.07.2005 to 30.06.2014	\$2.09	359,975	-
01.07.2006 to 30.06.2014	\$2.09	15,112,375	-
01.07.2007 to 30.06.2014	\$2.09	359,975	-
01.07.2008 to 30.06.2014	\$2.09	359,975	-
		# 62,756,850	31,574,025

* At the extraordinary general meeting of the Company held on 20 July 2004, the Company's shareholders approved an amendment to the Plan allowing for adjustment to the exercise prices of existing options by the Committee administering the Plan, in the event of the declaration of a special dividend. At the same meeting, the Company's shareholders approved the declaration of a special dividend. The said Committee then approved a S\$0.30 reduction of the exercise prices of the outstanding share options. Ernst & Young, the auditors of the Company, have confirmed such adjustments to be, in their opinion, fair and reasonable. The exercise prices reflected here are the exercise prices after such adjustment.

The total number of options outstanding includes 12,860,975 share options not exercised by employees who have retired or ceased to be employed by the Company or any of the subsidiary companies by reason of (i) ill health, injury or disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of 5 years from the date of retirement or cessation of employment, whichever is earlier.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

13. DEFERRED TAXATION (In \$ Thousands)

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
Balance at beginning of year	81,309	103,723	41,305	51,564
Adjustment for reduction in Singapore corporate tax rate	-	(9,427)	-	(4,687)
Write-back during the year	(4,866)	(12,987)	(897)	(5,572)
Balance at end of year	76,443	81,309	40,408	41,305
Comprising:				
Deferred tax liabilities	76,443	81,309	40,408	41,305
The deferred taxation principally arises as a result of :				
Excess of net book value over tax written-down value of fixed assets	74,433	80,574	40,341	41,911
Undistributed profits of overseas associated companies and unremitted foreign dividend and interest income	8,647	8,189	5,650	5,356
Provisions	(6,637)	(7,454)	(5,583)	(5,962)
Net deferred tax liabilities	76,443	81,309	40,408	41,305

14. NOTES PAYABLE

Notes payable refers to unsecured medium-term notes which bear fixed interest at 3.0% per annum and are repayable on 2 September 2009.

15. LOAN FROM IMMEDIATE HOLDING COMPANY

The loan from the immediate holding company is to finance the loan to August Skyfreighter 1994 Trust (Note 23). It is unsecured and bears interest rates ranging from 1.56% to 3.19% (2004: 1.47% to 1.74%) per annum. The loan is scheduled to mature on 28 March 2007.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

16. TERM LOANS (In \$ Thousands)

	Group 31 March	
	2005	2004
UNSECURED:		
Repayable within one year	743	620
Repayable after one year but less than five years	1,625	243
	2,368	863
SECURED:		
Repayable within one year	150	150
Repayable after one year but less than five years	600	324
Repayable after five years	2,045	2,423
	2,795	2,897

The unsecured term loans consist of a 10-year loan commencing 31 July 1996 and a 5-year loan commencing 7 July 2004. Interest rates ranged from 0.955% to 2.215% (2004: 0.925% to 1.265%) per annum for the 10-year loan and 1.3656% to 2.5725% (2004: NIL) per annum for the 5-year loan.

The secured term loan of \$2.8 million is secured by a first legal mortgage over the property at 22 Senoko Way, Singapore 758044. The loan bears interest rates ranging from 3.75% to 5.0% (2004: 3.5% to 5.0%) per annum in the current year and is repayable over 20 years commencing 10 April 2003.

17. DEFERRED INCOME (In \$ Thousands)

The deferred income comprises of gain on sale and leaseback arrangement and government grant received by a subsidiary.

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
Balance as at 1 April	29,816	31,891	29,816	31,891
Bank charges	(493)	(499)	(493)	(499)
Amount deferred during the year	144	-	-	-
Amount recognised as income during the year	(1,381)	(1,576)	(1,327)	(1,576)
Balance as at 31 March	28,086	29,816	27,996	29,816

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

18. FIXED ASSETS (In \$ Thousands)

GROUP

	At 1.4.04	Reclassifi- cations	Additions	Disposals	At 31.3.05
COST					
Leasehold land and buildings	757,924	-	-	(3,548)	754,376
Office fittings and fixtures	24,192	1,835	461	(131)	26,357
Fixed ground support equipment	338,586	7,392	760	(6,792)	339,946
Mobile ground support equipment	53,546	-	99	(1,566)	52,079
Office and commercial equipment	60,987	12,292	2,806	(1,401)	74,684
Motor vehicles	27,469	-	352	(785)	27,036
	1,262,704	21,519	4,478	(14,223)	1,274,478
Progress payments	25,219	(21,519)	8,610	-	12,310
	1,287,923	-	13,088	(14,223)	1,286,788
ACCUMULATED DEPRECIATION					
Leasehold land and buildings	187,678	-	25,914	-	213,592
Office fittings and fixtures	16,256	10	2,597	(105)	18,758
Fixed ground support equipment	183,810	-	23,387	(6,790)	200,407
Mobile ground support equipment	48,175	-	1,736	(1,566)	48,345
Office and commercial equipment	37,580	(10)	8,720	(1,249)	45,041
Motor vehicles	25,345	-	844	(783)	25,406
	498,844	-	63,198	(10,493)	551,549
NET BOOK VALUE	789,079				735,239

Net book value of fixed assets under finance lease is \$114,476,000 (2004: \$137,359,000).

COMPANY

	At 1.4.04	Additions	Disposals	Transfer From Subsidiary Companies	At 31.3.05
COST					
Leasehold land and buildings	749,288	26	(3,548)	-	745,766
Fixed ground support equipment	1,235	-	(3)	-	1,232
Mobile ground support equipment	9,592	-	(300)	-	9,292
Office and commercial equipment	7,053	90	(434)	36	6,745
Motor vehicles	4,553	-	(653)	-	3,900
	771,721	116	(4,938)	36	766,935
Progress payments	205	54	-	-	259
	771,926	170	(4,938)	36	767,194
ACCUMULATED DEPRECIATION					
Leasehold land and buildings	187,622	26,176	-	-	213,798
Fixed ground support equipment	1,235	-	(3)	-	1,232
Mobile ground support equipment	9,511	31	(300)	-	9,242
Office and commercial equipment	4,320	835	(317)	(2)	4,836
Motor vehicles	4,553	-	(653)	-	3,900
	207,241	27,042	(1,273)	(2)	233,008
NET BOOK VALUE	564,685				534,186

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

18. FIXED ASSETS (CONT'D) (In \$ Thousands)

	Group		Company	
	2004-05	2003-04	2004-05	2003-04
DEPRECIATION CHARGE FOR THE FINANCIAL YEAR				
Leasehold land and buildings	25,914	26,038	26,176	26,282
Office fittings and fixtures	2,597	2,179	-	-
Fixed ground support equipment	23,387	22,312	-	-
Mobile ground support equipment	1,736	2,201	31	32
Office and commercial equipment	8,720	7,775	835	876
Motor vehicles	844	995	-	11
	63,198	61,500	27,042	27,201

19. SUBSIDIARY COMPANIES (In \$ Thousands)

	Company 31 March	
	2005	2004
Unquoted shares, at cost	43,275	43,275

The subsidiary companies at 31 March are:

Name Of Companies (Country Of Incorporation)	Principal Activities (Place Of Business)	Cost To Company		Percentage Of Equity Held	
		2005	2004	2005 %	2004 %

HELD BY THE COMPANY

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
Aerolog Express Pte Ltd (Singapore)	Airport cargo delivery management services (Singapore)	1,260	1,260	70	70
Country Foods Pte Ltd (Singapore)	Manufacturing of chilled, frozen, and processed foods (Singapore)	6,000	6,000	67	67
Asia-Pacific Star Pte Ltd (Singapore)	Dormant (Singapore)	#	#	100	100
		43,275	43,275		

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

19. SUBSIDIARY COMPANIES (CONT'D) (In \$ Thousands)

Name Of Companies (Country Of Incorporation)	Principal Activities (Place Of Business)	Cost To Company		Percentage Of Equity Held	
		2005	2004	2005 %	2004 %

HELD THROUGH A SUBSIDIARY

Ready Fresh Pte Ltd @ (Singapore)	Dormant (Singapore)	-	-	51	-
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The value is \$2.

@ Not required to be audited as the company was incorporated 7 June 2004.

All the Singapore-incorporated subsidiary companies are audited by Ernst & Young, Singapore.

20. LONG-TERM INVESTMENT (In \$ Thousands)

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
Unquoted equity investments, at cost	7,886	7,886	7,886	7,886

21. ASSOCIATED COMPANIES (In \$ Thousands)

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
Unquoted shares, at cost	277,159	99,966	277,159	99,966
Provision for impairment	(3,313)	(3,313)	(4,735)	(4,735)
Goodwill on acquisition	(152,209)	(9,674)	-	-
	121,637	86,979	272,424	95,231
Share of post-acquisition profits of associated companies	65,561	41,553	-	-
Goodwill on acquisition, net of amortisation	142,867	6,770	-	-
Share of statutory reserves of associated companies	2,726	2,528	-	-
Foreign currency translation adjustment	(1,107)	3,171	-	-
	210,047	54,022	-	-
Amounts receivable on : current account	1,072	387	1,072	387
loan due from associated company	-	254	-	254
	332,756	141,642	273,496	95,872
Receivable within one year	(1,072)	(641)	(1,072)	(641)
	331,684	141,001	272,424	95,231

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

21. ASSOCIATED COMPANIES (CONT'D) (In \$ Thousands)

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
GOODWILL ON ACQUISITION AT COST				
Balance at beginning of year	8,935	8,935	-	-
Goodwill on acquisition of additional shares in associated companies	142,535	-	-	-
Balance at end of year	151,470	8,935	-	-
ACCUMULATED AMORTISATION				
Balance at beginning of year	2,165	1,289	-	-
Charge for the year	6,438	876	-	-
Balance at end of year	8,603	2,165	-	-
Goodwill on acquisition, net of amortisation	142,867	6,770	-	-

During the financial year:

- (a) The Company acquired an additional 24.5% equity interest in Asia Airfreight Terminal Company Limited from Changi International Airport Services Pte Ltd for a consideration of \$76.5 million. This brings the total equity interest held by SATS to 49.0%. Goodwill arising from the additional equity interest, amounting to \$41.5 million was capitalised and amortised over a period of 20 years.
- (b) Taj SATS Air Catering Limited refunded \$3.3 million as return on shareholders' funds to the Company on 8 September 2004.
- (c) The Company purchased approximately 49.8% of the ground and cargo handling business of PT Jasa Angkasa Semesta TBK from Devro Group Limited for US\$61.3 million (S\$104.0 million). Goodwill arising from the acquisition of \$100.3 million was capitalised and amortised over a period of 20 years.

The loan due from associated company bear interest between 11.161% and 11.821% (2004: 9.498% and 11.460%) per annum. The loan is due from one associated company and is fully repaid during the financial year.

The amounts receivable on current account are interest-free and have no fixed terms of repayment.

The associated companies at 31 March are:

Name Of Companies (Country Of Incorporation)	Principal Activities (Place Of Business)	Cost To Company		Percentage Of Equity Held	
		2005	2004	2005 %	2004 %
Maldives Inflight Catering Private Ltd * (Republic of Maldives)	Inflight catering services (Republic of Maldives)	287	287	35.0	35.0
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

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

21. ASSOCIATED COMPANIES (CONT'D) (In \$ Thousands)

Name Of Companies (Country Of Incorporation)	Principal Activities (Place Of Business)	Cost To Company		Percentage Of Equity Held	
		2005	2004	2005 %	2004 %
AVISERV LTD # (Ireland)	Dormant (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)	Air cargo handling services (Hong Kong)	92,662	16,162	49.0	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
Evergreen Airline Services Corporation # (Taiwan)	Airport ground handling services (Taiwan)	5,234	5,234	20.0	20.0
Evergreen Air Cargo Services Corporation * (Taiwan)	Air cargo handling services (Taiwan)	16,163	16,163	25.0	25.0
Taj SATS Air Catering Limited # (India)	Catering services (India)	27,971	31,260	49.0	49.0
Mid-East Airport Services Pte Ltd @ (Singapore)	Dormant (Baghdad)	**	**	50.0	50.0
PT Jasa Angkasa Semesta TBK # (Indonesia)	Ground and cargo handling (Indonesia)	103,982	-	49.8	-
		277,159	99,966		

© Audited by Ernst & Young, Singapore

* Audited by associated firms of Ernst & Young, Singapore

Audited by other firms

** The value is \$1.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

22. GOODWILL (In \$ Thousands)

	Group 31 March	
	2005	2004
AT COST		
Balance at beginning and end of the year	1,546	1,546
ACCUMULATED AMORTISATION		
Balance at beginning of the year	105	28
Charge for the year	78	77
Balance at end of the year	183	105
Net book value	1,363	1,441

23. LOAN TO THIRD PARTY

The loan to August Skyfreighter 1994 Trust is unsecured and bears interest between 1.56% to 3.19% (2004: 1.47% to 1.74%) per annum. The loan is repayable on 28 March 2007.

24. TRADE DEBTORS (In \$ Thousands)

Trade debtors are stated after deducting provision for doubtful debts. Analysis of the provision for doubtful debts is as follows:

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
Balance at 1 April	2,888	3,908	30	30
Charge/(write-back) to profit and loss account	32	(1,020)	-	-
Balance at 31 March	2,920	2,888	30	30
Bad debts written-off directly to profit and loss account	71	27	16	-

25. OTHER DEBTORS (In \$ Thousands)

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
Staff loans	2,626	3,560	2,614	3,535
Prepaid expenses	2,886	2,122	1,150	1,356
Sundry receivables	11,000	3,615	8,961	545
	16,512	9,297	12,725	5,436

Included in staff loans are loans to the Company's staff who are directors of its subsidiary companies, amounting to approximately \$80,417 (2004: \$43,081). These loans have been granted in accordance with schemes approved by the shareholders of the Company.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

26. RELATED COMPANIES (In \$ Thousands)

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
Deposits with immediate holding company	118,701	119,008	118,701	119,008
Amounts owing by immediate holding company	65,754	70,339	16,241	1,111
Amounts owing by/(to) related companies	20,067	25,676	(878)	(1,193)
Amounts owing by subsidiary companies	-	-	17,958	24,952
Deposits placed by subsidiary companies	-	-	(169,699)	(231,363)
	204,522	215,023	(17,677)	(87,485)
Disclosed as:				
Current assets	204,522	215,023	152,900	145,071
Current liabilities	-	-	(170,577)	(232,556)
	204,522	215,023	(17,677)	(87,485)

Deposits placed with the immediate holding company are available on demand and have interest rates ranging from 0.5% to 1.9% (2004: 0.5% to 0.9%) 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 by subsidiary companies are interest-free and have no fixed terms of repayment. The deposits placed by subsidiary companies bear interest rates ranging from 0.5% to 1.7% (2004: 0.4% to 0.9%) per annum.

27. STOCKS (In \$ Thousands)

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
Food supplies and dry stores at net realisable value	5,537	4,607	-	-
Other consumable stores at net realisable value	2,265	890	-	-
Technical spares at net realisable value	1,813	1,816	-	-
Foods supplies at cost	902	1,130	-	-
Other consumables at cost	421	511	261	343
Total general consumable stores at lower of cost and net realisable value	10,938	8,954	261	343

Stocks are stated after deducting provision for stock obsolescence. An analysis of the provision for stock obsolescence is as follows:

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
Balance at 1 April	750	750	-	-
Provided during the year	266	309	-	-
Provision utilised during the year	(266)	(309)	-	-
Balance at 31 March	750	750	-	-

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

28. OTHER CREDITORS (In \$ Thousands)

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
Tender deposits	1,609	1,384	718	492
Accrued expenses	3,576	1,198	2,442	19
Purchase of fixed assets	3,760	11,566	1,349	7,608
	8,945	14,148	4,509	8,119

29. BANK OVERDRAFT - SECURED

The bank overdraft is secured by a first legal mortgage over the property at 22 Senoko Way, Singapore 758044. Interest is charged at a rate of 5.25% (2004: 3.5% to 3.75%) per annum.

30. CASH AND CASH EQUIVALENTS (In \$ Thousands)

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

	Group 31 March	
	2005	2004
Bank fixed deposits	139,341	177,052
Cash and bank balances	17,218	9,812
Deposits with immediate holding company (Note 26)	118,701	119,008
Bank overdraft - secured	(841)	(2,297)
	274,419	303,575

- (b) Analysis of capital expenditure cash flow:

	Group	
	2004-05	2003-04
Addition of fixed assets	13,088	33,389
Adjustment for fixed assets acquired under credit terms	(1,126)	(5,188)
Cash invested in fixed assets	11,962	28,201

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

31. RELATED PARTY TRANSACTIONS (In \$ Thousands)

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

	Group		Company	
	2004-05	2003-04	2004-05	2003-04
Services rendered by:				
Immediate holding company	15,602	15,250	1,891	1,663
Subsidiary companies	-	-	127	94
Related companies	38	346	-	50
	15,640	15,596	2,018	1,807
Sales to:				
Immediate holding company	422,762	361,272	986	608
Subsidiary companies	-	-	67,824	64,889
Related companies	155,751	151,899	2,079	2,324
Associated companies	1,505	1,284	1,505	1,284
	580,018	514,455	72,394	69,105

Other transactions with related parties are disclosed in Notes 3, 7 and 26.

Directors' and key executives' remuneration of the Company:

	Company	
	2004-05	2003-04
Key executives (excluding executive directors)		
Salary, bonuses and other costs	1,819	2,225
CPF and other defined contributions	42	86
	1,861	2,311
Directors		
Directors fees	533 *	412

* Proposed

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

Name Of Participant	Options Granted During Financial Year Under Review	Exercise Price For Options Granted During Financial Year Under Review	Aggregate Options Granted Since Commencement Of Scheme To End Of Financial Year Under Review	Aggregate Options Exercised Since Commencement Of Scheme To End Of Financial Year Under Review	Aggregate Options Outstanding At End Of Financial Year Under Review
Ng Chin Hwee	326,000	\$2.09	326,000	-	326,000
Karmjit Singh	94,000	\$2.09	1,134,000	(387,750)	746,250
Leong Kok Hong	70,000	\$2.09	501,500	(78,000)	423,500
Tan Chuan Lye	81,500	\$2.09	513,000	(78,000)	435,000

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

32. CAPITAL AND OTHER COMMITMENTS (In \$ Thousands)

- (a) The Group and the Company has commitments for capital expenditure. Such commitments aggregated to \$47.9 million (2004: \$45.8 million) for the Group and \$4.9 million (2004: \$3.3 million) for the Company.

In aggregate, these commitments are not at prices in excess of current market price.

- (b) The Group leases four pieces of leasehold land under lease agreements. The leases expire on 01 March 2020, 30 July 2021, 30 October 2022 and 30 June 2024. The leases of the leasehold properties contain provision for rental adjustments and the future minimum lease payments are as follows:

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
2004/2005	-	2,418	-	1,888
2005/2006	2,165	2,730	1,772	2,200
2006/2007	2,165	2,730	1,772	2,200
2007/2008	2,165	2,730	1,772	2,200
2008/2009	2,165	2,730	1,772	2,200
Remaining years	30,337	37,235	25,203	31,273
	38,997	50,573	32,291	41,961

- (c) In the year 2002, the Company and two of its wholly-owned subsidiary companies entered into a lease agreement with a United States lessor, whereby the subsidiary companies sold and leasedback certain fixed ground support equipment with net book value of \$114.5 million (2004: \$137.4 million). The gain arising from this sale and leaseback is deferred and amortised over the lease period of 18 years commencing on October 2002 (Note 17).

Under the terms of the agreement, the subsidiary companies have prepaid an amount which is equivalent to the present value of their future lease obligations. The Company has also guaranteed the repayment of these future lease obligations and is the primary obligor under the lease agreement.

33. CONTINGENT LIABILITIES (In \$ Thousands)

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

	Group 31 March		Company 31 March	
	2005	2004	2005	2004
Estimated termination charge of an agreement with a supplier by a subsidiary company	-	1,000	-	-

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

34. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group operates principally in Singapore and generates revenue mainly in Singapore dollars. The Group also has investments in associated companies that operate in 7 countries. The Group's operations carry certain financial and commodity risks, including the effects of changes in foreign exchange rates and interest rates. The Group's overall risk management approach is to minimise the effects of such volatility on its financial performance.

Financial risk management policies are periodically reviewed and approved by the Board of Directors.

(b) Foreign Currency Risk

The Group is exposed to the effect of foreign exchange rate fluctuation because of its investments in foreign associated companies. The effects of foreign exchange rate fluctuations on the Singapore dollar value of the Group's foreign currency denominated operating revenues and expenses are not significant because the Group's foreign currency sales and purchases do not constitute a significant portion of the Group's revenue and expenses.

(c) Interest Rate Risk

The Group's earnings are also affected by changes in interest rates due to the impact that such changes have on its interest income from cash, short-term deposits, short-term non-equity instruments, loans to third parties and associated companies, and its interest expense on the notes payable, term loans and the loan from immediate holding company.

The Group's interest-bearing assets and interest-bearing liabilities are predominantly denominated in SGD and USD. Short-term non-equity instruments and bank fixed deposits earned interest rate range from 0.71% to 3.39% and 0.31% to 1.89% respectively. Information relating to other interest-bearing assets and liabilities are also disclosed in the notes on loan to third parties, associated companies, related companies, notes payable and term loans.

(d) Counter-Party Risk

The Group's maximum exposure to credit risk in the event that counter-parties fail to perform their obligations as at 31 March 2005 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

The Group only transacts with credit-worthy counter-parties. Surplus funds are placed as interest-bearing deposits with reputable financial institutions and the immediate holding company, or invested in high quality short-term liquid investments. Counter-party risks are managed by limiting aggregate exposure on all outstanding financial instruments to any individual counter-party, taking into account its credit rating. Such counter-party exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material loss arising in the event of non-performance by counter-parties.

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the group of counter-parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. As at 31 March 2005, the Group has trade receivables of \$65.8 million (2004: \$70.3 million) due from its immediate holding company, and has placed deposits of \$118.7 million (2004: \$119.0 million) with its immediate holding company.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

34. FINANCIAL INSTRUMENTS (CONT'D)

(e) Liquidity Risk

As at 31 March 2005, the Group had at its disposal, cash and cash equivalents amounting to \$274.4 million (2004: \$303.6 million) and short-term non-equity investments of \$37.8 million (2004: \$94.8 million). In addition, the Group has available short-term credit facilities of approximately \$104.1 million (2004: \$100.9 million) from an open-ended revolving credit facility granted by commercial banks. The Group also has an alternative facility to issue notes up to \$300 million (2004: \$500 million), with maturity dates between one month to ten years, under the Medium Term Note Programme.

The Group's holdings of cash, short-term deposits and investments, together with non-committed funding facilities and net cash flow from operations, are expected to be sufficient to cover the cost of all capital expenditure due in the next financial year. The shortfall, if any, could be met by bank borrowings or public market funding.

(f) Derivative Financial Instruments

The Group's policy on the use of derivatives is not to trade in them but to use these instruments as hedges against specific exposures. While the Group currently has not used any forward contracts to hedge its foreign exchange and interest rate exposures, it would consider using treasury derivative instruments, depending on their merits, as valid and appropriate risk management tools. This would however, require the Board of Directors' approval before adoption.

(g) Fair values

The aggregate net fair values of financial assets and financial liabilities of the Group, which are not carried at fair value in the balance sheet, are presented in the following table:

	Total Carrying Amount 31 March		Aggregate Net Fair Value 31 March	
	2005	2004	2005	2004

FINANCIAL LIABILITIES

Notes payable (In \$ Thousands)	200,000	-	199,113	-
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The carrying value of the unquoted equity investment held as long-term investment is stated at cost of \$7,886,000 (2004: \$7,886,000). The fair value of this investment is expected to be above its carrying values.

The carrying amounts of trade and other debtors, cash, deposits, trade and other creditors approximate their fair values due to their short-term nature.

35. SEGMENT REPORTING (In \$ Thousands)

The Group'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, manufacturing and distribution of chilled and frozen processed foods, air cargo delivery management services and rental of premises.

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

The following tables present revenue and net income information for the Group's industry segments for the years ended 31 March 2005 and 31 March 2004 and certain asset and liability information regarding the Group's industry segments as at 31 March 2005 and 31 March 2004.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

35. SEGMENT REPORTING (CONT'D) (In \$ Thousands)
BY INDUSTRY

	Inflight Catering	Ground Handling/ Cargo	Others	Eliminations	Total
FINANCIAL YEAR ENDED 31 MARCH 2005					
Revenue					
External revenue	422,801	438,439	114,493	-	975,733
Inter-segment revenue	2,253	-	85,165	(87,418)	-
Total revenue	425,054	438,439	199,658	(87,418)	975,733
Operating profit	93,504	68,004	38,653	-	200,161
Interest income	776	872	3,443	(1,813)	3,278
Interest on borrowings	-	-	(5,665)	1,813	(3,852)
Gross dividend from long-term investment	579	-	-	-	579
Share of results of associated companies	10,085	40,403	1	-	50,489
Gain on disposal of fixed assets	-	11	141	-	152
Amortisation of goodwill	-	-	(78)	-	(78)
Amortisation of deferred income	-	-	1,381	-	1,381
Exceptional item	(12,833)	(15,973)	(18)	-	(28,824)
Profit before taxation	92,111	93,317	37,858	-	223,286
Taxation	(17,701)	(20,430)	(11,053)	-	(49,184)
Net profit	74,410	72,887	26,805	-	174,102
AS AT 31 MARCH 2005					
Segment assets	412,232	569,389	287,024	-	1,268,645
Associated companies	65,002	266,503	179	-	331,684
Total assets	477,234	835,892	287,203	-	1,600,329
Total liabilities	37,593	47,474	283,511	-	368,578
Capital expenditure	2,630	7,561	2,897	-	13,088
Depreciation of fixed assets	25,201	34,018	3,979	-	63,198

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

35. SEGMENT REPORTING (CONT'D) (In \$ Thousands)
BY INDUSTRY

	Inflight Catering	Ground Handling/ Cargo	Others	Eliminations	Total
FINANCIAL YEAR ENDED 31 MARCH 2004					
Revenue					
External revenue	356,505	418,284	93,879	-	868,668
Inter-segment revenue	1,765	-	78,143	(79,908)	-
Total revenue	358,270	418,284	172,022	(79,908)	868,668
Operating profit	78,127	74,212	38,480	-	190,819
Interest income	528	521	5,166	(1,144)	5,071
Interest on borrowings	-	-	(7,252)	1,144	(6,108)
Gross dividend from long-term investment	678	-	-	-	678
Share of results of associated companies	9,087	24,687	-	-	33,774
(Loss)/gain on disposal of fixed assets	3	108	(208)	-	(97)
Amortisation of goodwill	-	-	(77)	-	(77)
Amortisation of deferred income	-	-	1,576	-	1,576
Exceptional item	(1,545)	(5,065)	(1,398)	-	(8,008)
Profit before taxation	86,878	94,463	36,287	-	217,628
Taxation	(15,767)	(10,406)	(1,803)	-	(27,976)
Net profit	71,111	84,057	34,484	-	189,652
AS AT 31 MARCH 2004					
Segment assets	485,112	630,699	301,198	-	1,417,009
Associated companies	65,718	73,592	2,332	-	141,642
Total assets	550,830	704,291	303,530	-	1,558,651
Total liabilities	35,381	42,172	83,422	-	160,975
Capital expenditure	5,064	16,866	11,459	-	33,389
Depreciation of fixed assets	24,844	31,564	5,092	-	61,500

NOTES TO FINANCIAL STATEMENTS

31 MARCH 2005

35. SEGMENT REPORTING (CONT'D) (In \$ Thousands)
BY GEOGRAPHICAL LOCATION

	Singapore	Overseas	Total
FINANCIAL YEAR ENDED 31 MARCH 2005			
Revenue	975,733	-	975,733
AS AT 31 MARCH 2005			
Segment assets	1,211,393	57,252	1,268,645
Associated companies	179	331,505	331,684
Total assets	1,211,575	388,757	1,600,329
Capital expenditure	13,088	-	13,088
FINANCIAL YEAR ENDED 31 MARCH 2004			
Revenue	868,668	-	868,668
AS AT 31 MARCH 2004			
Segment assets	1,352,543	64,466	1,417,009
Associated companies	177	141,465	141,642
Total assets	1,352,720	205,931	1,558,651
Capital expenditure	33,389	-	33,389

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

ADDITIONAL INFORMATION

REQUIRED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

1 INTERESTED PERSON TRANSACTIONS (In \$ Thousands)

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

Name Of Interested Person	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)	
	2004-05	2003-04	2004-05	2003-04
Singapore Airlines Limited	-	-	98,100	9,732
Singapore Airlines Cargo Pte Ltd	-	-	40,000	144
SembCorp Environmental Management Pte Ltd	-	-	5,009	-
SES Systems Pte Ltd	-	-	891 #	-
Republic Advertising Consultants (a division of SNP Corporation Limited)	-	-	675	-
Changi International Airport Services Pte Ltd	76,500	-	-	-
Premas International Ltd	-	-	-	2,180
Invo-Tech Engineering Pte Ltd	-	-	-	4,384
Keppel Electric Pte Ltd	-	-	-	1,680
NCS Communications Engineering Pte Ltd	-	-	-	2,728
SembCorp Power Pte Ltd	-	-	-	1,463
SIA Engineering Company Limited	-	-	-	308
CET Technologies Pte Ltd	-	-	-	974
SIA Properties Pte Ltd	-	-	-	276
SilkAir Pte Ltd	-	-	-	241
Eagle Services Asia Pte Ltd	-	-	-	154
Singapore Food Industries Ltd	-	-	-	117
SembCorp Logistics Ltd	-	260 *	-	-
Total	76,500	260	144,675	24,381

* This was previously reflected as \$255,000 in our Annual Report 2003-04 and our quarterly financial statements for 2nd quarter 2003-04. It has since come to our attention that the amount should be correctly reflected as \$260,000.

Includes amounts invoiced and paid in FY2003-04

Note: All the above interested person transactions were done on normal commercial terms.

ADDITIONAL INFORMATION

REQUIRED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

2 MATERIAL CONTRACTS

There are no material contracts between SATS and its subsidiaries involving the interests of President & Chief Executive Officer SATS, each SATS Director or controlling shareholder (as defined in the SGX-ST Listing Manual), either still subsisting at the end of the financial year 2004-05, or if not then subsisting, entered into since the end of the previous financial year 2003-04, other than:

- a. the 2 corporate services agreements both dated 24 March 2000 between SATS and Singapore Airlines Limited ("SIA");
- b. the 2 corporate services agreements both dated 17 February 2000 between SATS and SIA Engineering Company Limited ("SIAEC");
- c. the apportionment of services agreement dated 24 March 2000 between SATS, SIA and SIAEC;
- d. the ground handling and catering agreements between SATS and SIA and SATS and SilkAir Pte Ltd (a subsidiary of SIA) respectively;
- e. the ground handling agreement between SATS and Singapore Airlines Cargo Pte Ltd (a subsidiary of SIA);
- f. the agreement for the laundering of airline linen dated 1 October 1999 between Aero Laundry and Linen Services Pte Ltd ("ALLS") (a subsidiary of SATS) and SIA; and
- g. where applicable, as disclosed/referred to in page 89 (Loan from Immediate Holding Company), page 96 (Loan to Third Party), page 97 (Related Companies), page 99 (Related Party Transactions) and page 106 (Interested Person Transactions), or disclosed in the equivalent sections in previous SATS Annual Reports.

QUARTERLY RESULTS OF THE GROUP

(IN SINGAPORE DOLLARS)

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
TOTAL REVENUE						
2004-05	(\$ millions)	237.9	246.1	254.2	237.5	975.7
2003-04	(\$ millions)	172.7	215.3	240.9	239.8	868.7
EXPENDITURE						
2004-05	(\$ millions)	187.6	190.1	203.2	194.6	775.5
2003-04	(\$ millions)	149.7	157.5	173.0	197.7	677.9
OPERATING PROFIT						
2004-05	(\$ millions)	50.3	56.0	51.0	42.9	200.2
2003-04	(\$ millions)	23.0	57.8	67.9	42.1	190.8
PROFIT BEFORE TAX						
2004-05	(\$ millions)	62.6	40.6	67.0	53.1	223.3
2003-04	(\$ millions)	22.1	66.4	79.2	49.9	217.6
PROFIT ATTRIBUTABLE TO SHAREHOLDERS						
2004-05	(\$ millions)	49.3	31.4	50.7	42.4	173.8
2003-04	(\$ millions)	27.9	50.9	61.6	49.4	189.8
EARNINGS (AFTER TAX) PER SHARE - BASIC						
2004-05	(cents)	4.9	3.1	4.9	4.1	17.0
2003-04	(cents)	2.8	5.1	6.2	4.8	18.9

QUARTERLY OPERATIONAL SUMMARY OF THE GROUP

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
FLIGHTS HANDLED						
2004-05	(thousands)	18.13	18.72	19.48	19.76	76.09
2003-04	(thousands)	13.12	15.17	17.33	17.51	63.13
CARGO & MAIL PROCESSED						
2004-05	(thousand tonnes)	350.68	363.22	372.83	337.96	1,424.69
2003-04	(thousand tonnes)	329.73	346.87	367.94	337.09	1,381.63
PASSENGERS SERVED						
2004-05	(millions)	6.01	6.34	6.78	6.14	25.27
2003-04	(millions)	3.23	5.66	6.33	6.02	21.24
MEALS PRODUCED						
2004-05	(millions)	5.50	5.98	6.27	5.78	23.53
2003-04	(millions)	3.30	5.21	5.67	5.55	19.73

FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

(IN SINGAPORE DOLLARS)

	2004-05	2003-04	2002-03	2001-02	2000-01
PROFIT AND LOSS ACCOUNT (\$ MILLIONS)					
Total revenue	975.7	868.7	958.1	895.3	887.2
Expenditure	(775.5)	(677.9)	(729.9)	(628.6)	(692.6)
Operating profit	200.2	190.8	228.2	266.7	194.6
Other income	51.9	34.8	29.9	20.8	16.3
Profit before tax and exceptional items	252.1	225.6	258.1	287.5	210.9
Exceptional items	(28.8)	(8.0)	-	-	-
Profit before tax	223.3	217.6	258.1	287.5	210.9
Profit after tax	174.1	189.6	214.8	212.8	170.6
Profit attributable to shareholders	173.8	189.8	214.7	212.9	170.6
BALANCE SHEET (\$ MILLIONS)					
Paid up capital	102.8	100.6	100.0	100.0	100.0
Distributable reserves	918.4	1,116.3	985.2	829.5	660.7
Non-distributable reserves					
Share premium	44.3	8.7	-	-	-
Statutory reserve	2.7	2.5	1.6	0.8	0.6
Shareholders' funds	1,068.2	1,228.1	1,086.8	930.3	761.3
Deferred taxation	76.4	81.3	103.8	113.3	102.4
Deferred income	28.1	29.8	31.9	-	-
Minority interests	2.8	2.5	2.8	0.5	-
Fixed assets	735.2	789.1	817.6	857.4	833.6
Loan to third parties	43.0	43.6	46.0	48.0	47.4
Associated companies	331.7	141.0	137.9	130.4	77.3
Long-term investments	7.9	7.9	7.9	7.9	10.6
Goodwill	1.4	1.4	1.6	-	-
Current assets	481.1	575.6	661.1	444.2	360.3
Total assets	1,600.3	1,558.6	1,672.1	1,487.9	1,329.2
Long-term liabilities	247.3	46.6	46.8	249.5	249.6
Current liabilities	177.5	170.3	400.0	194.3	215.9
Total liabilities	424.8	216.9	446.8	443.8	465.5
Net liquid assets	311.3	397.9	268.1	253.5	172.2
CASH FLOW STATEMENT (\$ MILLIONS)					
Cash flow from operations	249.3	217.7	290.2	221.9	237.0
Internally-generated cash flow [Note 1]	272.7	240.5	306.5	239.6	246.6
Capital expenditure	13.1	33.4	21.2	80.7	126.1

FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

(IN SINGAPORE DOLLARS)

	2004-05	2003-04	2002-03	2001-02	2000-01
PROFITABILITY RATIOS (%)					
Return on shareholders' funds	15.1	16.4	21.3	25.2	25.0
Return on total assets	11.0	11.7	13.6	15.1	14.1
Return on turnover	17.8	21.8	22.4	23.8	19.2
PRODUCTIVITY AND EMPLOYEE DATA					
Value added (\$ millions)	671.7	627.1	704.5	654.5	641.5
Value added per employee (\$)	78,824	66,897	75,533	70,926	70,141
Revenue per employee (\$)	114,509	92,668	102,728	97,028	96,989
Staff cost per employee (\$)	44,751	36,391	40,758	32,971	42,193
Average employee strength	8,521	9,374	9,327	9,227	9,147
PER SHARE DATA (CENTS)					
Earnings before tax	21.9	21.6	25.8	28.8	21.1
Earnings after tax					
- Basic	17.0	18.9	21.5	21.3	17.1
- Diluted	16.9	18.9	21.4	21.3	17.1
Cash earnings [Note 2]	23.9	25.1	27.6	27.0	21.1
Net tangible assets	90.0	121.1	107.8	92.2	76.1
Net asset value	103.9	122.1	108.7	93.0	76.1
DIVIDENDS					
Gross dividends (cents per share) [Note 3]	9.0	45.0*	7.0	6.0	6.0
Dividend cover (times)	2.4	0.5	3.9	4.6	3.9

Notes:

- 1 Internally-generated cash flow comprises cash generated from operations, dividends from associated companies, and proceeds from sale of fixed assets.
- 2 Cash earnings is defined as profit after tax and minority interests plus depreciation and amortisation.
- 3 * Include special dividend of 37 cents per share.

FIVE-YEAR OPERATIONAL SUMMARY OF THE GROUP

	2004-05	2003-04	2002-03	2001-02	2000-01
Flights Handled ('000)	76.09	63.13	75.11	75.95	75.56
Cargo & Mail Processed ('000 tonnes)	1,424.69	1,381.63	1,436.51	1,320.05	1,434.01
Passengers Served ('M)	25.27	21.24	24.28	23.68	24.00
Meals Produced ('M)	23.53	19.73	22.19	21.77	22.86

INFORMATION ON SHAREHOLDINGS

AS AT 16 MAY 2005

Authorised share capital : 2,000,000,000 ordinary shares of S\$0.10 each
 Issued and fully paid : 1,028,054,425 ordinary shares of S\$0.10 each
 Voting Rights : One Vote Per Share

ANALYSIS OF SHAREHOLDINGS

Range Of Shareholdings	No. Of Shareholders		Amount Of Shareholdings	
		%		%
1 – 999	165	0.74	70,918	0.01
1,000 – 10,000	21,623	96.57	40,319,527	3.92
10,001 – 1,000,000	596	2.66	23,180,466	2.25
1,000,001 and above	8	0.03	964,483,514	93.82
Total	22,392	100.00	1,028,054,425	100.00

MAJOR SHAREHOLDERS

No.	Name	No. Of Shares Held	%
1	SINGAPORE AIRLINES LIMITED	870,000,000	84.63
2	UNITED OVERSEAS BANK NOMINEES PTE LTD	24,759,600	2.41
3	CITIBANK NOMINEES SINGAPORE PTE LTD	24,112,153	2.34
4	DBS NOMINEES PTE LTD	19,746,261	1.92
5	RAFFLES NOMINEES PTE LTD	16,341,300	1.59
6	HSBC (SINGAPORE) NOMINEES PTE LTD	6,143,700	0.60
7	MERRILL LYNCH (S'PORE) PTE LTD	2,027,000	0.20
8	OCBC NOMINEES SINGAPORE PTE LTD	1,353,500	0.13
9	CAPITAL INTELLIGENCE LIMITED	830,000	0.08
10	REALTY & INVESTMENT HOLDINGS PTE LTD	600,000	0.06
11	UOB KAY HIAN PTE LTD	565,000	0.05
12	OCBC SECURITIES PRIVATE LTD	522,500	0.05
13	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	419,000	0.04
14	PHILLIP SECURITIES PTE LTD	371,600	0.04
15	BNP PARIBAS PEREGRINE SEC PTE LTD	347,000	0.03
16	ROYAL BANK OF CANADA (ASIA) LTD	332,000	0.03
17	LIM THIAM YEW	329,000	0.03
18	DBS VICKERS SECURITIES (S) PTE LTD	300,000	0.03
19	YAP SIEAN SIN	300,000	0.03
20	W. GAN SDN. BHD.	286,000	0.03
		969,685,614	94.32

INFORMATION ON SHAREHOLDINGS

AS AT 16 MAY 2005

SUBSTANTIAL SHAREHOLDERS

As at 16 May 2005, the substantial shareholders of the Company and their direct and deemed interests, as shown in the Company's Register of Substantial Shareholders, were as follows:

Name Of Substantial Shareholder	No. Of Shares In Which The Substantial Shareholder Has A Direct Interest (Representing Percentage Of Total Shareholding**)	No. Of Shares In Which The Substantial Shareholder Has A Deemed Interest (Representing Percentage Of Total Shareholding**)	Total No. Of Shares In Which The Substantial Shareholder Is Interested (Representing Percentage Of Total Shareholding**)
Temasek Holdings (Private) Limited	-	*870,010,000 (approximately **84.63%)	870,010,000 (approximately **84.63%)
Singapore Airlines Limited	870,000,000 (approximately **84.63%)	-	870,000,000 (approximately **84.63%)

* Derived mainly through the direct interest of Singapore Airlines Limited

** The shareholding percentages have been calculated based on a total issued share capital of 1,028,054,425 shares as at 16 May 2005.

SHAREHOLDING HELD BY THE PUBLIC

As at 16 May 2005, the percentage of shareholding of the Company held in the hands of the public (as defined in the SGX-ST Listing Manual) was approximately 15.33%, and accordingly the Company confirms that Rule 723 of the SGX-ST Listing Manual has been complied with.

SATS SHARE PRICE AND TURNOVER

**SHARE PRICE (\$)**

Highest Closing Price
 Lowest Closing Price
 31 March Closing Price

FY2004-05

2.42 (25 Jun 2004)
 1.86 (13 Dec 2004)
 2.10

FY2003-04

2.31 (4 Nov 2003)
 1.44 (24 Apr 2003)
 1.94

MARKET VALUE RATIOS

Price/Earnings
 Price/Book Value[@]
 Price/Cash Earnings[#]

12.35
 2.02
 8.75

10.26
 1.59
 7.76

[@] Book value is defined as net asset value.

[#] Cash earnings is defined as profit after tax and minority interests plus depreciation and amortisation

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SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 32nd Annual General Meeting of the Company will be held at the Mandarin Ballroom, Level 6, South Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867, on Tuesday 19 July 2005 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 2005 and the Auditors' Report thereon.
2. To declare a final dividend of 60% or 6 cents per share less income tax of 20% for the year ended 31 March 2005.
3. To re-elect Dr Ow Chin Hock, 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 Mr Ng Kee Choe, 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 appoint Mr Khaw Kheng Joo as Director pursuant to Article 89 of the Company's Articles of Association.
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 \$532,879.46 (FY2003/04: \$411,600.00) for the year ended 31 March 2005.

SPECIAL BUSINESS**ORDINARY RESOLUTION**

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

"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 ordinary 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 32nd Annual General Meeting of the Company for the declaration of the final dividend to be paid on 3 August 2005, the Transfer Books and Register of Members of the Company will be closed on 26 July 2005 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, M & C Services Private Limited, at 138 Robinson Road, #17-00, The Corporate Office, Singapore 068906, up to 5.00 pm on 25 July 2005 will be registered to determine shareholders' entitlements to the proposed final dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 pm on 25 July 2005 will be entitled to the proposed final dividend.

By order of the Board

YIP WAI PING ANNABELLE

Company Secretary

Dated this 6th day of June 2005
Singapore

SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

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

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

- i. Mr Barry Desker will retire from office at the Annual General Meeting pursuant to Article 83 of the Company's Articles of Association, and will not be standing for re-election. The Board thanks Mr Desker for his contributions and service to the Company during his tenure as a Director.
- ii. In relation to Ordinary Resolution Nos. 3 and 4, Dr Ow Chin Hock and Mr Ng Kee Choe will also be retiring from office at the Annual General Meeting pursuant to Article 83 of the Company's Articles of Association, and will be standing for re-election at the Annual General Meeting. Dr Ow will upon re-election continue to serve as a member of the Audit and Risk Management Committee. Mr Ng will upon re-election continue to serve as Chairman of the Audit and Risk Management Committee and as a member of the Board Executive Committee. The Nominating Committee and the Board consider Dr Ow and Mr Ng as independent Directors. Please refer to the sections on Board of Directors and Corporate Governance in the SATS Annual Report for FY2004-05 for more information relating to Dr Ow and Mr Ng.
- iii. In relation to Ordinary Resolution No. 5, please refer to the section on Proposed Director in the SATS Annual Report for FY2004-05 for more information relating to Mr Khaw Kheng Joo. The Board considers Mr Khaw to be an independent Director.
- iv. Ordinary Resolution No. 7 is to approve the payment of Directors' Fees of \$532,879.46 (FY2003/04: \$411,600.00) for the year ended 31 March 2005, 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 FY2004-05. In it, the basic retainer fee for Directors and the allowances for the Deputy Chairman and for Chairmen and members of the various Board Committees have been increased, in line with market practice and commensurate with their duties and responsibilities, and to address the need for the Company to pay competitive and equitable remuneration in order to attract and retain Directors with the necessary capabilities and desired attributes to serve on the Board and add value to the Company and its shareholders. Prior to this proposed increase, the basic retainer fee for Directors had been kept at \$28,000 since FY2000-01 (and indeed had been reduced for FY2001-02 due to the general economic downturn and the events of 11 September 2001 which occurred in that year).
- v. Ordinary Resolution No. 8 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 SATS Employee Share Option Plan (the "Plan"), provided that the aggregate number of shares to be issued pursuant to the Plan does not exceed 15 per cent of the total issued share capital of the Company from time to time. 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 Meetings of the Company held on 19 July 2003 and 20 July 2004 respectively.

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.

DESIGN AND PRODUCTION
BY Q-PLUS DESIGN

REGISTERED OFFICE

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

COMPANY REGISTRATION NO.

197201770G

CORPORATE WEBSITE

www.sats.com.sg

INVESTOR RELATIONS CONTACT

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