

key figures

FY2008-09

Revenue

\$1,062.1m

+11%

Dividend per share

10¢

-29%

Operating profit

\$170.9m

-2%

Dividend payout ratio

73.5%

-4PPT

PATMI

\$146.8m

-25%

Earnings per share

13.6¢

-25%

Free cashflow

\$155.5m

+11%

Return on equity

10.5%

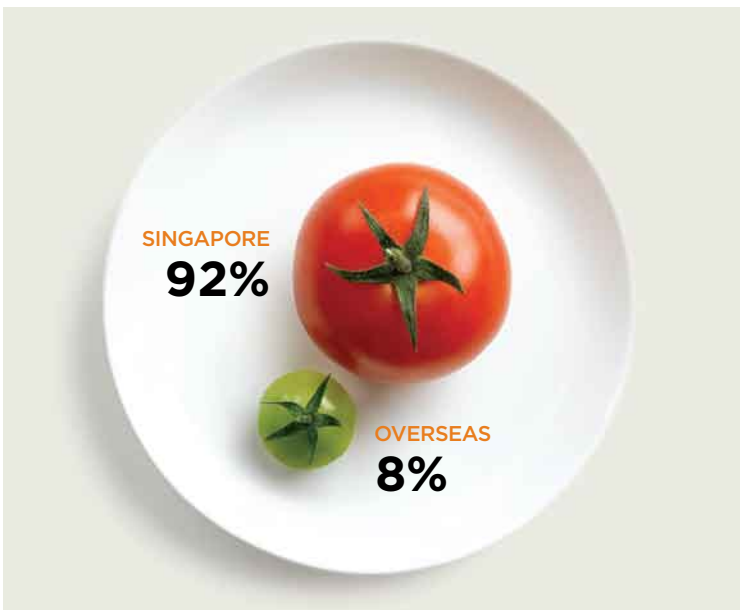
-3.9PPT

Total assets

\$2,050.4m

+11%

expanding our horizons



Our core businesses are Airport Services and Food Solutions. We are driving sustainable growth and profitability by leveraging on our core competencies and exploiting opportunities both locally and overseas. We will also continue to grow our global network to serve our key customers at more locations.



The remaining 1% is attributed to corporate's contribution to group revenue.

food for thought



Our expanding Food Solutions business offers exciting opportunities for synergies and new ventures. The result will be differentiated product offerings that cater to a much broader spectrum of customer segments.



A scent to delight your senses

en-route, on target



Strengthening our Airport Services business remains a key focus. We will continue to sustain our push to innovate and surprise with new products and services that break the paradigm.



the distinctive choice



Embracing customer intimacy is key to driving improvements in our service delivery. We are constantly innovating and bringing ourselves ever closer to our customers, to integrate into their operations and expand our partnership scope.



chairman's statement

Dear Shareholders,

The financial year 2008-09 has been a key milestone in the history of SATS. We embarked on our largest and most important growth initiative to-date with a significant acquisition of Singapore Food Industries (SFI), thus developing the twin pillars of growth in Airport Services and Food Solutions that will take SATS into its new phase of growth.

SATS in a position of strength

The global economic downturn worsened during the financial year, affecting all sectors of the economy, and not sparing the aviation industry. Amidst forecasts of declining passenger numbers and cargo traffic, players in the aviation industry have been bracing themselves to weather these unprecedented difficult times.

During the first half of FY2008-09, the Board and Management undertook a timely and comprehensive review of SATS' business strategies. At the end of that review, we updated our mission and vision statements as well as identified four strategic thrusts for growth. Firstly, we strive to achieve operational excellence by continuously driving improvements in costs, productivity and performance of our core businesses. Secondly, we will improve our orientation towards customers' needs by offering solutions that support the resolution of their challenges, and in return increasing our share of their spending. Thirdly, we want to be innovative to sustain, improve and renew our service offerings. Lastly, we will drive revenue

growth by increasing our presence to serve key customers in more locations as well as via strategic partnerships and acquisitions to incrementally create a global service network.

Several projects were initiated to implement the defined strategy. During the year, the Board approved the buyout of Country Foods' minority shareholders; the launch of low-cost inflight catering and ground handling units at the Changi Budget Terminal; the acquisition of Menzies Aviation (Hong Kong) to create SATS HK, thereby establishing the first SATS wholly-owned subsidiary for ground handling overseas; and the two-step acquisition of publicly-listed SFI.

The SFI purchase was first accomplished through the acquisition of Ambrosia Investment's 69.6% stake, followed by the successful mandatory public offering for the remaining SFI shares in the open market. We received significant majority support from our independent minority shareholders at the Extraordinary General Meeting held on 20 January 2009, for which we thank our Shareholders for your consent and support. The acquisition was finally completed on 17 April 2009 and SFI was subsequently de-listed from the Singapore Exchange Securities Trading.

The SFI acquisition creates immediate scale in our non-aviation food segment and strengthens our ability to weather the current recessionary economic climate. It is accretive to our earnings and cash generation. SATS is now in a position of strength.

A substantially fortified Food Solutions business puts us in a position to compete with large multinational food services providers for major supply contracts in Singapore. Our overseas presence has also been strengthened, opening up cross-selling opportunities to our customers in new geographical locations. Importantly, we have mitigated our exposure to the aviation industry and effectively created a diversified Food Solutions business. While hard work remains to achieve a successful integration and consolidation of our Food Solutions businesses, SATS is now better positioned to serve the needs of its existing and new stakeholders.

A challenging aviation industry

2008 was a year of two halves for the aviation industry: starting with a strong first half which then gave way to a weak second half. With passenger loads sliding, many carriers have taken painful but necessary cost cutting measures such as capacity reduction and re-alignment of their workforce structure.

SATS witnessed signs of slowdown in passenger and cargo traffic growth in June 2008 and when global trade started contracting, these numbers turned negative in September 2008. For FY2008-09, all operating indices – except flights handled – showed contractions compared to the last financial year.

Bucking the trend of declining passenger loads are the low-cost carriers. Many have reported increased

“We embarked on our largest and most important growth initiative to-date with a significant acquisition of Singapore Food Industries (SFI), thus developing the twin pillars of growth in Airport Services and Food Solutions that will take SATS into its new phase of growth.”

passenger traffic and have added more flights and routes. SATS has been refining its service and product offerings for this important segment of the market by setting up low-cost ground handling and inflight catering units. In addition to Cebu Pacific and Jetstar Asia, we recently added Tiger Airways to our client portfolio.

Overview of financial performance

SATS' financial performance for FY2008-09 had been reasonable and within expectations, given the declining economic climate and its impact on the aviation industry. Our operating revenue crossed the billion-dollar mark for the first time to \$1.06 billion. The 10.9% increase was mainly due to a two-month revenue contribution of \$110.2 million from SFI, which became a subsidiary on 20 January 2009.

We saw the full-year impact of additional costs from the change in operations with Terminal 3 opening at Changi Airport (T3) in January 2008. The annual cost increase was \$20 million compared to \$5 million in FY2007-08. During the year, we introduced several cost management measures that helped limit the decline in operating profit to 2% at \$170.9 million. The jobs credit scheme benefit of \$12.3 million, a part of the one-off resilience package from the Singapore Government, also helped mitigate the impact of declining aviation revenue in Singapore.

Our overseas associates likewise have been impacted by the weaker aviation industry. Their pre-tax contribution fell 50.3% to \$22.2 million. Some of them, such as Beijing Aviation Ground Services and Taj SATS Air Catering, have been exposed to higher structural operating costs from their capacity expansion executed during the year.

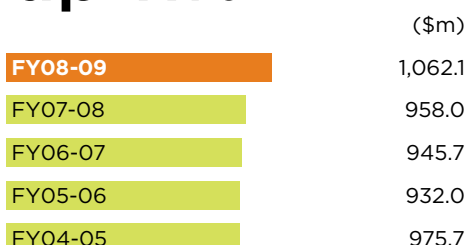
The global financial markets turmoil has caused us to recognise a one-off loss on disposal of short-term non-equity investments of \$10.8 million. Falling interest rates resulted in lower interest income, which fell 56.1% to \$6.9 million. FY2007-08 results also included a \$17.3 million one-off exceptional gain on the sale of SATS Express Courier Centre 2 building. Consequently, our profit before tax declined 26.2% to \$183.5 million while net profit attributable to equity holders was 24.7% lower at \$146.8 million.



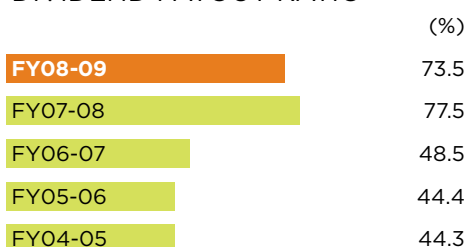
chairman's statement

GROUP REVENUE

\$1,062.1m
up 11%



DIVIDEND PAYOUT RATIO*



*excludes special dividend

Dividends

The Board had in 2008 evaluated and recommended that our dividend policy should be incrementally adjusted to move towards a more efficient capital structure while retaining the flexibility for SATS to access emerging opportunities. Applying similar considerations, the Board has recommended a final dividend of 6 cents per share in view of the company's financial performance in FY2008-09 and its acquisition of SFI. Including the 4 cents per share interim dividend paid earlier on 28 November 2008, the total dividend will be 10 cents per share, which represents a dividend payout ratio of 73.5% of net profit attributable to equity holders.

In comparison, SATS paid a total dividend of 14 cents per share in FY2007-08, which represented a dividend payout ratio of 77.5%. The higher payout was made in view of its capital structure at that point while retaining the financial flexibility for SATS to pursue appropriate investments.

The recommendation for the final dividend will be subject to shareholders' approval at the forthcoming Annual General Meeting on 28 July 2009.

Business review

Airport Services

At home, SATS continues to handle about 80% of the scheduled flights out of Changi Airport. In FY2008-09, we served a total of 30.9 million passengers, and handled close to 88,200 flights and 1.5 million tonnes of cargo. We also secured and renewed several contracts with airline customers including Air India,

Cargolux Airlines, China Southern Airlines, Jet Airways, Lion Air, Philippine Airlines, Tiger Airways and TNT Airways - a testament to our consistent delivery of high quality service with compelling value.

To cater to the growing low-cost carrier segment, we now have an enhanced value proposition that is differentiated to meet the specific requirements of this segment. In March 2009, we announced the launch of low-cost ground handling services under our wholly-owned subsidiary, Asia-Pacific Star. Together with the low-cost inflight catering unit announced six months earlier, we now have in place an end-to-end, integrated service platform for this growing segment of the airline market.

Outside of Singapore, we continue to grow our presence in our target markets of China and India. Our acquisition of a 100% equity stake in ground handler Menzies Aviation (Hong Kong) in October 2008 complements our established cargo handling joint venture, Asia Airfreight Terminal, allowing us to broaden our service offerings to key airline customers in one more location. Moreover, as a major gateway hub to China, Hong Kong presents exciting growth opportunities for SATS.

In India, our 50:50 joint venture with Air India for ground handling received approval from the Government of India. This approval allows us to initiate discussion on the joint venture terms. Upon successful completion, this potential joint venture will substantially increase SATS' presence in India.

Food Solutions

In the area of inflight catering, SATS continues to serve about 80% of



the scheduled flights out of Changi Airport. Our two inflight kitchens produced a total of 25.2 million meals in FY2008-09. We also won a number of new contracts and renewed several existing contracts with airline customers including Asiana Airlines, Best Air, Jet Airways, Northwest Airlines and Philippine Airlines.

With the addition of SFI, our Food Solutions business contributed 50.9% to our total revenue. We are excited about the opportunities that are now open to us. A Board committee - known as the SATS-SFI Integration Board Committee - was set up in February 2009. It has been overseeing the integration of SFI and the creation of our Food Solutions business. Management of SATS and SFI have also formed four taskforces to drive the integration process and to deliver the articulated cost and potential revenue synergies.

In September 2008, our subsidiary, Country Foods announced the launch of an inflight catering facility

dedicated to serving the low-cost carriers as well as other airlines that require alternative meal offerings. Country Foods' joint venture, Country Foods Macau, has performed well since it commenced operations in May 2008. It secured several major entertainment and gaming resort operators as well as Sands' CotaiJet Ferry Services as its customers during the year.

A tradition of great service

Our service-oriented mindset has earned us the recognition as the third most-admired company in Singapore, a view shared by over 2,400 readers of The Wall Street Journal Asia in the results of its annual Asia 200 survey announced in September 2008. SATS was also ranked second for the quality of its services and for corporate reputation, and placed fourth for innovation.

Continuing our tradition of a strong showing at the yearly Excellent Service Awards (EXSA) by SPRING Singapore,

SATS walked away with a haul of 497 star, gold and silver awards, with 69 more staff being recognised for their commitment to service at the awards presentation held on 6 November 2008. Aslinda Hamid, a member of our passenger services division, did us proud by winning the EXSA Superstar Award - the highest national award for service excellence - in the Airport sector category.

In July 2008, customer services officer, Garmit Kaur, emerged as winner in the Airport Services category of the sixth annual Asia Pacific Customer Relationship Excellence Awards held in Hong Kong. It was the first time Singapore EXSA Superstars had participated in the prestigious awards. An international judging panel comprising service and industry experts selected the winners.

At the bi-annual "Food & Hotel Asia" tradeshow held in Singapore in April 2008, SATS Catering clinched top honours, upholding its tradition of a great showing. Against strong

chairman's statement



competition, we walked away with the Best Culinary Establishment Award, one of the top three awards in the Culinary Challenge, beating hotel and other hospitality participants locally and from overseas. In the Gourmet Team Challenge, our talented team – led by team captain, Roberto Usai, executive sous chef from ICC2 hot kitchen – clinched the silver award, bettering last year's performance.

Challenging year ahead but with new opportunities for growth

In the new financial year, we continue to operate in a very challenging environment, particularly for our aviation business. We have limited visibility of where an upturn might lie and any recovery in the near term is contingent upon a turnaround in the major global economies such as the US and China.

In this climate, we remain committed to our philosophy of embracing customer intimacy in our value system by continuing to develop innovative service propositions that add value and are most cost-efficient. Just as importantly, as we grow our businesses in the coming years, attracting, retaining and managing talent will be key to our success. We will stay focused on training and developing our people and creating new opportunities for promising talent to grow with our organisation.

We are also committed to our strategy of growth. The acquisition of SFI places us in a stronger position to access a wider range of opportunities than ever before – access to new geographical markets and new customer segments. We are excited about the opportunities at home, with the upcoming launch of the two integrated resorts. With an enhanced Food Solutions business, we will also look at opportunities to grow and be a key service provider to major hospitality organisations.

Subsequent events

On 11 May 2009, we announced the renewal of our comprehensive ground handling and inflight catering contracts at Changi Airport with

Singapore Airlines (SIA). The new contracts, commencing from 1 October 2009, are firm for three years with an automatic extension for a further two, unless either party indicates otherwise six months prior to the completion of the first three years.

Under the new contracts, the scope of services includes passenger and ramp handling, aircraft interior cleaning, inflight catering and cabin handling. This renewal, well ahead of expiry of the old contracts, reinforces the strong strategic relationship between SATS and SIA. It is also a manifestation of our strong position at Singapore's aviation hub.

On 14 May 2009, SIA announced a proposal for an in specie distribution of its entire shareholding in SATS. The proposed distribution, subject to SIA shareholders' approval at an extraordinary general meeting to be convened on 31 July 2009, will see its shareholders receive up to 730 SATS shares for every 1,000 SIA shares held, at no cost to them.

SIA's rationale for the dividend in specie is to unlock shareholder value by giving its shareholders direct ownership of SATS and concentrate on its airline and aircraft maintenance, repair and overhaul businesses.

If approved by SIA shareholders, the proposal is potentially a positive development for SATS shareholders as it will increase our free float from the current 19.4% to 55.5% and this may improve the trading liquidity of SATS shares.

Regardless of our parentage, SIA remains an important customer and a strong strategic partner. Over the years, we have diligently represented the service promise of the SIA brand and have worked collaboratively to innovate our ground handling and catering offerings and performance standards. With this development, we will reinforce our position as an independent ground handler and inflight caterer. A core strategic thrust of our strategy implementation is embracing customer intimacy. We are committed to drive improvements in our service delivery, represent the brand promise of our customers, and

meet the needs of different airline segments by differentiating our offerings through innovation.

Acknowledgement

On behalf of the Board, I would like to extend my appreciation to our Management, Staff and Union who have worked tirelessly with dedication in these challenging times. My gratitude also goes out to fellow members of the Board for their guidance, support and contribution. In particular, I wish to thank Dr Ow Chin Hock who is retiring as a Board member at the forthcoming SATS Annual General Meeting. Dr Ow joined SATS Board in May 2002 and has contributed immeasurably to the Board with his active participation over the last seven years.

I would also like to acknowledge our President and Chief Executive Officer, Clement Woon, who has served his first full-year with SATS. Clement has initiated changes that will steer SATS into its next chapter of growth. We have full confidence in his stewardship to lead our people to realise their fullest potential.

I would also like to take this opportunity to welcome SFI management and staff to the SATS family. Hand in hand, we will build a stronger company.

Last but not least, a sincere thank you to our Shareholders. We are grateful for your confidence and continued support, and look forward to continued dialogue and engagement as we welcome the next exciting chapter in SATS' growth story.

Thank you.

Edmund Cheng Wai Wing
Chairman

22 May 2009

board of directors

In these challenging times, every company will need the strategic direction and astute foresight from its leaders to guide it through with fortitude and confidence. In this section, our Board of Directors share their insights on how SATS can forge ahead and emerge stronger to ride the upturn when the economy recovers.

1 Mr Edmund Cheng Wai Wing Chairman

“SATS has encountered and overcome numerous challenges in its long operating history. Just as we had demonstrated strength and resilience in the past, I am fully confident that we will successfully navigate the challenges of the current environment.

Despite the economic downturn, we have been capitalising on opportunities to strengthen and grow our businesses, either organically or via acquisitions and joint ventures. The SFI acquisition is one such example – it not only puts us in a position of strength to compete with large multinational food services providers for major supply contracts in Singapore, it also opens up new opportunities for us to cross-sell to our customers in different geographical locations.

To scale greater heights, the Board and management must continue to drive a strong organisation culture for innovation amongst our people. Innovation and creativity are critical in improving our product and service offerings to our customers, thereby creating win-win solutions for our business partners and ourselves. Together with the diversity of expertise and wealth of experience of our Board and management, I remain confident that we will emerge stronger as a group, and progressively become a distinct global company.”

2 Mr David Zalmon Baffsky Director

“SATS is at a defining point in its ambition to become an outstanding global company.

Driving both sector and geographical diversification in the current economic circumstances, whilst at the same time continuing to deliver excellence to our existing customers, requires focus and commitment from everyone within the organisation.

We must ensure that we have the right people to achieve this ambition and we are indeed fortunate to have a dedicated team who is fully aware of this imperative as well as the many other challenges ahead.”

3 Mr Khaw Kheng Joo Director

“Having witnessed the tech bubble in the 90s, I believe the key to weathering the current crisis is to adapt and focus on one’s core strengths. SATS has strengthened its Food Solutions business with the recent acquisition of SFI. In the current environment, SFI provides us with a buffer against the cyclical aviation industry. More importantly, it also provides a more robust vehicle for growth and opens up many opportunities in new market segments.

I believe our ability to continually innovate and improve on our product and service offerings will position us well to ride the upturn when the economy recovers. In the immediate

term, the challenge remains in managing the integration of SATS and SFI businesses to derive maximum synergies and benefits from the acquisition. The collective experience and diversity of expertise amongst the Board members will guide and steer the Group as we grow our presence and operations globally.”

4 Dr Rajiv Behari Lall Director

“Being a listed company, SATS needs to consistently and proactively engage its stakeholders. This is particularly important as we enter our next phase of growth. With our business strategy and growth profile evolving, we need to communicate with our stakeholders frequently and consistently to help them comprehend our aspirations and strategic intention.

As a member of the Board, I hope to leverage on my knowledge of the market and my experience in the private equity and international capital markets to guide and steer SATS towards realising its aspirations in India.”

5 Mr Mak Swee Wah Director

“As we embark on our next chapter of growth, our mission remains to provide quality products and services with the best economic value to our customers. Prospects for a sustained global recovery in the aviation sector in the near term remain uncertain, and therefore we need to remain nimble and adaptable to deal with the challenges ahead. In this respect,



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we are constantly innovating and expanding our product and service offerings.

Looking ahead, we will continue to build long-term shareholder value by focusing on operational excellence, manpower development and sound financial management. The Board will work with Management to fulfill these goals."

6 Mr Ng Kee Choe
Director

"Our strengths and proven resilience have put us in a good position to weather the prevailing economic condition.

The acquisition of SFI enables us to mitigate our exposure to the volatile aviation industry, and provides a complementary engine for growth in the non-aviation segment of our Food Solutions business. Post-acquisition, a major challenge will be to successfully integrate the businesses under SATS and SFI and further develop our food business (in both the aviation and non-aviation sectors) to bring it to greater heights."

7 Dr Ow Chin Hock
Director

"Despite the current financial turmoil, SATS should continue to focus on developing its longer term growth strategy and raising its profitability. Diversification into the non-aviation food business is key to this, and that is why I have supported the acquisition of SFI.

SFI gives SATS another pillar of growth, and it is also more resilient to recession. However, the right people (Board members, management and executives) must be deployed to the right positions at the right time. We will need to recruit externally if we can't find the right people within for the right jobs. By "the right people", I am not only referring to those with the capability and the knowledge, but those who also demonstrate commitment and dare to think "out of the box".

Board members need to be mindful of the interests of shareholders, particularly the minorities. Accountability and transparency should be our guiding principles in this regard. I look forward to seeing SATS become a truly global player and premier provider of services to the aviation industry and food industry."

8 Mr Keith Tay Ah Kee
Director

"The economic downturn, though more severe and geographically more widespread than before, has presented SATS with opportunities, especially with the acquisition of SFI. The prudent and conservative financial policy of SATS has enabled it to accumulate the cash resources that make the SFI acquisition possible. This diversification from the aviation sector will help stabilise our earnings in these turbulent times. This will also stand SATS in good stead in the years ahead.

Management will need to focus on development and/or recruitment of talent to manage the enlarged

group seamlessly and efficiently. A new governance framework with the necessary management controls and processes must quickly evolve to meet this objective.

SATS is fortunate to have a Board comprising senior professionals and top business executives with diverse experience and background to provide the strategic direction and management oversight so critical in this phase of its development. SATS should aim to be a world-class multinational corporation in the Airport Services and Food Solutions industries."

9 Mr Yeo Chee Tong
Director

"The acquisition of SFI allows SATS to diversify beyond the aviation boundary and strengthen its core business in Food Solutions which has high-growth potential in this region. As is the case in all acquisitions, managing the integration process between two companies will be the most pressing and critical issue for SATS.

It is important therefore, for SATS to build up its talent pool rapidly to cope with the challenges of managing the enlarged group. I am proud to note that our Board has been, and continues to be, focused in guiding the management in this aspect. Faced with the current economic climate, the Board needs to ensure continued vigilance over and furtherance of the interests of shareholders. In this regard, we must ensure continued adherence to the highest standards of disclosure and transparency."

board of directors

1 Mr Edmund Cheng Wai Wing, 56

Chairman

Mr Cheng is the Deputy Chairman of Wing Tai Holdings Limited and Executive Director of DNP Holdings Berhad. Apart from his experience as a property developer, Mr Cheng is also actively involved in both the public and private sectors. He is currently Chairman of Mapletree Investments Pte Ltd, and a board member of SNP Corporation Ltd. Mr Cheng is also Chairman of the National Arts Council, where he is keenly involved in efforts at the national level to develop and promote an arts landscape towards a more vibrant economy and society. He also serves as Chairman of the International Advisory Panel of DesignSingapore Council. He is a member on the Board of Trustees of Nanyang Technological University and a member of the International Council for Asia Society.

Mr Cheng previously served as Chairman of the Singapore Tourism Board (1993-2001), The Old Parliament House Limited (2002-2006), The Esplanade Co Ltd (2003-2005) where he is now a member, and as Founding Chairman of DesignSingapore Council (2003-2008). He also sat on the Boards of the Urban Redevelopment Authority (1991-1994), the Construction Industry Development Board (1992-1994) and Singapore Airlines Limited (1996-2004). A past President of the Real Estate Developers' Association of Singapore (REDAS), Mr Cheng remains a member of its Presidential Council.

Mr Cheng was recognised by the Singapore Tourism Board in the Tourism Awards Singapore 2002 as an Outstanding Contributor to Tourism. For his significant contributions to the nation, he was awarded the Public Service Star Award (BBM) in 1999 by the Singapore Government.

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

Past principal directorships in the preceding three years: The Old Parliament House Limited; CIH Limited; SNP Leefung Holdings Limited, DesignSingapore Council.

2 Mr David Zalmon Baffsky, 67

Director

Mr Baffsky is the Honorary Chairman of Accor Asia Pacific which is part of the Paris-based global hotel group, Accor. Prior to this, he was Executive Chairman of the company, a position he held from 1993 to 2008.

Mr Baffsky is concurrently the Chairman of Ariadne Australia Limited since January 2009. He became a director of the company in 2008 before he assumed his current appointment. He is also a director and the founder of Tourism Asset Holdings Limited, the largest hotel owning company in the Pacific.

From 1986 to 1993, he was Chairman of Citistate Corporation Limited, an Australian public listed company in property development. He was also a director of Club Méditerranée (Australia) Pty Ltd from 1985 to August 2000.

Mr Baffsky previously served on the Singapore Tourism Board and other major government and industry bodies in the Asia Pacific region. He continues to be a member of a number of government and industry bodies in diverse areas, including being actively involved in the Art Gallery of New South Wales and in the national security and future strategy for land and water uses of Northern Australia.

Mr Baffsky was a founding Director and now a Life Member of the Australian Tourism Task Force. He was made an Officer in the General Division of the Order of Australia (AO) for his service to tourism and to the community in 2001. In 2003, he was awarded the Centenary Medal for 'Service to Australian Society through Business Indigenous Affairs and the Arts' and was named 'Asia Pacific Hotelier of the Year' by Jones Lang LaSalle.

Mr Baffsky graduated from the University of Sydney's law school in 1966.

Past principal directorships in the preceding three years: Berimelle Pty Limited; GW Hotel Group Pty Limited; KSW Properties Pty Limited.

3 Mr Khaw Kheng Joo, 61

Director

Mr Khaw is the Chief Executive Officer and Director of Mediaring Ltd.

He started his working career with Hewlett Packard Company (HP) and spent a total of 26 years with the company in various technical and managerial positions. His last assignment there was General Manager of the PDA Division. He left HP in 1999 to become the President of Omni Electronics (S) Pte Ltd. Before he assumed his present position in Mediaring Ltd, he was Senior Vice President of Celestica Inc., which acquired Omni Electronics Limited.

Mr Khaw was a former board member of the Economic Development Board. He currently serves on the advisory council of Singapore Polytechnic's Business School.

Mr Khaw holds a Bachelor of Science degree in Electronic and Computer Engineering from Oregon State University, USA, and a Masters degree in Business Administration from Santa Clara University, USA. Prior to that, he graduated with a Diploma in Electronics and Communications from Singapore Polytechnic.

Past principal directorships in the preceding three years: Senoko Power Limited; Amtek Engineering Ltd; Maveric Ltd (formerly known as Total Automation Ltd).

4 Dr Rajiv Behari Lall, 51

Director

Dr Rajiv Behari Lall is the Managing Director and Chief Executive Officer of Infrastructure Development Finance Company (IDFC). He joined IDFC, a company listed on the National Stock Exchange of India and the Bombay Stock Exchange, in January 2005.

Dr Lall is a Director on the boards of the National Stock Exchange of India, National Securities Depositories Ltd., Securities Trading Corporation of India and a number of companies within the IDFC Group.

Before joining IDFC, Dr Lall was a Partner in Warburg Pincus for over eight years, having been elected in 1999. From 1995 to 1997, he was the Executive Director and Head, Asian Economic Research of Morgan Stanley Asia Limited, Hong Kong. Dr Lall was with the World Bank, Washington from 1988 to 1995 and the Manila office of the Asian Development Bank from 1985 to 1987. He was an Assistant Professor in the Economics Department of Florida Atlantic University, USA from 1983 to 1985.

Dr Lall graduated from University College, Oxford University in 1978 with a Bachelor of Arts (Honours) degree in Politics, Philosophy and Economics. He obtained his Ph.D. in Economics from Columbia University, New York in 1984, specialising in Macroeconomics, International Trade and Econometrics. He has a number of publications to his credit.

Past principal directorships and appointments in the preceding three years: Lok Advisory Services Private Limited; Asia Society.

5 Mr Mak Swee Wah, 48

Director

Mr Mak is the Executive Vice President of Operations and Services of Singapore Airlines Limited (SIA). He has been with the company since August 1983. He is also the Chairman and Director of Singapore Flying College Pte Ltd since 1 August 2008.

Mr Mak previously served on the boards of SilkAir (Singapore) Pte Ltd and Singapore Airlines Cargo Pte Ltd. In his 25-year stint with SIA, he has held various managerial capacities covering Market Planning and Projects and Country Management. He also assumed senior executive positions such as General Manager of SilkAir (Singapore) Private Limited, Senior Vice President for South West Pacific, where he was based in Sydney, as well as Senior Vice President for Planning before he was promoted to his current position in January 2008.

An SIA scholar, Mr Mak graduated from the London School of Economics in 1982 with a Bachelor of Science (First Class Honours) degree in Accounting and Finance. He holds a Masters of Science degree in Operational Research from the same university.

Past principal directorships in the preceding three years: LaSalle Foundation Ltd; SilkAir (Singapore) Pte Ltd; Singapore Airlines Cargo Pte Ltd.

6 Mr Ng Kee Choe, 65

Director

Mr Ng is the Chairman of Singapore Power Limited. He is also the Chairman of SP Ausnet*.

His other current directorships include Chairman of NTUC Income Insurance Co-Operative Ltd, Director of Singapore Exchange Limited and President Commissioner of PT Bank Danamon Indonesia Tbk. He is also a member of the Temasek Advisory Panel and the International Advisory Council of China Development Bank as well as Chairman of Tanah Merah Country Club.

Mr Ng was formerly the Vice Chairman of DBS Group Holdings. He retired from his executive position in July 2003, after 33 years of service with DBS.

For his contributions to the public service, Mr Ng was conferred the Public Service Star Award in 2001.

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

* A stapled group comprising SP Australia Networks (Transmission) Ltd, SP Australia Networks (Distribution) Ltd and SP Australia Networks (Finance) Trust, acting through its responsible entity, SP Australia Networks (RE) Ltd. It is dual listed on the Australian Stock Exchange and the Singapore Exchange Securities Trading Limited.

board of directors

7 Dr Ow Chin Hock, 65

Director

Dr Ow is a Visiting Professor (National Grade) of Xiamen University (Department of Finance, Faculty of Economics), China.

He is an Independent Director of People's Food Holdings Ltd and Longcheer Holdings Ltd, both are Chinese companies listed on the Singapore Exchange.

Dr Ow is an economist with working experience in politics, academia and business. He first joined the Department of Economics and Statistics of the National University of Singapore as Lecturer in 1972, and stayed on till 1993 where his last-held position was Associate Professor.

Concurrently, he was elected Member of Parliament (MP) from 1976 to 2001. During his six terms as an MP, he held several key public appointments, including Parliamentary Secretary, Ministry of Culture, and subsequently, Ministry of Education, from 1977 to 1981. He became Executive Chairman of Pan-United Corporation Ltd (PUC), a Singapore listed company, in 1993 and led PUC to invest in China. Dr Ow was invited to rejoin the Singapore Government as its Minister of State, Ministry of Foreign Affairs and first Mayor from 1997 to 2001. He was Ambassador-At-Large from 2002 to 2004.

Dr Ow chaired the Audit Committee of the Board of Trustees of the Institute of Southeast Asian Studies (ISEAS) from 1981 to 1999, and was Vice Chairman of ISEAS Board of Trustees from 1996 to 2002. He was Adjunct Professor of Nanyang Technological University, teaching Masters of Public Administration courses for Chinese officials from 2004 to 2007.

Dr Ow graduated with a Bachelor of Arts (Honours) degree from the University of Singapore in 1966. He was awarded the Fulbright Grant and Ford Fellowship to do graduate studies in the USA in 1966. He obtained his Masters of Arts (Economic Development) and Ph.D. (Economics) degrees from Vanderbilt University in 1968 and 1972 respectively.

8 Mr Keith Tay Ah Kee, 65

Director

Mr Tay is the Chairman of Stirling Coleman Capital Ltd and Aviva Limited.

He was the Chairman and Managing Partner of KPMG Peat Marwick Singapore from 1984 to 1993. He also served as the President of the Institute of Certified Public Accountants of Singapore (ICPAS) from 1982 to 1992.

Mr Tay has been the Vice Chairman of the Singapore Institute of Directors since 1998. A board member of the Singapore International Chamber of Commerce since 1985, he was Chairman of the Chamber from 1995 to 1997. He also holds directorships in various listed companies including Singapore Post Limited, Singapore Reinsurance Corporation Ltd and FJ Benjamin Holdings Ltd.

Mr Tay was conferred the first International Award for Outstanding Contribution to the Profession by the Institute of Chartered Accountants in England & Wales in 1988 and the Public Service Star Award (BBM) in 1990 by the President of the Republic of Singapore. In 1993, ICPAS also conferred upon Mr Tay the Gold Medal for distinguished service to the profession and made him an Honorary Fellow in recognition of his outstanding contributions to the profession and the Singapore community.

Mr Tay qualified as a Chartered Accountant in London in 1968. He is a Fellow of the Institute of Chartered Accountants in England & Wales.

Past principal directorships in the preceding three years: Singapore Power Limited; Pokka Corporation (Singapore) Limited.

9 Mr Yeo Chee Tong, 50

Director

Mr Yeo is the President and Chief Executive Officer of SNP Corporation Pte Ltd (formerly listed on the Singapore Exchange Securities Trading Limited) and has been a member of its board since April 2000.

He was formerly with Singapore Computer Systems Ltd and ST Telemedia Pte Ltd before joining SNP Corporation as its Vice President (Development) and subsequently as its President and Chief Executive Officer in 2000. He is also a director in various other companies within the SNP Group.

Mr Yeo holds a Bachelor of Electrical & Electronic Engineering (Honours) degree as well as Masters in Science (Engineering) and Masters in Business Administration degrees from the National University of Singapore. He had also completed the Harvard Business School's Advanced Management Programme in 1999.

Past principal directorship in the preceding three years: T.K.S. Technologies Public Company Limited.

significant events

2008

22 April 2008

SATS was voted the Best Air Cargo Terminal Operator in Asia for the 11th time in the 22nd Asian Freight and Supply Chain Awards (AFSCA).

25 April 2008

SATS' team of gourmet chefs won the prestigious Best Culinary Establishment Award at the 16th Food and Hotel Asia.

28 April 2008

SATS was awarded the Most Friendly Airport for Cargo 2006/2007 by the Federation of Asia Pacific Air cargo Associations (FAPAA).

6 May 2008

SATS welcomed Rajiv Behari Lall as its independent director.

15 May 2008

SATS announced the appointment of David Zalmon Baffsky as its independent director.

24 July 2008

SATS reported net profit of \$34.5 million in the first quarter of FY2008-09.

24 July 2008

SATS' Deputy Chairman, Chew Choon Seng, retired from the Board. SATS welcomed Mak Swee Wah as its new director.

24 July 2008

SATS announced the buyout of minority shareholders of Country Foods. The transaction was completed on 30 July 2008.

05 September 2008

SATS was ranked third overall among the most admired companies in Singapore in an annual survey conducted by The Wall Street Journal Asia. SATS was also ranked second for the quality of its services and for corporate reputation, and placed fourth for innovation.

15 September 2008

SATS signed a Memorandum of Understanding with Shatec Institutes to explore a collaboration in providing premier events catering services to Singapore's fast growing tourism and hospitality industry.

16 September 2008

SATS announced that its wholly-owned subsidiary, Country Foods, would be setting up a low-cost inflight catering facility to provide meals to low-cost carriers and full-service airlines requiring alternative meal offerings.

21 October 2008

SATS announced its acquisition of a 100% stake in Menzies Aviation (Hong Kong) for approximately \$3.3 million. The latter was renamed SATS HK in November 2008.

03 November 2008

SATS posted interim profit of \$66.9 million for the first half of FY2008-09.

6 November 2008

SATS won a total of 497 awards at the annual national Excellent Service Awards (EXSA) organised by SPRING Singapore to recognise individuals for their outstanding service.

17 November 2008

SATS appointed Lim Chuang as its Senior Vice President (Finance).

02 December 2008

SATS announced its conditional acquisition of a 69.6% stake in Singapore Food Industries (SFI) from Ambrosia Investment, a subsidiary of Temasek Holdings, for an aggregate cash consideration of \$334.5 million.

2009

20 January 2009

SATS received independent shareholders' approval for its acquisition of SFI.

05 February 2009

SATS reported net profit of \$37.6 million for the third quarter of FY2008-09.

09 February 2009

SATS proceeded with the mandatory unconditional cash offer for the remaining shares in SFI that it did not own.

24 February 2009

SATS announced that the Government of India had approved the proposal of the National Aviation Company of India to establish a 50:50 joint venture with SATS for ground handling in India.

09 March 2009

SATS crossed the compulsory acquisition threshold for SFI with a holding of 97.2% shares in the company.

10 March 2009

SATS announced that it would be offering low-cost ground handling services under its subsidiary, Asia-Pacific Star.

03 April 2009

SATS was ranked seventh out of 676 companies in the Business Times Governance and Transparency Index which ranks companies based on their governance standards, financial transparency and investor relations.

17 April 2009

SATS announced that it had completed the compulsory acquisition and delisting of SFI.

11 May 2009

SATS posted full-year profit of \$146.8 million for the financial year ended 31 March 2009.

CEO's statement

Dear Shareholders,

I joined SATS in November 2007 and this is my first report to you after having completed a full financial year with the company. It has been an interesting and challenging time to join SATS. The aviation industry is a cyclical industry and is once again affected by the volatile movement of fuel prices and a weakening global economy. Save for the one-off items, revenue and profits of SATS have been moving sideways for a number of years. The basic strategy to focus on the businesses at Changi Airport and regional expansion through joint ventures was already in full force and maturing quickly. SATS' strategic orientation needed a review and renewal. It was with this backdrop that your Board directed the developments of the company during the year in review.

My team and I conducted a complete review of the prevailing situation and concluded that SATS holds key capabilities which can be extended beyond the airport and that our airport activities will remain key to our future successes. We also concluded that we would have to strengthen our Singapore businesses by looking outside the airport. We have to be more innovative in creating and improving our services, products and processes, and to look beyond the region incrementally towards being a global player to increase our share of customers' spending. These are the highways that we will take to improve the SATS' value proposition to our stakeholders.

The SATS Board, at its annual strategy session, reviewed and approved the new strategic direction for the company, paving the way for strategy implementation. Consequently, seven strategic projects that had the potential to transform the future of the company were defined. Two of these projects were eventually rejected. One was to dramatically increase our share of the global airline catering business. The Board concluded that this project contained too many risks against the backdrop of a turbulent aviation industry that was once again heading south. SATS' current organisation structure and competencies are not yet geared towards managing such global risks.

The second project was to enter the Turkish ground handling market via a joint venture. During the due diligence process, the Turkish ground handling market changed fundamentally with the emergence of new risks. Although the Turkish ground handling market continued to be interesting, the project was deemed unattractive in view of our current purpose and would not meet our criteria for investment. The project was postponed indefinitely.

Four of the remaining five projects were completed before the end of the financial year. The final project, relating to our plans for China, is still pending as we await responses from our intended partners. With the turbulence in the aviation industry, we do not expect any outcome for this project any time soon.

“The projects undertaken in FY2008-09 have strengthened SATS’ ability to tackle the challenges arising from the slowing global economy. The focus to expand beyond the hitherto position has made available new opportunities for continuous improvement and growth to soften the impact of the rapidly declining aviation market seen during the second half of the financial year. Indeed, SATS ended the year in a much stronger strategic position than it had at the beginning.”

During the year, we completed our preparation and entry to serve the low-cost carriers (LCCs). As part of its strategic review, management has segmented the airline industry into its constituents. Our aspiration is to align the SATS service proposition to the needs of the respective airline segments. This will help manage customer expectations, costs and consequently margins. The LCC segment is an emerging segment that promises high passenger growth. We are now established to supply meal solutions and ground handling services for this segment. Although the incremental revenue at the onset is relatively small, we believe that participating in the growing LCC traffic will improve stakeholder value in the long term since the segment is expected to account for most of the traffic growth at Changi over the next few years.

In October 2008, we acquired 100% of Menzies Aviation (Hong Kong), a ground handling company, and renamed it as SATS HK, our first wholly-owned subsidiary outside Singapore. Complementing our cargo handling joint venture, Asia Airfreight Terminal, we now offer more services to our esteemed customers at the Hong Kong International Airport, serving them at one more location with more services to increase our share of their spending. At SATS HK, we are introducing the SATS service promise and focusing on improving our services and delivery to maximise the utilisation of our installed capacity.

SATS completed the acquisition of the remaining shares in Country Foods in its effort to enter meaningfully into the non-aviation food market. Subsequent to this, we sought and received overwhelming approval from our Shareholders to acquire Singapore Food Industries (SFI), a publicly-listed company. The two-step acquisition process involved the initial acquisition of the 69.6% equity in SFI held by Ambrosia Investment, a wholly-owned subsidiary of Temasek Holdings. This was followed by a mandatory public offer for all the remaining shares in SFI. The acquisition was successfully completed in April 2009, resulting in the subsequent delisting of SFI. The integration of SATS and SFI has begun since late February 2009, with a management integration executive committee and a SATS Board integration committee being set up to oversee and guide the integration process towards achieving the projected synergies.



CEO's statement

The projects undertaken in FY2008-09 have strengthened SATS' ability to tackle the challenges arising from the slowing global economy. The focus to expand beyond the hitherto position has made available new opportunities for continuous improvement and growth to soften the impact of the rapidly declining aviation market seen during the second half of the financial year. Indeed, SATS ended the year in a much stronger strategic position than it had at the beginning.

Although the year would probably be best remembered for the high profile projects that were successfully implemented, we should not forget the operational and tactical moves that have been planned and implemented. For instance, we note the successful launch and growth of the A380 service. Just as Singapore Airlines is the first in the world to fly the A380, SATS is the first to handle the A380 and provide inflight catering services onboard. This exposure puts us in good stead as we prepared for the Qantas A380 launch in the earlier part of 2009. Leveraging on our initial experience, we have worked collaboratively with our customers and suppliers to fine-tune and improve the A380 service. We have also worked on ideas to better our service delivery at the passenger terminals and on the tarmac. The benefits of some of these improvement programs will be realised in 2009 and beyond.

To drive efficiency continuously, SATS has implemented Lean Management since 2006. Through the core

concept of waste management and reduction, LEAN promises to lower our cost base.

In July 2008, we implemented a LEAN project in our Singapore cargo operations. Although cargo throughput at this time was showing modest increase, we had more capacity than we needed as the total cargo volumes had declined over the last few years. We took a holistic approach to resolve this by flattening our operational hierarchy and shutting down two of the older cargo terminals. Activities were transferred to the newer terminals 5 and 6. The change in operating procedures required the retraining of our staff to equip them with more multi-tasking abilities. This project helped avoid the recruitment of more than 200 staff and our margins would have improved, had it not been for the sudden economic downturn caused by the US sub-prime crisis which saw cargo volumes dipping 20% in December 2008 and January 2009 compared to the same months in the previous year. If not for the implementation of this LEAN project, managing the current downturn would have been more painful for SATS. We were ahead of the curve on this one.

The changes have also opened up new opportunities for us. We have evaluated and completed the feasibility study to convert Airfreight Terminal 2 into a perishable handling centre (PHC). The PHC will potentially support the growth of perishable cargo into Singapore. This project,

to be completed in FY2009-10, will improve the utilisation of our cargo assets. Besides the PHC project, many LEAN projects were carried out in the inflight catering operations, leading to substantial costs reduction. All these activities contributed to mitigating the impact of the economic downturn during the second half of the year.

The global financial crisis exposed weaknesses in our funds management system. We incurred a one-off loss of \$10.8 million in relation to our short-term non-equity investments. Most of the loss was attributed to our exposure to a Fortis Bank-issued credit-linked note which had a bankruptcy credit event called in October 2008 during the financial crisis. Since then, we have created a Treasury function with competent staff and have strengthened our policies and procedures relating to the management of funds and financing of our operations.

Decentralisation was the theme for change in 2009. Effective strategic business units delivered results for the company. During the year, we empowered the individual business units to be responsible for their marketing and sales efforts. Hitherto, this was managed centrally. Since the business units know their costs best and will be in the best position to manage their own margins, this change will ensure congruence between promise and delivery. In addition, we have also initiated global key account management to increase our share of customers' spending by



working across all business units to offer the same key customers a broader scope of services at more locations.

Our overseas associates' performance was below our expectations during the year. We were penalised for additional capacity brought on earlier in the year. Although each joint venture has its own set of operating environment, we are made aware that we have to better equip our seconded staff at these companies to weather the turbulent times ahead. We have initiated an "in-house" MBA program for our overseas staff and have also worked with our partners to improve budgeting and performance planning as well as corporate governance. We hope that these initiatives will improve performance during the economic recovery phase.

With the acquisition of SFI, SATS has now entered into a new phase. Human capital management will be critical for us to access the emerging opportunities. Management will work

towards attracting the best talent within and from outside the company. We are developing improvement tools and methodologies so that continuous improvement will be more science than art to assure sustainability.

The performance of your company has been reasonable given the recessive economic situation. The inherent cost flexibility has helped us weather the steep declines in business volumes. SATS delivered a PATMI of \$146.8 million. Cash generated during the year amounted to \$155.5 million, a growth of 11%. I wish to thank our employees, whose commitment and dedication have contributed to these results. Our journey of change is not yet completed. FY2009-10 requires the commitment and further support from our people to implement new initiatives that are integral to our development and transformation journey.

I wish to record my appreciation and thanks to our Shareholders who had overwhelmingly supported the SFI

acquisition proposal. This acquisition is necessary to our transformation process to reduce our reliance on the aviation industry. Consequently, your company will be stronger and more resilient to the turbulences from economic cycles.

Last but not least, I wish to thank our Board of Directors for their guidance and support. Their instructive guidance challenged management's thinking and increased our resolve to build a strong, growing company. I am indebted to our Chairman, Mr Edmund Cheng, for his support and insightful leadership.

Clement Woon Hin Yong
President and Chief Executive Officer

22 May 2009

executive management





executive management

1 Clement Woon Hin Yong, 50

Mr Woon is the President and Chief Executive Officer of SATS since November 2007. Prior to this, he was the President of Geosystems Division of Leica Geosystems AG, a multinational corporation based in Switzerland. Mr Woon joined Leica in 1992 and was transferred to Switzerland in 1997. He had held senior positions as President of the Surveying & Engineering and Geosystems divisions of Leica Geosystems. He was instrumental in growing Leica's business and presence in the Asia-Pacific, Europe, Americas and Middle East regions.

Mr Woon sits on the Boards of SATS Airport Services Pte Ltd, SATS Catering Pte Ltd, Singapore Food Industries Limited, Asia Airfreight Terminal Co Ltd and SATS HK Limited. He is also the Vice Chairman of Beijing Aviation Ground Services Co Ltd and Beijing Airport Inflight Kitchen Ltd as well as Vice President Commissioner of PT Jasa Angkasa Semesta TBK.

He holds a Bachelor of Engineering degree and a Masters of Science degree in Industrial Engineering from the National University of Singapore. He also holds a Masters of Business Administration degree from the Nanyang Technological University.

2 Karmjit Singh, 61

Mr Singh is the Chief Operating Officer of SATS. He also heads the West Asia region and is responsible for existing joint ventures and new business ventures in the Indian sub-continent and the Middle East.

Prior to joining SATS in July 1998, he spent 24 years with Singapore Airlines Limited (SIA), serving in various managerial capacities. In SATS, he has held the positions of Chairman and General Manager of SATS Security Services Private Limited, General Manager (SATS Apron) and Chief

Executive Officer of SATS Airport Services Pte Ltd.

Mr Singh is the Chairman of Asia Airfreight Terminal Co Ltd. He is also a Board member of SATS Airport Services Pte Ltd, SATS Catering Pte Ltd and Taj SATS Air Catering Limited. He serves as Chairman of the Chartered Institute of Logistics and Transport, Singapore and is a member of the Singapore Institute of Directors, the Public Transport Council and The Logistics Institute - Asia Pacific. He graduated from the University of Singapore with a Bachelor of Arts (Honours) degree, majoring in Geography.

3 Lim Chuang, 53

Mr Lim is the Senior Vice President, Finance of SATS since November 2008. Prior to this, he was the Chief Financial Officer of NCS Pte Ltd, a wholly-owned subsidiary of Singapore Telecommunications Limited (SingTel). He assumed this position in 2006 and had held other senior positions in SingTel, including as its Finance Director for the Consumer Division and Deputy Chief Financial Officer for SingTel Optus Pty Ltd.

Mr Lim sits on the Boards of Beijing Aviation Ground Services Co Ltd and Tan Son Nhat Cargo Services Ltd. He graduated from the University of Singapore with a Bachelor of Accountancy (First Class Honours) degree and a Masters of Business Administration degree from the National University of Singapore, majoring in International Business and Finance.

4 Chang Seow Kuay, 44

Mr Chang is the Senior Vice President, Special Projects of SATS. He oversees corporate business development projects and is concurrently the Chief Operating Officer of Country Foods Pte Ltd. He is responsible for the growth of SATS' industrial catering business in Singapore.

Prior to this, he was the Vice President, Business Planning & Development. He joined SATS in June 1990 and held other managerial positions in catering production and marketing. He was seconded to Beijing Airport Inflight Kitchen Ltd in 1995 to start up its catering operations. Mr Chang graduated from the National University of Singapore with a Bachelor of Science (Honours) degree, majoring in Biochemistry.

5 Tony Goh Aik Kwang, 56

Mr Goh is the Senior Vice President, Strategy and Marketing of SATS, responsible for key accounts management, branding, service standards and market research/development & planning.

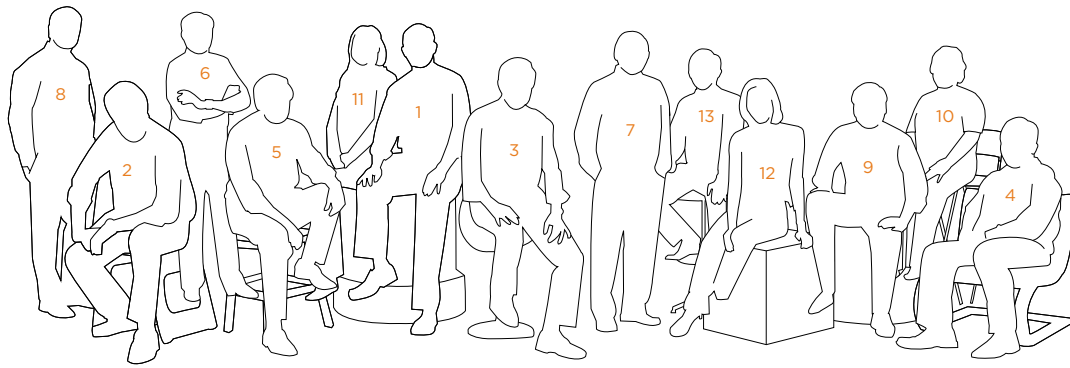
He joined SATS in 1978 and assumed his current position in July 2008. Prior to this, he was the Vice President of SATS Marketing. He also held various executive and managerial positions in SATS, covering contracts management, materials and production planning, catering equipment maintenance, IT systems planning, customer servicing and inflight catering management, and in SIA Ground Services.

Mr Goh graduated from the University of Singapore with a Bachelor of Business Administration (Honours) degree.

6 Leong Kok Hong, 58

Mr Leong is the Senior Vice President, North Asia of SATS, responsible for the development of new businesses and overseas ventures in North Asia. He joined SATS in July 1976 and was appointed to his present position in July 2006. Previously, he worked in various managerial capacities covering Catering, Cargo, IT Systems and Corporate Planning.

Mr Leong sits on the Boards of Asia Airfreight Terminal Co Ltd, Beijing Aviation Ground Services Co Ltd, Evergreen Air Cargo Services



Corporation, Evergreen Airline Services Corporation and SATS HK Limited. He graduated from the University of Singapore with a Bachelor of Science (Honours) degree in Physics.

7 Andrew Lim Cheng Yueh, 55

Mr Lim is the Senior Vice President, Apron & Passenger Services of SATS. He joined SATS in May 1979 and was appointed to his present position in August 2005. Prior to that, he was the Vice President of Human Resource. He previously held managerial positions in SATS Cargo, Security, Passenger Services and Training, and SIA Cargo and was posted to Hong Kong from 1998 to 2000 as Chief Executive Officer of Asia Airfreight Terminal Co Ltd.

Mr Lim is a member of the Boards of Asia Airfreight Terminal Co Ltd and SATS Security Services Private Limited. He graduated from the University of Singapore with a Bachelor of Social Science (Honours) degree, majoring in Sociology.

8 Yacoob Piperdi, 51

Mr Piperdi is the Senior Vice President, Cargo Services of SATS. He joined SATS in April 1981 and assumed his current position in July 2006. Prior to that, he was the Vice President in charge of SATS Inflight Catering Centre 2. He previously held other managerial positions in SATS Apron & Baggage, Passenger Services and Marketing, and SIA Ground Services.

Mr Piperdi is the Chairman of Aerolog Express Pte Ltd and serves on the Board of Maldives Inflight Catering Pte Ltd. He graduated from the National University of Singapore with a Bachelor of Arts (Honours) degree, majoring in English.

9 Tan Chuan Lye, 59

Mr Tan is the Senior Vice President, Catering of SATS. He joined SATS in May 1976 and was appointed to his current

position in February 2000. He previously held managerial positions in SIA Ground Services and SATS Airport Services Pte Ltd, and also managed Changi Airport Terminal 2 for SIA and SATS operations.

Mr Tan is the Chairman of Country Foods Pte. Ltd., and sits on the Boards of Taj SATS Air Catering Limited, Beijing Airport Inflight Kitchen Ltd, Evergreen Sky Catering Corporation, Aviserv Limited and Aero Laundry and Linen Services Private Limited. He graduated from the University of Singapore with a Bachelor of Social Science (Honours) degree, majoring in Economics.

10 Rebecca Tan-Loke Won Moi, 52

Mrs Tan is the Senior Vice President, Human Resource of SATS. She was appointed to this position in July 2008. Prior to joining SATS in August 2005, she was with Yeo Hiap Seng Limited as its Vice President, Regional Group Human Resources.

Mrs Tan has over 30 years of experience in the full spectrum of human resource functions, from design and review of human resource policies and strategies, people development to industrial relations, compensation and benefits. She holds a Bachelor of Business (Business Administration) degree from the Royal Melbourne Institute of Technology.

11 Hee Siew Fong, 38

Ms Hee is SATS' Group Financial Controller. Prior to joining SATS in July 2008, she was with Asia Enterprises Holding Limited as its Group Financial Controller, a position she held since October 2004.

Ms Hee has 16 years of experience in finance and accounting. She is a non-practising member of the Institute of Certified Public Accountants of Singapore (ICPAS). She holds a Bachelor of Accounting (Honours) degree from

the Nanyang Technological University and a Masters of Business Administration degree from the National University of Singapore.

12 Shireena Johan Woon, 42

Ms Woon is the Vice President, Corporate Services and Company Secretary of SATS. She helms the legal department and oversees the legal and corporate secretarial functions of the Group.

Prior to joining SATS in April 2003, she was Head, Group Legal of Media Corporation of Singapore Pte Ltd. She was also a partner in a leading local law firm with over nine years' experience in corporate and commercial law, intellectual property and civil litigation. She graduated from the National University of Singapore with a Bachelor of Law (Honours) degree and is qualified as an advocate and solicitor of the Singapore Bar.

13 Ronald Yeo Yoon Choo, 56

Mr Yeo, Vice President, South East Asia & Australasia of SATS, is responsible for the performance of operating units and development of new investments in this region. He also oversees the low-cost ground handling unit of SATS.

Mr Yeo assumed his current position in July 2008. Since joining SATS in November 1978, he has held other managerial positions in Maintenance, Baggage, Commercial/Marketing, Performance Control, Passenger Services, Business Planning & Development, Cargo, and SIA Ground Services.

Mr Yeo sits on the Boards of Asia-Pacific Star Pte Ltd, PT Jasa Angkasa Semesta TBK, Tan Son Nhat Cargo Services Ltd and Aviserv Limited. He holds a Bachelor of Engineering (Honours) degree from the University of Singapore.

statistical highlights

	2008-09	2007-08	2006-07	2005-06	2004-05
FINANCIAL STATISTICS					
Group (\$ million)					
Total revenue	1,062.1	958.0	945.7	932.0	975.7
Total expenditure	891.2	783.7	792.5	747.9	781.5
Operating profit	170.9	174.3	153.2	184.1	194.2
Profit before tax	183.5	248.7	219.8	246.1	217.3
Profit after tax	148.5	195.2	179.0	189.2	168.1
Profit attributable to equity holders of the Company	146.8	194.9	178.2	188.6	167.8
Equity attributable to equity holders of the Company	1,398.1	1,383.9	1,314.2	1,202.5	1,061.1
Total assets	2,050.4	1,849.5	1,804.2	1,717.9	1,593.2
Total debt	251.5	208.0	202.8	247.5	249.0
Value added	639.3	682.5	675.1	665.1	671.7
Financial Ratios					
Return on equity holders' funds (%)	10.5	14.4	14.2	16.7	14.7
Total debt equity ratio (times)	0.18	0.15	0.15	0.21	0.23
Return on total assets (%)	7.6	10.7	10.2	11.4	10.7
Per Share Data					
Earnings after tax (cents)					
- basic	13.6	18.2	17.0	18.2	16.5
- diluted	13.6	17.9	16.9	18.1	16.3
Net asset value (\$)	1.29	1.29	1.24	1.15	1.03
Interim dividend (cents)	4.0	4.0	4.0	4.0	3.0
Proposed final dividend (cents)	6.0	10.0	6.0	6.0	6.0
Special dividend (cents)	-	-	5.0	-	-
Dividend cover (times)	1.4	1.3	1.4	2.3	2.3
Dividend payout (%)	*73.5	77.5	48.5	44.4	44.3
* Estimate					
OPERATING STATISTICS					
Employee Productivity					
Average number of employees	11,487	7,938	7,461	7,660	8,521
Revenue per employee (\$)	92,461	120,691	126,747	121,675	114,509
Value added per employee (\$)	55,658	85,979	90,477	86,831	78,824
Value added per \$ employment costs	1.66	1.85	1.76	1.91	1.73
Operating Data					
Airfreight throughput (million tonnes)	1.46	1.57	1.55	1.49	1.42
Passengers served (millions)	30.91	31.65	29.27	27.32	25.27
Inflight meals prepared (millions)	25.19	25.72	24.74	24.19	23.53
Flights handled (thousands)	88.16	85.95	84.52	84.11	76.09

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.
- Returns on equity holders' funds is the profit attributable to equity holders of the Company expressed as a percentage of the average equity holders' funds.
- Total debt equity ratio is total debts divided by equity attributable to equity holders of the Company at 31 March.
- Basic earnings per share is computed by dividing the profit attributable to equity holders of the Company by the weighted average number of fully paid shares in issue.
- Diluted earnings per share is computed by dividing the profit attributable to equity holders of the Company by the weighted average number of fully paid shares in issue after adjusting for dilution of shares under the employee share option plan.
- Net asset value per share is computed by dividing equity attributable to equity holders of the Company by the ordinary shares in issue at 31 March.
- Dividend cover is profit attributable to equity holders of the Company divided by total dividend (net of tax).
- Payout ratio is total ordinary dividend (net of tax) divided by profit attributable to equity holders of the Company.

financial calendar

Financial Year Ended 31 March 2009

24 July 2008

Announcement of
1Q FY2008-09 results

25 July 2008

Results conference call for
1Q FY2008-09

13 August 2008

Payment of final dividend

3 November 2008

Announcement of
2Q FY2008-09 results
Results conference call for
2Q FY2008-09

28 November 2008

Payment of interim dividend

5 February 2009

Announcement of
3Q FY2008-09 results
Live webcast for
3Q FY2008-09 results

11 May 2009

Announcement of
4Q FY2008-09 results
Analysts and media briefing for
4Q FY2008-09 results

19 June 2009

Despatch of Summary Report
to shareholders

3 July 2009

Despatch of Annual Report
to shareholders

28 July 2009

Annual General Meeting

4 August 2009

Book closure date

14 August 2009

Proposed payment
of final dividend

Financial Year Ending 31 March 2010

27 July 2009

Proposed announcement of
1Q FY2009-10 results

22 October 2009

Proposed announcement of
2Q FY2009-10 results

January/February 2010

Proposed announcement of
3Q FY2009-10 results

May 2010

Proposed announcement of
4Q FY2009-10 results

investor relations

SATS Investor Relations (IR) continue our focus on engaging investors as well as improving the transparency of disclosure and prompt dissemination of information to keep investors abreast of the Group's strategies, latest developments and performance.

Information is disseminated via these channels: corporate literature, direct meetings, quarterly results announcements and the Annual General Meeting (AGM).

Corporate literature

- Our Annual Report, which is distributed in June/July, aims to provide a comprehensive coverage of our business and financial performance for the year in review.
- Our corporate website at: www.sats.com.sg has a dedicated IR section covering financial results and presentations, annual reports, corporate strategy, share price and other shareholder information.
- Affinity, our monthly newsletter, is distributed to employees, customers and business associates. It is also made available on our corporate website.
- News releases on major events are distributed to both local and international media, and the investment community through the SGXNet portal. They are also posted on our corporate website and www.irasia.com.

Direct meetings

To update the investment community on the Group's strategies, performance and activities, SATS IR, together with President & CEO and Senior Vice President (Finance), maintain regular, direct dialogues with investors and analysts through one-on-one and

group meetings, conference calls, roadshows and facility visits.

During the financial year in review, we had about 60 one-on-one meetings and met with more than 90 investors and analysts during these meetings. In addition, we held the inaugural SATS Capital Markets Day on 18 September 2008 to unveil the Group's updated mission and vision statements and strategic thrusts. We also conducted two briefings for the acquisition of Singapore Food Industries (SFI) and a group visit to SATS Inflight Catering Centre 1 and Country Foods in early January 2009 to give the investment community better clarity on our Food Solutions operations and the dynamics of this business going forward.

For the first time since 2007, we resumed with our non-deal roadshow programme with management flying to New York to meet our key institutional shareholders there.

Announcement of financial results

SATS issues media releases, SGX announcements and presentation slides on the Group's quarterly financial results through the SGXNet. These materials are also posted on our corporate website. Quarterly results conference calls/briefings are organised, with the senior management present to address questions from investors and the media. Audio recordings of the results conference calls/briefings are made easily accessible on our corporate website.

AGM

SATS' AGM is held every July. Shareholders have the opportunity to clarify with or pose questions to the board of directors and key members of management on issues pertaining

to the resolutions proposed to be passed.

During the year in review, we called for an Extraordinary General Meeting (EGM) to seek our independent minority shareholders' approval for the acquisition of SFI. We successfully secured the approval from majority of our shareholders at the EGM held on 20 January 2009.

Investor Relations Calendar

FY2008-09

First Quarter

(1 April – 30 June 2008)

- FY2007-08 results briefing

Second Quarter

(1 July – 30 September 2008)

- Results conference call for 1Q FY2008-09
- AGM
- SATS Capital Markets Day

Third Quarter

(1 October – 31 December 2008)

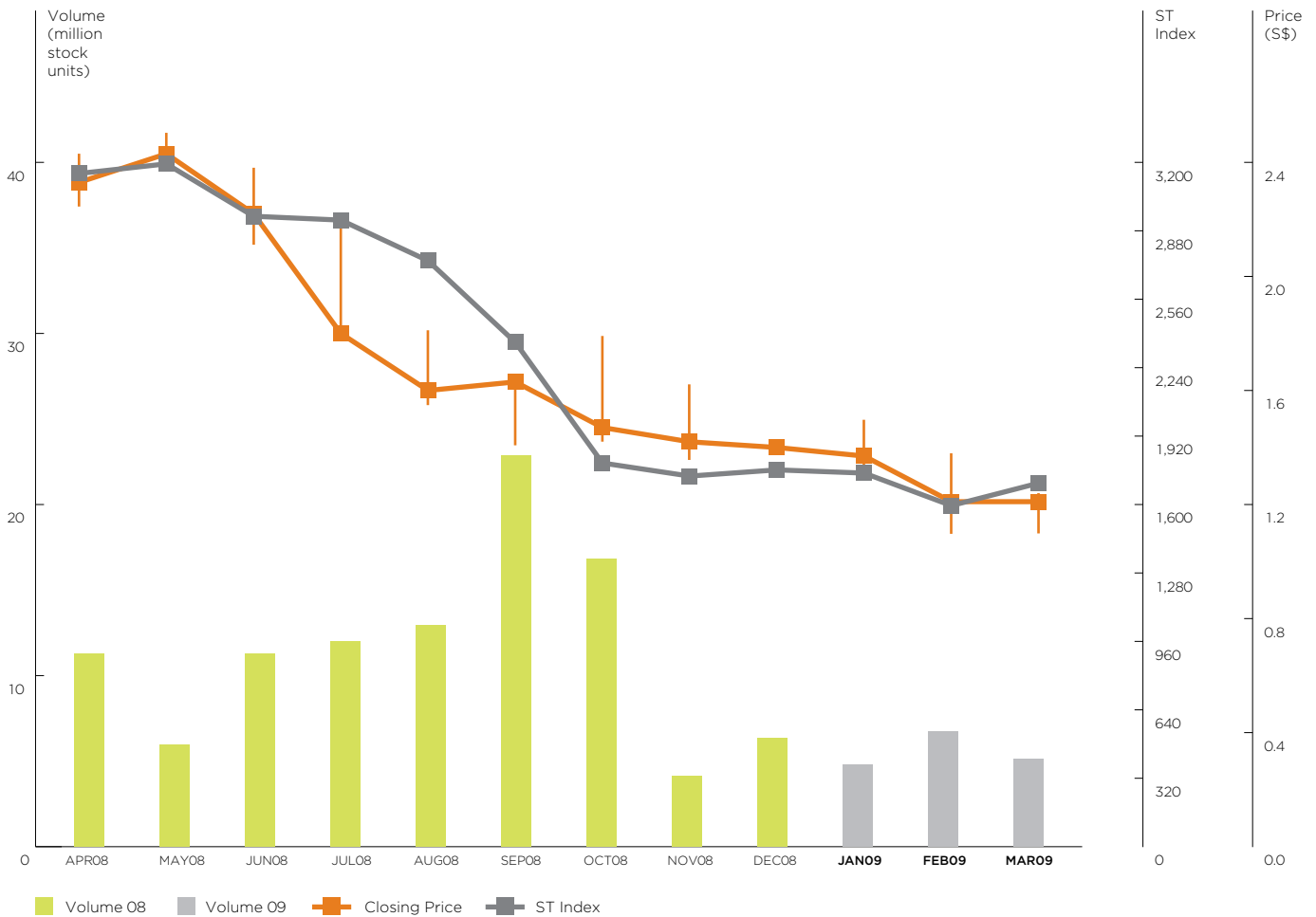
- Results conference call for 2Q FY2008-09
- Analysts and media briefing on SFI acquisition

Fourth Quarter

(1 January – 31 March 2009)

- Analysts and media briefing following the circular despatch on SFI acquisition cum facility visit to SATS Inflight Catering Centre 1 and Country Foods
- Merrill Lynch non-deal roadshow to New York
- EGM for SFI acquisition
- Live webcast for 3Q FY2008-09 results

share price and turnover



Share price (\$) and volume (million stock units)	FY08-09	FY07-08
---	---------	---------

Highest closing price	2.51	(16 May 2008)	3.52	(23 Apr 2007)
Lowest closing price	1.11	(9 Mar 2009)	2.20	(18 Mar 2008)
Average closing price	1.73		2.80	
Closing price for the year	1.21	(31 Mar 2009)	2.30	(31 Mar 2008)
Total volume for the year	120.22		152.11	

Market value ratios	FY08-09	FY07-08
---------------------	---------	---------

Price/Earnings	8.90	12.64
Price/Book value [®]	0.93	1.78
Price/Cash earnings [#]	5.99	9.47

[®] Book value is defined as net asset value

[#] Cash earnings is defined as profit attributable to equity holders of the Company plus depreciation and amortisation

SATS at a glance



SATS Businesses

SATS is the leading provider of **Airport Services** and **Food Solutions** in Singapore.

Our comprehensive scope of Airport Services encompasses airfreight handling, passenger services, ramp handling, baggage handling, aviation security and aircraft interior cleaning, while our Food Solutions business comprises inflight catering, food trading and logistics, industrial catering as well as chilled and frozen food manufacturing, and airline linen and laundry.

Today, we handle about 80% of the scheduled flights and serve close to 70% of the airlines operating at Changi Airport. In FY2008-09, we served a total of 30.9 million passengers, and handled close to 88,200 flights and 1.5 million tonnes of cargo.

We have expanded our geographical reach through the formation of 18 overseas joint ventures. Our network of ground handling and airline catering operations spans 38 airports in 9 countries in the Asia-Pacific region. With our expanding Food Solutions business, we have also extended our reach beyond the Asia-Pacific region to the United Kingdom.

GROUP REVENUE

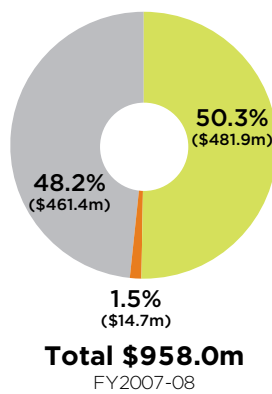
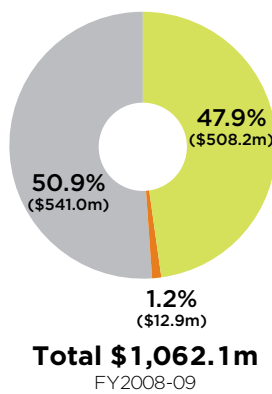
\$1,062.1m
up 11%

(\$m)

FY 08-09	1,062.1
FY 07-08	958.0
FY 06-07	945.7
FY 05-06	932.0
FY 04-05	975.7

Group Revenue

By Business

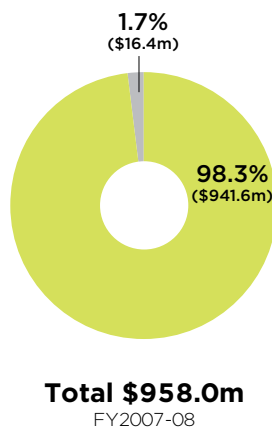
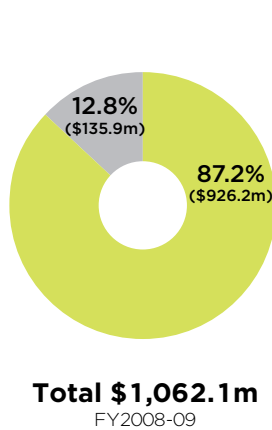


Percentage change	(%)
Airport Services	5.5
Food Solutions	17.3
Corporate	(12.2)
Total	10.9

Notes:

- Airport Services: Revenue from ground and cargo handling, aviation security, aircraft interior cleaning and cargo delivery and management.
- Food Solutions: Revenue from inflight catering, food logistics, industrial catering, chilled and frozen food manufacturing, and airline linen and laundry.
- Corporate: Revenue from the corporate arm.

By Industry

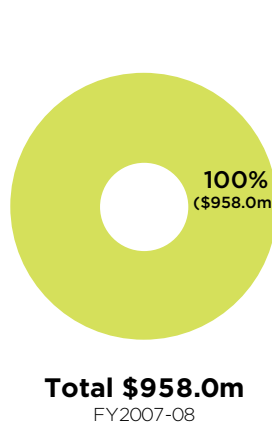
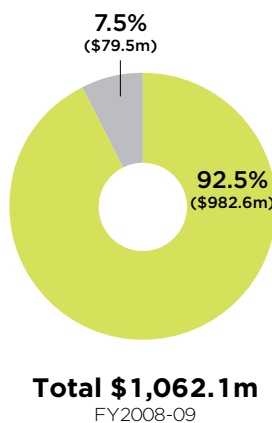


Percentage change	(%)
Aviation	(1.6)
Non-Aviation	nm*
Total	10.9

Notes:

- Aviation: Revenues from aviation-related businesses in Airport Services and Food Solutions.
- Non-Aviation: Revenues from Singapore Food Industries, Country Foods and Country Foods Macau.
- * nm: not meaningful

By Geographical Location



Percentage change	(%)
Singapore	2.6
Overseas	nm*
Total	10.9

Notes:

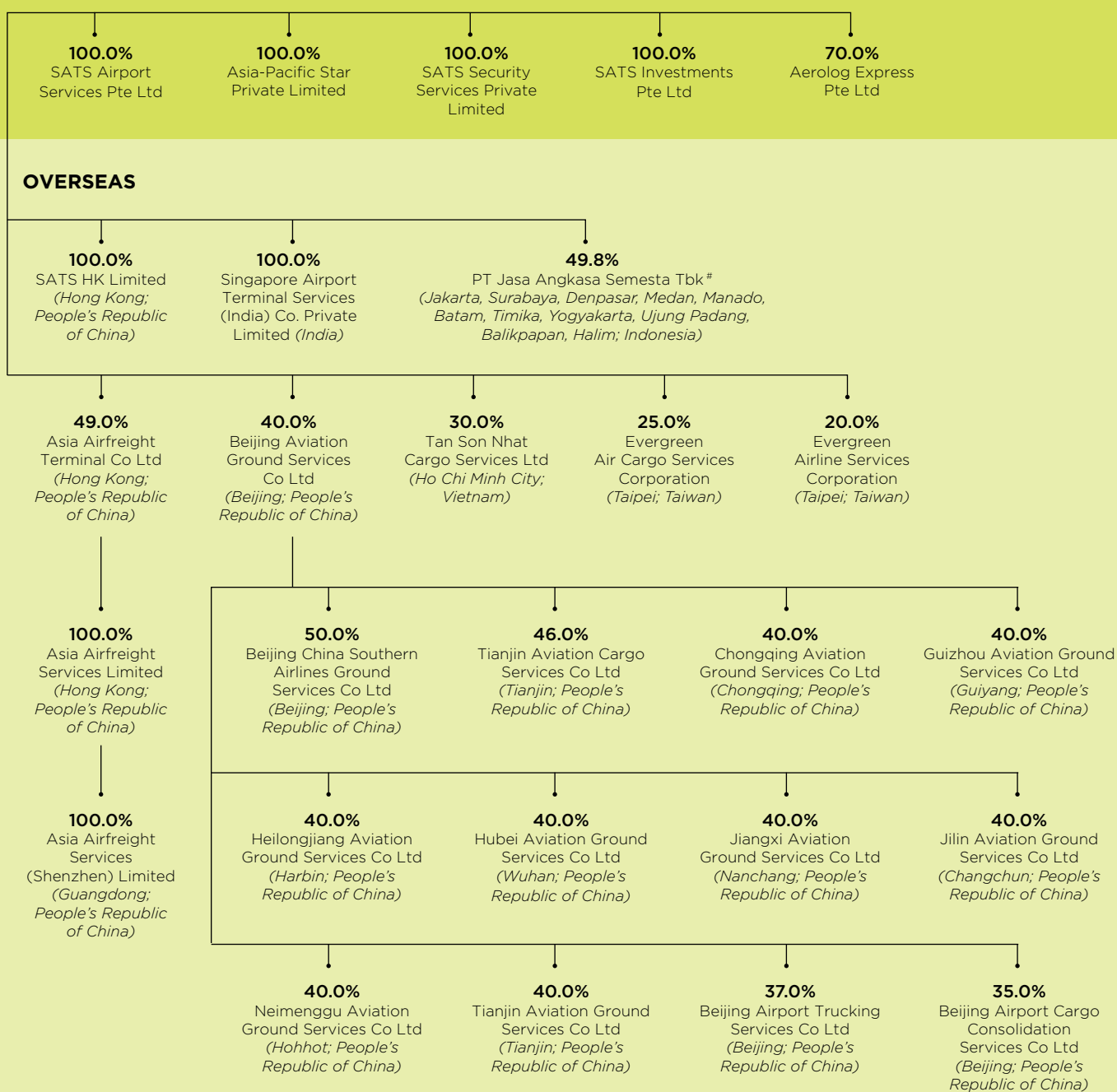
- Singapore: Revenues from Airport Services and Food Solutions businesses within Singapore.
- Overseas: Revenues from Singapore Food Industries UK/Europe, Country Foods Macau and SATS HK.
- * nm: not meaningful

subsidiaries & overseas investments*

as at 13 may 2009

AIRPORT SERVICES

Singapore Airport Terminal Services Limited SINGAPORE



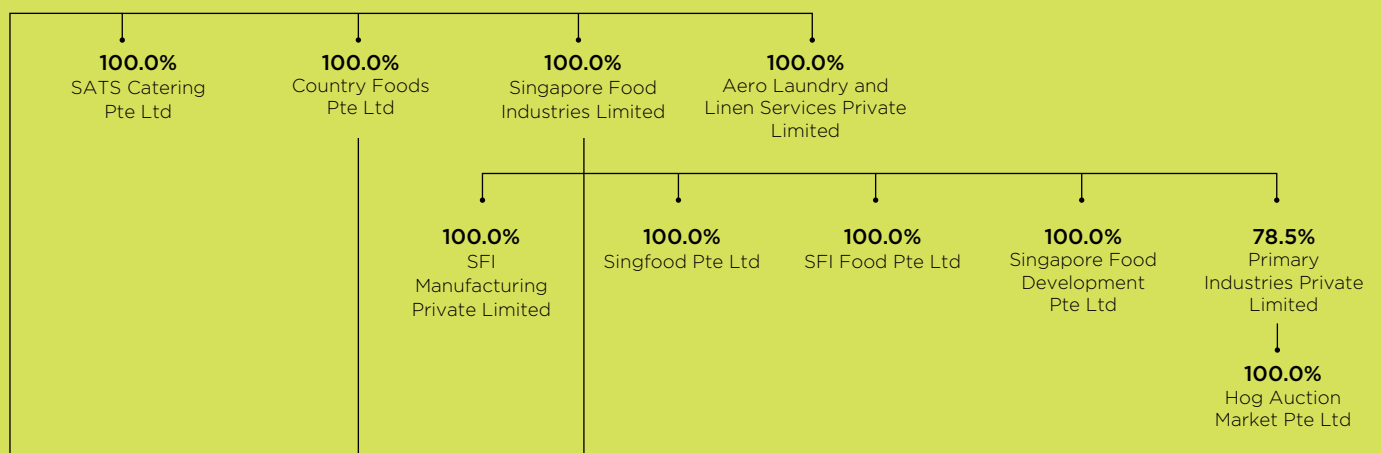
* excluding dormant/inactive companies

[#] listed on the Surabaya Stock Exchange

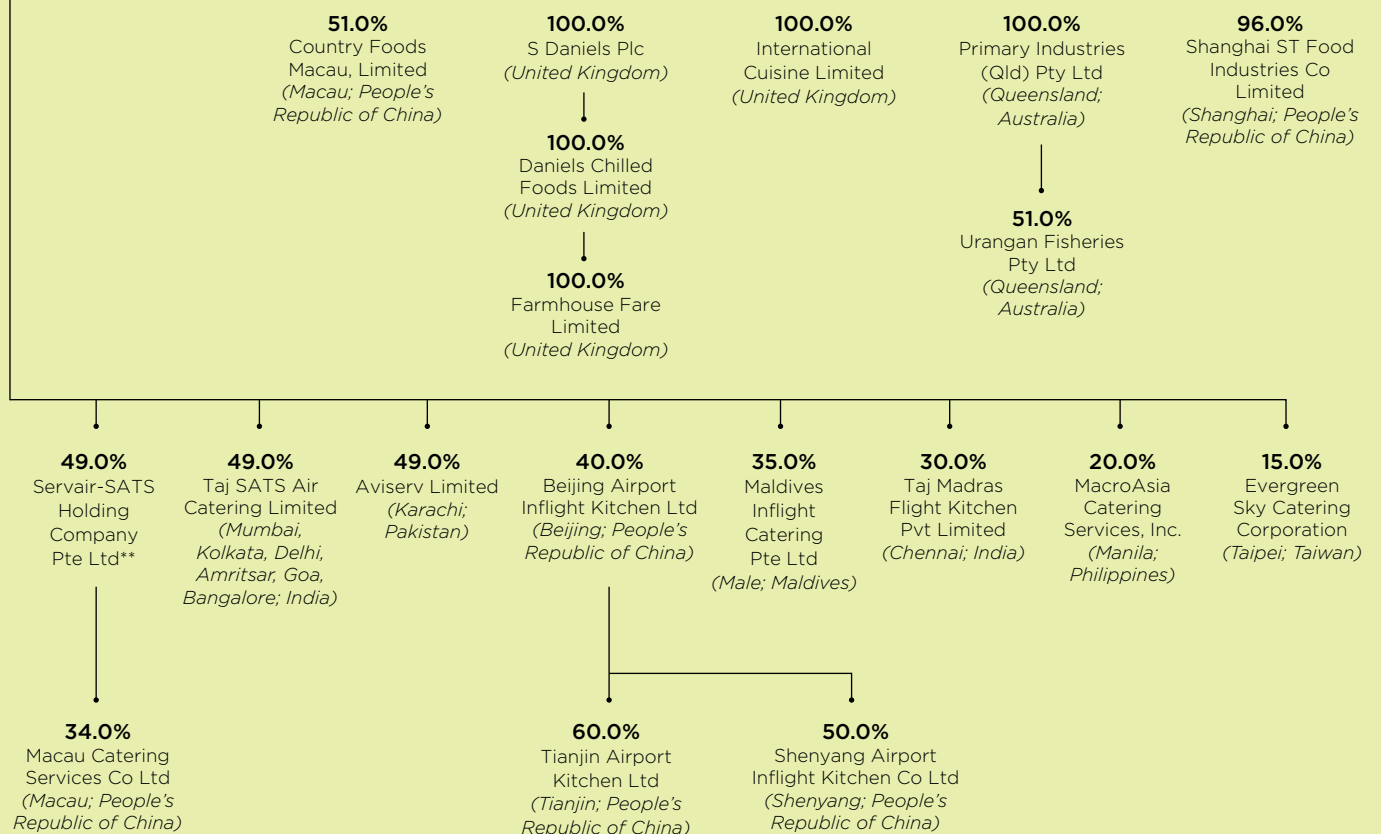
** investment holding company, incorporated in Singapore

FOOD SOLUTIONS

Singapore Airport Terminal Services Limited SINGAPORE



OVERSEAS



corporate information

as at 22 may 2009

Board of Directors

Edmund Cheng Wai Wing

Chairman

David Zalmon Baffsky

Khaw Kheng Joo

Rajiv Behari Lall

Mak Swee Wah

Ng Kee Choe

Ow Chin Hock*

Keith Tay Ah Kee

Yeo Chee Tong

Board Committees

Board Executive Committee

Edmund Cheng Wai Wing

Chairman

Mak Swee Wah

Member

Ng Kee Choe

Member

Audit and Risk Management Committee

Keith Tay Ah Kee

Chairman

David Zalmon Baffsky

Member

Khaw Kheng Joo

Member

Yeo Chee Tong

Member

Nominating Committee

Khaw Kheng Joo

Chairman

Rajiv Behari Lall

Member

Ow Chin Hock*

Member

Keith Tay Ah Kee

Member

Remuneration and Human Resource Committee

Edmund Cheng Wai Wing

Chairman

Mak Swee Wah

Member

Ng Kee Choe

Member

Yeo Chee Tong

Member

Company Secretary

Shireena Johan Woon

Share Registrar

M & C Services Private Limited

138 Robinson Road #17-00

The Corporate Office

Singapore 068906

Auditors

Ernst & Young LLP

Public Accountants and
Certified Public Accountants

One Raffles Quay

North Tower #18-01

Singapore 048583

Audit Partner

Winston Ngan

(appointed since FY 2005-06)

Company Registration No.

197201770G

Registered Office

20 Airport Boulevard
SATS Inflight Catering Centre 1
Singapore 819659

Executive Management

Clement Woon Hin Yong

President & Chief Executive Officer

Karmjit Singh

Chief Operating Officer

West Asia

Lim Chuang

Senior Vice President

(Finance)

Chang Seow Quay

Senior Vice President

(Special Projects)

Tony Goh Aik Kwang

Senior Vice President

(Strategy & Marketing)

Leong Kok Hong

Senior Vice President

(North Asia)

Andrew Lim Cheng Yueh

Senior Vice President

(Apron & Passenger Services)

Yacoob Piperdi

Senior Vice President

(Cargo Services)

Tan Chuan Lye

Senior Vice President

(Catering)

Rebecca Tan-Loke Won Moi

Senior Vice President

(Human Resource)

Hee Siew Fong

Group Financial Controller

Shireena Johan Woon

Vice President

(Corporate Services)

Ronald Yeo Yoon Choo

Vice President

(South East Asia & Australasia)

* Dr Ow Chin Hock will retire from office at the Annual General Meeting to be held on 28 July 2009 and will not be standing for re-election.

operations review

airport services



operations review

airport services

SINGAPORE

In FY2008-09, SATS handled close to 88,200 flights, a 2.6% increase from the previous year. Passengers handled declined 2.3% to 30.9 million while cargo throughput fell 7.1% to 1.5 million tonnes.

New contracts and renewals

In Singapore, SATS serves close to 50 airlines and more than 80% of the scheduled flights out of Changi Airport. We secured new contracts from several customers such as Best Air, Cardig Air, Lion Mentari Airlines and TNT Airways, and renewed

handling services including passenger, ramp and baggage handling, and aircraft interior cleaning with shorter turnaround time, Asia-Pacific Star leverages on a new workflow and staff assignment to achieve an optimal and efficient cost structure.

During the year in review, we launched the luxurious SATS Premier Club at Changi Airport Terminal 3 to cater to premium passengers. Occupying a spacious 508 square metres, the Club is equipped with shower facilities, massage chairs, private rest booths and advanced workstations. Passengers can indulge in a generous



contracts with Air India, Cargolux Airlines, China Southern Airlines, EVA Airways, Jet Airways and Philippine Airlines. We also clinched a new lounge contract with Qatar Airways and renewed our security contract with Etihad Airways.

New offerings and facility upgrades

in line with our aspiration to be the ground handler of choice for low-cost carriers (LCCs) at Changi Airport, we set up a low-cost ground handling unit in March 2009 under our wholly-owned subsidiary, Asia-Pacific Star. This initiative aligns SATS' service proposition to the differentiated needs of the LCCs, offering an alternative platform with a lower cost structure. Providing point-to-point ground

buffer spread while waiting to board their flights. At Changi Airport Terminal 1, our pay-per-use Rainforest Lounge underwent a makeover to provide a more modern and urban appeal. The new tropical setting and soothing sounds of the rainforest provide the perfect backdrop for passengers to relax and rejuvenate, particularly during stopovers.

Work improvement measures

In July 2008, we decided to shut down two of our older Airfreight Terminals to improve the utilisation of our assets and manpower resources. Although cargo throughput at that time was showing modest growth, we had more capacity than was required. Activities were then transferred to the



newer Airfreight Terminals 5 and 6, providing greater efficiency and convenience to our customers, particularly for import operation as it is now concentrated within a single terminal.

As part of our continuous efforts to drive efficiency and lower our cost base, we implemented around 10 Lean Management projects which spanned across our operations in Apron, Baggage, Passenger Services, Cargo and Aircraft Interior Cleaning. Some of the major projects completed include:

- Improving operations at the interline baggage sorting area by providing accurate flight information which resulted in a

reduction of mishandled baggage by 17%; and

- Reducing the waiting time by 50% for passengers with special needs through better deployment of manpower during peak periods and setting up special services counters at the airport terminals to provide assistance to the passengers.

We also continued to explore ways of improving operational efficiencies to enhance our service to airline customers. We upgraded the radio frequency infrastructure at our cargo terminals to further increase the speed of data transfer and allow the use of more applications through user-friendly handheld terminals.

“We would like to commend the SATS Auxiliary Police Force for helping out during the civil unrest at the Bangkok airports in November 2008. They were engaged to facilitate passenger and baggage checks at the U-Tapao Airport. The officers were always there when we needed them and always had a solution for every challenge we faced. Their optimistic and caring attitude also brought immense relief and comfort to our anxious and tired passengers.”

Mr Kevin Koh
Station Manager Bangkok
Singapore Airlines

operations review

airport services



In March 2009, we relaunched our cargo management system, COSYS, which has been upgraded to include enhanced features such as web track functionality, event management facilities and detailed service level agreement tracking.

During the year in review, SATS was admitted as an Industry Associate Member of Cargo 2000, an initiative that aims to improve the process quality and control of the air cargo industry through a common quality platform and a common set of audit standards. We also became E-freight ready and have been working with airlines and freight forwarders on inbound and outbound E-freight processes to simplify cargo documentation processes. Facilitated by IATA, E-freight is an industry-wide initiative involving carriers, freight forwarders, ground handlers, shippers and customs authorities to take the paper out of air cargo.

OVERSEAS

North Asia

Beijing Aviation Ground Services Co Ltd (BGS)

Incorporated in 1994, BGS is a 60:40 ground handling joint venture between Capital Airports Holding Company and SATS. Located at Beijing Capital International Airport (BCIA), it provides a comprehensive suite of ground handling services including passenger, cargo, apron and technical ramp handling. Besides being a premier ground handler at BCIA, BGS has established a strong presence in eight other Chinese airports, through the formation of ground handling joint ventures with the respective airport companies in Tianjin, Nanchang, Wuhan, Chongqing, Guiyang, Changchun, Hohhot and Harbin.

At BCIA, BGS serves several major airlines such as Air France, China Southern Airlines, Federal Express, KLM Royal Dutch Airlines and



Singapore Airlines. BGS has retained its market share in the past 12 months, citing over 50% of foreign carriers as well as local carriers as its customers. During the year in review, it secured several new clients including Aerosvit Airlines, Air Algérie and Air Berlin. Consequently, it now serves about 40 airlines at BCIA.

With the opening of Terminal 3 at BCIA on 26 March 2008, BGS helped its customers transit smoothly from the existing terminals to the new terminal. BGS provides comprehensive ground services at all three terminals at BCIA and also manages the premier lounge services in Terminal 2 and Terminal 3 for domestic and international airline clients, including dedicated lounge services for Cathay Pacific Airways and Dragonair at Terminal 3. A similar lounge project for Emirates is underway at Terminal 3.

Another key event during the year was the arrival of the first A380 in China. BGS handled the inaugural A380 flight by Singapore Airlines,

which touched down at BCIA on 2 August 2008.

With an eye on the potential of inter-city trucking services, BGS entered into a joint venture with Sinotrans Air Transportation Development and Beijing Changya International Freight Forwarding Company to provide trucking services. Named Beijing Airport Trucking Services Co Ltd, the joint venture kicked off its operations in Tianjin and is set to expand its services to Beijing and the surrounding cities.

While it experienced an eventful year and had success retaining its market share, BGS suffered its first financial loss as a result of the global economic downturn as well as higher operating costs arising from the new Terminal 3 operations and Beijing Olympics. During the year, BGS served close to 3.8 million passengers, down 21.4% from last year. Flights handled increased 1.6% to over 74,000 while cargo throughput dipped 5.5% to 441,000 tonnes.

Awards and Accolades

- SATS was named the Best Air Cargo Terminal Operator in Asia in the 22nd Asian Freight & Supply Chain Awards for the 11th time.
- SATS won the Most Friendly Airport for Cargo 2006-07 Award presented by the Federation of Asia Pacific Air cargo Associations.
- SATS garnered 497 awards at the Excellent Service Awards 2008 organised by SPRING Singapore. Of these, 52 were Star awards (including 1 SuperStar award for the Airport sector), 161 were Gold awards and the remaining 284 were Silver awards.
- SATS' customer service officer, Garmit Kaur, emerged the winner in the Airport Services category of the sixth annual Asia Pacific Customer Relationship Excellence Awards held in Hong Kong.
- At the Civil Aviation Authority of Singapore's Annual Airport Reception, SATS clinched 1 Outstanding Team award, 1 Outstanding Service Provider Gold award, 3 Outstanding Service Provider Silver awards and 1 Outstanding Service Provider Bronze award.
- SATS won the top award for Airport Services (Individual) and merit awards for Service Process Redesign (Team) and Airport Services (Team and Individual) at the Singapore Airlines' Transforming Customer Service Awards.

operations review

airport services



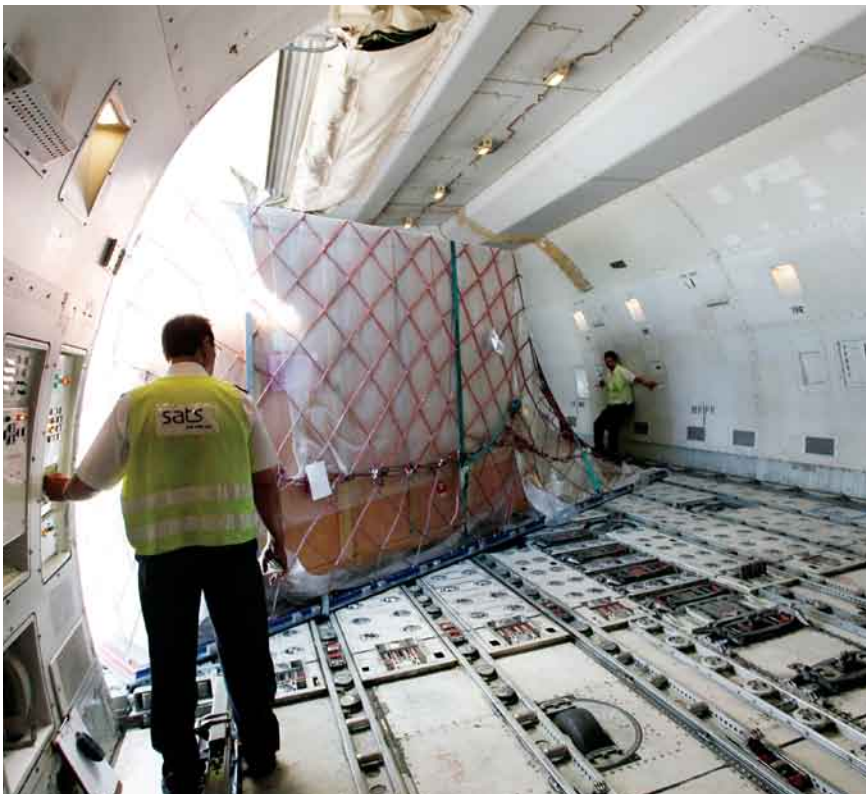
SATS HK Limited

SATS announced the acquisition of a 100% equity stake in Menzies Aviation (Hong Kong) for approximately HK\$18 million on 21 October 2008. The latter was renamed SATS HK following the completion of the acquisition.

One of the four ground handling agents at HKIA, SATS HK provides passenger and ramp handling services, including baggage handling, load control and flight operations. In November 2008, SATS HK underwent a rebranding and restructuring exercise to reflect its change in ownership, improve its organisation structure, enhance its work processes and renew its commitment to customer service.

While its market share currently stands at a modest 4%, SATS HK boasts some of the prominent names on its client list including Air Canada, Cebu Pacific, Federal Express and Northwest Airlines. For the year in review, it added new clients such as Cardig Air, K-Mile Air and Tiger Airways and renewed contracts with Continental Airlines, Transmile Air and Turkish Airlines.

As SATS HK continues to focus on enhancing its core products and services, it plans to progressively introduce value-added services catering to the specific needs of its airline customers. Together with Asia Airfreight Terminal, SATS HK will provide airline customers with a seamless, one-stop solution for all their ground handling needs.



Asia Airfreight Terminal Co Ltd (AAT)

Based at Hong Kong International Airport (HKIA), AAT is an airfreight terminal operator owned by an international consortium comprising five shareholders, with SATS being the largest shareholder holding an equity stake of 49%. AAT operates two air cargo terminals which have a combined annual handling capacity of 1.5 million tonnes.

Today, AAT serves close to 40 airline customers and holds a market share of nearly 30% by the number of airlines operating at HKIA. Amongst its customers are All Nippon Airways, Asiana Airlines, Federal Express, Lufthansa Cargo, Singapore Airlines and Thai Cargo.

For the year in review, AAT reported a cargo throughput of close to 567,000 tonnes, down 15.7% from last year. It secured a series of new contracts with AirAsia, Jade Cargo, K-Mile Air, Kingfisher Airlines, Swiss WorldCargo and Thai AirAsia, while renewing existing agreements with Air India and Lufthansa Cargo.

In July 2008, AAT celebrated its 10th anniversary, marking a decade of strong partnerships with airline

customers, airport authorities and freight forwarders. In its drive for continuous improvements, AAT migrated its system-based applications for client access database to web-based to provide customers with greater convenience and smoother access. In October 2008, AAT launched a real-time truck monitoring service which allows customers to access information on truck and traffic status from its newly revamped website. It also invested in an additional enclosed truck dock for processing valuable cargo.

Evergreen Air Cargo Services Corporation (EGAC)

SATS has a 25% equity stake in EGAC which provides a comprehensive range of cargo handling services at Taiwan Taoyuan International Airport. EGAC runs a fully-automated Airfreight Terminal - one of the only two on-airport cargo facilities in Taiwan - with an annual cargo handling capacity of 700,000 tonnes.

With close to 30% market share at the Taoyuan Airport based on cargo throughput, EGAC has more than 20 airlines on its client roster including All Nippon Airways, EVA Airways, Federal Express, Singapore Airlines Cargo and

“Our charter flight operations for Singapore’s first Formula One night race went off very smoothly, largely due to the excellent planning and coordination by SATS Cargo. We wish to thank them for a job well done and we are looking forward to another successful collaboration this year.”

Mr Jeffrey Leow
Cargo Traffic Manager (Freight & Mail)
Japan Airlines Cargo Singapore

operations review

airport services



Thai Airways. For the year in review, it handled a total of 360,000 tonnes of cargo, down 12% from the previous year. EGAC scored a coup during the year when it was appointed by Singapore Airlines as the first-priority handling warehouse for all general import cargo. It now handles over 90% of Singapore Airlines' import cargo, up from 82% in the previous year.

In its drive to improve operational efficiency, EGAC adopted the 6S* system in March 2009. This Lean Management initiative helps to streamline its work processes, enable better utilisation of resources and improve productivity in various departments.

* 6S is an adaptation of the Toyota 5S approach, which is similar to the Just-In-Time manufacturing method.

Evergreen Airline Services Corporation (EGAS)

Established in October 1990, EGAS is a ground handler based in Taiwan Taoyuan International Airport. Its services include loading and unloading, handling and warehousing of luggage, cargo and mail, as well as aircraft interior cleaning, exterior cleaning and maintenance services for various types of airport equipment and vehicles. SATS holds a 20% equity stake in EGAS, with the Evergreen Group holding the remaining 80%.

During the year in review, EGAS handled close to 21,000 flights, down 27.1% from last year. Although airlines have reduced flights to Taiwan and Asia owing to a lack of demand for air travel, EGAS' market share remains at 32% of all flights at Taoyuan Airport. Amongst its key customers are Dragonair, EVA Airways, All Nippon Airways and Singapore Airlines. It also successfully signed up Air China Cargo as a new client, bringing the total number of airlines that it serves to 10.



West Asia

NACIL-SATS

SATS' collaboration with NACIL (National Aviation Company India Limited – the merged entity of Air India and Indian Airlines) at the greenfield airports in Bangalore and Hyderabad has taken off well. Operations have stabilised and are running smoothly at the Bengaluru International Airport in Bangalore and the Rajiv Gandhi International Airport in Hyderabad, following their inception in March and May 2008 respectively. The NACIL-SATS consortium attracted a good mix of international carriers including Emirates, KLM Royal Dutch Airlines, Kuwait Airways, Singapore Airlines, SriLankan Airlines and Thai Airways as its customers at both metro airports.

In February 2009, SATS' 50:50 joint venture (JV) with NACIL in ground handling received the approval from the Indian government. Following that, both partners are now in discussion

on the JV terms and intend to focus on the remaining four metro airports in Mumbai and Delhi, followed by Chennai and Kolkata as the next stations to be started under this JV umbrella.

Southeast Asia and Australasia

PT Jasa Angkasa Semesta Tbk (PT JAS)

Established in 1986, PT JAS is a ground and cargo handling company based in Indonesia. SATS acquired a 49.8% equity stake in PT JAS in June 2004 to tap on the growth potential of the Indonesian ground and cargo handling market. Since then, PT JAS has extended its network and currently operates in 11 key stations across the archipelago and is steadily gaining market share.

Currently, PT JAS handles about 70% of the low-cost carriers and 54% of the full-service airlines in the airports where it operates. It counts 35 airlines including Cathay Pacific Airways,

Awards and Accolades

- AAT won the Best Electronic Product Code/Radio Frequency Identification (EPC/RFID) Implementation Gold Award and the Most Innovative Use of EPC/RFID Bronze Award for its Truck Control System.
- AAT was awarded the Lufthansa Cargo Quality Award for 2004-2008 for its support and commitment in maintaining high quality standards.
- AAT garnered the Best Station Performance Award conferred by Singapore Airlines Cargo.
- BGS was conferred the Beijing Olympics and Paralympics Excellence Award by the Chinese government.
- BGS received the Beijing Olympics and Paralympics Outstanding Services Award from the Olympics Organising Committee.
- EGAC was named first runner-up at the 2009 International Forklift and Pallet Building Competition organised by the Hong Kong Air Cargo Terminals.
- EGAS won the 2008 Excellent Performance Award at the annual Airline Cargo Container Security Examination.
- Korean Air accorded EGAS the Airport Performance Award in recognition of its excellent customer service.
- PT JAS received the Platinum Award from Qatar Airways in recognition of its Jakarta station's excellent on-time performance.
- PT JAS Surabaya station was conferred the Most Improved Station Award by Cathay Pacific Airways.

operations review

airport services



“The SATS Passenger Services and Ground Handling teams showed great dedication and professionalism in handling Lufthansa’s inaugural flight from Singapore to Munich on 9 June 2008. Working together as a cohesive team, they provided impeccable service and ensured that everything went on without a hitch.”

Ms Martina Keck
Singapore Station Manager
Lufthansa Airlines

Emirates, Jetstar Australia, Mandala Airlines, Qatar Airways and Singapore Airlines as its customers.

During the year in review, PT JAS served close to 13.9 million passengers, up 60.8% from the previous year. Flights handled rose 51.6% to about 47,000 while cargo handled increased 22.5% to about 235,000 tonnes. Much of these gains were attributed to the increased flight frequency, the increased number of destinations served by its airline customers, and the entry of new airlines onto the market. It renewed as well as secured new contracts with airlines such as AirAsia, Cathay Pacific Airways, Etihad Airways, Saudi Arabian Airlines, SilkAir, and Singapore Airlines.

As part of its ongoing work improvement efforts, PT JAS invested in new ground support equipment to achieve greater efficiency and lower maintenance costs. In addition, investments were made in staff training, with over 30,000 training hours devoted to the line training unit to further improve skill competencies.

PT JAS also expanded and refurbished its Premier Lounge at Jakarta, and

opened a second wing for its Premier Lounge in Denpasar in December 2008 to cater to the rising passenger traffic to Bali.

Tan Son Nhat Cargo Services Ltd (TCS)

TCS is the sole cargo handler at Tan Son Nhat International Airport, Vietnam’s largest airport in Ho Chi Minh City. It is a joint venture between Vietnam Airlines, Southern Airport Services Company and SATS, which holds a 30% equity stake. Since it commenced operations in 1997, TCS has been actively working to establish Tan Son Nhat International Airport as Vietnam’s international air cargo hub with its innovative cargo handling systems and modern facilities.

Today, TCS’ portfolio of clients numbers more than 35 airlines including Asiana Airlines, Cathay Pacific Airways, China Airlines, EVA Airways, Korean Air and Vietnam Airlines. For the year in review, TCS reported a 4% increase in cargo throughput to 184,100 tonnes and added AirAsia, Cebu Pacific and Thai AirAsia to its client base when they commenced weekly flights at the airport in April 2008.

operations review

food solutions



operations review

food solutions

“SATS Catering team has always lived up to its service promise of being ‘one with you’. With their support, we know we can always rely on them to deliver quality inflight meals and to come up with creative solutions for any challenges that we might meet.”

Mr Rolando Delfin
Singapore Station Manager
Cathay Pacific Airways



SINGAPORE

Aviation Food

SATS produced a total of 25.2 million meals in FY2008-09. Higher meal volumes were recorded in the first half of the year in review but the slowdown in passenger traffic in the second half saw overall meal volumes dip slightly by 2.1%.

New contracts and renewals

During the year, we secured new customers and renewed contracts with existing airline customers such as Asiana Airlines, Jet Airways, Northwest Airlines and Philippine Airlines. We now serve more than 40 airlines and handle 80% of the scheduled flights out of Changi Airport.

Driving innovation

In our bid to provide differentiated

product and service offerings between low-cost carriers (LCCs) and full-service carriers, we have, through our subsidiary, Country Foods, set up a low-cost catering facility at SATS Inflight Catering Centre 2 (SICC 2) in February 2009. Leveraging on Country Food's industrial cost structure and technology in chilled and frozen meal production, we now have a sustainable catering model that positions SATS to serve the LCC segment more effectively. With this segment set to grow further from increased passenger travel, we are ready to tap the growth in Singapore and the region.

Process improvements and facility upgrades

To drive continuous work improvements, we proactively examine ways to increase productivity and streamline processes. During the year in review, we successfully completed 12 Lean Management projects that resulted in reductions in food wastage, better utilisation of resources and improved efficiency. The total cost savings arising from the implementation of these projects amounted to \$2 million per annum.

One of the key projects was to enhance cost efficiency by producing the right quantity of meals to meet our airline customers' objectives of minimising over- or under-catering as well as ensuring that all passengers get the right meals. Three Lean project teams were appointed to address this challenge. As the practice had been to prepare food based on historical passenger load numbers, one of the project teams was tasked to improve



the information flow and accuracy of the daily production requirements. The second team, working closely with the first, looked at how processes could be re-organised and streamlined at the casserole assembly area to reduce food wastage arising from excess buffer meals. The third team focused on improving food yield from the butchery section to minimise raw material wastages. The implementation of this project resulted in improved efficiency in the production area and an annual cost savings of over \$800,000.

Another Lean project which focused on optimising the utilisation of machines at our kitchen warewash area saw a significant annual reduction in utilities to the tune of 56,000 litres of cleaning chemicals, 15,000 litres of water and 130,000 kWh of electricity.

During the year, we made these upgrades to our facilities:

- A brand new dim sum kitchen at SICC 1 swung into operations in November 2008. This self-contained facility is equipped with an advanced exhaust duct system that comes with fire suppression functionality and UV light for effective oil and grease entrapment.
- Two new outbound docks, one new holding chiller and a new meat thawing room were also added at SICC 1.
- A Cart Transport Management System was introduced in January 2009 to manage the hanger routing of airline carts at SICC 2. It results in easier monitoring of in- and outbound meal cart movements.



- An eco-washer, employing ultrasonic technology, was commissioned at SICC 1 warewash area in November 2008. First of its kind in an inflight kitchen, the washing machine yields quicker and more effective cleansing compared to the traditional conveyor system and is also more environmentally friendly as it uses less washing detergent, water and electricity.

Non-Aviation Food

To support our growth in the non-aviation food business, we bought out the minority shareholders in Country Foods, which was then a 66.7%-owned subsidiary of SATS. The acquisition was completed in late July 2008. Country Foods, a leading manufacturer of chilled and frozen food in Singapore, boasts a clientele of international fast-food restaurants and café chains, convenience stores

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and major healthcare institutions such as Pizza Hut, Kentucky Fried Chicken, Starbucks, 7-Eleven and National University Hospital.

In September 2008, we announced the signing of a Memorandum of Understanding with Shatec Institutes to explore a joint venture collaboration in providing premier events catering services. This collaboration will tap on the complementary strengths of SATS and Shatec Institutes and positions us well to seize opportunities in Singapore's fast growing hospitality and tourism lifestyle industry, which is generating much buzz with the integrated resorts, mega sporting events and the major MICE players coming to Singapore.

On 2 December 2008, we embarked on our largest and most important growth initiative to-date with the

proposed acquisition of publicly-listed Singapore Food Industries (SFI), one of Singapore's largest integrated food service companies. We entered into a conditional Sale and Purchase Agreement with Ambrosia Investment, a subsidiary of Temasek Holdings, to acquire its 69.6% equity stake in SFI for \$334.5 million. We received significant majority support from our independent minority shareholders at the Extraordinary General Meeting held on 20 January 2009. Subsequently, we launched a mandatory general offer for the remaining shares of SFI, achieving 97.2% acceptances of our offer in February 2009, and completing the acquisition on 17 April 2009.

SFI, now a wholly-owned subsidiary of SATS, has a wide spectrum of label food businesses, including food material supplies and distribution



as well as food manufacturing, processing and catering in both Singapore and the UK, which are highly complementary to SATS. The combined annual turnover of SATS' Food Solutions business, encompassing aviation food, SFI and Country Foods, will exceed \$1 billion, giving us a major platform to drive growth in the food segment and reduce our dependency on the aviation sector.

For the year in review, SATS consolidated two months' of SFI results, starting from February 2009.

OVERSEAS

North Asia

Beijing Airport Flight Kitchen Ltd (BAIK)

Founded in 1993, BAIK is a 60:40 joint venture between Capital Airport Holdings Company (CAH) and SATS.

BAIK provides 50 domestic and international airlines with inflight meals and has the capacity to produce 18,000 meals per day. In terms of market share, it serves 40% of the international carriers including British Airways, Singapore Airlines

and Turkish Airlines, and half of the domestic carriers operating out of Beijing Capital International Airport.

For the year in review, it clinched new contracts with international carriers such as Air Algérie, Air New Zealand, Etihad Airways and EVA Airways, and produced close to 4.4 million meals, down 11.3% compared to a year ago. On 26 December 2008, BAIK completed the construction of its new kitchen which covers 40,000 square metres. The purpose-built kitchen has a production capacity of 30,000 meals a day and produces a variety of meals including special and Halal meals. BAIK is the first and only inflight kitchen in China to be awarded the Halal certificate from the Chinese Minorities and Religious Office.

Country Foods Macau Ltd (CF Macau)

CF Macau was incorporated in December 2007 as an expansion of our footprint in Macau, with the aim of strengthening our food business there. Our wholly-owned subsidiary, Country Foods has a 51% equity interest in CF Macau.

CF Macau manufactures and supplies processed food materials such as fruits and vegetables, ready-to-eat meals

Awards and Accolades

- At the 16th Food and Hotel Asia, SATS won the Best Culinary Establishment Award, a Silver medal for the Gourmet Team Challenge and two Golds, three Silvers and a Bronze in the individual categories.
- At the Hot Chef Team Challenge 2008, SATS walked away with the prestigious Overall Award and the Singapore-based Team Award.
- SATS was named first runner-up in the 2008 Mabuhay Best Caterer Award by Philippine Airlines in October 2008.

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and snacks to the Macau market. During the year in review, it secured several major entertainment and gaming resort operators as well as Sands' CotaiJet Ferry Services as its customers.

Macau, one of the world's most vibrant entertainment destinations, is a promising industrial catering market. It is poised to grow stronger with the upcoming stream of entertainment developments that will see more visitor arrivals over the next few years.

Macau Catering Services Co Ltd (MCS)

MCS was incorporated in Macau in 1995 as a joint venture between Servair-SATS Holding and local Macau companies Sociedade de Turismo e Diversoes de Macau, Wu's Group and H. Nolasco & Cia Lda. Servair-SATS holds a 34% stake in MCS, and it, in turn, is a 49:51 joint venture between SATS and Servair Group, a catering subsidiary of Air France.

MCS has a production facility located at the west end of the passenger terminal of Macau International Airport. It produces an average of 4,100 meals per day and serves 15 airline customers including Air Macau, EVA Airways, Shanghai Airlines, TransAsia Airways and Viva Macau. For the year in review, MCS produced close to 1.5 million meals, down 18.2% from a year ago.

Evergreen Sky Catering Corporation (EGSC)

SATS acquired a 15% equity stake in EGSC in October 1995, its first major investment in Taiwan. EGSC commands a market share of around 40% at Taiwan Taoyuan International Airport, serving a total of 13 clients. Prominent names in EGSC's roster include All Nippon Airways, Asiana Airlines, EVA Airways, Singapore Airlines, Thai Airways and China Eastern Airlines, which signed up as a new customer during the year in review.



EGSC produced about 5.8 million meals, up 7% from a year ago and obtained the certificate of Halal compliance from Malaysia Airlines in October 2008. Lean Management continued to be a focus for EGSC during the year. It conducted a review of its Lean Management initiatives in early 2008 together with SATS. With the input from SATS, EGSC sharpened its understanding of Lean Management concepts and learnt how process improvements and wastage reductions could be achieved to lower operating costs.

West Asia

Taj SATS Air Catering Limited (TSAC)

TSAC is a 49:51 joint venture between SATS and Indian Hotels, which operates the Taj Group of hotels in India. With a growing presence in major cities of Mumbai, Delhi, Kolkata and Amritsar, TSAC is the leading inflight caterer serving domestic and international airlines.

TSAC serves a total of 45 airline customers, including Air India/Indian Airlines, Cathay Pacific Airways, Emirates, Jet Airways and Singapore Airlines, and boasts a 40% market share by meal volumes. In FY2008-09, TSAC produced about 16.4 million meals, down 9.6% from the previous year, and secured new contracts with airlines such as British Airways, Dragonair, MDLR Airlines, Pamir Airways, Paramount Airways and Singapore Airlines.

This year saw the launch of the new Lufthansa Star Alliance Lounge at Mumbai International Airport in February 2009. TSAC now manages the 150-seater lounge which caters to first and business class passengers. The menu for the lounge was specially designed by its in-house chefs to cater to the palates of premium passengers.

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Taj Madras Flight Kitchen Pvt Limited (TMFK)

TMFK is 30% owned by SATS and 70% owned by Indian Hotels and Malaysia Airlines. The leading inflight caterer in Chennai, India, it currently serves more than 10 airlines.

During the year in review, TMFK produced close to 3.6 million meals, down 10.8% from a year ago. Its portfolio of airline clients include prominent names such as Emirates, Indian Airlines, Jet Airways and Malaysia Airlines, which renewed its contract with TMFK in October 2008.

With its attention to strict food hygiene, TMFK successfully renewed its Halal certification in April 2008. This certification was awarded after stringent audits on key aspects of meal preparation, handling, storage, transportation, cleaning and disinfection.

Maldives Inflight Catering Pte Ltd (MIC)

Located at the Malé International Airport (MIA), MIC is an inflight caterer owned by Maldives Airports Company Limited and SATS which holds a 35% equity stake in the joint venture. MIC has a daily production capacity of 4,000 meals and currently has more than 30% market share by the number of airlines that it serves at MIA. Amongst its customers are Air Berlin, Condor Airlines, Monarch Airlines, Qatar Airways, Singapore Airlines and Transaero.

For the year in review, MIC produced about 500,000 meals, up 8.8% from the previous year. It signed on TUIfly Nordic as a new client and renewed its catering contract with Aeroflot.

MIC-owned Hulhule Island Hotel (HIH) had a good start for the year following its expansion and rebranding exercise, clinching several crew accommodation contracts from airlines including Condor Airlines, Eurofly, Qatar Airways, Thomson Airways, Transaero and XL Airways.

To take advantage of the different spending patterns of various guests, HIH implemented a flexible pricing policy for food and beverage, including a "value-for-money" Thai and Italian menu options for airline crews which form a major part of its clientele.



Southeast Asia and Australasia

MacroAsia Catering Services Inc (MACS)

MACS is an 80:20 joint venture formed by MacroAsia Corporation and SATS. Established in 1996, MACS is the first fully functional inflight catering facility located within the premises of Ninoy Aquino International Airport (NAIA) in Manila, Philippines. MACS also holds the distinction of being the only ISO 9001-2000 certified, HALAL-compliant and HACCP-certified caterer in Manila.

Serving more than half of the foreign airlines flying into Manila, MACS captures 59% of the market by meal volumes. It counts many international carriers such as

Emirates, Japan Airlines, Korean Air, Northwest Airlines, Qantas Airways and Singapore Airlines amongst its customers.

For the year in review, MACS produced close to 2.5 million meals, a decline of 5.2% over the previous year. It welcomed Dragonair as its new customer which commenced its Manila and Hong Kong service in December 2008.

Awards and Accolades

- BAIK received the prominent Contribution Award for Olympic Food Safety for the Beijing Olympics and Paralympics by the Olympics Organising Committee.
- BAIK was conferred the Excellent Beijing Olympics and Paralympics Aviation Transportation Group Award by the Civil Aviation Administration of China.
- BAIK received the Advanced Olympics Supporting Group of 2008 Award for the Beijing Olympics and Beijing Paralympics from the Beijing Airports Holding Company.
- MACS received the Excellent Supplier Award from Qantas Airways.
- Korean Air ranked MACS first amongst 14 other catering stations in the region, as well as second amongst 51 overseas catering stations.
- MACS received the Best Caterer - Gold Award and the Most Improved Caterer Award by Cathay Pacific Airways.
- TMFK won the Gold and Bronze medals for Individual Artistic Display at the Indian Federation Culinary Association Awards.
- TSAC was named the Preferred National Inflight Caterer Award by MDLR Airlines.
- TSAC received the Service Excellence Award during the British Airways Award for Excellence 2007-08.
- TSAC won the Preferred Catering Supplier Award and Spirit of Service and Safety Recognition Award by Qantas Airways.
- HIH won the Best Culinary Establishment Award along with 19 awards in various categories at the 2008 Hotel Asia Culinary Challenge Competition.
- HIH emerged the winner of the Luxury Airport Hotel category at the World Luxury Hotel Awards 2008 held in Cape Town in October 2008.

corporate social responsibility



At SATS, we understand that our actions in our daily operations have an impact on the environment. With diminishing natural resources, the urgency to conserve and protect our environment grows. So too do our efforts to make a positive difference. From saving energy to planting trees, throughout the SATS family, we make it a point to “think green” in the things that we do. We are proud to list some of the initiatives that we have put in place during the year.

Saving energy

- **Improving processes.** SATS Apron & Passenger Services embarked on a zonal deployment of the Joint Container Pallet Loaders (JCPL). This has resulted in reduced travelling, with less fuel usage as well as wear and tear on equipment parts. An average of 20,000 litres of diesel is saved every month, translating to about \$120,000 in fuel savings per annum.
- **Cutting excess usage, using more efficient lamps.** SATS Cargo consolidated its coldroom operations to reduce electricity consumption. It also replaced the sodium highbay lightings with metal halide lamps at all Airfreight

Terminals, which reduces energy consumption but has the effect of a more well-lit warehouse. These two initiatives resulted in total savings of \$120,000 per year.

- **Using nano reflectors.** A nano reflector reflects more light than a conventional metal reflector, leading to more efficient use of energy. Both SATS Catering and Maldives Inflight Catering have installed nano reflectors at their kitchen facilities resulting in total annual savings of close to \$90,000.
- **Using “smart” technology.** A Smart Air Controller system was installed to the air compressor system at SATS Catering to match demand and supply of air pressure more accurately. The resulting reduction in electricity usage has reaped an estimated savings of \$30,000 per year.
- **Switching to energy saving bulbs.** Compared to conventional light bulbs, the switch to energy saving bulbs in all its rooms has achieved approximately \$25,000 in yearly savings for the Hulhule Island Hotel, Maldives.
- **Upgrading existing systems.** When SATS Cargo upgraded its coldroom refrigeration system at Airfreight Terminal 5, it not only increased operational efficiency but also reduced energy consumption by 10% and achieved \$20,000 in savings per year.

Recycling

- **Recycling plastic.** Plastic sheets have been recycled within SATS Apron & Passenger Services, resulting in savings of \$400,000 per annum.

- **Switching to bins.** At Country Foods, the switch to bins which lasts longer than carton boxes for temporary storage resulted in savings of \$89,000 yearly.
- **Switching to something NeW.** NeWater instead of fresh water was used in the cooling towers of both the air-conditioning and refrigeration systems at SATS Inflight Catering Centre 2. The lack of minerals and impurities in NeWater meant that no additional chemical treatment to the water was required, translating to a savings of about \$40,000 per year.
- **Finding new uses for old trailers.** Scrapped container trailers were re-conditioned and given a new lease of life as transporting containers holding aircraft spares. SATS Apron & Passenger Services recouped \$12,000 from the sale of 20 such units.
- **Sorting the trash.** Both Country Foods and Evergreen Sky Catering Corporation have implemented company-wide directives to encourage the separation of trash into food waste and non-food waste and into recyclables and non-recyclables respectively.

Greening the environment

- **Growing our own fruit and vegetables.** A new herb garden has not only enabled MacroAsia Catering to complement its source of fruits and vegetables, it has also achieved savings of \$3,500 per year.
- **Tree-planting.** In November 2008, Taj Sats Air Catering and Taj Madras Flight Kitchen planted trees at their facilities to commemorate World Environment Day.

financial review FY2008-09

Earnings

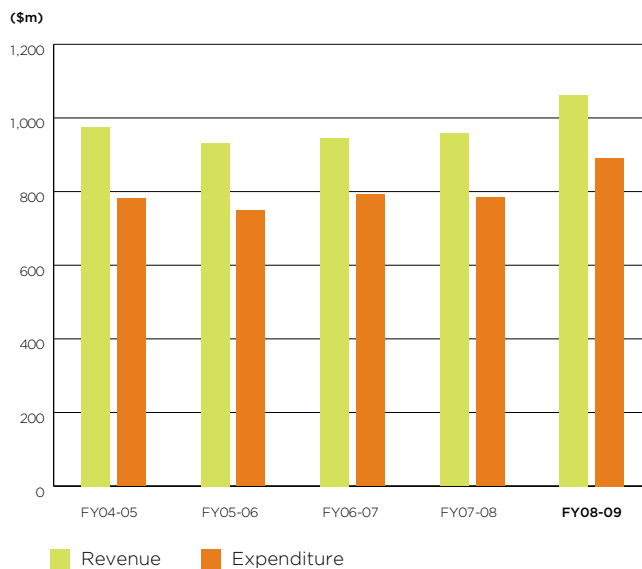
SATS Group's total revenue increased by \$104.1 million (+10.9%) to \$1.06 billion with the consolidation of results from its three new subsidiaries – Singapore Food Industries (“SFI”), Country Foods Macau and SATS Hong Kong. Similarly, operating expenditure increased \$107.5 million (+13.7%). As a result, operating profit decreased marginally by \$3.5 million (-2%) to \$170.9 million.

Profit contribution from associated companies decreased \$22.5 million (-50.3%) to \$22.2 million. Associated companies contributed 12.1% of the Group's profit before exceptional item, a reduction of 7.2 percentage point over the preceding financial year.

Other non-operating income contracted due to a one-off loss on disposal of short-term non-equity investments of \$10.8 million and lower interest income, which fell 56.3% to \$6.9 million. FY2007-08 results were impacted by a \$17.3 million one-off exceptional gain on the sale of SATS Express Courier Centre 2.

Consequently, profit before tax for the Group declined 26.2% to \$183.5 million while net profit attributable to equity holders was 24.7% lower at \$146.8 million.

Group revenue and expenditure



Group operating profit, profit before tax and profit attributable to equity holders of the Company



financial review FY2008-09

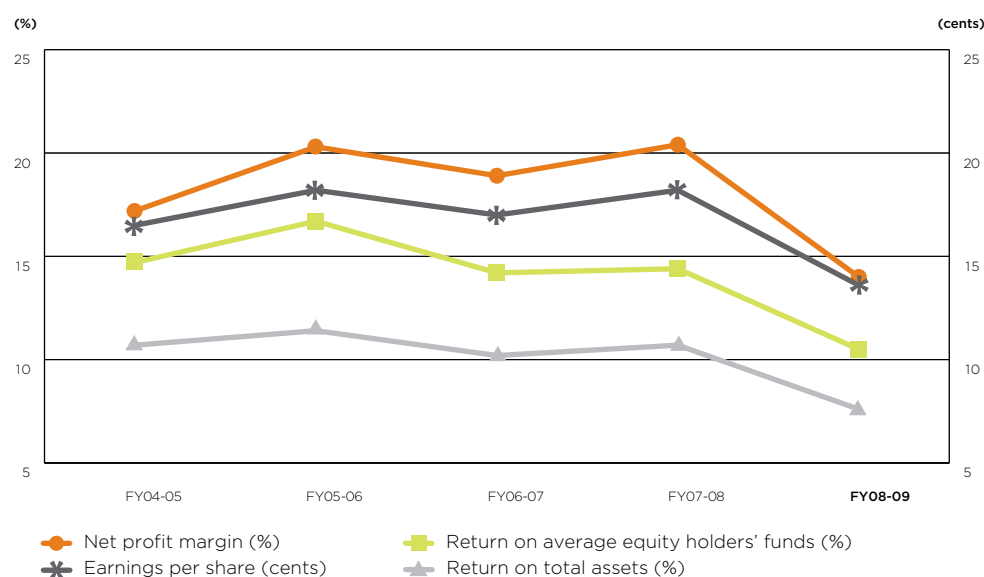
Earnings (continued)

Basic earnings per share decreased 4.6 cents (-25.3%) to 13.6 cents.

Profitability ratios of the Group are as follows:

	2008-09	2007-08	Change
	%	%	% points
Return on turnover	14.0	20.4	-6.4
Return on average equity holders' funds	10.5	14.4	-3.9
Return on total assets	7.6	10.7	-3.1

Group profitability ratios



Revenue

Revenue for FY2008-09 was \$1.06 billion, \$104.1 million (+10.9%) higher than the preceding financial year mainly due to a two-month revenue contribution from SFI, which became a subsidiary on 20 January 2009. SATS Group also started consolidating results of Country Foods Macau and SATS Hong Kong as they became subsidiaries in the third quarter of FY2008-09.

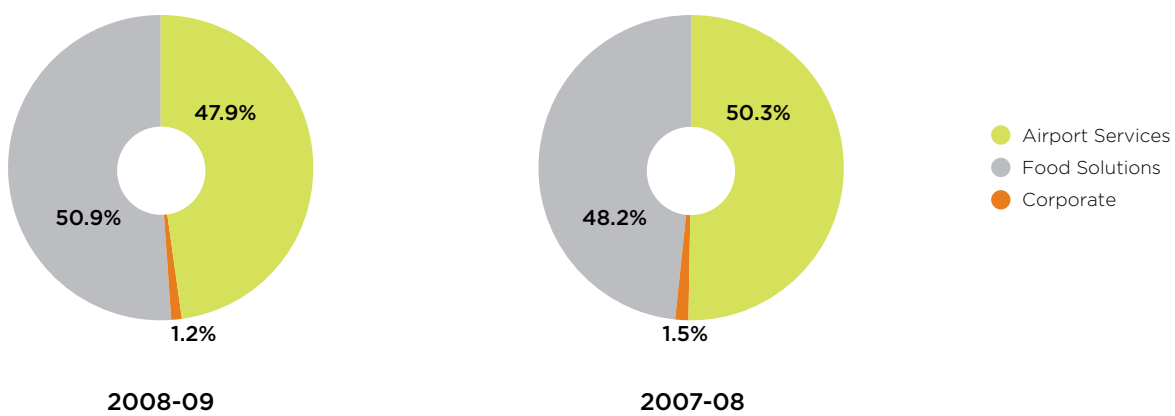
The segmental revenue and its composition are summarised below:

	2008-09		2007-08		% change
	\$ million	%	\$ million	%	
Airport Services	508.2	47.9	481.9	50.3	+5.5
Food Solutions	541.0	50.9	461.4	48.2	+17.3
Corporate	12.9	1.2	14.7	1.5	-12.2
Total	1,062.1	100.0	958.0	100.0	+10.9

The segmental revenue excludes the intra-group revenue.

Revenue (continued)

Group revenue composition



Airport Services segment provides mainly airport terminal services, such as airfreight and ground handling services, aviation security and aircraft interior cleaning services to the Group’s airline customers. Ground handling includes apron, passenger and baggage handling services. Airfreight and ground handling services formed the majority of this segment’s revenue at 90%, similar to prior year’s trend. Despite decreases in airfreight throughput and passengers served, revenue saw an increase due to the transfer of aircraft interior cleaning services from Food Solutions segment to Airport Services segment from July 2008 and the contribution from SATS Hong Kong. Increase in aviation security revenue was due to new clients and more cargo screening services.

Food Solutions segment provides mainly inflight catering, food processing and distribution services as well as airline laundry services. 93.4% of the Food Solutions revenue in FY2007-08 was derived from inflight catering. With Country Foods Macau and SFI, the proportion between inflight catering and non-aviation food services was 72.3% and 27.7% in FY2008-09 as compared to 93.4% and 6.6% in FY2007-08 respectively.

Corporate segment provides rental of premises and the decrease in revenue was mainly due to lower rental income from the closure of two Airfreight Terminals.

Expenditure

Operating expenditure increased 107.5 million (+13.7%) primarily due to the consolidation of SFI, Country Foods Macau and SATS Hong Kong. FY2008-09 also saw the full-year impact of additional costs from the dual terminal operations with Terminal 3 opening at Changi Airport. The annual cost increase was \$20 million compared to \$5 million in FY2007-08. T3 operations started in 4Q FY2007-08.

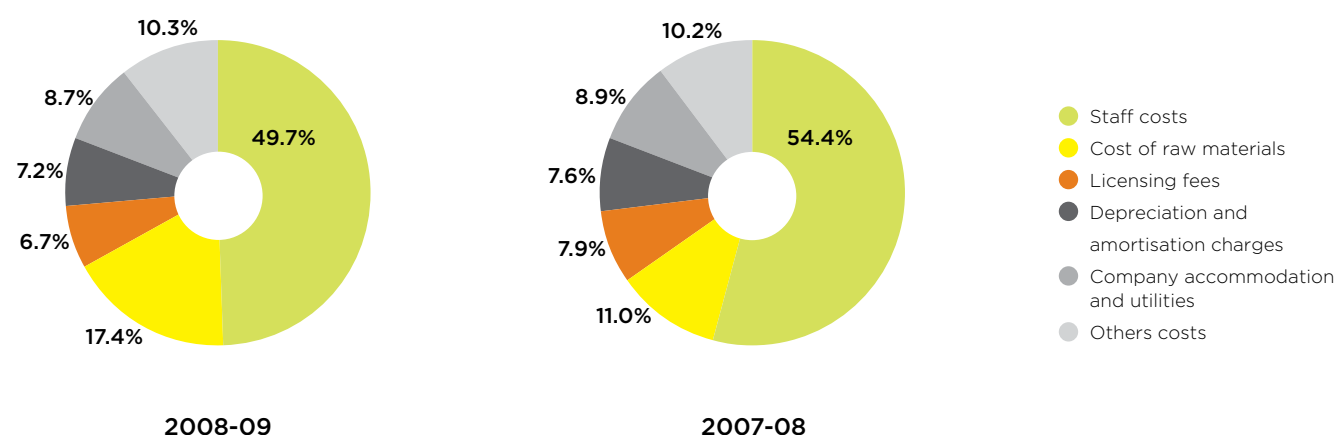
The group introduced many cost management and reduction schemes in response to the weakening operating environment. They helped limit the decline in operating profit to 2%. The jobs credit scheme benefit of \$12.3 million, a part of the one-off resilience package from the Singapore Government, has also helped to mitigate the impact of declining aviation revenue in Singapore during the financial year.

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Expenditure (continued)

Group expenditure composition

	2008-09		2007-08		% change
	\$ million	%	\$ million	%	
Staff costs	442.7	49.7	426.7	54.4	+3.7
Cost of raw materials	155.4	17.4	86.4	11.0	+79.9
Licensing fees	59.9	6.7	61.9	7.9	-3.2
Depreciation and amortisation charges	64.6	7.2	59.2	7.6	+9.1
Company accommodation and utilities	77.1	8.7	69.7	8.9	+10.6
Other costs	91.5	10.3	79.8	10.2	+14.7
Total	891.2	100.0	783.7	100.0	+13.7



Profit contribution from associated companies

Profit contribution from associated companies decreased 50.3% to \$22.2 million due to the weaker aviation industry. In addition, some joint ventures such as Beijing Aviation Ground Services and Taj SATS Air Catering are exposed to higher structural costs from their capacity expansion.

Associated companies contributed 12.1% of our Group's profit before exceptional item, a reduction of 7.2 percentage point over the preceding financial year.

Taxation

The Group's taxation for FY2008-09 was \$35.0 million, 34.6% lower than prior year as a result of lower profit and a one percentage point cut in Singapore corporate tax to 17% from Year of Assessment 2010 onwards. In addition with the write-back of overprovision for prior years, the effective tax rate has been reduced from 21.5% in FY2007-08 to 19.1% in FY2008-09.

Dividends

The Company paid an interim dividend of 4 cents per share (one-tier tax-exempt), amounting to \$43.2 million on 28 November 2008. The directors proposed that a final dividend of 6 cents per share (one-tier tax-exempt), amounting \$64.8 million, be paid.

The total dividend of \$108.0 million, payable out of profits for financial year 2008-09, represents a dividend payout of 73.5%, compared to 77.5% payout ratio for FY2007-08.

Financial position

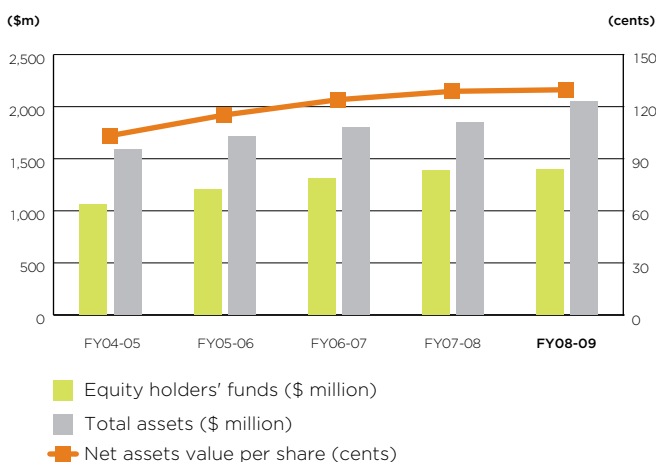
At 31 March 2009, the equity attributable to equity holders of the Group was \$1,398.1 million, an increase of \$14.2 million (+1%) compared to \$1,383.9 million at 31 March 2008. The return on equity for the Group was 10.5% for FY2008-09, 3.9 percentage point lower than the preceding financial year.

The Group's total assets were \$2,050.4 million at 31 March 2009, which is \$200.9 million (+10.9%) higher than that as at 31 March 2008.

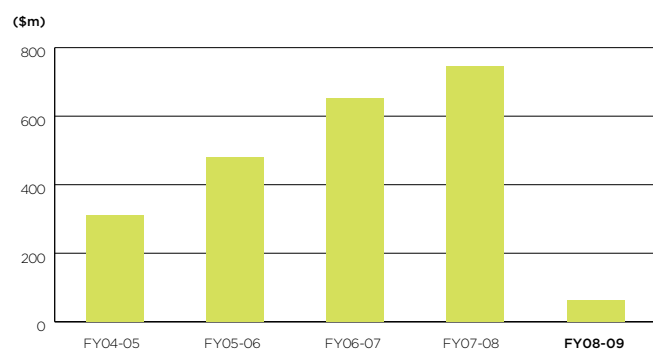
The net asset value per share remained unchanged at \$1.29 compared to one year ago.

Net liquid assets of the Group decreased \$680.6 million to \$64.0 million. The debt equity ratio for the Group at 31 March 2009 increased slightly from 0.15 to 0.18 due to inclusion of the loans recorded in SFI books.

Equity holders' funds, total assets and net asset value per share



Net liquid assets



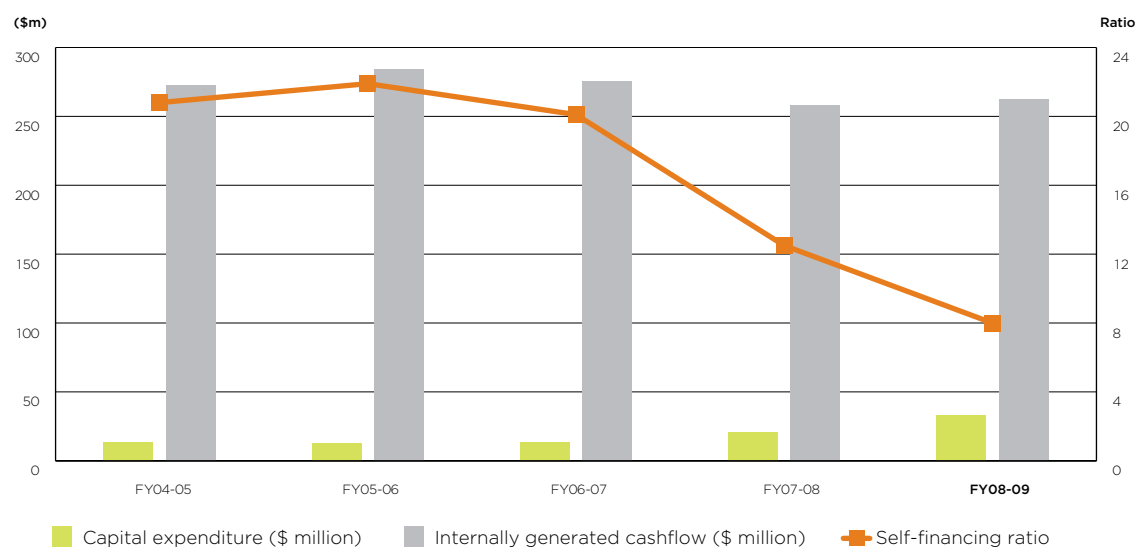
financial review FY2008-09

Capital expenditure and cash flow

The Group's capital expenditure and internally generated cash flow were \$32.7 million and \$262.2 million respectively for the current financial year, an increase of \$12.1 million and \$4.0 million from the preceding financial year. The self-financing ratio of cash flow to capital expenditure declined from 12.5:1 to 8.0:1 this year.

The Group's cash and cash equivalents was \$275.7 million as at 31 March 2009, a decrease of \$424.6 million compared to a year ago.

Capital expenditure and internally generated cash flow



Value added

The value added of the Group was \$639.3 million, a reduction of \$43.2 million over the preceding financial year. \$384.5 million (60.1%) went to salaries and other staff costs while shareholders received \$151.1 million (23.6%) in dividends. Interest on borrowings and corporate taxes accounted for \$6.7 million (1.0%) and \$35.0 million (5.5%) respectively. \$60.3 million (9.4%) was retained for future capital requirement, and \$1.7 million was attributable to minority interests.

Value added (continued)

Statement of value added and its distribution

	2008-09	2007-08	2006-07	2005-06	2004-05
	\$ million	\$ million	\$ million	\$ million	\$ million
Total Revenue	1,062.1	958.0	945.7	932.0	975.7
Less: Purchases of goods & services	441.7	355.7	343.3	335.5	330.9
	620.4	602.3	602.4	596.5	644.8
Add/(less):					
Interest income	6.9	15.7	18.2	9.3	3.3
Share of results of associated companies	22.2	44.7	52.1	57.3	50.5
Amortisation of deferred income	(0.5)	1.4	1.4	1.4	1.4
Amortisation of goodwill	-	-	-	-	(0.1)
Income from long-term investments	(9.7)	1.1	1.0	0.6	0.6
Exceptional items	-	17.3	-	-	(28.8)
Total value added available for distribution	639.3	682.5	675.1	665.1	671.7
Applied as follows:					
To employee					
- Salaries and other staff costs	384.5	368.4	383.4	347.5	387.3
To government					
- Corporate taxes	35.0	53.5	40.8	56.9	49.2
To supplier of capital					
- Dividend	151.1	140.0	83.9	83.1	367.2
- Minority interests	1.7	0.3	0.8	0.6	0.3
- Interest on borrowings	6.7	6.2	6.2	6.3	3.9
Retained for future capital requirements					
- Depreciation and amortisation	64.6	59.2	65.7	65.3	63.2
- Retained earnings	(4.3)	54.9	94.3	105.4	(199.4)
Total value added	639.3	682.5	675.1	665.1	671.7
Value added per \$ revenue	0.60	0.71	0.71	0.71	0.69
Value added per \$ employment costs	1.66	1.85	1.76	1.91	1.73
Value added per \$ investment in fixed assets	0.47	0.53	0.52	0.52	0.53

Staff strength and productivity

The Group's average staff strength for the current financial year was 11,487. This was 44.7% higher than the preceding financial year, primarily due to the inclusion of employees from SFI, SATS Hong Kong and Country Foods Macau. The breakdown of the average staff strength is as follows:

	2008-09	2007-08	% change
Airport Services	6,113	5,290	+15.6
Food Solutions	5,126	2,411	+112.6
Corporate	248	237	+4.6
Total	11,487	7,938	+44.7

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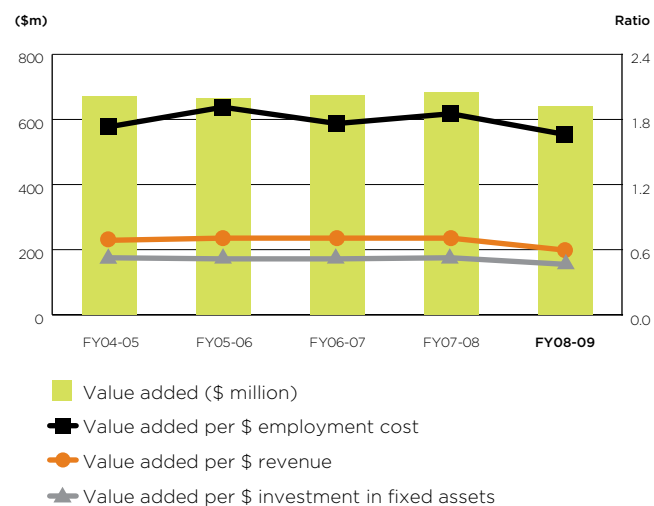
Staff strength and productivity (continued)

The staff productivity measured by value added per employee for the current financial year decreased 35.3% to \$55,658. Productivity in terms of value added expressed per dollar of employment cost decreased from 1.85 in FY2007-08 to 1.66 in FY2008-09.

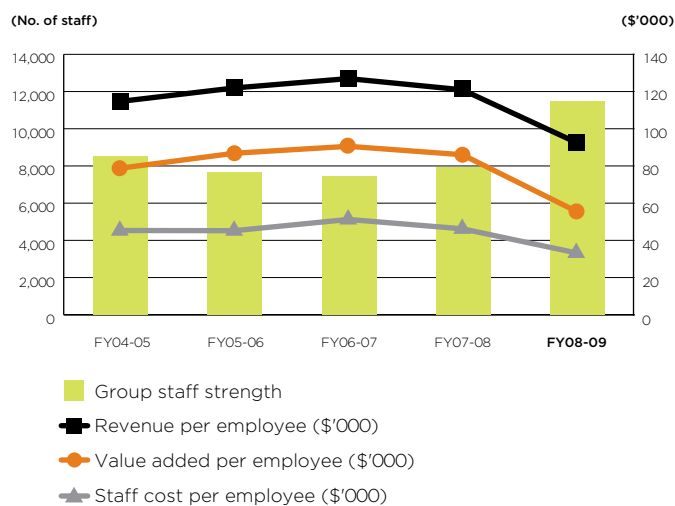
Revenue and staff costs per employee also declined 23.4% and 27.9% respectively.

	2008-09	2007-08	% change
Value added per employee (\$)	55,658	85,979	-35.3
Value added per \$ of employment cost (times)	1.66	1.85	-10.3
Revenue per employee (\$)	92,461	120,691	-23.4
Staff cost per employee (\$)	33,473	46,410	-27.9

Group value added productivity ratios



Group staff strength and productivity



Economic value added (EVA)

EVA for the Group was \$26.2 million, \$27.7 million or 51.4% lower than the preceding financial year due mainly to lower share of profit from associated companies and interest income, offset by lower cash operating taxes.

Share capital and share options of the Company

The issued and paid-up capital of the Company increased from S\$250,079,348 as at 31 March 2008 to S\$255,176,777 as at 31 March 2009. The increase was due to new ordinary shares of the Company ("Shares") allotted and issued 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. In addition, new ordinary shares were vested and issued during the financial year under the Restricted Share Plan. During the financial year, new ordinary shares were issued to a minority shareholder of Country Foods Pte Ltd ("Country Food") as partial consideration for the complete buyout of Country Food.

Share capital and share options of the Company (continued)

Employee Share Option Plan

On 1 July 2008, the Company made a tenth grant of share options to eligible employees. Staff accepted 13,517,300 share options to be exercised between 1 July 2010 and 30 June 2018.

During the year, 357,700 share options were exercised by employees. As at 31 March 2009, there were 67,001,325 unexercised employee share options.

Restricted Share Plan ("RSP") and Performance Share Plan ("PSP")

At the extraordinary general meeting of the Company held on 19 July 2005, the shareholders approved the adoption of two new share plans, namely the RSP and the PSP, in addition to the Employee Share Option Plan.

As at 31 March 2009, the number of outstanding shares granted under the Company's RSP and PSP were 1,008,994 and 330,851 respectively.

Depending on the achievement of pre-determined targets over a two-year period for the RSP and a three-year period for the PSP, the final number of restricted shares and performance shares awarded could range between 0% and 120% of the initial grant of the restricted shares and between 0% and 150% of the initial grant of the performance shares.

Breakdown by business activities (\$million)

	Revenue		Operating profit	
	2008-09	2007-08	2008-09	2007-08
Airport Services	508.2	481.9	70.9	56.6
Food Solutions	541.0	461.4	96.5	104.2
Corporate	12.9	14.7	3.5	13.6
Total	1,062.1	958.0	170.9	174.4

	Profit before tax		Profit after tax	
	2008-09	2007-08	2008-09	2007-08
Airport Services	85.4	87.3	72.2	69.6
Food Solutions	104.3	119.6	86.1	97.0
Corporate	(6.2)	41.9	(9.9)	28.6
Total	183.5	248.8	148.4	195.2

	Total assets		Capital expenditure	
	2008-09	2007-08	2008-09	2007-08
Airport Services	670.6	697.9	18.5	12.5
Food Solutions	656.3	476.9	12.4	7.1
Corporate	723.5	674.7	1.8	1.0
Total	2,050.4	1,849.5	32.7	20.6

financial review FY2008-09

Performance by major business activities

Airport Services

In the airport services segment, airfreight and ground handling services formed the majority of the segment's revenue at 90%, similar to prior year's trend. Despite lower airfreight throughput and passengers served, revenue has increased due to the transfer of aircraft interior cleaning services from Food Solutions and the contribution from SATS Hong Kong.

Expenditure for the financial year increased by 2.8% to \$440.0 million as a result of the full-year impact of operating cost resulting from dual terminal operation with the opening of Terminal 3 at Changi Airport. This was partially offset by the jobs credit from the Singapore Government one-off resilience package and the cost management and reduction schemes introduced in response to the weakening operating environment.

Operating profit increased 25.3% to \$70.9 million.

Food Solutions

93.4% of the food solutions revenue in FY2007-08 was derived from inflight catering services. With Country Foods Macau and SFI, the proportion between inflight catering services and non-aviation food services was 72.3% and 27.7% in FY2008-09 as compared to 93.4% and 6.6% in FY2007-08. The reduction in inflight catering revenue was due to lower number of meals uplifted in FY2008-09.

Expenditure for the financial year increased 24.1% to \$447.2 million mainly from cost of raw materials due to the inclusion of Country Foods Macau and SFI. In addition, raw material cost expressed as a percentage of food revenue had also increased over the last financial year for existing food services business units.

Operating profit for food solutions decreased 7.4% to \$96.5 million.

Revenue and operating profit by business activities



corporate governance

Code of corporate governance 2005 specific principles and guidelines for disclosure

Relevant guideline or principle	Page Reference in this Report
Guideline 1.3 Delegation of authority, by the board to any board committee, to make decisions on certain board matters.	Pages 70, 71, 72, 74, 77 and 81
Guideline 1.4 The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings.	Page 71
Guideline 1.5 The type of material transactions that require board approval under internal guidelines.	Page 72
Guideline 2.2 Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the director's relationship and the reason for considering him as independent should be disclosed.	Not applicable
Guideline 3.1 Relationship between the chairman and chief executive officer where they are related to each other.	Not applicable
Guideline 4.1 Composition of nominating committee.	Pages 70 and 74
Guideline 4.5 Process for the selection and appointment of new directors to the board.	Page 76
Guideline 4.6 Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent.	Pages 70, 73 and 75
Guideline 5.1 Process for assessing the effectiveness of the board as a whole and the contribution of each individual director to the effectiveness of the board.	Page 76
Principle 9 Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to directors and key executives, and performance.	Pages 77 to 80, 84 and 85
Guideline 9.1 Composition of remuneration committee.	Pages 71 and 77
Guideline 9.2 Name and remuneration of each director. The disclosure of remuneration should be in bands of S\$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives.	Page 79
Guideline 9.2 Names and remuneration of at least the top 5 key executives (who are not also directors). The disclosure should be in bands of S\$250,000 and include a breakdown of remuneration.	Page 80
Guideline 9.3 Remuneration of employees who are immediate family members of a director or the chief executive officer, and whose remuneration exceed S\$150,000 during the year. The disclosure should be made in bands of S\$250,000 and include a breakdown of remuneration.	Page 80
Guideline 9.4 Details of employee share schemes.	Pages 84 and 85
Guideline 11.8 Composition of audit committee and details of the committee's activities.	Pages 70, 81 and 82
Guideline 12.2 Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems.	Pages 82, 86 to 88

corporate governance

Singapore Airport Terminal Services Limited (“**SATS**” or the “**Company**”) continually strives to maintain 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, to protect the interests of its shareholders and maximize long term shareholder value.

As required by the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the following report (“**Report**”) describes SATS’ corporate governance policies and practices with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2005 (the “**2005 Code**”). This Report has been structured in accordance with the sequence of principles and guidelines as set out in the 2005 Code.

Principle 1: Company to be headed by an effective board to lead and control the company

The Board is responsible to oversee the business, performance and affairs of the Group. Management has the role of ensuring that the day-to-day operation and administration of the Group is carried out in accordance with the policies and strategy determined by the Board, and in that respect, Management is fully accountable to the Board.

The key functions of the Board are to:

- set the overall business strategies and direction of the Group to be implemented by Management, and to provide leadership and guidance to Management;
- monitor the performance of Management;
- oversee and conduct regular reviews of the business, financial performance and affairs of the Group;
- evaluate and approve important matters such as major investments, funding needs and expenditure; and
- have overall responsibility for corporate governance, including the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance.

The Board is supported in its functions by the following Board Committees which have been established to assist in the discharge of the Board’s oversight function:

- Board Executive Committee
- Audit and Risk Management Committee
- Nominating Committee
- Remuneration and Human Resource Committee

The current members of the Board and their membership on the Board Committees of the Company are as follows:

Board Member	Board Membership	Board Executive Committee	Audit and Risk Management Committee	Nominating Committee	Remuneration and Human Resource Committee
Mr Edmund Cheng Wai Wing	Non-Executive Chairman & Independent Director	Chairman			Chairman
Mr David Zalmon Baffsky ¹	Independent Director		Member		
Mr Khaw Kheng Joo ²	Independent Director		Member	Chairman	
Dr Rajiv Behari Lall ³	Independent Director			Member	
Mr Mak Swee Wah ⁴	Non-Executive, Non-Independent Director	Member			Member
Mr Ng Kee Choe ⁵	Independent Director	Member			Member
Dr Ow Chin Hock ⁶	Independent Director			Member	
Mr Keith Tay Ah Kee	Independent Director		Chairman	Member	
Mr Yeo Chee Tong ⁷	Independent Director		Member		Member

Notes:

- ¹ Appointed as a Director on 15 May 2008, and as a member of the Audit and Risk Management Committee with effect from 25 July 2008.
- ² Appointed as a member of the Audit and Risk Management Committee and as Chairman of the Nominating Committee, both with effect from 25 July 2008. Prior to such date, Mr Khaw was a member of the Nominating Committee.
- ³ Appointed as a Director on 5 May 2008 and as a member of the Nominating Committee with effect from 25 July 2008.
- ⁴ Appointed as a Director on 24 July 2008, and as a member of both the Board Executive Committee and the Remuneration and Human Resource Committee with effect from 25 July 2008.
- ⁵ Appointed as a member of the Remuneration and Human Resource Committee with effect from 25 July 2008, and stepped down as a member of the Audit and Risk Management Committee on 24 July 2008.
- ⁶ Stepped down as Chairman of the Nominating Committee on 24 July 2008 but remained a member of the Nominating Committee for the remainder of FY2008-09. Also stepped down as a member of the Audit and Risk Management Committee on 24 July 2008.
- ⁷ Appointed as a member of the Audit and Risk Management Committee with effect from 25 July 2008.

Further details on each of the Board Committees along with a summary of their respective terms of reference can be found subsequently in this Report.

In addition, an ad hoc Board Committee (namely, the SATS-SFI Integration Board Committee or “**SSIBC**”) was established by the Board in early February 2009 following the completion of the acquisition by the Company of a 69.61% stake in Singapore Food Industries Limited (“**SFI**”) on 20 January 2009, amidst a general offer made to shareholders of SFI by SATS to acquire the remaining shares of SFI. The SSIBC has been tasked to oversee the proposed integration of the SATS and SFI groups of companies and their respective operations, and will be disbanded upon the integration exercise being substantively completed. The SSIBC currently comprises five members, being Mr Edmund Cheng Wai Wing (as Chairman of the SSIBC), Mr Mak Swee Wah, Mr Ng Kee Choe, Mr Keith Tay Ah Kee and Mr Yeo Chee Tong. The SSIBC met twice in March 2009 and continues to hold meetings on a monthly basis to review and decide on integration-related matters together with Management (including management of SFI). SFI became a wholly-owned subsidiary of the Company on 17 April 2009 and has since been delisted from the Main Board of the SGX-ST.

Fixed and optional Board meetings are scheduled in advance, with optional meetings held as scheduled if there are matters to be put before the Board at the relevant time. In addition, ad hoc Board meetings are convened if there are pressing matters requiring the Board’s deliberation and decision in between the scheduled meetings. During the financial year ended 31 March 2009 (“**FY2008-09**”), in addition to the quarterly scheduled Board meetings, four ad hoc Board meetings were convened and held in conjunction with the proposed acquisition of SFI. Since 2003, the Board has also conducted annual Board strategy meetings to have more focused discussions on key strategic issues facing the Group. The Board strategy meeting held last year included one of the four ad hoc Board meetings held during FY2008-09 in conjunction with the proposed acquisition of SFI.

The Company’s Articles of Association (“**Articles**”) allow Directors to participate in Board meetings by way of telephone conference or other similar means of communication equipment whereby all persons participating in the meeting are able to hear each other, without requiring their physical presence at the meeting. During FY2008-09, various Directors have participated in Board or Board Committee meetings by way of telephone conference. In the course of the last financial year, the Company has also implemented a video conference facility, which has provided Directors with an alternative means of participation in Board and Board Committee meetings.

In respect of FY2008-09, a total of eight Board meetings, including a three-day Board strategy meeting and the ad hoc Board meetings mentioned above, were held. The Directors’ attendance at Board and Board Committee meetings for FY2008-09 is set out below.

No. of Board Committee Meetings Attended in FY2008-09

	No. of Board Meetings Attended (No. of meetings held: 8)	Board Executive Committee (No. of meetings held: 4)	Audit and Risk Management Committee (No. of meetings held: 4)	Nominating Committee (No. of meetings held: 1)	Remuneration and Human Resource Committee (No. of meetings held: 4)
Mr Edmund Cheng Wai Wing	8	4	Not applicable	Not applicable	4
Mr David Zalmon Baffsky ⁸	6	Not applicable	2	Not applicable	Not applicable
Mr Khaw Kheng Joo ⁹	8	Not applicable	2	1	Not applicable
Dr Rajiv Behari Lall ¹⁰	2	Not applicable	Not applicable	0	Not applicable
Mr Mak Swee Wah ¹¹	6	3	Not applicable	Not applicable	3
Mr Ng Kee Choe ¹²	7	4	2	Not applicable	2
Dr Ow Chin Hock ¹³	8	Not applicable	2	1	Not applicable
Mr Keith Tay Ah Kee	8	Not applicable	4	1	Not applicable
Mr Yeo Chee Tong ¹⁴	7	Not applicable	2	Not applicable	4
Mr Chew Choon Seng ¹⁵	2	1	Not applicable	Not applicable	1

Notes:

- 8 Appointed as a Director on 15 May 2008, and as a member of the Audit and Risk Management Committee with effect from 25 July 2008. Mr Baffsky attended six out of seven Board meetings and two out of three Audit and Risk Management Committee meetings which were held during his term of Directorship in FY2008-09.
- 9 Appointed as member of the Audit and Risk Management Committee with effect from 25 July 2008. Mr Khaw attended all meetings of the Audit and Risk Management Committee which were held during his term as a member of the Audit and Risk Management Committee in FY2008-09.
- 10 Appointed as a Director on 5 May 2008, and as a member of the Nominating Committee with effect from 25 July 2008. Dr Lall attended two out of eight Board meetings which were held during his term of Directorship in FY2008-09. The Board noted that he was unable to attend the Board meetings held during the period of July to November last year on compassionate grounds, and a further two Board meetings were ad hoc Board meetings convened at very short notice. No Nominating Committee meeting was held in FY2008-09 after his appointment as Director on 5 May 2008.
- 11 Appointed as a Director on 24 July 2008 and as a member of both the Board Executive Committee and Remuneration and Human Resource Committee with effect from 25 July 2008. Mr Mak attended all meetings of the Board Executive Committee and the Remuneration and Human Resource Committee which were held during his term of Directorship in FY2008-09.
- 12 Appointed as a member of the Remuneration and Human Resource Committee with effect from 25 July 2008, and stepped down as a member of the Audit and Risk Management Committee on 24 July 2008. Mr Ng attended all Audit and Risk Management Committee meetings and two out of three Board Executive Committee meetings which were held during his term as a member of these Board Committees in FY2008-09.
- 13 Stepped down as a member of the Audit and Risk Management Committee on 24 July 2008. Dr Ow attended all Audit and Risk Management Committee meetings which were held during his term as a member of the Audit and Risk Management Committee in FY2008-09.
- 14 Appointed as a member of the Audit and Risk Management Committee with effect from 25 July 2008. Mr Yeo attended all Audit and Risk Management Committee meetings which were held during his term as a member of the Audit and Risk Management Committee in FY2008-09.
- 15 Retired as Director on 24 July 2008 and did not stand for re-election. Mr Chew had attended all Board meetings and all meetings of Board Committees of which he was a member and which were held during his term of Directorship in FY2008-09. At the time of his retirement, Mr Chew was the Deputy Chairman of the Board, as well as a member of both the Board Executive Committee and the Remuneration and Human Resource Committee.

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All members of the Board actively participate in Board discussions and help develop proposals on business strategies and goals for the Group. Board members meet regularly with Management, and review and monitor the performance of Management in meeting the goals and objectives set for them.

The Board has adopted a set of guidelines on matters that require its approval, which include all matters of strategic importance, corporate governance practices, legal and regulatory compliance, risk management, maintenance of performance standards, corporate strategy, approval of business plans, approval of manpower establishment, operating and capital expenditure budgets, and approval and monitoring of major investment and strategic commitments.

Board Executive Committee

In this regard, the Board has delegated to the Board Executive Committee the function of reviewing and approving certain matters, *inter alia*, guiding Management on business, strategic and operational issues, undertaking an initial review of the three- to five-year forecast/business plan and annual capital and operating expenditure and manpower establishment budgets for the Group, granting 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 undertakings, joint ventures, mergers, amalgamations or similar corporate transactions, establishing bank accounts, granting powers of attorney, affixation of the Company's seal, and nominating board members to the Company's subsidiaries and associated companies.

The Board Executive Committee currently comprises Mr Edmund Cheng Wai Wing (who is the Chairman of the Committee), Mr Mak Swee Wah and Mr Ng Kee Choe. Two out of the Board Executive Committee's three members, including its Chairman, are independent Directors.

The Board Executive Committee is scheduled to meet four times a year. Regular reports are presented to the Committee at each meeting on the performance of the Group's subsidiaries, associated companies and joint ventures, and the operational performance of the Group. The President & Chief Executive Officer ("**PCEO**"), Chief Operating Officer ("**COO**") and Senior Vice President (Finance), are usually present at the meetings of the Board Executive Committee.

Orientation and training for Directors

Newly-appointed Directors undergo an orientation programme, which includes site visits and presentations by members of Management, to facilitate their understanding of the Group's businesses, operations and processes. In addition, all Directors are encouraged to attend relevant and useful seminars on leadership and industry-related matters, corporate governance and changes in the financial reporting regime for their continuing education and skills improvement, conducted by external organizations, at the Company's cost.

Newly-appointed Directors are also each sent a formal letter setting out directors' duties and obligations.

Principle 2: Strong and independent element on the board to exercise objective judgement

The present Board wholly comprises non-executive Directors. Of the nine Directors, eight are considered by the Nominating Committee and the Board to be independent Directors based on the 2005 Code's criteria for independence.

The Board, through the Nominating Committee, reviews the structure, size and composition of the Board. The Nominating Committee has developed a set of principles to guide it in carrying out its responsibilities of reviewing and determining an appropriate Board size and composition. The Nominating Committee is of the view, taking into account the nature and scope of the Company's operations, that the current size of the Board is adequate for the time being for the Board to discharge its duties and responsibilities effectively, and further that the Board comprises Directors who as a group provide core competencies such as accounting or finance, business or management (including human resource development and management) experience, industry knowledge, strategic planning experience, and customer-based experience or knowledge, required for the Board to be effective. The Nominating Committee, as part of its continuing review of the Board size and composition, recommended the appointment in May 2008 of two new directors, namely Dr Rajiv Behari Lall and Mr David Zalmon Baffsky, who, with their specific areas of expertise, supplement and strengthen the collective competency of the Board. As part of the rejuvenation of the Board, Dr Ow Chin Hock will be retiring as a Director and will not be standing for re-election at the forthcoming 36th Annual General Meeting of the Company ("AGM"). In view of the new challenges ahead for the Company with its recent acquisition of the SFI group of companies and the increasing scale of operations and investments internationally, the Board (through the Nominating Committee) is actively seeking additional suitably qualified candidates for appointment as Directors of the Company.

To facilitate a more effective check on Management, the Board members also meet up for informal discussions prior to the scheduled Board meetings, without Management being present.

Principle 3: Roles of the chairman and chief executive officer to be separate to ensure a balance of power and authority

The roles of Chairman and PCEO are clearly separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the PCEO are not related to each other, and further, the PCEO is not a member of the Board.

The Chairman of the Board continues to lead the Board to ensure its effectiveness on all aspects of its role and sets its agenda, ensures that the Directors receive accurate, timely and clear information, ensures effective communication with shareholders, encourages constructive relations between the Board and Management, facilitates the effective contributions of the Directors, encourages constructive relations between all Directors and promotes high standards of corporate governance.

corporate governance

Principle 4: Formal and transparent process for appointment of new directors

Nominating Committee

The Board has established a Nominating Committee with written terms of reference which include the following:

- reviewing and making recommendations to the Board on the structure, size and composition of the Board;
- making recommendations to the Board regarding the process for selection of new Directors and identification of new Directors;
- making recommendations to the Board on re-nominations and re-elections of existing Directors;
- evaluating the independence of Directors on an annual basis;
- determining if Directors who hold directorships on other boards are able to and have been adequately carrying out their duties as Directors of the Company; and
- doing all things as may form part of the responsibilities of the Nominating Committee under the provisions of the 2005 Code.

The Nominating Committee currently comprises the following four members, all of whom (including the Chairman), are independent Directors:

- Mr Khaw Kheng Joo (Chairman)
- Dr Rajiv Behari Lall (Member)
- Dr Ow Chin Hock (Member)
- Mr Keith Tay Ah Kee (Member)

The Chairman of the Nominating Committee is not directly associated with Temasek Holdings (Private) Limited or Singapore Airlines Limited (“SIA”), who are substantial shareholders of the Company. Under the 2005 Code, a director will be considered “directly associated” with a substantial shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

The Nominating Committee is required to meet every financial year and met once in FY2008-09.

Re-nomination and re-election of Directors

The Nominating Committee has considered and is satisfied that all the Directors have been able to carry out, and have adequately carried out, their duties as directors notwithstanding their multiple board representations.

Details of the Directors' dates of first appointment to the Board and last re-election as Directors are indicated below:

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 Wai Wing	Chairman	22 May 2003 (as Director and Chairman)	24 July 2008
Mr David Zalmon Baffsky	Director	15 May 2008	24 July 2008
Mr Khaw Kheng Joo	Director	19 July 2005 (appointed at the Company's 32nd Annual General Meeting)	24 July 2008
Dr Rajiv Behari Lall	Director	5 May 2008	24 July 2008
Mr Mak Swee Wah	Director	24 July 2008 (appointed at the Company's 35th Annual General Meeting)	Not applicable
Mr Ng Kee Choe ¹⁶	Director	1 March 2000	26 July 2007
Dr Ow Chin Hock ¹⁷	Director	21 May 2002	26 July 2007
Mr Keith Tay Ah Kee	Director	26 July 2007 (appointed at the Company's 34th Annual General Meeting)	Not applicable
Mr Yeo Chee Tong ¹⁶	Director	19 May 2006	25 July 2006

Notes:

¹⁶ Mr Yeo Chee Tong and Mr Ng Kee Choe will be retiring and standing for re-election at the AGM. Both Mr Yeo Chee Tong and Mr Ng Kee Choe are considered by the Nominating Committee to be independent Directors. Mr Ng Kee Choe is a member of both the Board Executive Committee and the Remuneration and Human Resource Committee, while Mr Yeo Chee Tong is a member of both the Audit and Risk Management Committee and the Remuneration and Human Resource Committee.

¹⁷ Dr Ow Chin Hock will be retiring at the AGM and will not be standing for re-election. He is considered by the Nominating Committee to be an independent Director. Upon Dr Ow's retirement from the Board, he will cease to be a member of the Nominating Committee.

The Articles require one-third (or the number nearest one-third rounded upwards to the next whole number) of the Directors for the time being to retire from office at each Annual General Meeting. Retiring Directors are selected on the basis of those who have been longest in office since their last election, and as between those persons who became Directors on the same day, 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 three years. Further, Directors who are appointed by the Board of Directors since the last Annual General Meeting of the Company hold office only until the following Annual General Meeting and shall then be eligible for re-election under the Articles.

The Directors standing for re-election at the AGM are Mr Yeo Chee Tong and Mr Ng Kee Choe. The Nominating Committee (after having taken the principles for the determination of the Board size and composition adopted by it into consideration) recommend their re-election, after assessing their contribution and performance (including attendance, preparedness, participation and candour) as Directors, and the Board has endorsed the recommendation.

Annual independence review

The Nominating Committee is tasked to determine on an annual basis whether or not a Director is independent, bearing in mind the 2005 Code's definition of an "independent Director" and guidance as to which existing relationships would deem a Director not to be independent.

In this regard, other than Mr Mak Swee Wah, an employee of SIA which is the immediate holding company of SATS, all the other eight Directors on the Board are considered by the Nominating Committee and the Board to be independent Directors.

corporate governance

Selection and appointment of new Directors

The Nominating Committee regularly reviews the existing attributes and competencies of the Board in order to determine the desired expertise or experience required to strengthen or supplement the Board. This assists the Nominating Committee in identifying and nominating suitable candidates for appointment to the Board.

The Nominating Committee is in charge of making recommendations to the Board regarding the selection of new Directors and identification of new Directors. Taking into consideration the desired qualifications, skillsets, competencies and experience which are required to supplement the Board's existing attributes, if need be, the Nominating Committee may seek assistance from external search consultants for the selection of potential candidates. Directors and Management may also put forward names of potential candidates, together with their curriculum vitae, for consideration. The Nominating Committee, together with the Chairman of the Board, then meet with the short-listed candidates to assess their suitability, before submitting the appropriate recommendations as to the appointment of any candidate to the Board for its approval.

Key information regarding the Directors

More information on each of the Directors, their respective backgrounds and fields of expertise as well as their present and past preceding directorships or chairmanships in other listed companies and other major appointments over the preceding three years can be found in the "**Board of Directors**" section of this Annual Report. Information on their shareholdings in the Company can be obtained in the "**Report by the Board of Directors**" in the "**Financials**" section of this Annual Report.

Principle 5: Formal assessment of effectiveness of the board

The Board has implemented a process for assessing the effectiveness of the Board as a whole, with the objective of continuous improvement. A consulting firm specialising in Board evaluation and human resource assists the Board in the design and implementation of the process, comprising two parts - a structured qualitative assessment of the functioning of the Board, and a review of selected financial performance indicators. Both sets of performance criteria, recommended by the consultants, have the approvals of the Nominating Committee and the Board. The collective Board evaluation process has been implemented since 2003. The qualitative assessment process utilising a confidential questionnaire submitted by each Director individually, has remained substantially unchanged since the last assessment conducted and was last revised for use in and from the financial year ended 31 March 2008 ("**FY2007-08**"). As for the quantitative performance criteria, the Board has adopted, in line with the 2005 Code, performance criteria comprising the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index, return on assets, return on equity, return on investment, and economic value added over the preceding five years for the collective Board evaluation.

A process for individual director assessment and feedback is in place. Other than the collective Board evaluation exercise, the Chairman meets with each Director in a private session to discuss and evaluate the individual performance of the Director. These one-to-one sessions provide a forum for the Chairman to raise and address with each Director, in a conducive setting, issues or matters pertaining to the Board and the individual Director's performance on the Board, and for free and constructive dialogue on an individual basis. It also enables the Chairman and each Director, respectively, to give mutual feedback on individual performance of both the Director as well as the Chairman, in order to identify areas for individual improvement as well as to assess how each Director may contribute more effectively to the collective performance of the Board (and, in the case of the Chairman, enhance the leadership of the Board).

Principle 6: Board's 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, and quarterly reports on major operational matters, market updates, business development activities and potential investment opportunities, are also circulated to the Board. In addition, the various Board Committees receive minutes and reports 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.

As part of good corporate governance, Board papers for decision or discussion at Board meetings are circulated, to the extent practicable, 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 specific matters for the decision and information of the Board.

The Board has separate access to the PCEO, COO, Senior Vice President (Finance) 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.

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 Listing Manual or the Articles, or as required by the Chairman of SATS or the Chairman of any Board Committee or the Directors (or any of them), as the case may be. In addition, the Company Secretary assists the Chairman to ensure that there are good information flows within the Board and the Board Committees, and between senior management and the non-executive Directors. She facilitates orientation and assists with professional development as may be required. The appointment and removal of the Company Secretary are matters subject to the approval of the Board.

There is also a Board-endorsed procedure for Directors, either individually or collectively, in furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

Principle 7: Formal and transparent procedure for fixing remuneration packages of directors

Remuneration and Human Resource Committee

The Board has established a Remuneration and Human Resource Committee which presently comprises four members, all of whom are non-executive Directors and of which the majority including the Chairman are considered by the Nominating Committee to be independent Directors. It is chaired by Mr Edmund Cheng Wai Wing and its other members are Mr Mak Swee Wah, Mr Ng Kee Choe and Mr Yeo Chee Tong. The Remuneration and Human Resource Committee is required by its terms of reference to meet at least twice each financial year, with additional meetings to be convened as and when required.

The written terms of reference of the Remuneration and Human Resource Committee 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 the PCEO and COO, as well as any other appointment of equivalent seniority to the PCEO or COO within the Company, and the remuneration packages of those occupying the position of Senior Vice President and above within the Group;
- implementing and administering the Company's Employee Share Option Plan, the Restricted Share Plan and the Performance Share Plan (collectively, the "**Share Plans**") in accordance with the prevailing rules of the Share Plans, requirements of the SGX-ST and applicable laws and regulations;
- overseeing the recruitment, promotion and distribution within the Group, of staff talent;
- reviewing, overseeing and advising on the structure, organization and alignment of the functions and management of the Group;
- reviewing succession planning of the Group;
- overseeing industrial relations matters; and
- doing all other things and exercising all other discretions as may form part of responsibilities of the remuneration committee under the provisions of the 2005 Code.

More details of each of the Share Plans can be found in the Annexure to this Report, and also in the "**Report by the Board of Directors**" section of this Annual Report.

The Remuneration and Human Resource Committee's recommendations regarding Directors' remuneration have been submitted to, and endorsed by the Board.

Where required, the Remuneration and Human Resource Committee has access to expert advice in the field of executive compensation outside the Company.

corporate governance

Principle 8: Level of directors' remuneration should be appropriate to attract, retain and motivate but not be excessive

Every Director will receive the basic fee. In addition, he will receive the Chairman's or Deputy Chairman's fee if he was the Chairman or Deputy Chairman of the Board respectively, as well as the relevant Board Committee fee (depending on whether he served in the capacity of the Chairman or a member of the relevant Board Committee) for each position he held on a Board Committee, during FY2008-09. If he occupied a position for part of a financial year, the fee payable would be prorated accordingly. An attendance fee for each Board meeting attended by a Director during the financial year was adopted from the financial year ended 31 March 2007 onwards, whereby each Director would receive an attendance fee of S\$1,000 per Board meeting (excluding Board Committee meetings) attended, on account of the time and effort of each of the Directors to avail himself for Board meetings. It has been proposed that from FY2008-09 onwards, in view of the appointment of foreign directors, with the growing international outreach of the operations and investments of the Group and the need for the Company to attract Directors with more international exposure and experience, a variation be introduced in respect of attendance fees for Board meetings whereby:

- A flat attendance fee of S\$1,000 be payable to a Director per Board meeting held in the state/country in which the Director is ordinarily resident; and
- A flat attendance fee of S\$2,000 be payable to a Director per Board meeting held outside the state/country in which the Director is ordinarily resident.

As per current practice, no attendance fees would be payable to Directors in respect of their attendance at Board Committee meetings.

The Board believes that the scale of Directors' fees and proposed revision to the attendance fees for Board meetings, are appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors.

Other than as stated above, the scale of fees proposed to be paid to the Directors, all being non-executive Directors, for FY2008-09 remains unchanged from that of the previous financial year and is as follows:

Type of Appointment	Proposed scale of Directors' fees (from FY2008-09) S\$
Board of Directors	
Basic fee	45,000
Board Chairman's fee	40,000
Board Deputy Chairman's fee	30,000
Attendance fees for each Board meeting attended	
• where the Board meeting is held in the state/country in which the Director is ordinarily resident	1,000
• where the Board meeting is held outside the state/country in which the Director is ordinarily resident	2,000
Audit and Risk Management Committee	
Committee Chairman's fee	30,000
Member's fee	20,000
Board Executive Committee	
Committee Chairman's fee	30,000
Member's fee	10,000
Other Board Committees	
Committee Chairman's fee	20,000
Member's fee	10,000

Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration

Directors' remuneration

The Board will be recommending the following fees of the Directors in respect of FY2008-09 for approval by shareholders at the AGM, based on the proposed scale of fees set out above:

Name of Director	Total fees payable in respect of FY2008-09, based on proposed scale of Directors' fees (S\$)
Mr Edmund Cheng Wai Wing	144,000
Mr David Zalmon Baffsky ¹⁸	65,274
Mr Khaw Kheng Joo ¹⁹	84,548
Dr Rajiv Behari Lall ²⁰	51,658
Mr Mak Swee Wah ²¹	51,644
Mr Ng Kee Choe ²²	76,151
Dr Ow Chin Hock ²³	73,452
Mr Keith Tay Ah Kee	94,000
Mr Yeo Chee Tong ²⁴	76,699
Mr Chew Choon Seng ²⁵	31,932
Proposed total fees payable to all Directors in office during FY2008-09	749,357

Notes:

- 18 Appointed as a Director on 15 May 2008, and as a member of the Audit and Risk Management Committee with effect from 25 July 2008.
- 19 Appointed as a member of the Audit and Risk Management Committee and as Chairman of the Nominating Committee, both with effect from 25 July 2008. Prior to such date, Mr Khaw was a member of the Nominating Committee.
- 20 Appointed as a Director on 5 May 2008 and as a member of the Nominating Committee with effect from 25 July 2008.
- 21 Appointed as a Director on 24 July 2008, and as a member of both the Board Executive Committee and the Remuneration and Human Resource Committee with effect from 25 July 2008. Directors' fees for Mr Mak, who is the nominee Director of SIA, will be paid to SIA.
- 22 Appointed as a member of the Remuneration and Human Resource Committee with effect from 25 July 2008, and stepped down as a member of the Audit and Risk Management Committee on 24 July 2008.
- 23 Stepped down as Chairman of the Nominating Committee on 24 July 2008 but remained a member of the Nominating Committee for the remainder of FY2008-09. Also stepped down as a member of the Audit and Risk Management Committee on 24 July 2008.
- 24 Appointed as a member of the Audit and Risk Management Committee with effect from 25 July 2008.
- 25 Retired as Director on 24 July 2008 and did not stand for re-election. At the time of his retirement, Mr Chew was the Deputy Chairman of the Board, as well as a member of both the Board Executive Committee and the Remuneration and Human Resource Committee. Directors' fees for Mr Chew, who was the nominee Director of SIA, will be paid to SIA.

Other than the above amounts indicated, the Directors do not receive any other remuneration from the Company.

While the above proposed total fees payable to all Directors in office during the course of FY2008-09 is an increase over that paid for FY2007-08, being S\$620,000, it is noted that the increase in absolute fees payable is due to: (i) the Board having an increase of two Board members since FY2007-08; (ii) the Company having non-resident Directors in FY2008-09 as compared to previously where all Directors were resident in Singapore; and (iii) an increase in the number of Board meetings in FY2008-09 (8 Board meetings were held) as compared to FY2007-08 (5 Board meetings were held) in view of the acquisition of SFI by the Company during FY2008-09.

Key executives' remuneration

Information on the key executives of the Company can be found in the "**Executive Management**" section of this Annual Report.

The Company's key executives' remuneration system is designed so as to include long-term incentives to allow the Company to better align executive compensation with creating more value for shareholders. The key executives' remuneration system includes the components of variable bonus and share awards under the SATS Restricted Share Plan ("**SATS RSP**") and/or the SATS Performance Share Plan ("**SATS PSP**"), in addition to fixed basic salary and fixed allowances. With the introduction of share awards under the SATS RSP and the SATS PSP for staff of managerial grade and above in the Company, including key executives, in 2006, the Company had phased out the award of employee share options under the Senior Executive Share Option Scheme (one of the two schemes under the SATS Employee Share Option Plan ("**ESOP**") which was adopted by the Company in 2000) as part of the key executives' remuneration system with effect from FY2007-08. The payment of variable bonuses and grants of share awards under the SATS RSP and the SATS PSP are in turn dependent on the Company's financial performance as well as the executives' individual performance through their achievement of certain key performance indicators set for them.

corporate governance

The remuneration of the top key executives of the Group^{26 and 27} during FY2008-09 was as follows:

Remuneration band & name of key executive	Salary (%)	Bonuses		Benefits (%)	Total (%)	Awards under SATS RSP ³⁰	Awards under SATS PSP ³⁰
		Fixed (%)	Variable ²⁹ (%)				
S\$750,000 to S\$1,000,000²⁸							
Clement Woon Hin Yong PCEO	60	5	28	7	100	52,000	72,000
S\$500,000 to S\$750,000²⁸							
Nil							
S\$250,001 to S\$500,000²⁸							
Karmjit Singh COO, West Asia	62	5	21	12	100	23,800	20,000
Leong Kok Hong Senior Vice President (North Asia)	67	6	23	4	100	18,900	-
Andrew Lim Cheng Yueh Senior Vice President (Apron & Passenger Services)	72	7	14	7	100	18,900	-
Yacoob bin Ahmed Piperdi Senior Vice President (Cargo Services)	73	7	14	6	100	27,000	-
Tan Chuan Lye Senior Vice President (Catering)	73	6	17	4	100	27,000	-

Notes:

- 26 Pursuant to Rule 1207(14) of the Listing Manual of the SGX-ST, the remuneration paid to Mr Goh Soo Lim, who served as the Chief Financial Officer of the Company during FY2008-09 up to and including 31 October 2008, was S\$137,943, inclusive of bonuses and benefits in kind. He did not receive any awards under the SATS RSP and the SATS PSP in FY2008-09.
- 27 Pursuant to Rule 1207(14) of the Listing Manual of the SGX-ST, the remuneration paid to Mr Lim Chuang, who was appointed as the Senior Vice President (Finance) of the Company during FY2008-09 from 17 November 2008 was S\$129,230, inclusive of bonuses and benefits in kind. This excludes a base award of 50,000 shares awarded to him under the SATS RSP on 17 November 2008.
- 28 Remuneration bands as indicated do not include the value of any awards granted under the SATS RSP and/or the SATS PSP.
- 29 Includes profit-sharing bonus determined on an accrual basis for FY2008-09.
- 30 Denotes the base awards of shares granted under the SATS RSP and the SATS PSP for FY2008-09 on 28 July 2008. Final number of shares awarded to the recipient could range between 0% and 120% of the base award granted under the SATS RSP, and between 0% to 150% of the base award granted under the SATS PSP. All awards of shares will vest in the award holder subject to the achievement of pre-determined targets over a two-year period for the SATS RSP and a three-year period for the SATS PSP.

None of the immediate family members of a Director or of the PCEO was employed by the Company or its related companies at a remuneration exceeding S\$150,000 during FY2008-09.

In relation to remuneration for employees other than key executives of the Company, the Remuneration and Human Resource Committee had resolved to cease any further grants of share options under the ESOP. In this regard, the last grant of options under the ESOP was issued on 1 July 2008, and the validity period of exercise of these options would be until 30 June 2018.

Further details regarding each of the Share Plans are provided in the Annexure to this Report, and also in the "Report by the Board of Directors" section of this Annual Report.

Principle 10: Board is accountable to shareholders and management is accountable to the board, to provide information/assessment on the company's performance, position and prospects

Shareholders are presented with the quarterly and full-year financial results within 45 days of the end of the quarter or financial year (as the case may be). Through the release of its financial results, the Board aims to present shareholders with a balanced and understandable assessment of SATS' performance, position and prospects.

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 any variance) are circulated to the Board for their information.

Principle 11: Establishment of audit committee with written terms of reference**Audit and Risk Management Committee**

The Audit and Risk Management Committee comprises four members, all of whom are independent Directors. The Chairman of the Audit and Risk Management Committee is Mr Keith Tay Ah Kee, and its members are Mr David Zalmon Baffsky, Mr Khaw Kheng Joo and Mr Yeo Chee Tong.

The Board is of the view that the members of the Audit and Risk Management Committee have the necessary and appropriate expertise and experience to discharge their duties as the Audit and Risk Management Committee.

The Audit and Risk Management Committee has explicit authority to investigate any matter within its terms of reference, 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.

Under the Charter of the Audit and Risk Management Committee, its 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 external audit;
- independence and objectivity of the external auditors, their appointment and reappointment and audit fee;
- ensure that the internal audit function is adequately resourced, has appropriate standing within the Company and has a primary line of reporting to the Chairman of the Audit and Risk Management Committee (with secondary administrative reporting to the PCEO);
- adequacy of the internal audit function, scope of internal audit work and audit programme;
- major findings on internal audit during the year and Management's responses thereto, difficulties encountered during the course of the audit, significant changes to the audit programme and compliance with relevant professional internal audit standards, with the Head of Internal Audit and Management;
- effectiveness of the Company's material internal controls, on an annual basis with Management and the internal and/or external auditors;
- 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; and
- 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 2005 Code, and other relevant laws and regulations.

The Audit and Risk Management Committee is required by its Charter to meet at least four times a year, with the internal and external auditors of the Company present, including at least once without the presence of Management.

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 FY2008-09, 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.

corporate governance

Principle 12: Sound system of internal controls to safeguard shareholders' investments and the company's assets

The Board recognizes the importance of a sound system of internal controls to safeguard shareholders' interests and investments and the Group's assets, and to manage risks. The Board, through the Audit and Risk Management Committee, oversees and reviews the adequacy and effectiveness of the Group's internal controls and risk management systems.

The "**Internal Controls Statement**" section in this Annual Report sets out details of the Group's system of internal controls and risk management structure and processes, and the Board's views on the adequacy of the Group's internal controls.

Whistle-blowing Policy

The Company has also put in place a "Policy on Reporting Wrongdoing" to institutionalize procedures on reporting possible improprieties involving the Company, and for allowing independent investigation of such matters, and appropriate and consistent follow-up action. A dedicated email address and hotline have been set up to allow employees who discover or suspect impropriety to report the same. All information received is treated confidentially. Results of the investigation would not be disclosed or discussed with anyone other than those who have a legitimate right to know.

Anonymous complaints may be considered, taking into account factors such as the seriousness of the issues raised, the credibility of the concern and the likelihood of confirming the allegation from attributable sources.

Banking Transaction Procedures

Lenders to the Company are to note that all bank transactions undertaken by any member of the Group must be properly authorised, including the opening of new bank accounts and any proposed credit facilities. Each member of the Group has its own approval limits and procedures for every banking transaction, having regard to the nature of the transaction concerned. These approval limits and procedures are updated from time to time and are available on request. The bankers of each member of the Group should always verify, in accordance with the verification process set out in the applicable procedures, that the transaction is properly authorised.

Principle 13: Independent internal audit function

The Company has an internal audit function which comprises a dedicated section within the Internal Audit department of SIA, the Company's holding company. 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.

The internal auditors report directly to the Company's Audit and Risk Management Committee. In situations where the audit work to be carried out by the internal auditors may potentially give rise to conflicts of interest, it will be brought to the attention of the Audit and Risk Management Committee. The Audit and Risk Management Committee may authorise such audit work to be carried out by an independent third party as it deems appropriate.

SIA's Internal Audit department meets all the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Audit and Risk Management Committee is satisfied that the internal audit function is adequately resourced and has appropriate standing within SATS, and that the internal audit function is adequate.

Principle 14: Regular, effective and fair communication with shareholders

The Company strives to convey to shareholders pertinent information in a clear, forthcoming, detailed, timely manner and on a regular basis, 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.

The Company's dedicated Investor Relations department 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**" section of this Annual Report.

Principle 15: Greater shareholder participation at annual general meetings

While shareholders have a right to appoint up to two proxies 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.

At shareholders' meetings, each distinct issue is proposed as a separate resolution.

Chairmen of the various Board Committees, or members of the respective Board Committees standing in for them, as well as the external auditors, will be present and available to address questions at the AGM.

Dealings in securities

In line with the rules of the Listing Manual of the SGX-ST, the Company has institutionalized a policy and guidelines on dealings in the securities of the Company and the other SIA group companies, which have been disseminated to employees of the Group and directors of the companies within the Group. 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 and Finance departments, and departments or units of companies in the Group having charge of business development and/or marketing activities), from trading in the Company's securities during the period falling two 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 employees and directors of the Group 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.

corporate governance

Annexure

Share Plans

(I) ESOP

The ESOP comprises two 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. However, as mentioned earlier in this Report, the Company has phased out the grant of employee share options under the Senior Executive Share Option Scheme after 2006.

Options under the ESOP ("**Options**") may be granted 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 ESOP.

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, nor the associates (as so defined) of such controlling shareholder, have been granted Options under the ESOP. No grantee of Options under the ESOP has received five percent or more of the total number of Options available under the ESOP.

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 ESOP, may not exceed 15 percent of the total number of issued ordinary shares in the capital of the Company on the day preceding that date.

The maximum number of shares over which Options may be granted under the ESOP 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 applied 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 Options to be offered to any employee under the ESOP 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 is 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 five consecutive market days immediately preceding the date of grant of the Option. 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 percent 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.

(II) SATS RSP and SATS PSP

In addition to the ESOP, the Company introduced two new share plans, the SATS RSP and the SATS PSP, which were approved by shareholders at the Extraordinary General Meeting of the Company held on 19 July 2005. These plans were introduced with a view to further strengthening the Company's competitiveness in attracting and retaining talented key senior management and senior executives. The SATS RSP and the SATS PSP aim to more directly align the interests of key senior management and senior executives with the interests of shareholders, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst key senior management and senior executives. These plans contemplate the award of fully paid shares of the Company, when and after pre-determined performance or service conditions are accomplished. Non-executive Directors of the Group are not eligible to participate in the SATS RSP and the SATS PSP.

The SATS RSP serves as an additional motivational tool to recruit and retain talented senior executives as well as to reward Company and individual performance. In addition, it enhances the Group's overall compensation packages, strengthening the Group's ability to attract and retain high performing talent. The SATS PSP is targeted at a select group of key senior management who shoulder the responsibility for the Company's performance and who are able to drive the growth of the Company through innovation, creativity and superior performance. Awards under the SATS PSP are performance-based, with performance targets set in accordance with medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets based on criteria such as total shareholders' return, economic value added, market share, market ranking or return on sales.

Awards granted under the SATS RSP, which is intended to apply to a broader base of senior executives, will vest only after the satisfactory completion of time-based service conditions, that is, after the participant has served the Group for a specified number of years (time-based restricted awards) or, where the award is performance-based (performance-based restricted awards), after a further period of service beyond the performance target completion date. No minimum vesting periods are prescribed under the SATS RSP, and the length of the vesting period(s) in respect of each award will be determined on a case-by-case basis. Award of such performance-based restricted awards is intended to ensure that the earning of shares under the SATS RSP is aligned with the pay-for-performance principle. The use of time-based restricted awards will only be made on a case-by-case basis where business needs justify such awards. Awards granted under the SATS PSP differ from that of the SATS RSP in that an extended vesting period is usually (though not always) imposed for performance-based restricted awards granted under the SATS RSP beyond the performance target completion date, that is, they also incorporate a time-based service condition as well, to encourage participants to continue serving the Group beyond the achievement date of the pre-determined performance targets.

The selection of a participant and the number of shares which he would be awarded under the SATS RSP will be determined at the absolute discretion of the Remuneration and Human Resource Committee, which will take into account criteria such as his rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his contribution to the success and development of the Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

Under the SATS RSP and the SATS PSP, the Remuneration and Human Resource Committee has the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Remuneration and Human Resource Committee has the right to make reference to the audited results of the Company or the Group to take into account such factors as the Remuneration and Human Resource Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the Remuneration and Human Resource Committee decides that a changed performance target would be a fairer measure of performance.

The aggregate number of shares which may be issued pursuant to awards granted under the SATS RSP or the SATS PSP, when added to the number of new shares issued and issuable in respect of all options granted under the ESOP, and all awards under the SAT RSP and the SATS PSP, may not exceed 15 percent of the total number of issued ordinary shares in the capital of the Company on the day preceding the relevant date of award.

internal controls statement

Responsibility

SATS' Board recognises the importance of, and its role in, ensuring a proper internal controls environment for the Company and its subsidiaries (collectively, the "**Group**"). SATS Management is responsible for establishing and maintaining a sound system of internal controls over the delivery of accurate, objective and transparent financial reporting, and for the assessment of the effectiveness of internal controls.

The Board is responsible for overseeing and reviewing the adequacy and effectiveness of the Group's internal controls and risk management system. This system by its nature can only provide reasonable, but not absolute, assurance to investors regarding:

- the safeguarding and protection of the Group's assets against unauthorised or improper use or disposal;
- 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.

Risk management organisational structure

The Board is assisted by the Audit and Risk Management Committee ("**ARMC**") in reviewing the effectiveness of the system of internal controls. In doing so, the ARMC considers the results of the risk management and audit activities carried out for the Group. More information on the ARMC's authorities and duties can be found in the "**Corporate Governance**" section of this Annual Report.

The ARMC is made up of four Directors, all of whom are independent, and is chaired by an independent non-executive Director. The ARMC meets quarterly to exercise oversight of the management of risks within the Group.

The involvement of the ARMC is key to the risk management programme. Under its oversight, the risk management programme is executed with an integrated view of the organisation and its needs in mind.

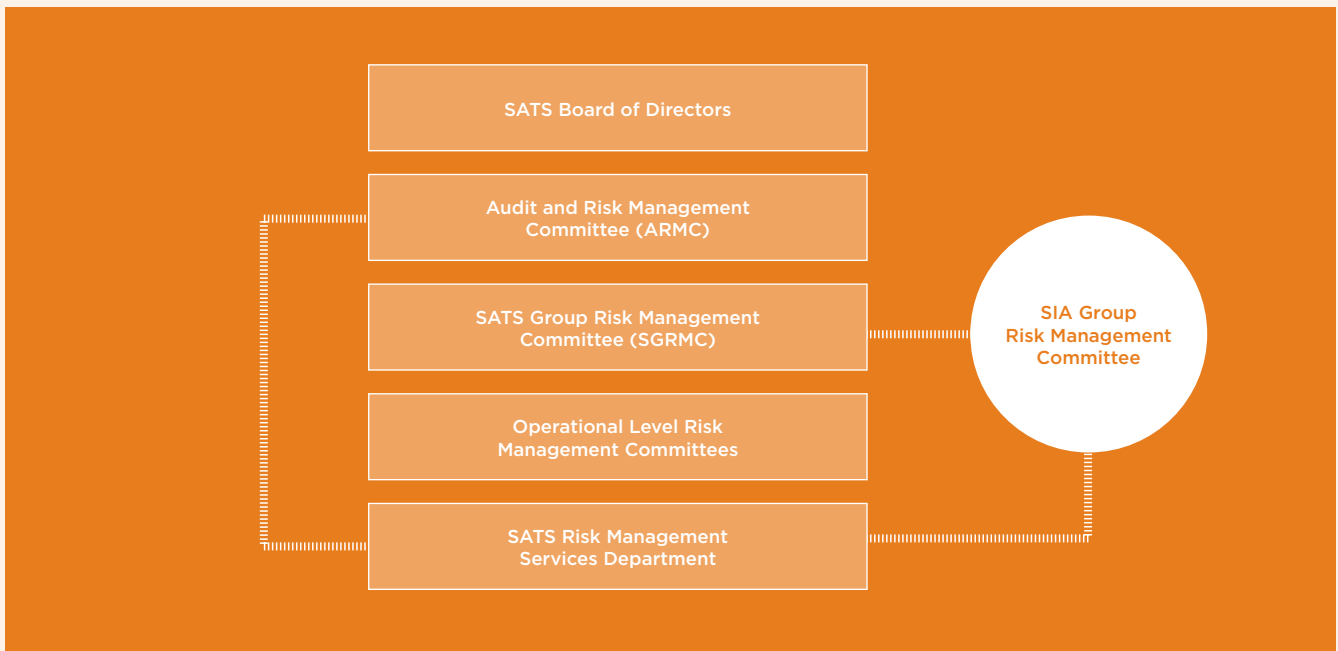
The ARMC is assisted by the SATS Group Risk Management Committee ("**SGRMC**"). The ARMC reviews the activities of the SGRMC, including regular risk management and audit reports, and updates on risk management initiatives, processes and exercises. Management or the SGRMC will report to the ARMC on any major changes to the business and external environment that affect the Group's key risks, and the ARMC will in turn report the same to the Board if it considers the matter sufficiently significant to do so.

The SGRMC, which meets on a quarterly basis, is vested with specific accountability for reviewing the system of risk management 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.

A centralised Risk Management Services Department, headed by the Group's Risk Manager, coordinates and facilitates the risk management processes within the Group. It provides support to the SGRMC in carrying out its functions.

The SGRMC is also represented at bi-annual meetings at 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.

The Group has formalised its risk management reporting structure as depicted in the diagram below with the establishment of risk management committees to the level of its operating subsidiaries each with its assigned responsibilities and objectives. Additionally, there are established channels of communications for individuals to report on any wrongdoing or impropriety.



Control environment and control activities

The key elements of the Group's comprehensive risk management framework encompasses having:

- written terms of reference for Management's and the Board's various committees;
- written policies, procedures and guidelines including guidelines on matters requiring the Board's approval which are subjected to regular review and improvement;
- defined roles and responsibilities including authorisation levels for all aspects of the business that are set out in the authority matrix;
- appropriate organisational and risk management structures in place;
- considered Business Continuity Management processes that meet the nature, scale and complexity of the Group's businesses, including the establishment of the Crisis Management Directorate for the purpose of effective management of crises;
- a planned and coordinated budgeting process where operating units prepare budgets for the coming year that are approved both by Management and by the Board; and
- the Group's key insurance coverage, the adequacy of which is reviewed on a yearly basis.

The Group's internal audit and risk management functions continually strive to improve efforts in ensuring the compliance with, and implementation of, the risk management practices and policies. The Company's internal audit process provides an independent assessment and perspective to the ARMC, on the processes and controls 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 the ARMC.

internal controls statement

The Group has its own approval limits and procedures for every banking and finance transaction, having regard to the nature of the transaction concerned. All banking and finance transactions undertaken by the Group must be properly authorised, including the opening of new bank accounts and the taking up of any proposed credit facilities. 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.

Management also monitors internal controls through Control Self Assessments (CSA) that have been developed based on the principle of minimum acceptable controls. During the course of the year, a number of the questionnaires used in conducting the CSA assessments were updated to reflect the changes in the organisation and increase the strength of the control environment. CSA verification audits were also carried out to provide an independent evaluation of the assessments conducted by the business units.

The following are some of the key risk management activities carried out within the Group:

- risk review and identification exercises conducted at the business units and departments, to review the existing risks in the risk register and to identify new risks that may have emerged;
- business continuity/contingency plans were tested during the financial year under review. The procedures were fine-tuned and enhanced for improvements further to the post mortem briefings held;
- Control Self Assessments carried out by the various business units which questionnaires were revised for applicability and completeness.

Risk assessment and monitoring

The risk management system concentrates on those key risks which may have a significant influence on the Group's assets, finances and profits, and those that may potentially endanger the continued existence of the Group companies. Procedures used facilitate early detection and control of risks.

The Risk Management Committees at various levels meet regularly to review risk and control matters including ascertaining that there are effective follow-up procedures. The outcome and status are reported to the ARMC for its review and information respectively.

The Group carried out its bi-annual review of the key risk profiles of the Group. The preventive and mitigating control actions were further refined and developed for adequacy and effectiveness.

The on-going process to identify, assess, monitor and manage business risks that will impede the achievement of the Group's objectives is continuously reviewed for improvements. The key risks are evaluated based on probability and consequence of a preset scale and ranked accordingly, and this enables the Group to allocate its resources to deal with the different levels of business risks. The risk management process, which has been put in place throughout the year and up to the date of this statement, is firmly embedded within the Group's business operations and is every employee's responsibility.

Written assurances and representations together with an attached checklist of key elements of internal controls approved by the Board, have been obtained from all the executive heads of all the Company's operating subsidiaries as well as from the 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.

Conclusion

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 its responsibilities under its Charter, the system of internal controls including financial, operational and compliance controls, and risk management system maintained by the Group's Management and that was in place throughout FY2008-09 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.