



YOUR  
JOURNEY

PASSION **OUR**  
**sats** **OUR**

**SATS LTD.**  
ANNUAL  
REPORT  
2011-12

## Vision

We are one of the largest services companies in the world.

We are driven by our capabilities in gateway services and food solutions to delight users and exceed customers' expectations.

We inspire employees, partners and associates with a passion to excel.

We are socially and environmentally responsible, creating sustainable value for all stakeholders.

## Mission

To be the first choice provider of gateway services and food solutions by leveraging on our capabilities to delight users and exceed customers' expectations.

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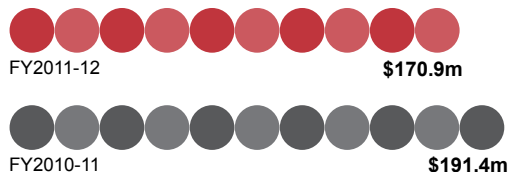
## Revenue



**+24.1%**

Revenue increased 24.1% due to organic growth in both gateway services (+9.4%) and food solutions (excluding TFK: +6.9%) businesses, as well as full year consolidation of TFK.

## Profit Attributable to Owners of the Company



**-10.7%**

Profit attributable to owners of the Company declined as a result of lower profit contributions from Associates and Joint Ventures, absence of contribution from Daniels Group and higher operating expenses driven by higher business volumes and inflationary pressure. Excluding Daniels Group and one-off items, underlying net profit fell at a lower rate of 4.3% to \$177.5m.

## Dividend Per Share

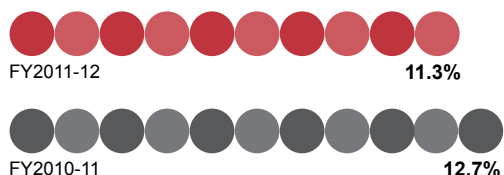


**+52.9%**

Ordinary dividend per share remains at 11 cents, representing a payout ratio of 71.4%, higher than 63.7% in the corresponding period. Including proposed special dividend of 15 cents per share, the proposed total dividend amounts to 26 cents per share, representing a payout ratio of 168.6% of profit attributable to owners of the Company for FY2011-12.

\* Ordinary dividend of 11 cents and special dividend of 15 cents  
 \*\* Ordinary dividend of 11 cents and special dividend of 6 cents

## Return on Equity



**-1.4ppt**

Return on equity declined to 11.3% from 12.7% in the corresponding period due to lower Group net profit reported for FY2011-12.

# YOUR MEMORABLE EXPERIENCE

Just as every journey begins with a single step forward, SATS is committed to fostering customer intimacy and creating memorable moments that accompany our customers and guests at every touch point along the way.





## OUR DISTINCT PLEASURE

From smooth check-ins to a safe departure,  
every detail is well taken care of,  
simply because we care.



# YOUR EVERY SATISFACTION

We take pride in what we do, and delight in creating and delivering innovative solutions to meet our customers' needs.





## OUR UTMOST PRIORITY

We serve with our heart and work as one to uphold the highest standards, ensuring our customers' needs are fulfilled each and every time.

# YOUR LASTING JOY

Our greatest satisfaction lies in the knowledge that we are able to leave a lasting positive impact in the communities we serve.







## OUR GREATEST DELIGHT

We are in turn inspired by our customers and their guests' memorable experiences, which serve as a testament to our commitment in surpassing excellence.

# Chairman's Statement

Dear Shareholders,

FY2011-12 has been a significant year for SATS, despite the numerous challenges we have had to face. Uncertainties in the global economy coupled with the protracted Eurozone debt crisis have caused some turbulence to the aviation industry. The aftermath of Japan's March 11 earthquake also directly affected our inflight catering operations in Tokyo.

I am heartened that despite macro circumstances and the deconsolidation of the Daniels Group's (Daniels) results since October 2011, the Group recorded a net profit of \$170.9 million after tax and non-controlling interests for the financial year ended 31 March 2012.

We also kept to our business strategy, managed our risks and assets allocation, and more importantly, sharpened our strategic focus on growing our gateway and food businesses in Asia and the Middle East.

At the same time, we launched a new brand identity to better reflect our strategic directions and our commitment to continually delight customers with strong value propositions. Through this new brand identity, we aim to build a unified and consistent representation across our two businesses as we continue to grow our presence in the Asia Pacific region.

## FY2011-12 RESULTS AND DIVIDENDS

In the year under review, I am pleased to report that Group revenue rose 24.1% year-on-year to \$1,685.4 million.

Our gateway services revenue improved 9.4% to \$602.7 million, led by increased flights and passengers handled at Singapore Changi Airport as well as better performance by our Hong Kong subsidiary, SATS HK.

Our food solutions revenue grew 35.2% due mainly to the full-year consolidation of TFK Corporation (TFK), an inflight caterer in Tokyo which we acquired in December 2010. We started consolidating TFK's results in the fourth quarter of FY2010-11 and as a result, its contribution to Group revenue was only \$72.6 million in FY2010-11, compared to \$302.6 million in FY2011-12. Excluding TFK, our food solutions revenue grew organically by 6.9% on the back of higher inflight meal volumes in Singapore.

Group operating profit remained at \$169 million as operating expenses increased 27.6% to \$1,516.4 million. Excluding TFK, operating expenses rose 8.9%, with higher staff and raw material costs being the key contributors to the increase.



**“ We also kept to our business strategy, managed our risks and assets allocation, and more importantly, sharpened our strategic focus on growing our gateway and food businesses in Asia and the Middle East. ”**

Share of results of associates and joint ventures, net of tax, fell 12.2% to \$41.2 million due to a stronger Singapore dollar and weaker performance from those associates that were affected by the soft cargo demand.

On 25 October 2011, we sold our entire stake in Daniels, a chilled food manufacturer in the UK. The absence of Daniels' contribution, coupled with the loss arising from its divestment, saw our profit attributable to owners of the Company declining 10.7% to \$170.9 million. Excluding the \$22.1 million year-on-year impact from Daniels as well as one-off items, our underlying net profit declined at a lower rate of 4.3% to \$177.5 million.

As at 31 March 2012, the Group's total assets amounted to \$2.12 billion, down 8.5% from a year ago due mainly to the deconsolidation of Daniels, and payments of ordinary and special dividends to shareholders during the year. Cash and cash equivalents rose from \$296.1 million to \$470.1 million and gross debt-to-equity ratio remained at a healthy 0.1 times.

In view of our financial performance and liquidity position, and taking into account our capital management considerations, your Board is pleased to recommend a final ordinary dividend of 6 cents per share and a special dividend of 15 cents per share. Including the interim ordinary dividend of 5 cents per share paid on 9 December 2011, the proposed total dividends will be 26 cents per share, compared to 17 cents per share in the previous financial year. This represents a dividend payout ratio of 168.6% of profit attributable to owners of the Company. The proposed final and special dividends, if approved at the forthcoming Annual General Meeting on 26 July 2012, will be paid on 15 August 2012.

## **BUSINESS REVIEW**

### **Gateway Services**

SATS continues to be the leading ground handler at Singapore Changi Airport in FY2011-12, serving close to 75% of the scheduled flights there. In the year under review, we continued to build on our service offerings and grow our customer base by securing new ground handling contracts, including those from Air China Cargo, Lao Airlines and Lufthansa. In addition, we renewed our contracts with existing customers such as Air China, China Southern Airlines, China Cargo Airlines, Hainan Airlines, Japan Airlines, Jetstar Asia, SilkAir, Tiger Airways, TNT Airways and Turkish Airlines.

In Hong Kong, our subsidiary SATS HK successfully secured Hong Kong Airlines and Vladivostok Air as new customers. It also renewed several contracts with customers including Air Canada, Cebu Pacific Air, Jet Airways and Tiger Airways.



The favourable performance of our gateway business is testimony to the commitment we have to our customers and more importantly, our drive to constantly innovate and provide better services to our customers.

Earlier in the year, we extended our capabilities in gateway services beyond the aviation sector to include the cruise sector. We collaborated with both cruise lines and airlines to introduce the FlyCruise and CruiseFly services, providing cruise passengers a seamless check-in experience when they arrive or depart from Singapore either by air or sea. Winning the tender in December 2011 to operate and manage the new Marina Bay Cruise Centre Singapore (MBCCS) provided the Group with an opportunity to deploy its competencies just as effectively in the cruise sector. We are looking forward to this challenge as MBCCS commences operations to receive its first vessel on 26 May 2012 and we will do our utmost to deliver a delightful experience for cruise passengers.

### **Food Solutions**

Our food solutions business continued to grow in FY2011-12.

In the area of aviation food, we maintained our leading market position at Singapore Changi Airport. We secured new customers such as Drukair, Lao Airlines and TransAsia Airways, and renewed contracts with existing customers including All Nippon Airways, Jet Airways, SilkAir and United Airlines.



## Chairman's Statement

In Japan, our subsidiary TFK has turned around faster than expected. Despite meal volumes plummeting more than 40% in the immediate aftermath of the March 11 disasters, TFK weathered this difficult period and saw steady recovery in its meal volumes month after month. It also successfully renewed contracts with several existing customers such as Air France, FedEx, Lufthansa, Qantas Airways and Scandinavian Airlines, while winning a new contract from Hong Kong Airlines.

For the full year ended 31 March 2012, TFK reported revenue of \$302.6 million and net profit after tax and minority interests of \$4.5 million. Excluding a one-off adjustment arising from its revised retirement benefit plan, TFK reported an underlying net loss of \$1 million. Nonetheless, we remain positive about the long-term growth prospects of the Japanese aviation market.

In April 2011, we acquired a 40% equity stake in Adel Abuljadayel Flight Catering (AAFC) for US\$18.5 million. AAFC is a niche inflight caterer based in Jeddah and Riyadh, Saudi Arabia. Serving mainly private jets and Hajj and Umrah charters, AAFC is part of our strategic thrust to leverage our core competencies to access attractive opportunities, serve our key customers at more locations, and grow our footprint in the Middle East. AAFC will be commencing the construction of its new inflight kitchen in Riyadh this year to cater to the private jets, scheduled airlines and the premier lounge at Riyadh airport.

In the non-aviation food sector, our growth momentum continues. We made our foray into providing remote catering services through Food and Allied Support Services Corporation (FASSCO), a 51:49 joint venture company with OCS Ventures. With our strong food solutions capabilities and uncompromising food safety standards, we will open

new markets and begin to offer remote catering services to large institutional clients in the onshore/offshore oil and gas, mining and construction industries. For a start, FASSCO will target specifically the Asia Pacific market.

On 25 October 2011, we fully divested our stake in Daniels in the UK for £151 million. The Board and Management made the decision during their periodic review of the Group's strategy and business options. They also took into consideration the deteriorating Eurozone conditions, the medium-term business outlook in the UK as well as its exposure to the pound sterling. While Daniels had been earnings accretive since our acquisition of Singapore Food Industries (SFI) in 2009, we believe that it made more sense if Daniels were part of another company in the branded products market, who would be in a better position to boost its growth in this space. The impact of the divestment to SATS should, on balance, be positive in the near to medium term.

Going forward, the Group continues to view the non-aviation sector as an integral part of its food business. The SFI platform is key to grow our food catering and provisioning services in the non-aviation sector both in Singapore and overseas.

### OUR EFFORTS RECOGNISED

Our efforts in providing a delightful service experience to our customers continue to be widely recognised. During the year, the following accolades, among others, were received by the Group:

- SATS clinched 37 awards - 15 golds, 15 silvers and 7 stars - at the Excellent Service Award organised by the Singapore Hotel Association and supported by SPRING Singapore;
- China Southern Airlines named its Singapore station, which is supported by SATS, as the "Best Station for 2011" out of its network of 176 stations. The award was presented to SATS for its high standards of service;
- SATS was named the "Most Reliable Caterer" by United Airlines;
- SATS was conferred the "Airport Operations Individual Award" and "Flight Delay Handling Team Award" at the Singapore Airlines CEO Transforming Customer Service Awards 2011, in recognition of its excellent customer service and outstanding team effort in operations management;
- TFK was named the "Overseas Best Caterer" by Vietnam Airlines and the "Mabuhay Best Airline Caterer" by Philippine Airlines in recognition of its outstanding catering service.





In addition, we are gratified that our efforts in other areas have also been recognised:

- SATS came in 5th amongst 657 Singapore listed companies in the Governance and Transparency Index (GTI) 2011. Jointly launched by NUS Business School's Centre for Governance, Institutions and Organisations and The Business Times, the GTI assesses the governance standards and transparency of listed companies, including their investor relations practices;
- SFI was amongst 13 companies to be conferred the "Best Employers in Singapore 2011 Award" by Aon Hewitt, based on its measures of companies' effectiveness in providing a working environment that facilitates employee engagement.

## CHARTING OUR FUTURE

SATS has formally confirmed the appointment of Tan Chuan Lye as its President and CEO on 1 April 2012. Chuan Lye has been with SATS for more than 35 years and has extensive experience and knowledge in the aviation and food industries. The Board is confident that Chuan Lye is well placed to steer SATS in achieving its long-term vision with his leadership.

In FY2012-13, the outlook of the global economy and the aviation industry in particular remain uncertain. At home, slower growth is expected for the Singapore economy, which potentially would weigh on demand for air freight. Nevertheless, there remain bright spots for organic growth as passenger traffic at Changi Airport is set to increase on the back of growing regional traffic as well as network expansion by some airlines at Changi Airport. In 2012, Singapore's visitor arrivals are also forecasted to grow, albeit moderately, to between 13.5 million and 14.5 million.

With general cargo demand anticipated to remain weak as well as a strong Singapore dollar, the earnings of some of our overseas associates may continue to be impacted when translated to the home currency.

In charting our growth going forward, we will seek opportunities that will further strengthen our position as a leading services provider in Asia Pacific. This region is the bright spot in the global economy and we will continue to extend our reach here and build our businesses for profitable long-term growth. With our strong balance sheet, we remain confident and ready to access inorganic opportunities in the areas of gateway services and food solutions in key overseas markets.

As we look to strengthen and grow our businesses, we must ensure that we build a strong foundation internally. A key challenge that we face is in keeping our operating costs

low, especially when inflationary pressure on costs persists in the near term. To do that, we must drive productivity improvement by constantly reviewing our processes and streamlining them, whilst pursuing skills upgrading for our workforce. We will continue to foster a close relationship with our unions and also proactively implement more progressive manpower policies.

The Board and Management remain resolute in enforcing safety at the workplace as the nature of our business requires us to stay vigilant at all times and make no compromise in adhering to safety standards. We will continue our efforts to instil safety consciousness in every member of our staff to ensure that SATS remains a safe place to work.

## WITH APPRECIATION

On behalf of the Board, I would like to extend my utmost appreciation to every member of our staff, unions, and management. As a service company, our people are the foundation upon which our every success lies. I am grateful for their continued and consistent passion, loyalty and commitment.

I wish to thank my fellow Board members for their wise counsel and support throughout the year. I am sad to bid farewell to two fellow Directors, Ng Kee Choe and Yeo Chee Tong, who will be stepping down from the Board at the forthcoming annual general meeting. Amongst the members of the Board, Kee Choe is the longest serving Director. He has, through his invaluable insights and experience, made a decisive contribution to SATS' successful development over the last 12 years. I also wish to acknowledge Chee Tong for his unstinting service over the last six years. Together with the rest of the Board, I thank them both for their invaluable service and solid contributions to SATS, and they will definitely be missed.

In FY2011-12, we saw the departure of Clement Woon as SATS' President and CEO. During his term, Clement was instrumental in transforming SATS into a leading provider of gateway services and food solutions. The Board would like to thank him for his contributions to SATS and wishes him the very best in his future endeavours.

Finally, to our customers, business partners and shareholders, my sincere thanks for your continued confidence and support.

**Edmund Cheng Wai Wing**

Chairman

23 May 2012

# Board of Directors

(As at 23 May 2012)



**Mr Edmund Cheng Wai Wing**  
Chairman  
Non-executive and independent Director

## Date of first appointment as a Director

22 May 2003

## Date of last re-election as a Director

30 Jul 2010

## Length of service as a Director

9 years 0 month

## Board committee(s) served on

- Chairman, Board Executive Committee
- Chairman, Remuneration and Human Resource Committee

## Present directorships

### Listed companies

- Deputy Chairman, Wing Tai Holdings Limited
- Executive Director, Wing Tai Malaysia Berhad

### Others

- Chairman, Mapletree Investments Pte Ltd
- Chairman, TFK Corporation, Japan

## Major appointments (other than directorships)

- Chairman, National Arts Council
- Member, Presidential Council of Real Estate Developers' Association of Singapore (REDAS)
- Member, International Council for Asia Society

## Past directorships in listed companies held over the preceding three years

- SNP Corporation Ltd (now known as Toppan Leefung Pte. Ltd.)

## Past key appointments

- Member, Board of Trustees, Nanyang Technological University
- Founding Chairman, DesignSingapore Council
- Chairman, Singapore Tourism Board
- Director, Urban Redevelopment Authority
- Director, Singapore Airlines Limited

## Achievements

- "Officier de l'Ordre des Arts et des Lettres" by the Government of the Republic of France
- The Public Service Star (BAR) from the Singapore Government
- The Public Service Star (BBM) from the Singapore Government
- "Outstanding Contribution to Tourism Award" from the Singapore Government

## Academic and professional qualification(s)

- Bachelor of Science degree in Civil Engineering, Northwestern University, USA
- Master of Architecture, Carnegie Mellon University, USA



**Mr David Zalmon Baffsky**  
Non-executive and independent Director

## Date of first appointment as a Director

15 May 2008

## Date of last re-appointment as a Director

27 Jul 2011

## Length of service as a Director

4 years 0 month

## Board committee(s) served on

- Chairman, Nominating Committee
- Audit Committee

## Present directorships

### Listed companies

- Chairman, Ariadne Australia Limited

### Others

- Chairman, Investa Funds Management Limited
- Indigenous Land Corporation
- Sydney Olympic Park Authority

## Major appointments (other than directorships)

- Honorary Chairman, Accor Asia Pacific
- Founding Director and Life Member, Australian Tourism Task Force
- Trustee and Chairman of Audit & Risk Management Committee, Art Gallery of New South Wales
- Member, Australian Government's Advisory Group on National Security

## Past directorships in listed companies held over the preceding three years

Nil

## Past key appointments

- Executive Chairman, Accor Asia Pacific
- Chairman, Citistate Corporation Limited
- Director, Edenred Pte Ltd
- Founder, Tourism Asset Holdings Limited
- Director, Singapore Tourism Board

## Achievements

- Officer, General Division of the Order of Australia (AO)
- Centenary Medal for "Service to Australian Society through Business Indigenous Affairs and the Arts"
- Chevalier in l'Ordre National de la Legion d'Honneur
- "Asia Pacific Hotelier of the Year" by Jones Lang LaSalle

## Academic and professional qualification(s)

- Bachelor of Law, University of Sydney, Australia

**Date of first appointment as a Director**

15 Oct 2009

**Date of last re-election as a Director**

30 Jul 2010

**Length of service as a Director**

2 years 7 months

**Board committee(s) served on**

- Board Executive Committee
- Board Risk Committee

**Present directorships***Listed companies*

Nil

*Others*

- Cavanagh Investments Pte Ltd
- Duxton Investments Pte Ltd
- Perikatan Asia Sdn Bhd
- TFK Corporation, Japan
- Fung Brands Limited

**Major appointments (other than directorships)**

- Senior Managing Director, Investment and Co-Head of SEA, Temasek International Private Limited

**Past directorships in listed companies held over the preceding three years**

Nil

**Past key appointments**

- Director, Bugis Investments (Mauritius) Pte Ltd
- Director, Sorak Financial Holdings Pte. Ltd.
- Director, Olyn Investments Limited
- Director, Chartwell Investments Pte. Ltd.
- Vice-President of Investment Banking, Deutsche Bank AG

**Academic & professional qualification(s)**

- Bachelor of Engineering, University of Canterbury, New Zealand
- Master of Business Administration, University of Hull, UK

**Mr David Heng Chen Seng**

Non-executive and non-independent Director

**Date of first appointment as a Director**

27 Jul 2011

**Date of last re-election as a Director**

N.A.

**Length of service as a Director**

9 months

**Board committee(s) served on**

- Remuneration and Human Resource Committee

**Present directorships***Listed companies*

Nil

*Others*

- The Hongkong and Shanghai Banking Corporation Limited and its group of companies
- Hang Seng Asset Management Pte Ltd
- HSBC Trustee (Singapore) Limited

**Major appointments (other than directorships)**

- Chief Executive Officer, The Hongkong and Shanghai Banking Corporation Limited, Singapore

- Council Member, The Association of Banks in Singapore
- Member, National Youth Achievement Award Association Advisory Board

**Past directorships in listed companies held over the preceding three years**

Nil

**Past key appointments**

- Member, HSBC's Group Management Board and Risk Management Committee
- Director, HSBC Bank Turkey A.S.
- Director, HSBC Bank Egypt S.A.E.
- Global Head of Personal Financial Services and Marketing, HSBC
- Managing Director, Reuters, Asia Pacific
- Non-Executive Chairman, Factiva
- Strategy Consultant, Booz Allen & Hamilton

**Academic & professional qualification(s)**

- Master of Arts in Engineering, Economics and Management, Oxford University, UK
- Master of Business Administration Program (Baker Scholar), Harvard Business School, USA

**Mr Alexander Charles Hungate**

Non-executive and independent Director

## Board of Directors



**Mr Nihal Vijaya Devadas Kaviratne CBE**

Non-executive and independent Director

**Date of first appointment as a Director**

30 Jul 2010

**Date of last re-election as a Director**

N.A.

**Length of service as a Director**

1 year 10 months

**Board committee(s) served on**

- Audit Committee
- Board Risk Committee

**Present directorships**

*Listed companies*

- Chairman, Akzo Nobel India Limited
- Chairman of Strategy Committee, Starhub Limited
- DBS Group Holdings Ltd
- GlaxoSmithKline Pharmaceuticals Limited, India

*Others*

- President Commissioner, PT TVS Motor Company, Indonesia
- TVS Motor Company (Europe) BV, The Netherlands
- Wildlife Reserves Singapore Pte Ltd
- DBS Bank Limited

**Major appointments (other than directorships)**

- Chairman, The Indian Cancer Society
- Founder, St Jude India ChildCare Centres

- Founder President of the International Wine & Food Society, Bombay Branch
- Member, International Advisory Panel, Global Alliance for Improved Nutrition

**Past directorships in listed companies held over the preceding three years**

- Agro Tech Foods Limited, India (an affiliate of ConAgra Foods Inc)
- Titan Industries Ltd, India

**Past key appointments**

- Chairman and Chief Executive Officer of PT Unilever, Indonesia

**Achievements**

- Stars of Asia Award, one of the “25 leaders at forefront of change” by Business Week
- Queen’s 2004 New Year Honours List and conferred the Commander of the British Empire (CBE), UK

**Academic & professional qualification(s)**

- Bachelor of Arts (Honours), Bombay University, India
- Advanced Management Program, Harvard Business School, USA
- Advanced Executive Program, Northwestern University, USA



**Mr Koh Poh Tiong**

Non-executive and independent Director

**Date of first appointment as a Director**

1 November 2011

**Date of last re-election as a Director**

N.A.

**Length of service as a Director**

6 months

**Board committee(s) served on**

- Audit Committee
- Board Risk Committee

**Present directorships**

*Listed companies*

- Vice Chairman and Senior Advisor, Ezra Holdings Limited
- The Great Eastern Life Assurance Company
- Raffles Medical Group Limited
- United Engineers Limited
- Petra Foods Limited

*Others*

- PSA Corporation Limited
- PSA International Pte Ltd
- National Kidney Foundation

**Major appointments (other than directorships)**

- Chairman, Singapore Kindness Movement

**Past directorships in listed companies held over the preceding three years**

Nil

**Past key appointments**

- Chief Executive Officer, Food and Beverage, Fraser and Neave, Limited
- Chief Executive Officer, Asia Pacific Breweries Limited
- Chairman, Agri-Food & Veterinary Authority
- Member of Organising Committee, Singapore Youth Olympic Games
- Chairman of Advisory Committee, Gan Eng Seng School
- Member of MBA Advisory Board, Nanyang Technological University
- Member of Resource Panel, Government Parliamentary Committee (Finance, Trade & Industry)
- Board Director, National Healthcare Group Pte Ltd
- Board Director, Wildlife Reserves Singapore Pte Ltd

**Achievements**

- Outstanding CEO Award from DHL/The Business Times
- The Public Service Medal from the Singapore Government
- Service to Education Award by the Ministry of Education

**Academic & professional qualification(s)**

- Bachelor of Science, University of Singapore



**Date of first appointment as a Director**

1 Mar 2000

**Date of last re-election as a Director**

28 Jul 2009

**Length of service as a Director**

12 years 2 months

**Board committee(s) served on**

- Board Executive Committee
- Remuneration and Human Resource Committee

**Present directorships***Listed companies*

- Singapore Exchange Ltd
- Chairman, CapitaLand Ltd
- Chairman, SP Australia Networks (Distribution) Ltd\*
- Chairman, SP Australia Networks (Transmission) Ltd\*
- Chairman, SP Australia Networks (RE) Ltd\*
- President Commissioner, PT Bank Danamon Indonesia, Tbk

\* Subsidiaries of Singapore Power Limited

**Others**

- Chairman, Singapore Power Limited
- Chairman, NTUC Income Insurance Co-Operative Ltd
- Fullerton Financial Holdings Pte Ltd

**Major appointments (other than directorships)**

- Chairman, Tanah Merah Country Club
- Member, Temasek Advisory Panel of Temasek Holdings (Private) Limited
- Member, International Advisory Council of China Development Bank

**Past directorships in listed companies held over the preceding three years**

Nil

**Past key appointments**

- Vice Chairman, DBS Group Holdings Ltd

**Achievements**

- The Public Service Star Award from the Singapore Government

**Academic & professional qualification(s)**

- Bachelor of Science (Honours), University of Singapore

**Mr Ng Kee Choe**

Non-executive and non-independent Director

**Date of first appointment as a Director**

26 Jul 2007

**Date of last re-election as a Director**

30 Jul 2010

**Length of service as a Director**

4 years 10 months

**Board committee(s) served on**

- Chairman, Audit Committee
- Board Executive Committee

**Present directorships***Listed companies*

- FJ Benjamin Holdings Ltd
- Rotary Engineering Limited
- Singapore Post Limited
- Singapore Reinsurance Corporation Limited

**Others**

- Chairman, Stirling Coleman Capital Limited
- TFK Corporation, Japan
- YTL Starhill Global REIT Management Limited

**Major appointments (other than directorships)**

- Council member, Singapore Institute of Directors
- Board member, Singapore International Chamber of Commerce

**Past directorships in listed companies held over the preceding three years**

- Allgreen Properties Ltd
- Aviva Limited
- Singapore Power Limited

**Past key appointments**

- Chairman and Managing Partner, KPMG Peat Marwick Singapore
- President, Institute of Certified Public Accountants of Singapore (ICPAS)
- Adj. Professor, Nanyang Technological University

**Achievements**

- First International Award for Outstanding Contribution to the Profession by the Institute of Chartered Accountants in England & Wales
- The Public Service Star Award (BBM) from the Singapore Government
- Gold Medal for distinguished service to the profession by ICPAS

**Academic & professional qualification(s)**

- Honorary Fellow, Institute of Certified Public Accountants of Singapore
- Fellow, Institute of Chartered Accountants in England & Wales
- Associate Member, The Chartered Institute of Taxation, UK

**Mr Keith Tay Ah Kee**

Non-executive and independent Director

## Board of Directors



**Mr Yeo Chee Tong**  
Non-executive and  
independent Director

**Date of first appointment as a Director**

19 May 2006

**Date of last re-election as a Director**

27 Jul 2011

**Length of service as a Director**

6 years 0 month

**Board committee(s) served on**

- Chairman, Board Risk Committee
- Nominating Committee

**Present directorships**

*Listed companies*

Nil

*Others*

- Director, Toppan Leefung and its group of companies

**Major appointments (other than directorships)**

- President and Chief Executive Officer, Toppan Leefung Pte. Ltd.

**Past directorships in listed companies held over the preceding three years**

Nil

**Past key appointments**

- Vice President, Singapore Technologies Telemedia Pte Ltd

**Academic & professional qualification(s)**

- Bachelor of Electrical & Electronic Engineering (Honours), National University of Singapore
- Master in Science (Engineering), National University of Singapore
- Master in Business Administration, National University of Singapore
- Advanced Management Program, Harvard Business School, USA



**Mr Leo Yip Seng Cheong**  
Non-executive and  
independent Director

**Date of first appointment as a Director**

1 Sep 2010

**Date of last re-election as a Director**

27 Jul 2011

**Length of service as a Director**

1 year 8 months

**Board committee(s) served on**

- Nominating Committee
- Remuneration and Human Resource Committee

**Present directorships**

*Listed companies*

Nil

*Others*

- Chairman, EDB Investments Pte Ltd
- Chairman, EDBI Pte Ltd
- Human Capital Leadership Institute
- Lucasfilm Animation Singapore Pte. Ltd.

**Major appointments (other than directorships)**

- Chairman, Singapore Economic Development Board
- Member, National Research Foundation
- Member, Board of Trustees, Singapore University of Technology and Design

**Past directorships in listed companies held over the preceding three years**

Nil

**Past key appointments**

- Permanent Secretary, Ministry of Manpower
- Chief Executive Officer, Singapore Workforce Development Agency
- Principal Private Secretary to then Senior Minister Lee Kuan Yew
- Director (Operations), Singapore Police Force

**Achievements**

- The Public Administration Medal (Gold) from the Singapore Government
- The Public Administration Medal (Silver) from the Singapore Government

**Academic & professional qualification(s)**

- Bachelor of Arts (Economics), University of Cambridge, UK
- Masters of Business Administration, University of Warwick, UK
- Masters in Public Administration, JFK School of Government, Harvard University, USA

# Significant Events

## 2011

### 27 April 2011

SATS acquired a 40% equity stake in Adel Abuljadayel Flight Catering Company (AAFC) for US\$18.5 million. A niche inflight caterer with presence in Jeddah and Riyadh, AAFC serves mainly private jets and Hajj charters.

### 28 April 2011

SATS was conferred the “Best Air Cargo Terminal – Asia” for the 13<sup>th</sup> time at the Asian Freight & Supply Chain Awards 2011 organised by Cargonews Asia.

### 16 May 2011

The Group reported full year net profit of \$191.4 million, up 5.6% from a year ago. Excluding exceptional items, our underlying net profit would be \$197.4 million, up 20.3% year-on-year.

### 7 June 2011

We launched our new brand identity, marking the start of our journey to build a unified, consistent representation across our food and gateway businesses as we continue to grow our presence in the Asia Pacific region.

### 11 July 2011

SATS was ranked 5<sup>th</sup> amongst 657 Singapore listed companies in the Governance and Transparency Index (GTI) 2011.

### 22 July 2011

SATS announced the appointment of Mr Tan Chuan Lye as the Acting CEO following the resignation of President and CEO, Mr Clement Woon.

### 26 July 2011

The Group reported net profit of \$42.5 million for the first quarter ended 30 June 2011.

### 27 July 2011

We welcomed Mr Alexander Charles Hungate as our Director.

### 18 August 2011

SATS Investment and OCS Ventures inked an agreement to form a joint venture (JV) company to offer food and allied services to customers operating in remote sites in the oil and gas, mining, marine, defence and construction industries. The 51:49 JV company – with SATS holding the majority stake – was subsequently incorporated on 9 November 2011 as Food and Allied Support Services Corporation.

### 25 October 2011

We announced the disposal of our UK operations, Daniels Group, to Hain Frozen Foods UK for a cash consideration of £151 million.

### 1 November 2011

We welcomed Mr Koh Poh Tiong as our Director.

### 10 November 2011

The Group achieved net profit of \$40.1m for the second quarter ended 30 September 2011.

### 22 December 2011

SATS won the tender to manage and operate the new Marina Bay Cruise Centre Singapore (MBCCS) and formed a 60:40 JV company with our consortium partner, Creuers del Port de Barcelona (Creuers). Named SATS-Creuers Cruise Centre, the JV company has been granted a 10-year lease to operate MBCCS.

## 2012

### 7 February 2012

For the third quarter ended 31 December 2011, the Group earned a net profit of \$38.2m.

### 10 February 2012

SATS completed the acquisition of the remaining 30% equity stake in Aerolog Express from YCH Group. Consequently, Aerolog Express becomes a wholly-owned subsidiary.

### 23 March 2012

Mr Tan Chuan Lye was appointed the President and CEO of SATS.

### 14 May 2012

The Group reported net profit of \$50.1m for the fourth quarter ended 31 March 2012. This was the highest among the four quarters in FY2011-12. For the full year, our net profit amounted to \$170.9 million.

### 22 May 2012

SATS-Creuers Cruise Services announced the first ship call by Royal Caribbean's Voyagers of the Seas at MBCCS on 26 May 2012.



# In Conversation with President and CEO

## Q: What is SATS' strategy to grow?

A: We have positioned ourselves well as the leading services provider in Singapore and Asia. Singapore is an important aviation hub. It is our home. The size of our operations, the facilities that we have built to cater for future demand as well as our beliefs, high service standards, and product and service innovation which revolve around the needs of our customers, all stemmed from many years of conscientiously growing and strengthening the Singapore Hub for SIA and Changi Airport. In recent years, our success has been driven by the strategic thrusts of customer intimacy, operational excellence, innovation and growth. We have sharpened our focus on strengthening our gateway services and food solutions businesses.



We have achieved reasonable outcomes from these initiatives. We grew our footprint by adding SATS HK to our network. We now provide passenger and ramp services at a hub located in one of the fastest growing regions in the world. India is also important in terms of potential and scalability. Air India-SATS Airport Services, our ground handling joint venture with Air India, today operates in Bangalore, Delhi, Hyderabad, Mangalore and Trivandrum. We intend to scale up this business to deepen our presence in India.

In Singapore, we launched Asia-Pacific Star (APS) to cater to the fundamentally different ground handling and inflight catering needs of the low-cost carriers (LCCs). We added technical ramp handling to our scope of gateway capabilities, creating new opportunities for us to offer a wider suite of services to new and existing customers, including the private jets. We recently extended our gateway business to the cruise sector and will soon be managing and operating the new Marina Bay Cruise Centre Singapore (MBCCS) from 26 May 2012. Our presence at the airport and the cruise terminal provide opportunities to offer new value propositions to our customers through services like CruiseFly and FlyCruise.

In the area of food solutions, we acquired Singapore Food Industries (SFI), which provided immediate scale and size to our non-aviation food business. We successfully secured new contracts in event catering, including for the 2010 Youth Olympic Games held in Singapore. We continued to grow our non-aviation food business through ongoing product innovation as well as expanding our institutional catering business and venturing into remote catering services. We also established our presence in new locations including the Narita and Haneda airports in Japan as well as in Jeddah and Riyadh, Saudi Arabia through strategic acquisitions.

Moving ahead, there continue to be many exciting growth opportunities that we can pursue in both gateway services and food solutions, be it increasing our footprint in strategic hubs, broadening the customer segments that we currently serve or developing new product and service offerings. We remain focused on leveraging our capabilities in gateway and food businesses as well as our financial strength and long standing relationships with our customers and partners, to deepen our presence in the Asia Pacific and the Middle East regions.



**Q: What will be the focus of SATS' gateway business in the near to medium term?**

**A:** There are two sectors within the gateway business that we will continue to focus on – aviation and non-aviation.

On the aviation front, we continue to forge strong ties with our customers across three segments, namely the full service carriers, LCCs and private jets. It is important that we customise our operating model to meet their diverse and yet specific needs, and develop innovative solutions that will help them surmount operational and business challenges. A good example to demonstrate this is the recent collaboration by SATS Catering, APS and SFI to design the premium-class meals for Scoot. Through this collaboration, APS is able to offer a customised solution to the newly-launched LCC. We also collaborated with some of our key customers in joint projects and shared savings derived from productivity improvements with them. I am sure there will be more of such opportunities with other customers and industry stakeholders going forward.

Outside of aviation, we have extended our capabilities in gateway to the cruise sector. We took a big step forward when we inked a partnership with Creuers del Port de Barcelona, to bid for the tender to manage and operate the new MBCCS at Marina South.

While MBCCS is an asset-light investment for SATS, it is a landmark project as it not only marks our entry into the cruise sector, it also presents us with opportunities to offer our services to new customers in the areas of passenger handling, security services, event catering, provisioning of raw material and food supplies, and cool chain logistics.

Though currently in its nascent stage, the cruise sector in Asia is expected to grow steadily in the medium term as this region offers many new and exciting itineraries for cruise lines to set sail here. With Singapore's close proximity to the industry's major source markets including China and India, the country offers cruise lines an ideal port of call as well as a homeport for their ships. As such, we can expect bigger ships to call at the more spacious MBCCS. There are also many exciting opportunities that we can work on to grow in Singapore and elsewhere in the region.



**Q: Following the divestment of Daniels Group, how do you intend to grow your non-aviation food business in the near to medium term?**

**A:** Today, our food solutions business accounts for nearly 65% of SATS total revenue, with the aviation segment contributing more than two-thirds to the food solutions revenue. Despite this, the non-aviation segment remains an integral part of our food business.

Following the divestment of Daniels, we have stayed focused on growing our catering and food supplies provisioning businesses in the non-aviation food segment. We have a proven capability in institutional catering and will use the SFI vehicle to grow this segment locally and overseas.

To do that, we will capitalise on our expertise as a total food solutions provider and work on specific targets. These include hospitals, schools and large-scale events. We will also tap into the premium catering sector where we can leverage our capabilities in consultancy, F&B master planning, menu design and food safety management.

In November 2011, we made our first move into remote catering by forming a 51:49 joint venture company – Food and Allied Support Services Corporation (FASSCO) – with OCS Ventures. With our strong food solutions capabilities and food safety management expertise, we intend to offer remote catering services to institutional clients at onshore/offshore oil and gas and mining locations.

## In Conversation with President and CEO

**Q: Given your strong balance sheet, what kind of M&A opportunities will SATS be pursuing in the next 12 months? How would they affect your capital management?**

**A:** Our focus remains on growing our gateway and food businesses in both aviation and non-aviation sectors in the Asia Pacific and Middle East regions. We will continue to seek opportunities in these areas where we can accelerate growth and strengthen our position as a leading services provider in Asia.

In the aviation business, we will continue to look for ground handling and airline catering opportunities in the first and second-tier airports in China and India. In the area of non-aviation food, where the barriers to entry are considerably lower, we will look at opportunities to strengthen our institutional catering and food production competencies.

Given our strong balance sheet and cash reserves, we have the financial flexibility to access these opportunities. While our leaning is towards leverage, we will consider internal funding for smaller acquisitions and will continue to be prudent in our capital management.

**Q: What are the key challenges facing SATS in 2012 and beyond?**

**A:** We launched our new brand identity in June 2011. This was just the start of our journey to consolidate our operations and achieve tighter focus in the way we manage our work processes and customer expectations. We will review our operations periodically to identify areas where we can achieve greater synergy. This is necessary, especially when the business landscape remains uncertain.

We have a workforce of 14,000 within the Group and our people are at the core of our business philosophy. As we navigate through this challenging period, we will work hand-in-hand with our colleagues from the unions and ensure that our employees are well looked after.

We will continue to manage costs and labour productivity without compromising service and safety. We will focus on people development and retention in order to achieve this. We believe that job enlargement and job enrichment will benefit our employees in their career development and in turn, will benefit SATS.

Other key thrusts are change management and innovation. While each of our business units has been implementing projects to drive automation and to improve efficiency, much more can be achieved if we adopt a holistic approach across the Group. We have instituted an innovation and productivity (IP) framework that outlines key focus areas and the desired outcomes. An IP Steering Committee, which I will chair, will oversee this initiative and guide our business units in driving projects focused on innovation, exploitation of technology, process re-engineering and intellectual property creation. Eventually, we aim to create scalable solutions that can benefit the Group as a whole, including our overseas subsidiaries and other joint venture companies.

**Tan Chuan Lye**  
President and CEO

23 May 2012



# Financial Calendar

## FINANCIAL YEAR ENDED 31 MARCH 2012

26 July 2011

Announcement of 1Q FY2011-12 results  
Results conference call with live webcast

17 August 2011

Payment of final and special dividends

10 November 2011

Announcement of 2Q FY2011-12 results  
Results conference call with live webcast

9 December 2011

Payment of interim dividend

7 February 2012

Announcement of 3Q FY2011-12 results  
Results conference call with live webcast

14 May 2012

Announcement of 4Q FY2011-12 results  
Results briefing for analysts and media with  
live webcast

21 June 2012

Despatch of Summary Report to shareholders

5 July 2012

Despatch of Annual Report to shareholders

26 July 2012

39th Annual General Meeting

3 August 2012

Book closure date

15 August 2012

Proposed payment of final and special dividends

## FINANCIAL YEAR ENDING 31 MARCH 2013

25 July 2012

Proposed announcement of 1Q FY2012-13 results

6 November 2012

Proposed announcement of 2Q FY2012-13 results

January/February 2013

Proposed announcement of 3Q FY2012-13 results

May 2013

Proposed announcement of 4Q FY2012-13 results

# Executive Management



From left: Philip Lim Chern Tjunn, Denis Suresh Kumar Marie, Ronald Yeo Yoon Choo, Yacoob Bin Ahmed Piperdi, Ferry Chung Qing An, Leong Kok Hong and Peter Tay Kay Phuan.





From left: Tony Goh Aik Kwang, Chang Seow Kuay, Tan Chuan Lye, Lim Chuang, Tan Li Lian, Andrew Lim Cheng Yueh and Poon Choon Liang.

## Executive Management

### 1. TAN CHUAN LYE

Mr Tan is the President and Chief Executive Officer of SATS. He was appointed to his present position on 1 April 2012. Prior to this, he was Acting Chief Executive Officer since July 2011. He was also concurrently Executive Vice President, Food Solutions since October 2009, overseeing and growing SATS' aviation and non-aviation food businesses.

Mr Tan joined SATS in May 1976. In a career spanning over 35 years, he has held managerial positions in SIA Ground Services and SATS Airport Services Pte Ltd, and was responsible for both SIA and SATS' Changi Airport Terminal 2 operations. He was appointed Senior Vice President, Catering in 2000.

Mr Tan is the Chairman of Singapore Food Industries Pte. Ltd., SFI Manufacturing Private Limited, Food and Allied Support Services Corporation Pte. Ltd., SATS-Creuers Cruise Services Pte. Ltd. and Asia Airfreight Terminal Co Ltd. He is also the Vice Chairman of Beijing Airport Inflight Kitchen Ltd. In addition, he sits on various Boards of SATS' subsidiaries and associated companies.

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

### 2. LIM CHUANG

Mr Lim is the Chief Financial Officer of SATS. He joined SATS in November 2008. Prior to that, he was the Chief Financial Officer of NCS Pte Ltd, a subsidiary of Singapore Telecommunications Limited (SingTel). He also held other senior positions in SingTel, including as its Finance Director for the Consumer Division and Deputy Chief Financial Officer for Australian-based SingTel Optus Pty Ltd.

Mr Lim sits on some of the Boards of SATS' subsidiaries and associated companies. He graduated from the University of Singapore with a Bachelor of Accountancy (First Class Honours) degree and a Masters of Business Administration from the National University of Singapore. He also holds a Diploma in Financial Management from the New York University. An Esso scholar, Mr Lim is a Fellow of the Chartered Association of Certified Accountants (UK) and a member of the Institute of Certified Public Accountants of Singapore.

### 3. FERRY CHUNG QING AN

Mr Chung joined SATS in August 2011 as Executive Vice President, Enterprise Development. He oversees SATS' risk management, corporate strategy and planning, business development, sales and marketing, information technology and the centre of excellence.

Prior to this, Mr Chung was the Global Vice President with CISCO Systems Inc, a global networking and telecommunications company in the US. He was based in Singapore and Shanghai for the position. He was instrumental in setting up the Integrated Solutions Group in the Asia Pacific region and China, focussing on major enterprise customers brought about by the huge urbanisation opportunities in China. Mr Chung also held other key senior positions in Cap Gemini Ernst & Young, KPMG Consulting Asia Pacific, Deloitte & Touche Consulting and Accenture.

Mr Chung is the Vice President Commissioner of PT Jasa Angkasa Semesta Tbk and sits on the Boards of a number of SATS' subsidiaries and associated companies. He graduated from the University of Auckland with a Bachelor of Computer Science degree.

### 4. YACOOB BIN AHMED PIPERDI

Mr Piperdi is the Executive Vice President, Food Solutions of SATS. He was promoted to this position in April 2012. Prior to this, he was holding the concurrent appointments of Acting Executive Vice President, Gateway Services and Senior Vice President, Cargo Services.

Mr Piperdi joined SATS in April 1981 and assumed various positions including Vice President, Cargo, Vice President, SATS Inflight Catering Centre 2 and other managerial positions in apron and baggage, passenger services, and marketing as well as SIA Ground Services.

Mr Piperdi is the Chairman of Aerolog Express Pte Ltd. He sits on various Boards of SATS' subsidiaries and associated companies. He graduated from the National University of Singapore with a Bachelor of Arts (Honours) degree, majoring in English.

### 5. CHANG SEOW KUAY

Mr Chang is the Senior Vice President, Gateway and Food (Overseas Operations) of SATS. He joined SATS in June 1990 and was appointed to his present position in April 2012. Prior to this, he was the Senior Vice President, Food Solutions (Overseas Operations) and has held other senior positions including Chief Executive Officer of Country Foods Pte. Ltd., Senior Vice President, Special Projects, and Vice President, Business Planning & Development. He also assumed other managerial positions in catering production and marketing, and was seconded to Beijing Airport Inflight Kitchen Ltd in 1995 to start up its catering operations.

Mr Chang sits on various Boards of SATS' subsidiaries and associated companies. He graduated from the National University of Singapore with a Bachelor of Science (Honours) degree, majoring in Biochemistry.

### 6. TONY GOH AIK KWANG

Mr Goh is the Senior Vice President, Sales & Marketing of SATS. He is responsible for network and relationship marketing (airlines), management of key accounts, Singapore ground handling contracts and corporate branding.

He joined SATS in 1978 and assumed his current position in November 2011. Prior to this, he has held various executive and managerial positions in SATS. He also spent a few years in SIA Ground Services.

Mr Goh sits on the Boards of some of SATS' subsidiaries. He graduated from the University of Singapore with a Bachelor of Business Administration (Honours) degree.

### 7. LEONG KOK HONG

Mr Leong is the Senior Vice President, Corporate Business Development of SATS since November 2011 and is responsible for corporate business development, mergers and acquisitions, joint venture opportunities, strategic relations and

partnerships. Mr Leong joined SATS in July 1976. Prior to his current appointment, he was Senior Vice President, Strategic Partnership. He also served as Senior Vice President, Apron Services, Senior Vice President, Cargo Services, and Senior Vice President, North Asia and Chief Representative China, responsible for business development and joint ventures for the North Asia region. Previously, he has held several managerial positions covering catering, cargo, IT Systems and corporate planning.

Mr Leong sits on various Boards of SATS' subsidiaries and associated companies. He is the Chairman of SATS HK Limited and Vice Chairman of Tan Son Nhat Cargo Services Ltd. He graduated from the University of Singapore with a Bachelor of Science (Honours) degree in Physics.

#### **8. ANDREW LIM CHENG YUEH**

Mr Lim is the Senior Vice President, Greater China of SATS. He joined SATS in May 1979 and has assumed his present position since August 2009. Prior to this, he was Senior Vice President, Apron & Passenger Services and has held other managerial positions in SATS covering cargo, security services, passenger services, human resources and training as well as in SIA Cargo.

Mr Lim is the Chairman of Asia Airfreight Services Limited. He is also a Board member for a number of SATS' subsidiaries and associated companies. He graduated from the University of Singapore with a Bachelor of Social Science (Honours) degree, majoring in Sociology.

#### **9. PHILIP LIM CHERN TJUNN**

Mr Lim joined SATS in April 2010 as Senior Vice President, Apron Services. He also oversees Asia-Pacific Star Private Limited, a wholly-owned subsidiary of SATS. Prior to this, he served in the Singapore Armed Forces for 25 years. He held various command and staff appointments including Chief of Staff (General Staff) and Chief Armour Officer/Commander 25 Division.

Mr Lim sits on the Boards of a number of SATS' subsidiaries and associated companies. He graduated from the University of Manchester Institute of Science and Technology with a Bachelor of Science (First Class Honours) degree. He also holds a Masters of Technology (Knowledge Engineering) from the National University of Singapore, Masters of Science (Management of Technology) from the Massachusetts Institute of Technology, and Masters of Military Arts and Science from the US Army Command and General Staff College in Leavenworth.

#### **10. DENIS SURESH KUMAR MARIE**

Mr Marie is the Senior Vice President, Passenger Services of SATS, a position he assumed since August 2009. He is also responsible for the critical SATS Integrated Operations Centre and oversees the operations of SATS Security Services Private Limited. With 18 years of experience in security and law enforcement, he has held senior positions in training and security management. He left with the rank of Deputy Assistant Commissioner and in 2001 was appointed as General Manager of SATS Security Services Private Limited.

Mr Marie sits on various Boards of SATS' subsidiaries. He holds a Bachelor of Science degree, majoring in Business Administration from the Oklahoma City University in the US.

#### **11. POON CHOON LIANG**

Mr Poon is the Chief Operating Officer of Singapore Food Industries Pte. Ltd. (SFI), a wholly-owned subsidiary of SATS. He joined SFI in a marketing role in 1998 and was appointed to his current position in December 2009. He was formerly a senior military officer with the Singapore Armed Forces, specialising in supply and transportation.

Mr Poon is the Chairman of Primary Industries (Qld) Pty Ltd and Urangan Fisheries Pty Ltd. He also sits on various Boards of SFI's subsidiaries. He holds a Bachelor of Commerce (Economics) degree from the Nanyang University (Singapore) and a Bachelor of Social Science (Economics) Honours degree from the National University of Singapore.

#### **12. TAN LI LIAN**

Ms Tan is Senior Vice President, Human Capital of SATS. She joined SATS in August 2010 as Vice President, Human Capital and was promoted to her current position in April 2012. Ms Tan leads the Human Capital team in talent attraction and resource planning, rewards and performance management, human capital development, employee relations, organisation development and all other human capital related programmes at the group level.

Prior to joining SATS, Ms Tan has held various appointments in KPMG Consulting Asia Pacific and SingTel. She has over 18 years of experience in the field of human capital. Ms Tan graduated from Texas A&M University with a Bachelor's degree in Business Administration.

#### **13. PETER TAY KAY PHUAN**

Mr Tay is the Senior Vice President, Catering Services of SATS. He joined SATS in November 1981 and was appointed to his present position in August 2010. Prior to this, he served as Vice President, Catering Operations, overseeing production at SATS Inflight Catering Centre 2 and Vice President, Cargo Services where he was responsible for designing, developing and managing operations at SATS Airfreight Terminals.

Mr Tay sits on various Boards of SATS' subsidiary and associated companies. He graduated from the University of Dundee in the UK, with a Bachelor of Engineering (First Class Honours) degree and a Masters of Business Administration from the National University of Singapore.

#### **14. RONALD YEO YOON CHOO**

Mr Yeo is the Senior Vice President, Cargo Services of SATS. He was appointed to this position in April 2012. Prior to this, he was Senior Vice President, Gateway Services (Overseas Operations), responsible for the performance of SATS' overseas operating units. Mr Yeo joined SATS in 1978 and has held various positions in SATS covering regional operations, business planning and development, marketing, cargo, passenger and baggage services, and in SIA Ground Services.

Mr Yeo sits on the Boards of a number of SATS' associated companies. He graduated from the University of Singapore with a Bachelor of Engineering (Honours) degree.

# Investor Relations

SATS Investor Relations (IR) aims to communicate pertinent information to shareholders and the investment community in a clear, forthcoming, detailed and prompt manner, and on a regular basis, taking into consideration their views and addressing their concerns. We also ensure that the dissemination of material, price-sensitive information is made publicly available on a timely and non-selective basis.

Information is disseminated via:

- media releases and announcements, which are issued through the SGXNet. They relate to the Group's financial performance, business, and strategic developments, and are sent to the media and the investment community. They are also uploaded on SATS' corporate website at [www.sats.com.sg](http://www.sats.com.sg); and
- corporate website, which has a dedicated section for IR. Annual reports, quarterly financial results, webcasts of quarterly earnings briefings, latest corporate presentations and other information considered to be of interest to shareholders and the investment community are readily available in this section of our corporate website.

We also maintain a database of shareholders, analysts and investors that allows us to electronically disseminate media releases and financial results announcements to them on a timely basis.

Every quarter, with the exception of the fourth quarter, we hold an earnings conference call with live audio webcast to brief the media and the investment community on our financial performance as well as key business and corporate developments. For the fourth quarter, a face-to-face briefing with live audio webcast is held for the media and analysts. An on-demand audio webcast is made available on our website on the same day of each earnings conference call or briefing for shareholders and the investment community's access.

SATS IR, together with the President and CEO, and CFO, actively engage our shareholders and the investment community through regular meetings, conference calls, roadshows and investment conferences to help them better understand our business model, business environment, growth strategies and strategic developments. In FY2011-12, we met more than 180 investors in over 120 meetings in Singapore and overseas.

To grow and achieve a wider geographical spread in our shareholder base, we track changes in our share register on a regular basis. Our participation in non-deal roadshows and investment conferences held in Singapore and overseas help increase the visibility of SATS amongst our shareholders and potential investors, providing them direct access to our management.

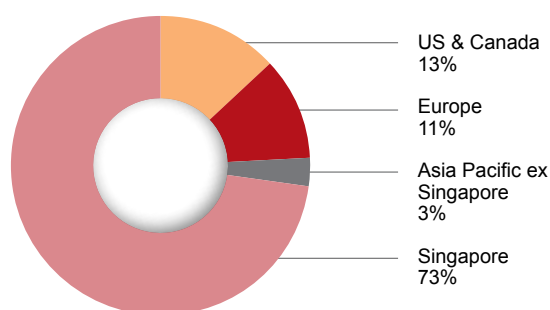
Held every July, our annual general meeting (AGM) provides an opportunity for us to communicate directly with shareholders. Our Board of Directors and key members of Management are present to address shareholders' queries during the AGM. To improve our outreach to retail

shareholders, we have added a feature in our live audio webcast, enabling participants to email their questions to management during the Q&A session.

There were 15 sell-side analysts covering SATS during FY2011-12. While this has now been reduced to 14, we continue to maintain active dialogues with other leading brokerages to initiate coverage on SATS.

At end-March 2012, Temasek Holdings remained the largest shareholder of SATS with a shareholding interest of 43.2%. Other Singapore shareholders accounted for 29.8% of SATS' shareholdings. Outside of Singapore, investors from the US, Canada and Europe held the most number of shares.

## SHAREHOLDINGS BY GEOGRAPHY



## IR CALENDAR FOR FY2011-12

### First Quarter (1 April – 30 June 2011)

- FY2010-11 results briefing for the media and analysts
- Deutsche Bank Access Asia Conference, Singapore

### Second Quarter (1 July – 30 September 2011)

- 1Q FY2011-12 earnings conference call with live audio webcast
- 38th AGM
- SGX-UBS Global Market Conference, Hong Kong
- Non-deal roadshow with Deutsche – New York, Boston and Toronto

### Third Quarter (1 October – 31 December 2011)

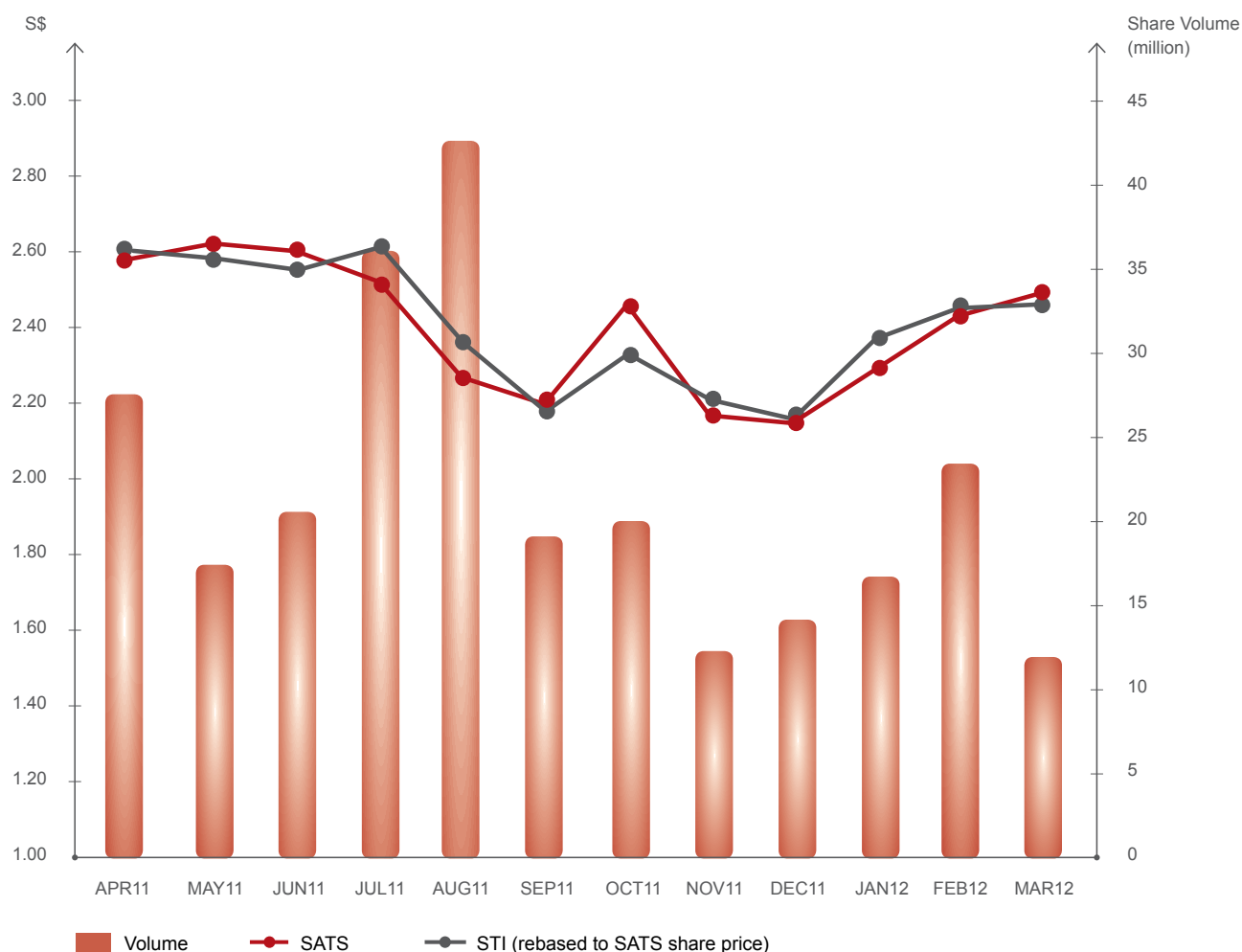
- Conference call with analysts on Daniels Group disposal
- 2Q FY2011-12 earnings conference call with live audio webcast
- Post-results investor lunch hosted by UBS
- Non-deal roadshow with Macquarie – Sydney

### Fourth Quarter (1 January – 31 March 2012)

- 3Q FY2011-12 earnings conference call with live audio webcast
- Non-deal roadshow with Nomura – Tokyo
- CLSA Asean Corporate Access Forum, Bangkok
- Tiffin Lunch by Macquarie, Singapore



## SHARE PRICE AND TURNOVER



### Share Price (\$) and Volume (million stock units)

	FY2011-12	FY2010-11
Highest closing price during the year	<b>2.72</b>	2.96
Lowest closing price during the year	<b>2.06</b>	2.42
Closing price on 31 March	<b>2.49</b>	2.51
Total volume for the year	<b>261.19</b>	547.99
Average daily volume	<b>1.04</b>	2.17

### Market Value Ratios (based on 31 March closing price)

Price/Earnings	<b>16.15</b>	14.45
Price/Book value #	<b>1.83</b>	1.82
Price/Cash earnings *	<b>9.84</b>	9.62

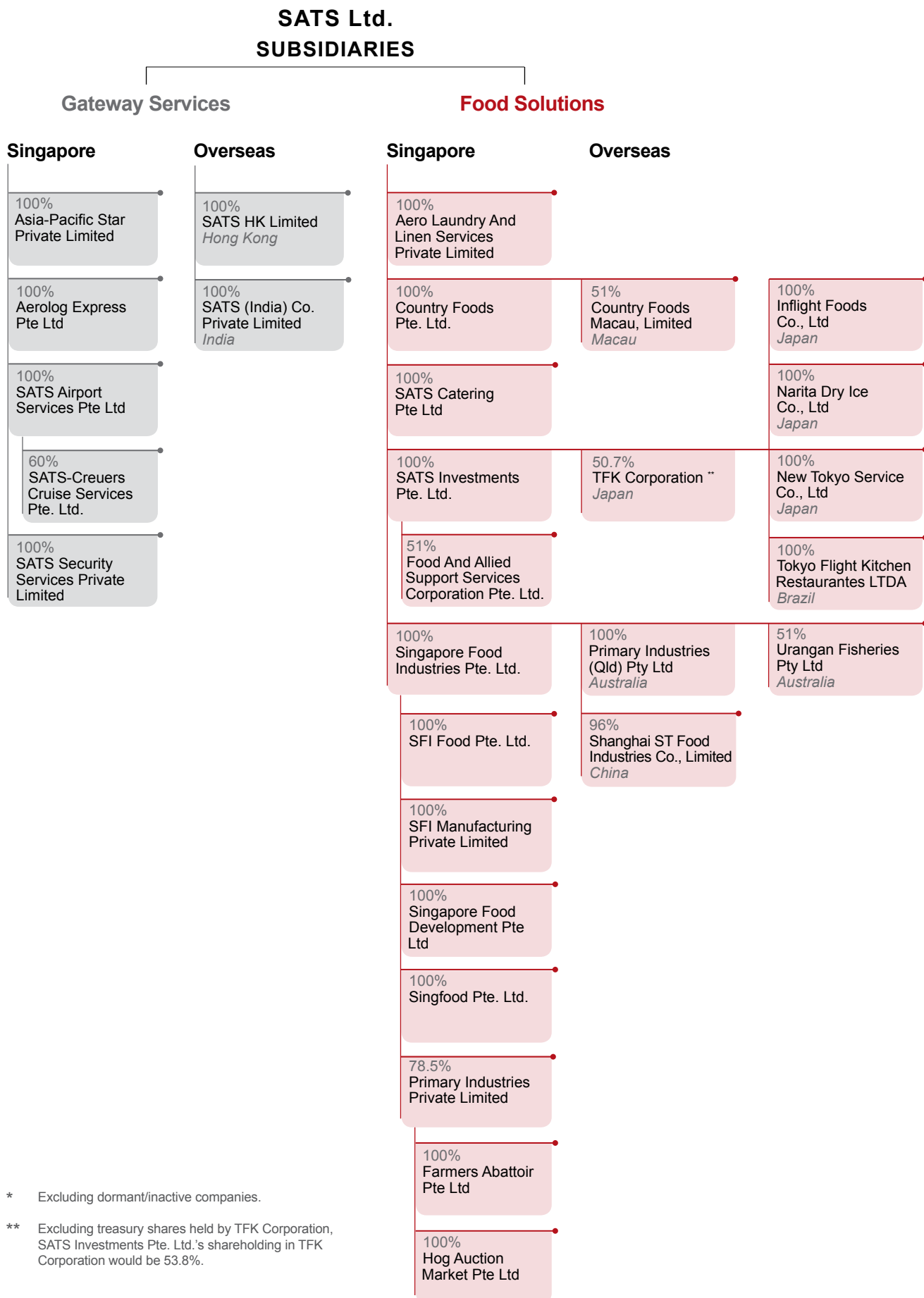
# Book value is defined as net asset value.

\* Cash earnings is defined as profit attributable to equity holders of the Company plus depreciation and amortisation.

Source: Factset & Bloomberg

# Group Structure & Investments\*

As at 23 May 2012

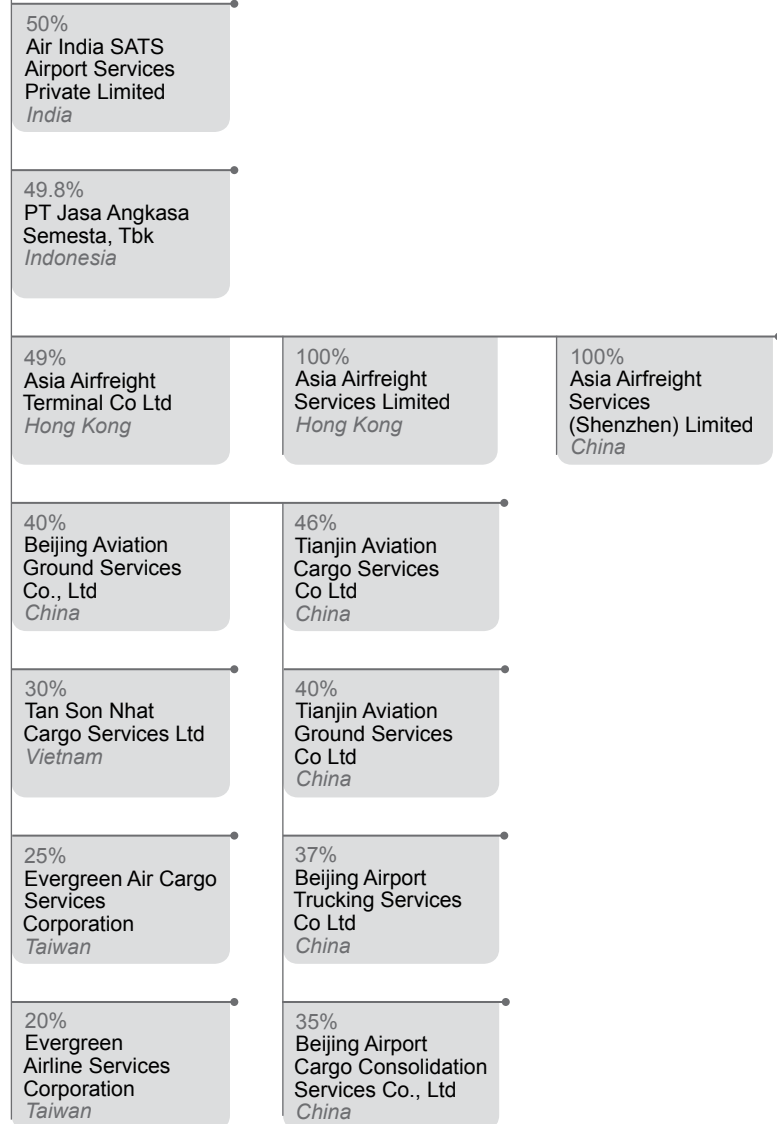


\* Excluding dormant/inactive companies.

\*\* Excluding treasury shares held by TFK Corporation, SATS Investments Pte. Ltd.'s shareholding in TFK Corporation would be 53.8%.

## SATS Ltd. INVESTMENTS

### Gateway Services



### Food Solutions



\* Held through SATS' subsidiary, TFK Corporation.

\*\* Incorporated in Ireland, place of business in Pakistan.

\*\*\* Held through SATS' wholly-owned subsidiary, SATS Investments Pte. Ltd.

\*\*\*\* Held through SATS' wholly-owned subsidiary, Singapore Food Industries Pte. Ltd.

# SATS at a Glance

## SATS BUSINESSES

### GATEWAY SERVICES

SATS gateway business encompasses a complete range of ground handling services to handle passengers, flights and cargo, starting from the check-in process at the point of departure to one's arrival at the final destination. With extensive experience and the most rigorous standards of operations, we ensure seamless coordination between departments for the complete safety of each passenger and security of air cargo. Leveraging on our gateway capabilities, we have extended our services to the cruise industry.

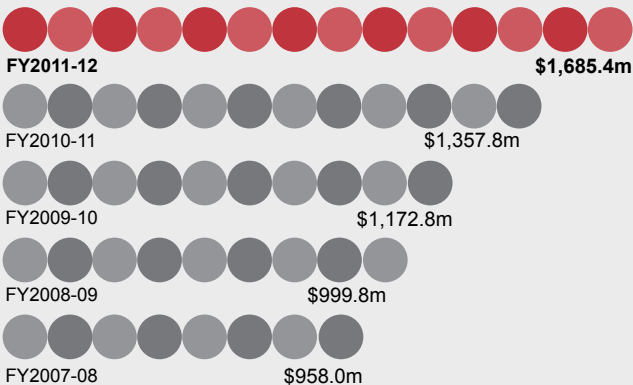
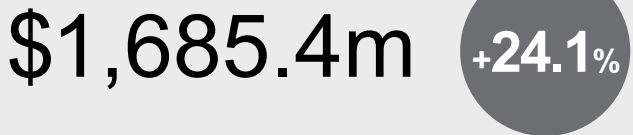
Today, SATS is the leading ground handler at Singapore Changi Airport, serving 51 airlines and 74% of all scheduled flights.

Our offerings:

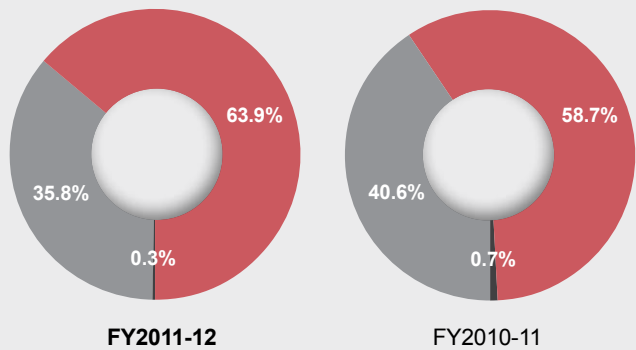
- Ramp and baggage handling
- Airfreight handling and logistics
- Passenger services and lounge management
- Aviation security
- Warehousing/Perishables handling
- Cruise handling and terminal management



## GROUP REVENUE (CONTINUING OPERATIONS)



### BY BUSINESS



Revenue	2011-12 (\$m)	2010-11 (\$m)	Change %
• Gateway services	602.7	551.0	9.4
• Food solutions	1,077.0	796.7	35.2
• Corporate	5.7	10.1	(43.6)
<b>Total</b>	<b>1,685.4</b>	<b>1,357.8</b>	<b>24.1</b>

Notes:

- Gateway 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.





## FOOD SOLUTIONS

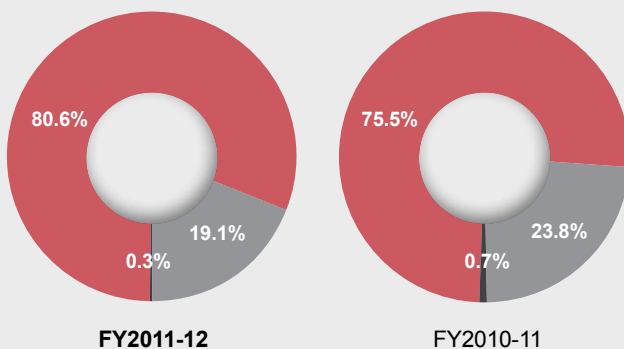
SATS food business offers the finest quality, uncompromised food safety standards and delectable signature cuisines. We are the first-choice airline caterer at the Singapore Changi Airport. With over 60 years of experience in inflight catering, our aim is to delight every passenger with an unforgettable gastronomical experience.

With the support of a large network of partners, our food business has extended its reach beyond Asia to the Middle East, and across sectors to industries such as defence, healthcare and hospitality. SATS is the leading caterer at Singapore Changi Airport, serving 45 airlines and 86% of all scheduled flights.

Our offerings:

- Airline catering
- Food distribution and logistics
- Institutional catering
- Chilled and frozen food manufacturing
- Airline linen laundry

### BY INDUSTRY

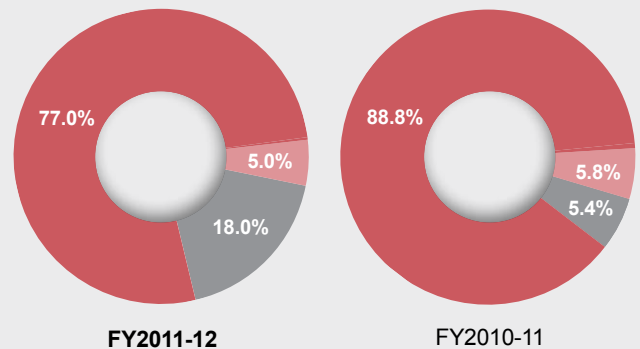


Revenue	2011-12 (\$m)	2010-11 (\$m)	Change %
• Aviation	1,357.6	1,024.6	32.5
• Non-Aviation	322.1	323.1	(0.3)
• Corporate	5.7	10.1	(43.6)
<b>Total</b>	<b>1,685.4</b>	<b>1,357.8</b>	<b>24.1</b>

Notes:

- Aviation: Revenue from aviation-related businesses in gateway services and food solutions.
- Non-aviation: Revenue from Singapore Food Industries Group of companies (Singapore and Australia), Country Foods (Singapore) and Country Foods Macau.
- Corporate: Revenue from the corporate arm.

### BY GEOGRAPHICAL LOCATION



Revenue	2011-12 (\$m)	2010-11 (\$m)	Change %
• Singapore	1,298.5	1,206.2	7.7
• Japan	302.6	72.6	316.8
• Others	84.3	79.0	6.7
<b>Total</b>	<b>1,685.4</b>	<b>1,357.8</b>	<b>24.1</b>

Notes:

- Singapore: Revenue from gateway services and food solutions businesses within Singapore.
- Japan: Revenue from TFK.
- Others: Revenue from Singapore Food Industries (Australia and China), SATS India, Country Foods Macau and SATS HK.

# Operations Review



## Gateway Services

### SINGAPORE

At Singapore Changi Airport, SATS remains the leading gateway services provider, serving 51 out of 77 scheduled airlines and close to 75% of all scheduled flights as at 31 March 2012. Reflecting the growth of Changi Airport, we handled a total of 115,190 flights, representing an 11% increase year-on-year. Passengers handled rose 7.2% to about 38 million while cargo throughput remained constant from a year ago, at 1.5 million tonnes.

### New Contracts and Renewals

For the year under review, we grew our customer base by securing new ground handling contracts, including those from Air China Cargo, Lao Airlines and Lufthansa, and renewed contracts with our existing customers such as Air China, China Southern Airlines, China Cargo Airlines, Hainan Airlines, Japan Airlines, SilkAir, TNT Airways and Turkish Airlines.

Asia-Pacific Star (APS), our wholly-owned subsidiary serving the low-cost carrier market, also renewed its contracts with Jetstar Asia and Tiger Airways. Due to the oncoming closure of the Budget Terminal (BT) announced on 1 March 2012, some of APS' airline customers, who are operating at the terminal, will have to move their operations to Terminal 2. APS has started working with the affected airlines as well as the Changi Airport Group to ensure minimal disruptions to these airlines' operations right up till 25 September this year when BT will officially close to make way for the new Terminal 4.

Once again, SATS was appointed the official ground handler for the biennial Singapore Airshow that took place in February 2012. We benefitted from handling more flights from various customers who participated in the air show.

Coolport@Changi, our on-airport perishables handling centre, successfully clinched a contract from the Dairy Farm Group to provide inventory management, pick-and-pack and distribution services for its chain of supermarkets. In FY2011-12, Coolport@Changi handled close to 200,000 tonnes of perishables, representing 80% of its total capacity.

In the area of security services, we won several new access control security contracts, including one awarded by a government agency. We renewed our aviation security contract with Singapore Airlines Cargo and continued to provide access control services to SIA Engineering and Resorts World Sentosa following successful contract renewals with them.

### Entry into the Cruise Sector

In FY2011-12, we extended our capabilities in gateway services beyond aviation to the cruise sector. We collaborated with Royal Caribbean International for the CruiseFly service, and with Star Cruises and Changi Airport Group to launch the FlyCruise service. Both services allow us to provide a seamless check-in experience to cruise passengers when they arrive or depart from Singapore either by air or sea.

**“The integration of United and Continental’s Singapore station operations was a great success, thanks to the dedication of the SATS team. While it was challenging, the team held on well and made the transition a smooth one. We would not have made it without SATS’ support and commitment.”**

Mr Edwin Yee  
General Manager  
Airport Operations & Cargo  
United Airlines, Singapore Station

In December 2011, we won the tender together with Creuers del Port de Barcelona (Creuers) to operate and manage the new Marina Bay Cruise Centre Singapore (MBCCS) at Marina South. We formed a 60:40 joint venture company, SATS-Creuers Cruise Services (SATS-Creuers), with our partner to manage the new terminal. Commencing operations on 26 May 2012, MBCCS will double Singapore’s berth capacity and be able to accommodate the new generation of Oasis-class cruise liners.

Leveraging the respective strengths and competencies of SATS and Creuers in aviation gateway services and cruise terminal operations, SATS-Creuers is well-positioned to offer innovative gateway solutions and quality services to the cruise lines while at the same time, enhance the travel experiences of cruise passengers by offering state-of-the-art facilities as well as exceptional service standards at the various touch points within MBCCS.

### **Upgrades and Improvements**

We constantly strive to deliver excellence in our operations and seek creative ways to delight our customers with new service and product offerings.

To strengthen our Singapore hub operations, we recently launched the Cargo Network Solutions (CNS) to further enhance the round-the-clock monitoring of cargo activities. Not only does the CNS enable real-time monitoring of cargo processes, it also facilitates timely co-ordination of operational activities and serves as a single contact point for cargo agents to contact our airline customers.

In our bid to go paperless to support e-freight, we commenced the pilot launch for SIA Cargo’s electronic airway bill (e-AWB) in September 2011. This replaces the paper AWBs and facilitates the transfer of e-AWB data between the freight forwarders and the airline. Our COSYS Intelligent Solutions – a cargo management system which automatically captures details

of cargo – was further enhanced with additional features to support all SIA Cargo’s e-AWB shipments.

At Coolport@Changi, a dedicated process flow was implemented to ensure secure handling of pharmaceutical shipments. This involved using specialised equipment such as thermo-readers and RFID temperature tags for pharmaceutical handling. In August 2011, Coolport@Changi became an AVA-licensed cold store. It also obtained the Good Distribution Practice certification from the Health Sciences Authority of Singapore in March 2012.

## **OVERSEAS**

### **NORTH ASIA**

#### **SATS HK Limited (SATS HK)**

SATS HK is a wholly-owned subsidiary of SATS, providing passenger and ramp handling services at Hong Kong International Airport (HKIA). It currently serves 33 airlines, retaining its market share in passenger handling at 17% while increasing its market share in ramp handling to 24%. Its client list includes Cebu Pacific Air, Hong Kong Airlines, Hong Kong Express, Malaysia Airlines and Singapore Airlines.

In FY2011-12, SATS HK reported a 68% year-on-year increase in flights handled to about 23,000 and a 16% rise in the number of passengers handled to 3.2 million due mainly to the Hong Kong Airlines contract win in October 2011. SATS HK also secured Vladivostok Air and P C Airlines as new customers while renewing contracts with several customers such as Air Canada, Jet Airways, Orient Thai Airlines, Tiger Airways and Turkish Airlines.

#### **Asia Airfreight Terminal Co Ltd (AAT)**

AAT is a cargo terminal operator providing total airfreight solutions at HKIA. SATS has an equity stake of 49% in the joint venture, making it the largest of the five shareholders in an international consortium that owns AAT. AAT serves a total of 61 airlines at HKIA. They include All Nippon Airways, Asiana Airlines, FedEx, Thai Airways and Singapore Airlines.

In the year under review, AAT’s market share by number of airlines served remained at 37%. It signed new contracts with Airphil Express, Continental Airlines, Royal Brunei Airlines, South East Asian Airlines and Vladivostok Air, and renewed contracts with several airlines including Jet Airways, Lufthansa Cargo, Qantas Airways, Swiss International Air Lines and Tiger Airways. It saw a 4% decline in cargo tonnage handled to about 703,000 tonnes as a result of the weak macroeconomic environment.

## Operations Review

### Gateway Services



“We are happy with APS’ recent on-time-performance ratings. It has scored more than 90% and even up to 100% on certain days. This is certainly impressive in view of our intensive operations in Singapore. As we will be moving to T2 later this year, I look forward to working with the dedicated team at APS in ensuring a smooth and successful transition. Keep up the good work!”

Mr Daniel Soh  
Head of Ground and Cargo Operations  
Tiger Airways

#### Beijing Aviation Ground Services Co., Ltd (BGS)

BGS is a joint venture between SATS and Capital Airports Holding Company (CAH). A leading ground handler at Beijing Capital International Airport (BCIA), it provides a comprehensive suite of services encompassing passenger, cargo, apron and technical ramp handling. It currently serves 54 international and domestic carriers at BCIA, including China Southern Airlines, Delta Airlines, Emirates, Hainan Airlines and Singapore Airlines.

For the year in review, BGS saw flights handled increasing 9% year-on-year to 96,000 while cargo throughput rose 17% to about 683,000 tonnes. It added eight new airline customers such as China Eastern Airlines, Jetstar Airways, Juneyao Airlines and Swiss International Air Lines, commanding 55% of the market share at BCIA based on the number of airline customers served. It also renewed contracts with several airlines including Air France, Alitalia Airlines, KLM Royal Dutch Airlines and Philippine Airlines.

In February 2012, SATS and CAH signed a new joint venture agreement with China Eastern Airlines and China Southern Airlines for BGS. Subject to the approval of the Chinese regulatory authority, this agreement will replace the current one and will serve to introduce the two new partners into BGS while at the same time renew its operating tenure by another 20 years. The new partners will each own a 30% stake in BGS, while SATS and CAH will hold the balance 28% and 12% stakes respectively.

#### Evergreen Air Cargo Service Corporation (EGAC)

SATS holds a 25% equity stake in EGAC, which provides a comprehensive range of cargo handling services at Taiwan Taoyuan International Airport (Taoyuan Airport). An experienced airfreight terminal operator, EGAC runs a fully automated airfreight terminal which is one of the two on-airport cargo facilities in Taiwan.

The increase in cross-straits flights between Taiwan and China helped EGAC gain market share during the year to 32%. In FY2011-12, EGAC recorded cargo throughput of 442,000 tonnes and was awarded new contracts by Hong Kong Airlines and KLM Royal Dutch Airlines. These wins added to EGAC’s ongoing relationships with major international airlines such as All Nippon Airways, Cathay Pacific Airways, FedEx, Singapore Airlines Cargo and Thai Airways.

#### Evergreen Airline Services Corporation (EGAS)

SATS owns a 20% equity stake in EGAS, a ground handler based in Taiwan. EGAS offers a suite of services including ramp, baggage and airfreight handling as well as aircraft interior and exterior cleaning and maintenance services for airport equipment and vehicles. Its airline customers include All Nippon Airways, Asiana Airlines, Dragonair, EVA Airways and Singapore Airlines.

EGAS serves a total of 15 airlines at Taipei Songshan Airport (Songshan Airport) and Taoyuan Airport. Its market share at Songshan Airport stands at 36% while at Taoyuan Airport, its market share is 26% by the number of airlines served.



In FY2011-12, EGAS handled close to 34,000 flights, representing a 17% increase from a year ago. It secured a new contract with Hong Kong Airlines to handle both passenger and freighter flights.

## WEST ASIA

### **Air India SATS Airport Services Private Limited (AISATS)**

A 50:50 joint venture between SATS and Air India, AISATS currently provides ground and cargo handling services at three metro airports in India, namely in Bangalore, Delhi and Hyderabad, and at two other airports in Mangalore and Trivandrum. It serves a total of 40 carriers in these hubs, including Air India, Cathay Pacific Airways, Emirates, FedEx, Singapore Airlines and Thai Airways. At the metro airports, it has a market share of 70% and 50% at the Bengaluru International Airport in Bangalore and Rajiv Gandhi International Airport in Hyderabad respectively, while at Indira Gandhi International Airport in Delhi, its market share is about 25% by the number of airlines served.

AISATS' list of airline customers continued to grow in FY2011-12. It signed new contracts with carriers such as Bangkok Airways, Cathay Pacific Airways, Etihad Airways and Tiger Airways in Bangalore, Emirates and Singapore Airlines in Delhi, flydubai in Hyderabad, and Jet Airways in Trivandrum. In total, AISATS handled close to 65,600 flights, marking a 68% increase from a year ago while its cargo throughput grew 45% to about 137,000 tonnes.

In Delhi, AISATS launched a new service for metro check-in at New Delhi, Shivaji Stadium and Dhaula Kuan stations. Started since 23 February 2012, this service is offered to both international and domestic passengers travelling with Air India.

## SOUTHEAST ASIA

### **PT Jasa Angkasa Semesta Tbk (PT JAS)**

PT JAS is a joint venture between SATS and PT Cardig Air Services. A leading ground and cargo handler in Indonesia, PT JAS operates in 11 key stations across the archipelago, serving over 40 airlines including AirAsia, Cathay Pacific Airways, Emirates, Jetstar Airways and Singapore Airlines.

For the year in review, PT JAS served 15 million passengers and 52,000 flights. It also handled more than 267,000 tonnes of cargo, up 8% from the previous year. Contracts were secured and renewed with several airline customers including China Eastern Airlines, EVA Airways, Lufthansa, Malaysia Airlines Cargo, Qatar Airways, Singapore Airlines Cargo and Turkish Airlines.

In its effort to continually improve its service and product offerings, PT JAS launched a priority check-in lounge at Soekarno-Hatta International Airport in Jakarta. With its own dedicated immigration counters and direct access to the JAS Premier Lounge, this new facility offers fast and convenient service to first and business class passengers of participating airline customers. Recently, PT JAS also introduced a mobile check-in service for passengers flying with Singapore Airlines and Cathay Pacific Airways from Soekarno-Hatta International Airport and Denpasar International Airport in Bali.

### **Tan Son Nhat Services Ltd (TCS)**

SATS holds a 30% equity stake in TCS which provides cargo terminal services at Tan Son Nhat International Airport (Tan Son Nhat), the largest airport in Vietnam. Based in Ho Chi Minh City, TCS is a joint venture between Vietnam Airlines, Southern Airport Services Company and SATS. It currently serves about 82% of airlines operating at Tan Son Nhat, including Cathay Pacific Airways, China Airlines, EVA Airways, Korean Air and Vietnam Airlines.

In FY2011-12, TCS handled 201,000 tonnes of cargo. It won new cargo handling contracts from carriers such as Lao Airlines, Air Hong Kong and Air China Cargo while renewing contracts with existing customers including All Nippon Airways, Japan Airlines, Malaysia Airlines, Philippine Airlines and Qantas Airways.

In its bid to offer a comprehensive range of value-added services to its airline clients, TCS launched Airfreight Terminal 2, a new perishables handling centre, in July 2011. Commencing operations in May 2012, the new terminal will increase TCS' total handling capacity to 350,000 tonnes.





**SINGAPORE**

SATS continues to retain its market position as the leading caterer at Singapore Changi Airport. As at 31 March 2012, we served 45 scheduled airlines and over 85% of all scheduled flights, producing a total of 26.5 million meals, up 6% from a year ago.

**New Contracts and Renewals**

In FY2011-12, we added Drukair, Lao Airlines and TransAsia Airways to our portfolio of airline customers and renewed catering and laundry services contracts with All Nippon Airways, Jet Airways, SilkAir and United Airlines, amongst others.

In the area of non-aviation food, we continued to provide catering services to the Singapore Armed Forces. We were also awarded a contract by Sembawang Shipyard for onboard food catering.

Singapore’s flourishing tourism and hospitality sector has presented various event catering opportunities for SATS. We were amongst the official caterers for the Singapore Airshow 2012 and we also secured catering services contracts for the prestigious Singapore F1 Grand Prix 2011, supplying staff meals at the F1 Village and the pit area throughout the event.

The opening of PricewaterhouseCoopers’ (PwC) new premises provided us with the opportunity to enter into on-premise business catering, with the set up a staff café to serve more than 1,000 PwC employees. We also provide food catering for PwC’s events at its downtown office.

**Foray into Remote Catering**

Leveraging our strong food solutions capabilities, we entered into an agreement with OCS Ventures in August 2011 for the provision of remote site catering services. We subsequently set up a 51:49 joint venture company, Food and Allied Support Services Corporation (FASSCO), to offer our services to large institutional clients in the onshore/offshore oil and gas, mining and construction industries. The initial phase of operations will see FASSCO targeting specifically the Asia Pacific market which includes ASEAN, Australia, New Zealand and India.

**Process Improvements and Facility Upgrades**

To further improve productivity and streamline our work processes, a number of initiatives were implemented throughout the year. These resulted in enhanced efficiency, optimisation of manpower deployment and a reduction in wastage.

Expansion of the inbound and tray assembly areas at SATS Inflight Catering Centre (SICC) 1 was completed in July

**“The SATS Catering team has always been proactive and helpful, often exceeding our expectations. We are very pleased with the excellent support from the team and look forward to further strengthen this strong partnership.”**

Johnny Chan  
Deputy Station Manager  
All Nippon Airways

2011, raising the meal production capacity there by one-third to 60,000 meals a day. A key innovative feature of this project involved automating the transport of clean carts to the assembly area through the installation of a conveyor cart washer and cart transporter.

At SICC 2, significant improvements were made to its hot and chilled water production system by installing new heat pumps and a chilled water automation system, resulting in a more efficient use of thermal energy. These process improvements have enabled us to save about \$550,000 a year. A new tray washer, which cleans and greases trays five times faster, was also introduced in our bakery.

With the demand for short-and medium-haul low cost carrier (LCC) flights growing, we have expanded our ready meal production plant with the capability to produce chilled, frozen and shelf-stable meals. We have also added a retort tray production facility to offer new meal solutions to meet the growing demand from the LCC segment.

### **New Initiatives and Offerings**

Our new meat processing plant in SFI began operations in February 2012, with an annual handling capacity of 5,000 tonnes. This is one of the largest Halal meat processing plants in Singapore and has the capability to prepare cut, marinated and cooked meats as well as ham and sausages for in-house use and commercial sales.

## **OVERSEAS**

### **NORTH ASIA**

#### **TFK Corporation (TFK)**

TFK, a 50.7%-owned subsidiary of SATS (with voting rights of 53.8%), is a leading airline caterer with a strong presence at two of Japan’s primary air hubs, Narita International Airport (Narita Airport) and Haneda Airport.

Currently, TFK has a total of 37 airlines in its client portfolio including Air France, Japan Airlines, Korean Air, Lufthansa and Air China. At Narita Airport, it serves almost half of all the airlines operating there while at Haneda Airport, it serves close to 45% of the carriers there.

For the year in review, TFK secured a new customer, Hong Kong Airlines, and renewed contracts with existing customers including FedEx, Qantas Airways and Scandinavian Airlines. Despite meal volumes plummeting more than 40% in the immediate aftermath of the March 11 disasters, TFK weathered the difficult period and saw steady recovery in its meal volumes month after month. In FY2011-12, it produced a total of 10.3 million meals.

#### **Country Foods Macau, Limited (CF Macau)**

Incorporated in December 2007, CF Macau aimed to boost SATS’ presence in the vibrant Macau market. Country Foods, our wholly-owned subsidiary, owns a 51% equity stake in CF Macau.

CF Macau manufactures and supplies processed and semi-processed food materials such as vegetables, soups, sauces, meats and ready-to-eat meals for Macau and Hong Kong.

During the year in review, CF Macau won a contract to provide on-site catering for Macau Prison. Its other customers include Cathay Pacific Catering Services, Hong Kong International Theme Park, LSG Lufthansa Service Hong Kong and Mandarin Oriental Hotel.





## Operations Review

### Food Solutions



#### Beijing Airport Inflight Kitchen (BAIK)

BAIK was incorporated in 1993 as a 60:40 joint venture between Capital Airports Holding Company (CAH) and SATS. Today, it boasts a client list comprising 49 international and domestic airlines operating at the Beijing Capital International Airport (BCIA). This includes Air Canada, China Southern Airlines, Sichuan Airlines, Singapore Airlines and Turkish Airlines. BAIK's market share at BCIA is slightly over 40%, based on the number of airlines it serves.

In FY2011-12, BAIK produced 7.4 million meals. In addition to returning customers including Air New Zealand, Malaysia Airlines and Philippine Airlines, BAIK added carriers such as Jetstar International, Mega Maldives and Swiss International Air Lines to its client portfolio.

In February 2012, SATS and CAH signed a new joint venture agreement with Eastern Air Catering Investment and China Southern Airlines for BAIK. Replacing the existing agreement, this new agreement which is subject to the Chinese regulatory authority's approval, will see the addition of two shareholders into BAIK and at the same time, renew its operating tenure by another 20 years. The new shareholders will each own a 30% stake in BAIK, while SATS and CAH will hold the balance 28% and 12% stakes respectively.

#### Macau Catering Services Company Ltd (MCS)

Incorporated in 1995, MCS is a joint venture formed by Servair-SATS, Sociedade de Turismo e Diversoes de Macau, Wu's Group, and HN Group Limited. Servair-SATS, which holds a 34% equity stake in MCS, is a 51:49 joint venture between Servair Group and SATS.

“Our gratitude goes to Le Lifestyle's chef and team for the sumptuous spreads served at the F1 Pit Zone. Despite the last minute request to increase our meal order, the team was professional and promptly delivered as promised. Many compliments on the quality and taste of food were received from our management. Dessert was particularly refreshing and very appropriate under the sweltering heat.”

Dawn Tan  
F&B Executive,  
Savour Events Private Limited

MCS is the sole caterer at Macau International Airport, serving 10 airline customers including Air Macau, EVA Airways, Jet Asia, TransAsia Airways and Shanghai Airlines. In FY2011-12, it maintained the number of meals produced at 1.1 million and secured a new contract to provide catering services to Juneyao Airlines.

#### Evergreen Sky Catering Corporation (EGSC)

EGSC is SATS' first investment in Taiwan in October 1995. SATS holds a 15% equity stake in the joint venture. EGSC commands a market share of 40% at Taiwan Taoyuan International Airport, based on the number of airlines it serves and provides inflight catering services to 18 international airlines including All Nippon Airways, Malaysia Airlines, EVA Airways, Singapore Airlines and Thai Airways.

In FY2011-12, EGSC secured a new contract with Hong Kong Airlines and renewed its China Cargo Airlines contract while producing close to 7 million meals.

#### WEST ASIA

##### Taj SATS Air Catering Limited (TSAC)

TSAC is a 51:49 joint venture between Indian Hotels – which operates the Taj Group of Hotels – and SATS. TSAC provides inflight catering services to domestic and international carriers in major Indian cities, namely Amritsar, Bangalore, Chennai, Delhi, Goa, Kolkata and Mumbai.

Currently, TSAC serves 41 domestic and international carriers across India. They include Air India, British Airways, Cathay Pacific Airways, Jet Airways, Malaysia Airlines and Singapore Airlines.



For the year in review, TSAC saw the number of meals produced grow 12% year-on-year to 19.9 million. It also renewed contracts with several airline customers such as Drukair, SilkAir and Spice Jet Airlines, while securing new contracts with Air China, China Southern Airlines, Finnair and Japan Airlines, amongst others.

#### **Taj Madras Flight Kitchen Pvt Limited (TMFK)**

SATS holds a 30% equity stake in TMFK, alongside joint venture partners, Indian Hotels and Malaysia Airlines. TMFK currently serves close to 10 airlines, including Emirates, Jet Airways, Malaysia Airlines, Saudi Arabian Airlines and Singapore Airlines at Chennai International Airport (CIA). It has a market share of more than 20% at CIA. In FY2011-12, TMFK produced about 2 million meals.

#### **Maldives Inflight Catering Private Limited (MIC)**

Based in Malé International Airport (MIA), MIC is a 65:35 joint venture between Maldives Airports Company and SATS. MIC serves 21 out of 30 airlines operating at MIA, including British Airways, Malaysia Airlines, Qatar Airways, Singapore Airlines and Transaero Airlines.

In FY2011-12, MIC reported a 5% year-on-year growth in meals produced to about 626,000 and signed new inflight catering contracts with Etihad Airways and Hainan Airlines.

MIC-owned Hulhule Island Hotel signed new crew accommodation contracts with several airlines including Condor, SriLankan Airlines, Qatar Airways and Thomson Airways. It continued to maintain an average occupancy rate of above 75% for the year under review.

#### **Adel Abuljadayel Flight Catering Co Ltd (AAFC)**

In April 2011, SATS acquired a 40% shareholding in AAFC. Established in 1982, AAFC is a niche inflight caterer serving mainly private jets and airlines operating Hajj and Umrah charter flights. AAFC has two catering facilities, one located at King Abdulaziz International Airport in Jeddah and the other at King Khalid International Airport in Riyadh.

AAFC currently serves 27 airlines, including Batavia Air, Cathay Pacific Airways, Iraqi Airways, Kabo Air and Malaysia Airlines. In FY2011-12, it renewed contracts with Ariana Airlines and Malaysia Airlines while securing United Airways and KAM Air as new customers. It also initiated the first international premium airport lounge, catering to foreign carriers operating in King Khalid International Airport Terminal 1, as well as the construction of a new catering facility at the airport which is expected to be ready around the first quarter of 2013.

## **SOUTHEAST ASIA**

### **MacroAsia Catering Services, Inc. (MACS)**

Established in 1996, MACS is an 80:20 joint venture between MacroAsia Corporation and SATS. Operating at Ninoy Aquino International Airport (NAIA) in Manila, Philippines, MACS has a market share of 44% by the number of airlines served. Its client list features prominent international carriers such as China Airlines, KLM Royal Dutch Airlines, Qatar Airways, Saudi Arabian Airlines and Singapore Airlines.

In FY2011-12, MACS produced close to 3.2 million meals, up 13% year-on-year. It also added a new carrier, Etihad Airways, to its client portfolio while renewing contract with Emirates, an existing customer.



# Awards and Accolades



## GATEWAY SERVICES

### Singapore

- At the Singapore Airlines CEO Transforming Customer Service Awards 2011, SATS was conferred the “Airport Operations Individual Award” and “Flight Delay Handling Team Award” in recognition of its excellent customer service and outstanding team effort in operations management.
- SATS clinched 37 awards – 15 golds, 15 silvers and 7 stars – at the Excellent Service Award, a national award from the Singapore Hotel Association and supported by SPRING Singapore.
- China Southern Airlines presented its Singapore station with the “China Southern Airlines Best Station Award”. The station, which is supported by SATS, was recognised for its excellence in passenger handling, on-time flight performance, documentation checks, baggage handling and security.
- SATS received the Ministry of Defence’s “Meritorious Defence Partner Award 2011” in recognition of its outstanding contribution to national defence.

### Overseas

- Jet Airways named its Hong Kong station, which is supported by SATS HK, as the “Best Overseas Station 2011/12”.
- AAT won the Silver Award under the transport and logistics category at the 2011 Hong Kong Award of Environmental Excellence.
- BGS clinched the “Excellent Ground Service Prize” awarded by the airport authority of Beijing Capital International Airport.
- AISATS Bangalore Cargo was voted “Air Cargo Terminal Operator of the Year in India” at the Indian Supply Chain and Logistics Summit and Excellence Awards 2012.
- Emirates named its Bangalore station, which is supported by AISATS, as the Best Station for on-time

performance for the Indian sub-continent, sub-Saharan, Indian Ocean and West Asia region.

- PT JAS was recognised for its delivery of outstanding customer service and excellent performance at the Singapore Airlines’ Outstanding Service Partner Award.
- PT JAS was also conferred the “On-Time Performance Platinum Award” by Qatar Airways.

## FOOD SOLUTIONS

### Singapore

- SATS was named the “Most Reliable Caterer” by United Airlines in recognition of its reliability and on-time performance.
- At the Mondial des Arts Sucres 2012 competition held in Paris, SATS emerged first for dessert plating and was placed fourth overall out of 16 teams from various countries, including France, Japan and Switzerland.
- SFI was amongst 13 companies to be conferred the “Best Employers in Singapore 2011 Award” by Aon Hewitt.
- Country Foods won the “Singapore Packaging Star Award 2011” under the commercial – sales & display category for its Sky Delight Box. This national award is organised by the Packaging Council of Singapore which is part of the 11 industry groups under the Singapore Manufacturer’s Federation.

### Overseas

- TFK received the “Overseas Best Caterer Award” from Vietnam Airlines for outstanding and reliable catering services.
- TFK was also awarded the “Global Excellence Award for Safety & Hygiene” by Etihad Airways.
- BAIK was conferred the “Team Golden Award” at the China Air Catering Culinary Competition 2011, an event organised by the China Air Catering Committee.
- BAIK clinched the “Award for Excellence 2011” by British Airways.
- AAFC clinched an appreciation award from Malaysia Airlines for the carrier’s Halal audit. The award was presented to inflight caterers with exemplary scores of over 95%. AAFC is the only caterer in the Malaysia Airlines’ network to receive this award for two consecutive years.
- TSAC’s chef, Arvind Saraswat, was conferred the “Best Chef of the Year” by the Ministry of Tourism, India.
- HIH emerged a winner in the Luxury Airport Hotel category at the World Luxury Hotel Awards 2011.
- MACS came in second amongst Korean Air’s 11 stations in Southeast Asia for outstanding catering service. It was also presented a catering award by the airline.

# Corporate Social Responsibility

At SATS, our long-standing commitment towards sustainable development has always been integral to our values. Serving and giving back to the communities we operate in as well as being socially, environmentally and economically sustainable, are what we continually strive to achieve.

## A CAUSE FOR GOOD

Our social commitment and community service programmes are chiefly anchored by the SATS Foundation, which aims to identify and support worthy causes aligned with our goals of:

- Enabling change by supporting individuals and families in need;
- Empowering achievement by offering training and other opportunities to help beneficiaries realise their aspirations; and
- Rebuilding lives by supporting disadvantaged individuals and families to re-integrate into society, as well as aid retirees in their career transition.

During the year, SATS Foundation made donations to the SR Nathan Education Upliftment Fund and the Lee Kuan Yew Fund for Bilingualism. The SR Nathan Education Upliftment Fund supports educational development for deserving recipients from the Chinese Development Assistance Council, Yayasan MENDAKI, the Singapore Indian Development Association, and the Eurasian Association, while the Lee Kuan Yew Fund for Bilingualism spearheads initiatives to teach children English and their Mother Tongues, especially in their pre-school years.



We also collaborated with the Assumption Pathway School (APS) through the setup of the APS Restaurant for Training, also known as The ART, where its Year 3 and 4 students specialising in the Baking Practices and Food Preparation & Service courses are trained by SATS' chefs to work in a commercial kitchen and prepare cuisines from different cultures. We hope that exposing APS students to the real work environment will enhance their learning and development, thus increasing their chances of success when they eventually enter the working world.

Additionally, we identified and started two major programmes that are aligned with SATS Foundation's objectives:

- Providing interim financial assistance to needy students of APS in the Baking Practices, Food Preparation & Service, and Mechanical Servicing electives; and
- Supporting RSVP Singapore - the Organisation of Senior Volunteers in setting up a training and development facility to equip senior volunteers with skills and knowledge that will help them become effective contributors.

To disburse funds for these major programmes, we have partnered with the Community Foundation of Singapore (CFS), an independent, non-profit philanthropic organisation which helps to match the charitable interests of donors with worthy recipients. We will continue to work closely with CFS to identify other worthy initiatives that SATS Foundation can support.



## Corporate Social Responsibility

### SUPPORT FROM THE HEART

Our employees are clearly the driving force behind our charitable endeavours. Participating whole-heartedly to help the community, our staff were involved in more than 20 charitable events held during the year. These include:

- Providing monthly food packages to about 90 needy families. Business Units and Corporate Divisions within the Group took turns to organise the monthly food distribution exercise;
- Organising Lunar New Year celebrations and outings for residents of the Society for the Aged Sick;
- Participating in the monthly home maintenance activities organised by the Kaki Bukit Moral Seniors Activity Centre (MSAC). Each time, about five staff volunteers would help a resident who is a beneficiary under MSAC with basic housekeeping;
- Delivering daily lunches to Arc Children's Centre, an independent day-care facility for children undergoing treatment for life-threatening illnesses;
- Donating to the Life Community Services Society's "I Coach U" Fund, a tuition programme for disadvantaged children and youths;
- Co-sponsoring the Club Rainbow Children's Day Carnival. A group of 37 staff volunteers helped in manning stores and rides at the carnival. Many staff also supported by way of purchasing the carnival tickets;
- Organising a movie outing and an ice cream making workshop for children of Club Rainbow; and
- Subsidising the sale of carnival coupons for staff in support of the Singapore Children's Society Walk for our Children 2011 fund raising event.

### GOING GREEN

As a corporate citizen, we firmly believe in conducting our business activities in a responsible and sustainable way. We recognise that it is our responsibility to conserve and



protect the environment that we live and work in. Across the Group, we continually strive to reduce our carbon footprint by reviewing our business practices and operational processes.

One new initiative we undertook during the year was to install heat pumps and a chilled water production system in our inflight kitchen in Singapore to achieve more efficient use of thermal energy while reducing our energy consumption. This saw savings of over 2,200,000 kilowatt-hours of energy per year.

At SATS HK, diesel vans were replaced with LPG (liquefied petroleum gas) minibuses for ramp transport in its effort to reduce carbon footprint and save on fuel costs.

At TFK, inverters were installed in exhaust fans at our inflight kitchens to reduce electricity consumption. In addition, a recycled water system was introduced to filter used water for lavatory and truck cleaning and for cooling towers of air-conditioning systems. As a result, approximately \$100,000 savings per annum have been achieved from these initiatives.





# Financial Review

Group Performance for FY2011-12

## OVERVIEW

Group revenue in FY2011-12 increased \$327.6 million, or 24.1% to \$1,685.4 million, with both business segments, gateway services and food solutions, registering growth of 9.4% and 35.2% respectively. TFK Corporation (TFK), which was acquired in December 2010, contributed \$230.0 million to the revenue growth, primarily due to a full year's result being consolidated in FY2011-12 compared to only a quarter's result a year ago.

Total operating expenses was \$1,516.4 million, \$327.6 million or 27.6% higher as compared to FY2010-11. TFK contributed \$228.1 million to this increase. Excluding TFK, growth in business volumes and inflationary pressure have also resulted in increases mainly in staff costs, raw materials, fuel, utilities and other operating costs. Consequently, the Group maintained its operating profit at last year's level of \$169.0 million.

Share of after-tax profit from Associates/Joint Ventures has declined \$5.7 million (12.1%) to \$41.2 million compared to the preceding year, largely due to the weak cargo market and an appreciating Singapore dollar.

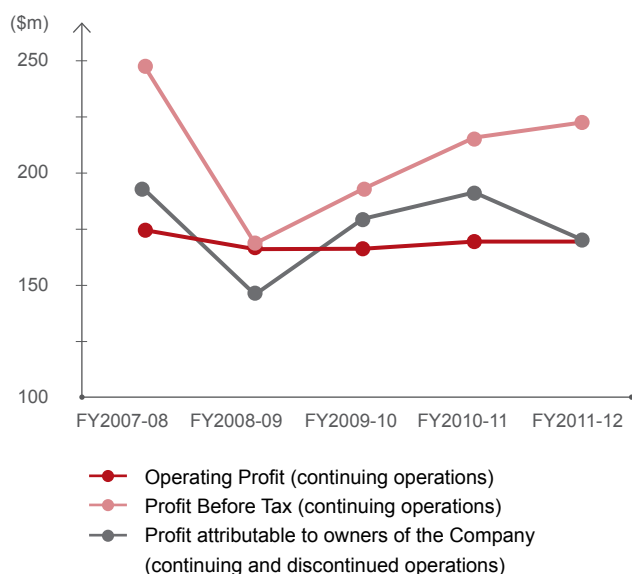
During the year, the Group divested its UK business (Daniels Group) and \$5.5 million loss on divestment was recorded. Including the loss on divestment, the Daniels Group incurred a net loss of \$10.1 million in FY2011-12, compared to a net profit of \$12.0 million in FY2010-11.

Largely due to the absence of profit contribution from the Daniels Group, Group net profit after tax of \$175.0 million was lower by \$16.8 million or 8.8%. Profit attributable to owners of the Company was \$170.9 million, compared to \$191.4 million in the preceding year. Excluding one-off items, underlying net profit of the Group decreased 4.3% to \$177.5 million.

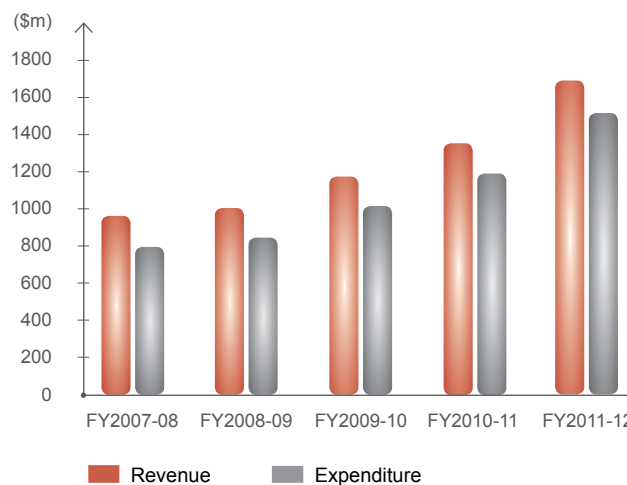
As at 31 March 2012, the Group's total cash and cash equivalents amounted to \$470.1 million, an increase of \$174.0 million over the opening cash balance of \$296.1 million at the beginning of the year. This was largely contributed by net proceeds from the sale of Daniels Group of \$285.3 million less the ordinary and special dividends paid during the year.

The Board of Directors has proposed a final dividend of 6 cents per share and a special dividend of 15 cents per share. Including the interim dividend of 5 cents per share paid on 9 December 2011, the proposed total dividend will be 26 cents per share. This represents a payout of 168.6% of profit attributable to owners of the Company, compared to 98.4% a year ago.

**Group Operating Profit, Profit Before Tax and Profit Attributable to Owners of the Company**



**Group Revenue and Expenses (Continuing Operations)**



## Financial Review

### PERFORMANCE BY BUSINESS SEGMENTS

The Group has two major business segments, namely gateway services and food solutions. The breakdown of revenue and operating profit (continuing operations) from the business segments are as follows :

	Revenue		Operating Profit		Profit After Tax	
	2011-12 \$ Million	2010-11 \$ Million	2011-12 \$ Million	2010-11 \$ Million	2011-12 \$ Million	2010-11 \$ Million
Gateway services	<b>602.7</b>	551.0	<b>44.8</b>	51.7	<b>76.2</b>	84.9
Food solutions	<b>1,077.0</b>	796.7	<b>116.7</b>	115.4	<b>104.2</b>	99.1
Corporate	<b>5.7</b>	10.1	<b>7.5</b>	1.9	<b>4.7</b>	(4.2)
	<b>1,685.4</b>	1,357.8	<b>169.0</b>	169.0	<b>185.1</b>	179.8

#### Gateway services

The gateway services segment provides airport terminal services, which include airfreight and ground handling services, aviation security, aircraft cleaning, technical ramp handling and third-party logistic services. In December 2011, gateway services expanded beyond airport terminal operations when the Group successfully won the tender to manage the new Marina Bay Cruise Centre Singapore (MBCCS) at Marina South. MBCCS will commence operations in May 2012.

Revenue from gateway services increased 9.4% to \$602.7 million, mainly from higher flight volumes and unit services, which grew 11.1% and 8.8% respectively. However, cargo tonnage handled remained relatively flat during the year. Airfreight and ground handling services which include apron, passenger and baggage handling services and Coolport made up the bulk of revenue from gateway services.

Operating profit for gateway services dropped \$6.9 million or 13.3% mainly due to increased expenses, especially staff costs, utilities, maintenance and fuel cost. Including the impact of lower profit contribution from gateway services' associates, profit after tax declined \$8.7 million, or 10.2%.

#### Food solutions

The food solutions segment provides mainly inflight catering services, food processing and distribution services, and airline laundry services. During the year, the Group divested the Daniels Group and its results and financial position were consequently deconsolidated from the segment.

Revenue from aviation, the largest component in food solutions, grew \$281.3 million of which TFK contributed \$230.0 million. TFK's maiden revenue contribution was \$72.6 million for 3 months in FY2010-11 compared to a full year's contribution of \$302.6 million in FY2011-12. In the Singapore inflight catering operations, unit meals grew by 4.8% from last year. Aero Laundry and Linen Services ("ALLS"), which provides laundry services to the airlines, also achieved year-on-year revenue growth of 10.4% due to higher quantities laundered.

Revenue from the SFI group of companies remained stable at previous year's level. In FY2010-11, there was a non-recurring operating revenue of \$5 million from catering to the Youth Olympic Games.

Operating profit for food solutions grew 1.1% to \$116.7 million, despite increased cost pressure from raw materials, staff costs and other operating costs. Profit after tax, which included a one-off write-back of retirement benefits of \$5.5 million in TFK, grew \$5.1 million or 5.1% to \$104.2 million.

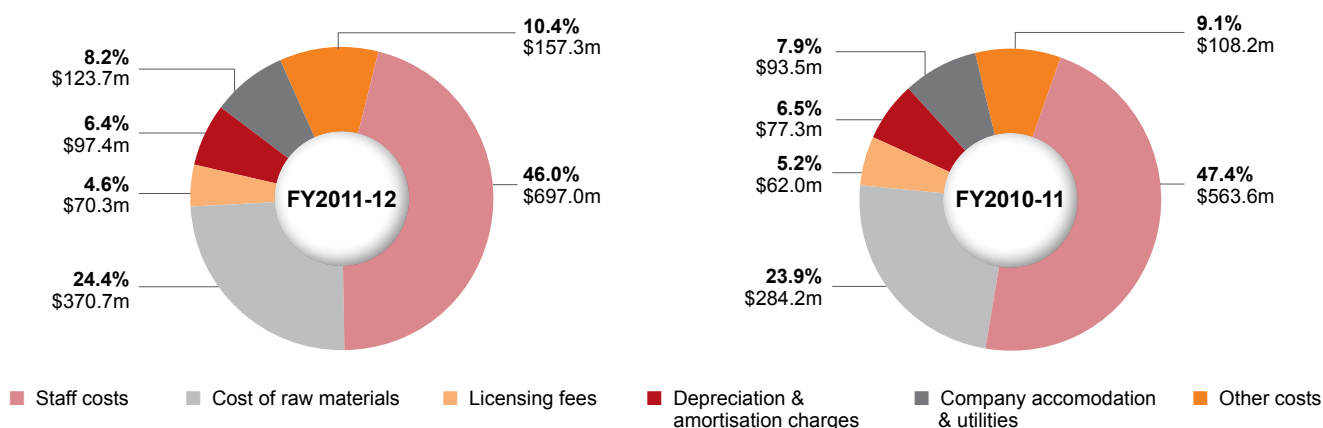
## Financial Review

### Corporate

Corporate segment revenue is derived from rental of premises, where revenue decreased \$4.4 million. The operating profit increase was mainly attributed to lower operating expenses incurred especially in professional fees.

### OPERATING EXPENSES

Group operating expenses increased \$327.6 million, or 27.6% to \$1,516.4 million, with TFK accounting for \$228.1 million. Excluding TFK, expenses increased \$99.4 million or 8.9%. The year has been characterised by inflationary pressures especially in labour, food raw materials and fuel costs.



The mix of operating expenses did not change significantly year-on-year, with staff costs, cost of raw materials and other costs making up the bulk of operating costs.

Staff costs continued to be the largest expense category, accounting for about 46% of total expenses in FY2011-12. Staff costs increased \$133.4 million or 23.7%. The average staff strength of the Group was 14,605 compared to 13,250 a year ago. The increase was in tandem with the increase in the Group's business activities, especially in Singapore and Hong Kong. During the year, increases in statutory payments including employer's CPF contribution and foreign worker levy have also contributed to the increase in staff costs.

Cost of raw materials and licensing fees increased \$86.5 million (30.4%) and \$8.3 million (13.4%) respectively, as business volumes increased. Prices of raw materials increased throughout the year although the impact to the Group was mitigated by a stronger Singapore dollar. The increase in licensing fees was directly attributable to higher revenue from aviation-related activities.

Depreciation and amortisation charges increased \$20.1 million or 26.0%, mainly due to additional capital expenditure and higher depreciation and amortisation expenses in TFK.

Company accommodation and utilities rose by \$30.2 million, or 32.3%. This was contributed by increased rental from additional space taken up during the year. Cost of utilities increased as a result of hikes in electrical tariffs as well as higher usage.

Other costs increased by \$49.1 million or 45.4%, mainly due to higher maintenance costs, increase in IT-related expenses, higher fuel charges and other overheads. In addition, in FY2010-11, there was a reversal of \$4.0 million in respect of a provision that was no longer required.

## Financial Review

### SHARE OF PROFITS FROM ASSOCIATES/JOINT VENTURES, NET OF TAX

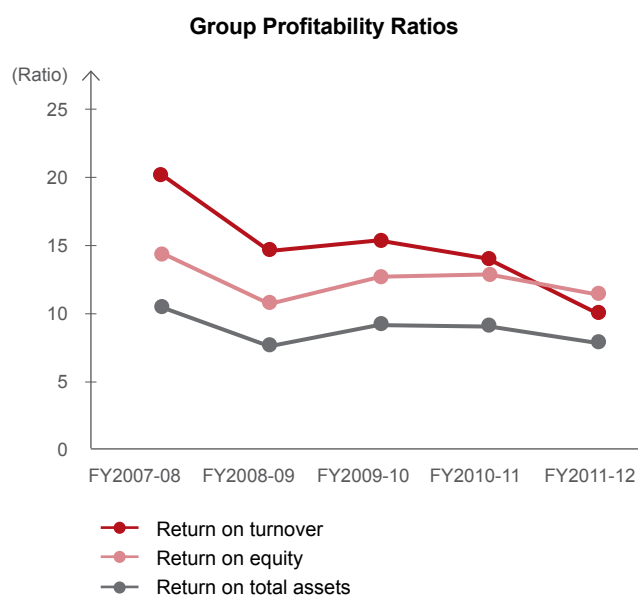
Share of after-tax profits from Associates/Joint Ventures was lower by \$5.7 million, or 12.1% to \$41.2 million in FY2011-12. This was largely due to weaker cargo demand which impacted the Group's cargo associates as well as a stronger Singapore dollar which lowered overseas profits when translated to the home currency.

### OTHER NON-OPERATING INCOME/(EXPENSE)

The Group recorded a one-off gain arising from a revision of employee retirement benefits in TFK of \$10.1 million, net of tax. After deducting non-controlling interests, the amount attributable to the owners of the Company was \$5.5 million. During the year, the Group also terminated a sale and leaseback arrangement, resulting in a one-off post-tax loss of \$2.0 million.

### LOSS FROM DISCONTINUED OPERATIONS

In October 2011, the Group completed the divestment of the Daniels Group and divestment loss of \$5.5 million, net of tax, was recorded. Together with the Daniels Group's operating loss of \$4.6 million, the total net loss from discontinued operations for the year was \$10.1 million, compared to a net profit of \$12.0 million in the previous year.



### DIVIDENDS

During the year, the Company paid an interim dividend of 5 cents per share amounting to \$55.4 million. The Board of Directors has proposed a final ordinary dividend of 6 cents per share and a special dividend of 15 cents per share, amounting to approximately \$232.8 million. The proposal is subject to approval by shareholders of the Company.

### FINANCIAL POSITION

As at 31 March 2012, the equity attributable to the owners of the Company was \$1,509.4 million, a slight decrease of 0.8% compared to \$1,521.2 million a year ago. The drop was partly due to the payment of ordinary and special dividends totaling \$188.5 million during the year. Total assets and liabilities of the Group declined due to the deconsolidation of the Daniels Group.



## Financial Review

The Group has taken up a Japanese Yen loan of 7.8 billion to finance the acquisition of TFK in FY2010-11. This loan has been reclassified to long-term loan as the tenure has been extended to 5 years. As a result, total long-term liabilities of the Group increased 13.3% to \$233.9 million.

Group gearing (as measured by gross debt/equity) was 0.10 times, down from 0.12 times a year ago.

### CAPITAL EXPENDITURE

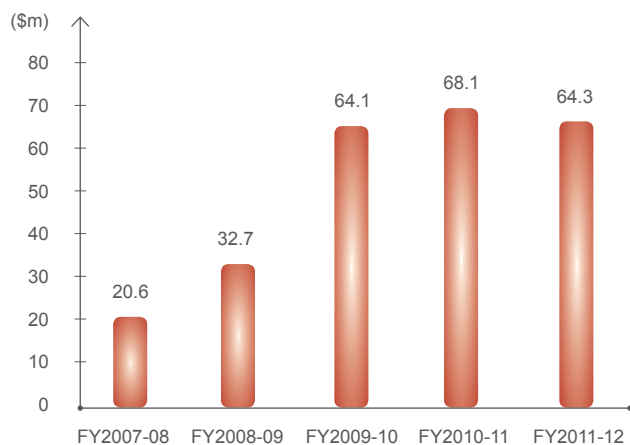
The Group incurred \$64.3 million on capital expenditure, a decrease of \$3.8 million or 5.6% over FY2010-11 capital expenditure of \$68.1 million. The expenditure was mainly in both fixed and mobile ground support equipment and office fittings and fixtures.

### CASH FLOWS

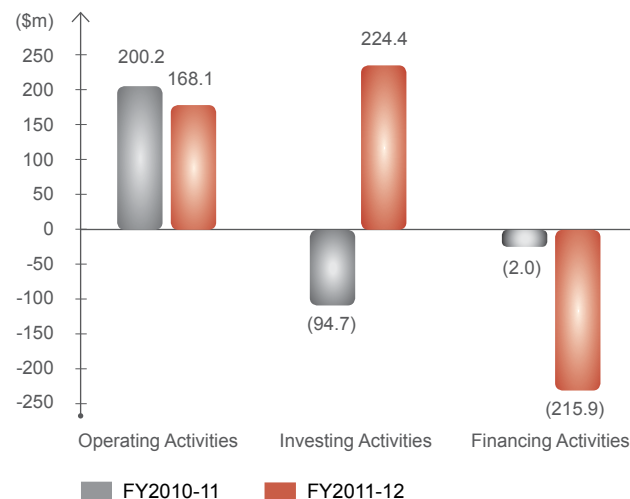
Group operating cash inflow was \$168.1 million, a drop of 16.0% mainly due to the divestment of the Daniels Group and higher working capital requirement to support increased business volumes. Cash inflow from investing activities of \$224.4 million was boosted by the net proceeds of \$285.3 million from the sale of Daniels Group. Cash outflow from financing activities increased to \$215.9 million primarily due to the payment of ordinary and special dividends of \$188.5 million during the year.

As a result, the Group's cash and cash equivalent increased to \$470.1 million as at 31 March 2012. Group free cash flow (as measured by cash from operating activities less cash purchases of capital expenditure) generated during the year was \$103.7 million.

#### Capital Expenditure



#### Cash Flows



## Financial Review

### VALUE ADDED

The value added of the Group was \$1,014.7 million, an increase of \$97.8 million or 10.7% compared to the preceding year. \$676.3 million (66.7%) went to salaries and other staff costs while shareholders received \$188.5 million in dividends. Interest on borrowings and corporate tax accounted for \$2.9 million (0.29%) and \$51.8 million (5.1%) respectively. \$95.2 million (9.4%) was retained for future capital requirements.

### VALUE ADDED STATEMENT

	2011-12 \$ Million <sup>^</sup>	2010-11 \$ Million <sup>^</sup>	2009-10 \$ Million <sup>^</sup>	2008-09 \$ Million <sup>^</sup>	2007-08 \$ Million
Total Revenue	1,871.6	1,729.1	1,538.9	1,062.1	958.0
Less: Purchase of goods and services	920.9	876.0	780.0	442.2	355.9
	950.7	853.1	758.9	619.9	602.1
Add/(less):					
Interest income	1.1	0.5	0.6	6.9	15.7
Share of profit before tax of associates/joint ventures	55.5	61.2	41.9	22.2	44.7
Amortisation of deferred income	0.7	0.9	0.9	(0.5)	1.4
Gain on disposal of property, plant and equipment	0.1	0.2	0.5	0.5	0.2
Income from long term investments	1.2	1.0	–	(9.7)	1.1
Exceptional items <sup>*</sup>	5.4	–	–	–	17.3
Total value added available for distribution	1,014.7	916.9	802.8	639.3	682.5
Applied as follows:					
To employees					
- Salaries and other staff costs	676.3	572.5	483.4	384.5	368.4
To government					
- Corporate taxes <sup>**</sup>	51.8	53.7	40.9	35.0	53.5
To supplier of capital					
- Dividends	188.5	143.5	118.9	151.1	140.0
- Interest on borrowings	2.9	2.8	5.3	6.7	6.2
Retained for future capital requirements					
- Depreciation & amortisation	108.6	96.1	90.8	64.6	59.2
- Non-controlling interests	4.1	0.4	0.9	1.7	0.3
- Retained profits	(17.5)	47.9	62.6	(4.3)	54.9
Total value added	1,014.7	916.9	802.8	639.3	682.5
Value added per \$ revenue	0.54	0.53	0.52	0.60	0.71
Value added per \$ employment cost	1.50	1.60	1.66	1.66	1.85
Value added per \$ investment in fixed assets	0.67	0.58	0.58	0.47	0.53

<sup>^</sup> Includes the results of Daniels Group classified as "(Loss)/Profit from discontinued operations, net of tax", on the face of the Income Statement.

<sup>\*</sup> Exceptional items refer to one-off adjustments for the write-back of retirement benefit plan obligations of \$10.1 million, gain on early termination of sale and leaseback arrangement of \$0.8 million, and the loss on divestment of Daniels Group of \$5.5 million.

<sup>\*\*</sup> Includes share of tax of associates and joint ventures.

## Financial Review

### STAFF STRENGTH AND PRODUCTIVITY

The Group's average staff strength was 14,605, an increase of 10.2% over the preceding year. The increase was mainly due to the inclusion of TFK and to support organic business growth. The breakdown of the average staff strength is as follows:

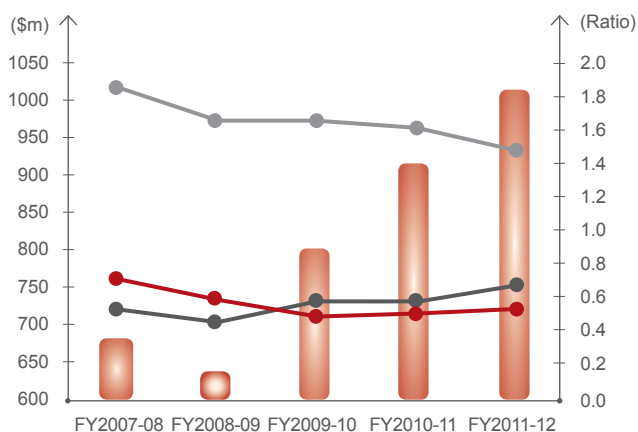
	2011-12	2010-11	Change %
Gateway services	7,701	7,138	7.9%
Food solutions	6,569	5,807	13.1%
Corporate	335	305	9.8%
<b>Total</b>	<b>14,605</b>	<b>13,250</b>	<b>10.2%</b>

Staff productivity, as measured by value added per employee, increased 4% to \$69,475, while value added per dollar of employment cost decreased by 6.3% to \$1.50. This was mainly due to higher average headcount and increases in mandatory statutory contributions including CPF and foreign worker levy. Staff costs per employee increased 7.2%.

Productivity Analysis	2011-12	2010-11	2009-10	2008-09	2007-08
Value added (\$ million)	1,014.7	916.9	802.8	639.3	682.5
Value added per employee (\$)	69,475	69,200	67,283	69,524	85,979
Value added per \$ employment cost (times)	1.50	1.60	1.66	1.66	1.85
Revenue per employee (\$)	128,148	130,500	128,974	115,495	120,961
Staff costs per employee (\$) **	46,305	43,212	40,533	41,814	46,410

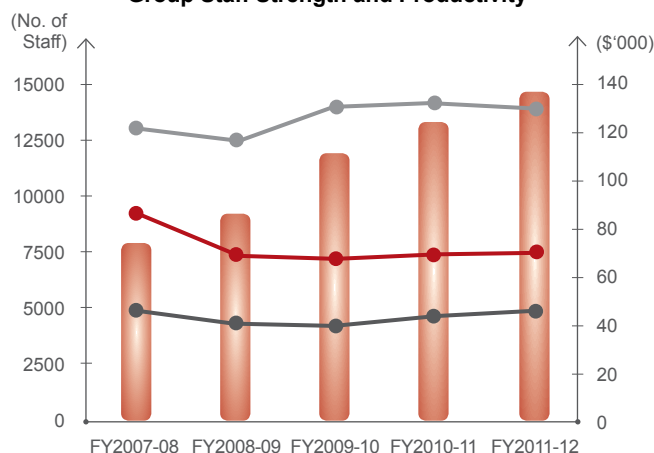
\*\* Staff costs excludes cost of contract labour

Group Value Added Productivity Ratios



- Value added (\$ Million)
- Value added per \$ revenue
- Value added per \$ investment in fixed assets
- Value added per employment cost

Group Staff Strength and Productivity



- Average number of employees
- Value added per employee (\$'000)
- Staff costs per employee (\$'000)
- Revenue per employee (\$'000)

## Financial Review

### **ECONOMIC VALUE ADDED (EVA)**

The EVA of the Group was \$42.7 million. This is \$25.6 million or 37.5% lower than the preceding financial year. The drop was mainly due to lower operating profit, share of profit from the Associates/Joint Ventures and higher cost of capital.

### **SHARE CAPITAL AND EMPLOYEE SHARE-BASED INCENTIVE PLANS**

The issued and paid-up capital of the Company increased from \$324,743,321 as at 31 March 2011 to S\$326,229,261 as at 31 March 2012. The increase was due to new ordinary shares issued pursuant to the exercise of share options granted under the SATS Employee Share Option Plan.

During the year, the Company purchased 500,000 of its issued shares and held these as treasury shares (2011: 500,000). The Company issued 774,423 treasury shares on vesting of share-based incentive plans during the year. The number of treasury shares held as at 31 March 2012 was 225,577 (2011: 500,000).

#### **Employee Share Option Plan**

The Company has ceased to issue further grants of share options since the last grant in July 2008.

During the year, 662,200 share options were exercised by the employees. As at 31 March 2012, there were 32,177,075 unexercised options.

#### **Restricted Share Plan (“RSP”) and Performance Share Plan (“PSP”)**

Senior management staff are eligible to participate in two share-based incentive plans, the RSP and PSP, which were approved by the shareholders of the Company on 19 July 2005.

#### **For grants prior to FY2010-11**

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 150% of the initial grant of the restricted shares and between 0% and 200% of the initial grant of the performance shares.

#### **For grants in FY2010-11 & FY2011-12**

RSP award is subject to yearly financial achievement and has an equal vesting period over a four-year period. The number of restricted shares awarded is based on individual performance. PSP is subject to specified performance conditions over a three-year period and the final number of performance shares awarded could range from 0% to 200% of the initial grant of the performance shares.

As at 31 March 2012, the number of outstanding shares granted under the Company's RSP and PSP were 1,983,600 and 1,090,000 respectively.



# Five-Year Group Financial and Operational Summary

	2011-12	2010-11	2009-10	2008-09	2007-08
		(Restated) **			
<b>Consolidated Income Statement (S\$ million)</b>					
Total revenue	1,871.6	1,729.1	1,538.9	1,062.1	958.0
Continuing operations	1,685.4	1,357.8	1,172.8	999.8	958.0
Discontinued operations	186.2	371.3	366.1	62.3	-
Total expenditure	1,705.9	1,544.6	1,354.5	891.2	783.7
Continuing operations	1,516.4	1,188.8	1,006.9	833.6	783.7
Discontinued operations	189.5	355.8	347.6	57.6	-
Operating profit	165.7	184.5	184.4	170.9	174.3
Continuing operations	169.0	169.0	165.9	166.2	174.3
Discontinued operations	(3.3)	15.5	18.5	4.7	-
Profit before tax	212.5	245.5	223.0	183.5	248.7
Continuing operations	221.8	216.7	194.0	170.4	248.7
Discontinued operations	(9.3)	28.8	29.0	13.1	-
Profit after tax	175.0	191.8	182.1	148.5	195.2
Continuing operations	185.1	179.8	166.7	145.2	195.2
Discontinued operations	(10.1)	12.0	15.4	3.3	-
Profit attributable to owners of the Company	170.9	191.4	181.2	146.8	194.9
Continuing operations	181.0	179.4	165.8	143.5	194.9
Discontinued operations	(10.1)	12.0	15.4	3.3	-
<b>Statements of Financial Position (S\$ million)</b>					
Equity Holders' Funds	1,509.4	1,521.2	1,481.8	1,398.1	1,383.9
Non-Controlling Interests	106.8	98.6	18.3	18.3	4.0
Total Equity	1,616.2	1,619.8	1,500.1	1,416.4	1,387.9
Fixed Assets	653.8	741.9	594.4	608.4	564.8
Investment Properties	13.5	16.2	6.5	7.0	-
Other non-current assets	624.0	874.2	822.5	839.4	358.1
Current assets	831.2	687.6	485.7	600.4	926.6
Total Assets	2,122.5	2,319.9	1,909.1	2,055.2	1,849.5
Long-term liabilities	234.0	206.5	131.7	146.0	277.9
Current liabilities	272.3	493.6	277.3	492.8	183.7
Total Liabilities	506.3	700.1	409.0	638.8	461.6
<b>Net Assets</b>	<b>1,616.2</b>	<b>1,619.8</b>	<b>1,500.1</b>	<b>1,416.4</b>	<b>1,387.9</b>

\*\* Certain items have been restated following finalisation of purchase price allocation of subsidiaries acquired during FY2010-11.

## Five-Year Group Financial and Operational Summary

	2011-12	2010-11	2009-10	2008-09	2007-08
		(Restated) **			
<b>Cash Flows Statement (\$ million)</b>					
Cash flows from operations	210.7	250.2	302.8	238.0	200.0
Free cash flow	103.7	132.1	188.9	155.7	140.1
Capital expenditure	64.3	68.1	64.1	32.7	20.6
<b>Profitability Ratios (%)</b>					
Return on equity	11.3	12.7	12.6	10.6	14.4
Return on total assets	7.9	9.1	9.2	7.6	10.7
Net margin	9.4	11.1	11.8	14.0	20.4
Debt Equity Ratio (times)	0.10	0.12	0.02	0.18	0.15
Economic value added (EVA) (\$ million)	42.7	68.3	67.2	26.2	53.9
<b>Productivity and Employee Data</b>					
Value added (\$ million)	1,014.7	916.9	802.8	639.3	682.5
Value added per employee (\$)	69,475	69,200	67,283	69,524	85,979
Value added per \$ employment cost (times)	1.50	1.60	1.66	1.66	1.85
Revenue per employee (\$)	128,148	130,500	128,974	115,495	120,961
Staff costs per employee (\$)	46,305	43,212	40,533	41,814	46,410
Average number of employees	14,605	13,250	11,932	9,196	7,938
<b>Per Share Data (cents)</b>					
Earnings after tax					
- Basic	15.4	17.4	16.7	13.6	18.2
- Diluted	15.4	17.3	16.7	13.6	17.9
Net assets value per share	136.1	137.3	136.9	129.5	128.6
Interim dividend	5.0	5.0	5.0	4.0	4.0
Final and Special dividends #	21.0	12.0	8.0	6.0	10.0
Dividend cover (times)	0.6	1.0	1.3	1.4	1.3
Dividend payout (%)	168.6	98.4	78.5	73.6	77.5
<b>Operating Statistics</b>					
Airfreight throughput (million tonnes)	1.50	1.49	1.41	1.46	1.57
Passengers served (million)	37.92	35.38	32.99	30.91	31.65
Inflight meals prepared (million) *	26.50	25.06	23.47	25.19	25.72
Flights handled (thousand)	115.19	103.73	96.28	88.16	85.95

### Notes:

- SATS' financial year is from 1 April to 31 March. Throughout this report, all financial figures are stated in Singapore Dollars.
- Return on equity is the profit attributable to owners of the Company expressed as a percentage of the average equity holders' funds.
- Debt equity ratio is gross debts divided by equity attributable to owners of the Company at 31 March.
- Basic earnings per share is computed by dividing the profit attributable to owners 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 owners of the Company by the weighted average number of fully paid shares in issue after adjusting for dilution of shares under the various employee share plans.
- Net asset value per share is computed by dividing equity attributable to owners of the Company by the ordinary shares in issue at 31 March.
- Dividend cover is profit attributable to owners of the Company divided by total dividend (net of tax).
- Payout ratio is total dividend (net of tax) divided by profit attributable to owners of the Company.
- Free cash flow comprises of cash flows from operating activities less cash purchases of capital expenditure.

\* Refers to airline meals catered at Singapore Changi Airport but does not include meals sold on board low cost carriers.

\*\* Certain items have been restated following finalisation of purchase price allocation of subsidiaries acquired during FY2010-11.

# Final and Special dividends for FY2011-12 are subject to shareholders' approval at the forthcoming Annual General Meeting.

# Corporate Governance Report

SATS Ltd. (“**SATS**” or the “**Company**”) continually strives to maintain high standards of corporate governance within the Company and its subsidiaries (the “**Group**”) by promoting corporate performance and accountability to enhance long term shareholder value.

This 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 are carried out in accordance with the policies and strategies 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 directions of the Group to be implemented by Management, and to provide leadership and guidance to Management;
- set the Group’s values and standards, and ensure that obligations to Shareholders and other stakeholders are met;
- 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;
- have overall responsibility for corporate governance, including the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- ensure communication with all stakeholders; and
- protect and enhance the reputation of the Group.

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 Committee;
- Nominating Committee;
- Remuneration and Human Resource Committee; and
- Board Risk Committee.

## Corporate Governance Report

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 Committee	Nominating Committee	Remuneration and Human Resource Committee	Board Risk Committee
Mr Edmund Cheng Wai Wing	Chairman and Independent Director	Chairman			Chairman	
Mr David Zalmon Baffsky	Independent Director		Member	Chairman		
Mr David Heng Chen Seng	Non-Independent Director	Member				Member
Mr Alexander Charles Hungate <sup>1</sup>	Independent Director				Member	
Mr Nihal Vijaya Devadas Kaviratne CBE	Independent Director		Member			Member
Mr Koh Poh Tiong <sup>2</sup>	Independent Director		Member			Member
Mr Ng Kee Choe <sup>3</sup>	Non-Independent Director	Member			Member	
Mr Keith Tay Ah Kee	Independent Director	Member	Chairman			
Mr Yeo Chee Tong <sup>4</sup>	Independent Director			Member		Chairman
Mr Leo Yip Seng Cheong	Independent Director			Member	Member	

Notes:

\* The Chairman and all members of the Board of Directors are non-executive.

1 Appointed as a Director on 27 July 2011, Mr Alexander Hungate was appointed as a member of the Remuneration and Human Resource Committee with effect from 1 August 2011.

2 Appointed as a Director on 1 November 2011, Mr Koh Poh Tiong was appointed as a member of the Audit Committee and a member of the Board Risk Committee with effect from 7 February 2012.

3 Mr Ng Kee Choe, a member of the Board Executive Committee and a member of the Remuneration and Human Resource Committee, will be retiring as a Director, member of the Board Executive Committee and member of the Remuneration and Human Resource Committee at the conclusion of the 39th AGM to be held on 26 July 2012 ("39th AGM").

4 Mr Yeo Chee Tong, Chairman of the Board Risk Committee and a member of the Nominating Committee, will be retiring as a Director, Chairman of the Board Risk Committee and member of the Nominating Committee at the conclusion of the 39th AGM.

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.

Board meetings are scheduled in advance. In addition, *ad hoc* Board meetings are convened if and when there are pressing matters requiring the Board's deliberation and decision in between the scheduled meetings. Since 2003, the Board has also conducted annual Board Strategy meetings to have more focused discussions on key strategic issues facing the Group.

The Company's Articles of Association ("**Articles**") allow Directors to participate in Board and Board Committee meetings by way of teleconference or video conference or other similar means of communication whereby all persons participating in the meeting are able to hear each other, without requiring their physical presence at the meeting. The Company has set up teleconference and video conference facilities to enable alternative means of participation in Board and Board Committee meetings. During FY2011-12, various Directors have participated in Board or Board Committee meetings by way of teleconference or video conference.



## Corporate Governance Report

In respect of FY2011-12, a total of five Board meetings, including a three-day Board Strategy meeting, were held. The Directors' attendance at Board and Board Committee meetings for FY2011-12 is set out below.

	No. of Board and Board Committee meetings attended in FY2011-12					
	Board	Board Executive Committee	Audit Committee	Nominating Committee	Remuneration and Human Resource Committee	Board Risk Committee
No. of meetings held	5	6	4	2	3	5
<b>Board Members</b>						
Mr Edmund Cheng Wai Wing	5	6			3	
Mr David Zalmon Baffsky <sup>1</sup>	5		4	2		
Mr David Heng Chen Seng	4	4				3
Mr Alexander Charles Hungate <sup>2</sup>	3				1	
Mr Nihal Vijaya Devadas Kaviratne CBE <sup>3</sup>	5		4			3
Mr Koh Poh Tiong <sup>4</sup>	2					1
Mr Ng Kee Choe	5	5			3	
Mr Keith Tay Ah Kee <sup>5</sup>	5	4	4			
Mr Yeo Chee Tong <sup>6</sup>	5		2	2	2	3
Mr Leo Yip Seng Cheong <sup>7</sup>	5			1	3	
Mr Khaw Kheng Joo <sup>8</sup>	2					1
Dr Rajiv Behari Lall <sup>9</sup>	0					
Mr Mak Swee Wah <sup>10</sup>	1	2				2

Notes:

- 1 Appointed as Chairman of the Nominating Committee with effect from 1 August 2011. Mr Baffsky attended 2 out of 2 Nominating Committee meetings which were held during his term as Chairman of the Nominating Committee in FY2011-12.
- 2 Appointed as a Director on 27 July 2011 and as a member of the Remuneration and Human Resource Committee with effect from 1 August 2011. Mr Hungate attended 3 out of 3 Board meetings and 1 out of 1 Remuneration and Human Resource Committee meeting which were held during his term as a Director and a member of the Remuneration and Human Resource Committee respectively in FY2011-12.
- 3 Appointed as a member of the Board Risk Committee with effect from 1 August 2011. Mr Kaviratne attended 3 out of 3 Board Risk Committee meetings which were held during his term as a member of the Board Risk Committee in FY2011-12.
- 4 Appointed as a Director on 1 November 2011 and as a member of the Audit Committee and the Board Risk Committee with effect from 7 February 2012. Mr Koh attended 2 out of 2 Board meetings and 1 out of 1 Board Risk Committee meeting which were held during his term as a Director and a member of the Board Risk Committee respectively in FY2011-12.
- 5 Stepped down as a member of Nominating Committee on 1 August 2011. No Nominating Committee meeting was held during his term as a member of the Nominating Committee in FY 2011-12. Appointed as a member of the Board Executive Committee with effect from 1 August 2011. Mr Tay attended 4 out of 4 Board Executive Committee meetings which were held during his term as a member of the Board Executive Committee in FY 2011-12.
- 6 Stepped down as a member of the Audit Committee and the Remuneration and Human Resource Committee on 1 August 2011. Mr Yeo attended 2 out of 2 Audit Committee meetings and 2 out of 2 Remuneration and Human Resource Committee meetings which were held during his term as a member of the Audit Committee and a member of the Remuneration and Human Resource Committee respectively in FY 2011-12. Appointed as Chairman of the Board Risk Committee and a member of the Nominating Committee with effect from 1 August 2011. Mr Yeo attended 3 out of 3 Board Risk Committee meetings and 2 out of 2 Nominating Committee meetings which were held during his term as Chairman of the Board Risk Committee and a member of the Nominating Committee respectively in FY 2011-12.
- 7 Appointed as a member of the Nominating Committee with effect from 1 August 2011. Mr Yip attended 1 out of 2 Nominating Committee meetings which were held during his term as a member of the Nominating Committee in FY 2011-12.
- 8 Mr Khaw Kheng Joo had elected to retire from office at the last AGM. Mr Khaw attended 2 out of 2 Board meetings and 1 out of 2 Board Risk Committee meetings which were held during his term as a Director and a member of the Board Risk Committee respectively in FY 2011-12.
- 9 Dr Rajiv Behari Lall had retired from office at the last AGM.
- 10 Mr Mak Swee Wah had retired from office at the last AGM. Mr Mak attended 1 out of 2 Board meetings, 2 out of 2 Board Executive Committee meetings and 2 out of 2 Board Risk Committee meetings which were held during his term as a Director, a member of the Board Executive Committee and as Chairman of the Board Risk Committee respectively in FY 2011-12.

## Corporate Governance Report

All members of the Board actively participate in Board discussions and helped to 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

The Board has delegated to the Board Executive Committee the function of reviewing and approving certain matters, which include, *inter alia*, guiding Management on business, strategic and operational issues, undertaking an initial review of the three to five-year forecast/business plans and annual capital and operating expenditure 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. Minutes of the meetings of the Board Executive Committee are forwarded to all Directors for their information.

The Board Executive Committee currently comprises the following four members:

- Mr Edmund Cheng Wai Wing, Chairman
- Mr David Heng Chen Seng, Member
- Mr Ng Kee Choe, Member
- Mr Keith Tay Ah Kee, Member

The Board Executive Committee is required under its terms of reference to meet at least once in each financial year. The Board Executive Committee met six times in FY2011-12. Regular reports are presented to the Board Executive 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 and Chief Executive Officer ("PCEO"), the General Counsel, the Chief Financial Officer ("CFO") and the Executive Vice Presidents are usually invited and 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, and corporate governance for their continuing education and skills improvement, conducted by external organisations, at the Company's cost.

Each of the newly-appointed Directors is also sent a formal letter setting out directors' duties and obligations. They are also provided with other materials relating to the Board and Board Committees, including terms of reference of the various Board Committees as well as relevant guidelines and policies.

## PRINCIPLE 2: STRONG AND INDEPENDENT ELEMENT ON THE BOARD TO EXERCISE OBJECTIVE JUDGEMENT

The present Board comprises all non-executive Directors. Of the 10 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 reviews the composition of the Board to ensure that

## Corporate Governance Report

the Board comprises Directors who as a group provide core competencies, such as accounting or finance, legal, business or management (including human capital development and management) experience, industry knowledge, strategic planning experience, and customer-based experience or knowledge, required for the Board to be effective.

As part of the Board's continuing review of the Board size and composition, on the recommendation of the Nominating Committee, the Board approved the appointment of Mr Koh Poh Tiong as a Director of the Company in November 2011, to supplement and strengthen the collective competency of the Board.

The Nominating Committee is currently considering the appointment of additional directors with specific areas of expertise to supplement and strengthen the collective competency of the Board as well as for Board rejuvenation.

To facilitate open discussion and review on the effectiveness of Management, the Board members meet up from time to time 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 the Chairman and the PCEO are clearly separated to ensure appropriate check and balance, 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, guides the dissemination of accurate, timely and clear information amongst Board members, promotes effective communication with Shareholders, encourages constructive relations between the Board and Management, facilitates the effective contributions of the Directors, encourages constructive relations amongst all Directors and promotes high standards of 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 identification and selection 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 three members, all of whom (including the Chairman) are independent Directors:

- Mr David Zalmon Baffsky, Chairman
- Mr Yeo Chee Tong, Member
- Mr Leo Yip Seng Cheong, Member

The Chairman of the Nominating Committee is not directly associated with Temasek Holdings (Private) Limited ("**Temasek**"), a substantial shareholder 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 by its terms of reference to hold meetings at least once a year. It held two meetings in FY2011-12.

### Re-nomination and re-election of Directors

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 <sup>1</sup>	Chairman	22 May 2003 (as Director and Chairman)	30 July 2010
Mr David Zalmon Baffsky <sup>2</sup>	Director	15 May 2008	Re-appointed on 27 July 2011
Mr David Heng Chen Seng <sup>3</sup>	Director	15 October 2009	30 July 2010
Mr Alexander Charles Hungate	Director	27 July 2011 (appointed at the Company's 38th AGM)	Not Applicable
Mr Nihal Vijaya Devadas Kaviratne CBE	Director	30 July 2010	Not Applicable
Mr Koh Poh Tiong <sup>4</sup>	Director	1 November 2011	Not Applicable
Mr Ng Kee Choe <sup>5</sup>	Director	1 March 2000	28 July 2009
Mr Keith Tay Ah Kee	Director	26 July 2007	30 July 2010
Mr Yeo Chee Tong <sup>6</sup>	Director	19 May 2006	27 July 2011
Mr Leo Yip Seng Cheong	Director	1 September 2010	27 July 2011

Note:

- 1 Mr Edmund Cheng Wai Wing, who will retire by rotation pursuant to Article 83 and has indicated his willingness to stand for re-election, will be standing for re-election at the 39th AGM. Mr Cheng is considered by the Nominating Committee to be an independent Director. Mr Cheng is the Chairman of the Board of Directors and Chairman of both the Board Executive Committee and the Remuneration and Human Resource Committee.
- 2 Mr David Zalmon Baffsky, who will be retiring pursuant to Section 153(6) of the Companies Act and has indicated his willingness to stand for re-appointment, will be standing for re-appointment pursuant to Section 153(6) of the Companies Act (Cap. 50) at the Company's 39th AGM. Mr Baffsky is regarded by the Nominating Committee to be an independent Director. Mr Baffsky is the Chairman of the Nominating Committee and a member of the Audit Committee.
- 3 Mr David Heng Chen Seng, who will retire by rotation pursuant to Article 83 and has indicated his willingness to stand for re-election, will be standing for re-election at the 39th AGM. Mr Heng is considered by the Nominating Committee to be non-independent. Mr Heng is a member of both the Board Executive Committee and the Board Risk Committee.
- 4 Mr Koh Poh Tiong, who will retire pursuant to Article 90, has indicated his willingness to stand for re-election, will be standing for re-election at the 39th AGM. Mr Koh is considered by the Nominating Committee to be an independent Director. Mr Koh Poh Tiong is a member of both the Audit Committee and the Board Risk Committee.
- 5 Mr Ng Kee Choe, who will retire by rotation pursuant to Article 83, will be retiring and will not be standing for re-election at the 39th AGM. Mr Ng is a member of both the Board Executive Committee and the Remuneration and Human Resource Committee.
- 6 Mr Yeo Chee Tong has elected to retire from office at 39th AGM. Mr Yeo is the Chairman of the Board Risk Committee and 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 ("AGM"). 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. All new Directors appointed by the Board during the financial year shall only hold office until the next AGM and be eligible for re-election at that AGM. As required by law, a director who reaches the age of 70 years old is required to retire and stand for re-appointment at every AGM.

The Directors standing for re-election pursuant to Article 83 at the 39th AGM are Mr Edmund Cheng Wai Wing and Mr David Heng Chen Seng. Mr Koh Poh Tiong is standing for re-election pursuant to Article 90. Mr David Zalmon Baffsky is standing for re-appointment pursuant to Section 153(6) of the Companies Act (Cap. 50). The Nominating Committee (after having taken into consideration the principles for the determination of the Board size and composition adopted by it) recommends their retirement, re-election and re-appointment, after assessing their contribution and performance (including attendance, preparedness, participation and candour) as Directors, and the Board has endorsed the recommendation.

With effect from FY2010-11, newly appointed Directors would be appointed to serve an initial term of three years and such initial term of office may be renewed for a subsequent term or terms of up to a total of 6 years, expiring at the AGM of the Company



## Corporate Governance Report

closest to the 6th anniversary of their initial appointment. The tenure of each Director would be considered at that juncture, taking into account the recommendations of the Nominating Committee and subject to the Board's approval.

### 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, the following Directors are regarded as non-independent Directors of the Company:

- Mr David Heng Chen Seng is the Senior Managing Director, Investment and Co-Head of SEA of Temasek, the largest single substantial shareholder of the Company. By reason of his employment with Temasek, Mr Heng is regarded as a non-independent Director of the Company; and
- Mr Ng Kee Choe, who receives a monthly allowance from Temasek, for serving as a member of the Temasek Advisory Panel and, as such, is regarded as a non-independent Director of the Company.

Except for the abovenamed Directors, all the other eight Directors on the Board are considered by the Nominating Committee and the Board to be independent Directors.

### 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. Such reviews assist 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 identification and selection of new Directors. Taking into consideration the desired qualifications, skill sets, 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 (such as academic and professional qualifications) and fields of expertise as well as their present and past 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 been adopted by the Nominating Committee and the Board. The qualitative assessment process utilises a set of confidential questionnaires submitted by each Director individually. 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 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.

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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 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, justification, risks and mitigation 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, various Board Committees receive minutes and reports from Management relating to their specific areas of oversight, which may contain more detailed and specific information.

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 largely 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, CFO, General Counsel 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 Singapore Exchange Securities Trading Limited ("**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 the Board 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 is good information flow within the Board and the Board Committees, and between Management and the Directors. The Company Secretary facilitates orientation and assists with professional development of the Directors as may be required. The appointment and removal of the Company Secretary are 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.

\* Includes the Assistant Company Secretary

### PRINCIPLE 7: FORMAL AND TRANSPARENT PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

#### Remuneration and Human Resource Committee

The Board has established a Remuneration and Human Resource Committee. The Remuneration and Human Resource Committee currently comprises the following four members, all of whom are non-executive Directors and of which the majority, including the Chairman, are considered by the Nominating Committee and the Board to be independent Directors:

- Mr Edmund Cheng Wai Wing, Chairman
- Mr Alexander Charles Hungate, Member
- Mr Ng Kee Choe, Member
- Mr Leo Yip Seng Cheong, Member

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 Committee convened three meetings in FY2011-12.

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, as well as any other appointment of equivalent seniority to the PCEO 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 of staff talent within the Group;
- reviewing, overseeing and advising on the structure, organisation 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 a 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" in the "Financials" 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.

### PRINCIPLE 8: LEVEL OF DIRECTORS' REMUNERATION SHOULD BE APPROPRIATE TO ATTRACT, RETAIN AND MOTIVATE BUT NOT BE EXCESSIVE

Every Director will receive a basic fee. In addition, he will receive a Chairman's fee if he is the Chairman of the Board, as well as the relevant Board Committee fee (depending on whether he served in the capacity as the Chairman or a member of the relevant Board Committee) for each position he held on a Board Committee, during FY2011-12. If he occupied a position for part of a financial year, the fee payable would be prorated accordingly. Each Director would also receive an attendance fee for each Board meeting and Board Committee meeting attended by him during the financial year, on account of the time and effort of each of the Directors to avail himself for Board and Board Committee meetings. The attendance fees for Board and Board Committee meetings vary according to whether these meetings were held in the state/country in which the Director is ordinarily resident and whether the Director is attending in person or via teleconference/video conference.

Payment of competitive and equitable remuneration would better serve the Company's need to attract and retain Directors with the necessary experience and capabilities and desired attributes who can contribute to the Company's future development and growth.

The Board believes that the existing fee structure is appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the Directors.

The proposed scale of Directors' fees for financial year ending 31 March 2013 is the same as that of FY2011-12.

Types of Appointment	Scale of Directors' fees (FY2012-13)
<b>Board of Directors</b>	S\$
Basic fee	45,000
Board Chairman's fee	40,000
Board Deputy Chairman's fee	30,000
<b>Audit Committee</b>	
Committee Chairman's fee	30,000
Member's fee	20,000
<b>Board Executive Committee</b>	
Committee Chairman's fee	30,000
Member's fee	10,000
<b>Other Board Committees</b>	
Committee Chairman's fee	20,000
Member's fee	10,000
<b>Board Meeting attendance fee</b>	
Attendance via teleconference/videoconference	1,000
Attendance in person in home city (up to 4 hours for travel within home city)	2,500
Attendance in person outside home city	5,000
<b>Board Committee meeting attendance fee</b>	
Attendance via teleconference/videoconference	500
Attendance in person in home city (up to 4 hours for travel within home city)	1,200
Attendance in person outside home city	2,500

**PRINCIPLE 9: DISCLOSURE ON REMUNERATION POLICY, LEVEL AND MIX OF REMUNERATION, AND PROCEDURE FOR SETTING REMUNERATION**

**Directors' remuneration**

Based on the scale of fees approved by the Shareholders at the last AGM, the Directors' remuneration paid out for FY2011-12 amounted to S\$965,074. The composition of the remuneration of the Directors for FY2011-12 is as follows:

Directors	Fee (%)	Salary (%)	Benefits (%)	Total (%)
<b>Below \$250,000</b>				
Mr Edmund Cheng Wai Wing	100	–	–	100
Mr David Zalmon Baffsky	100	–	–	100
Mr David Heng Chen Seng	100	–	–	100
Mr Alexander Charles Hungate <sup>1</sup>	100	–	–	100
Mr Nihal Vijaya Devadas Kaviratne CBE	100	–	–	100
Mr Koh Poh Tiong <sup>2</sup>	100	–	–	100
Mr Ng Kee Choe	100	–	–	100
Mr Keith Tay Ah Kee	100	–	–	100
Mr Yeo Chee Tong	100	–	–	100
Mr Leo Yip Seng Cheong	100	–	–	100
Mr Khaw Kheng Joo <sup>3</sup>	100	–	–	100
Dr Rajiv Behari Lall <sup>3</sup>	100	–	–	100
Mr Mak Swee Wah <sup>3</sup>	100	–	–	100

Notes:

- 1 Appointed as a Director on 27 July 2011, and appointed as a member of the Remuneration and Human Resource Committee with effect from 1 August 2011. Mr Hungate has declined any fees for his role as a Director of SATS.
- 2 Appointed as a Director on 1 November 2011 and appointed as a member of both the Audit Committee and Board Risk Committee with effect from 7 February 2012.
- 3 Mr Khaw Kheng Joo, Dr Rajiv Lall and Mr Mak Swee Wah retired as Directors of the Company on 27 July 2011.

Since the 2010 AGM, with a view to ensuring that the Company offers more timely remuneration to attract high-calibre Directors, the Company will again be seeking the approval of the Shareholders at the 39th AGM to approve the payment of Directors' fees up to a stipulated amount for FY2012-13 so that Directors' fees can be paid in arrears on a half-yearly basis during the course of the financial year.

**Key executives' remuneration**

The Company's key executives' remuneration system is designed to include long-term incentives to allow the Company to better align executive compensation with creating more value for the 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. SATS considers the PCEO and his direct reports as its key executives. 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 final grant of share options for all employees other than senior executives under the ESOP was made in July 2008. 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 key executives' individual performance through their achievement of certain key performance indicators set for them.



## Corporate Governance Report

	Remuneration Band <sup>1</sup>	Bonuses <sup>2</sup>				Total (%)	Award under SATS RSP <sup>3</sup>	Award under SATS PSP <sup>3</sup>
		Salary (%)	Fixed (%)	Variable (%)	Benefits (%)			
Tan Chuan Lye	\$500,001 to \$750,000	70	5	17	8	100	37,800	63,000
Lim Chuang	\$250,001 to \$500,000	69	6	11	14	100	14,400	31,500
Ferry Chung Qing An <sup>4</sup>	\$250,001 to \$500,000	87	4	2	7	100	180,000	–
Yacoob Bin Ahmed Piperdi	\$250,001 to \$500,000	72	6	12	10	100	9,000	20,700
Poon Choon Liang	\$250,001 to \$500,000	66	6	22	6	100	18,000	28,800

### Notes:

- 1 Remuneration bands as indicated do not include the value of any awards granted under the SATS RSP and/or the SATS PSP.
- 2 Includes actual performance bonus paid for FY2010-11.
- 3 Denotes the base awards of shares granted under the SATS RSP and the SATS PSP for FY2011-12 on 3rd August 2011. The number of shares awarded to recipient under the SATS RSP will vest in the award holder over a four-year period; there will be no performance conditions for vesting. The final number of shares awarded to the recipient under the SATS PSP could range between 0% to 200% of the base award; these awards of PSP shares will vest in the award holder subject to the achievement of pre-determined targets over a three-year period.
- 4 Mr Ferry Chung joined SATS on 1 August 2011. He was granted a base award under the SATS RSP for FY2011-12 on 1st August 2011. The number of shares awarded to him under the SATS RSP will vest in the award holder over a four-year period; there will be no performance conditions for vesting.

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 FY2011-12.

Further details regarding each of the Share Plans are provided in the Annexure to this Report, and also in the “Report of the Board of Directors” and “Notes to Financial Statements” in the “Financials” 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 each of the first three quarters and 60 days of the end of the financial year (as the case may be). Through the release of its financial results, the Board aims to present the Shareholders with a balanced and understandable assessment of SATS’ performance, position and prospects. The Company has in place a process to support Management’s representations to the Board on the integrity of the Group’s financial statements and internal control systems in relation to the requirement under the Listing Manual of the SGX-ST for the Board to issue a negative assurance statement that accompanies the Company’s announcement of its quarterly and full year financial statements.

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 Committee

The Audit Committee currently comprises the following four members all of whom are independent Directors:

- Mr Keith Tay Ah Kee, Chairman
- Mr David Zalmon Baffsky, Member
- Mr Nihal Vijaya Devadas Kaviratne CBE, Member
- Mr Koh Poh Tiong, Member

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

The Audit Committee has explicit authority to investigate any matter within its terms of reference, full access to and co-operation of Management, and full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to discharge its functions.

Under the terms of reference of the Audit Committee, its responsibilities include the review of the following:

- quarterly and full-year 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;
- adequacy of resources for the internal audit function, ensuring it has appropriate standing within the Company and has a primary line of reporting to the Chairman of the Audit Committee (with secondary administrative reporting to the PCEO). KPMG LLP ("**KPMG**") had been engaged to supplement the internal audit function since 4Q FY2010-11. The Company will continue to engage KPMG to supplement its internal audit function in FY2012-13;
- 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 Internal Audit and Management;
- effectiveness of the Company's material internal controls, with Management and the internal and/or external auditors on an annual basis;
- suspected fraud or irregularity or suspected infringement of any Singapore law, rule or regulation of which the Audit 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 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, the 2005 Code and other relevant laws and regulations.

The Audit Committee is required by its terms of reference to meet at least four times a year, with the internal and external auditors of the Company present. The Audit Committee met four times in FY2011-12.

The Audit 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 FY2011-12, and the fees, expenses and emoluments paid or made to the external auditors and is satisfied that they have no significant impact on the independence and objectivity of the external auditors.

### **PRINCIPLE 12: SOUND SYSTEM OF INTERNAL CONTROLS TO SAFEGUARD SHAREHOLDERS' INVESTMENTS AND THE COMPANY'S ASSETS**

The Board recognises 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 Committee, oversees and reviews the adequacy and effectiveness of the Group's internal control functions as well as assesses financial risks; and, through the Board Risk Committee, generally oversees and reviews the other risks faced by the Group.

#### **Board Risk Committee**

The Board Risk Committee currently comprises the following three members, all of whom are non-executive Directors, and oversees and reviews the adequacy and effectiveness of the Group's risk management systems as well as its safety systems and programmes:

- Mr Yeo Chee Tong, Chairman
- Mr David Heng Chen Seng, Member
- Mr Nihal Vijaya Devadas Kaviratne CBE, Member
- Mr Koh Poh Tiong, Member

The written terms of reference of the Board Risk Committee include the review of the following:

- adequacy of resources for the risk management functions and that they have appropriate standing within the Group;
- the risk management policies and practices and the types and level of risks faced by the Group;
- the activities of the SATS Group Risk Management Committee which is responsible for putting in place risk management processes and methodologies, identifying risks and instilling mitigation plans, updating risk registers and profiles;
- risk champions appointed by the respective operating units to drive risk management initiatives;
- the Group's safety system and programmes for effectiveness and compliance with regulatory requirements and best industry practices for food safety, workplace safety and occupational health;
- regular reports on safety, initiation of remedial actions and assessment of level of compliance with the safety management plan;
- food safety and accident investigation findings and implementation of recommendations by Management; and
- adequacy of insurance coverage for the Group.

The Board Risk Committee is required by its terms of reference to meet at least four times a year. The Committee met five times in FY2011-12.

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" and hotline to report wrongdoing to institutionalise procedures on reporting possible improprieties involving the Group and for allowing independent investigation of such matters, and appropriate and consistent follow-up action. A dedicated email address and 24-hour hotline managed by an independent external service provider 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.

## Corporate Governance Report

### Banking transaction procedures

Lenders to the Company are notified 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 have been advised to 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

For FY2011-12, the Company's internal audit function was undertaken by the Internal Audit department of the Company and KPMG. 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 Audit 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 Committee. The Audit Committee may authorise such audit work to be carried out by an independent third party as it deems appropriate.

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

KPMG had been engaged to supplement the internal audit function since 4Q FY2010-11. The Company will continue to engage KPMG to supplement its internal audit function in FY2012-13.

### PRINCIPLE 14: REGULAR, EFFECTIVE AND FAIR COMMUNICATION WITH SHAREHOLDERS

The Company strives to convey to the Shareholders pertinent information in a clear, forthcoming, detailed and timely manner and on a regular basis, takes into consideration their views and inputs, and addresses 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 ([www.sats.com.sg](http://www.sats.com.sg)), and where appropriate, through media releases.

The Company's 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

The Company's Articles allow Shareholders 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 amendments to the Articles if the Board is of the view that there is a demand for such alternative methods of voting, 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 the 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 in place a policy and guidelines on dealings in the securities of the Company, which have been disseminated to employees of the Group and Directors of the companies within the Group. The policy and guidelines restrict certain employees (including all administrative officers and employees of managerial grade and above, and employees in departments which are likely to be privy to confidential material price-sensitive information, such as the offices of the President and Chief Executive Officer, Executive Vice Presidents and Senior Vice Presidents, 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 before the announcement of the Company's quarterly financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements.

The Company has also adopted a Procedure For Trading Halt in the Company's Securities, which assists the Company to manage its continuous disclosure obligations in accordance with the spirit of rule 703 of the Listing Manual of the SGX-ST in the event of a leak of material unpublished information, or a false rumour or report where a media comment about the Company is sufficiently specific and detailed to warrant a response or to adequately respond to a query by the SGX-ST arising from such leak of material unpublished information or a false rumour or report.

In addition, the Directors and Staff of the Company are prohibited at all times from trading in the Company's securities if they are in possession of non-public, price-sensitive information of the Company. The policy and guidelines also remind employees and Directors of the Group that they should not deal in the Company's securities on short term considerations, and 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.

### ANNEXURE

#### Share Plans

##### (I) ESOP

The Company has ceased to issue further grants of share options under the ESOP since the last grant in July 2008. Please refer to the "Report of the Board of Directors" and "Notes to Financial Statements" in the "Financials" section of this Annual Report for more details relating to the ESOP.

##### (II) SATS RSP and SATS PSP

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.



## Corporate Governance Report

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.

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 or her rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his or her 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 SATS RSP and the SATS PSP, may not exceed 15% of the total number of issued ordinary shares in the capital of the Company on the day preceding the relevant date of award.

### (III) PURCHASE OF SHARES PURSUANT TO THE SHARE BUY-BACK MANDATE

The Company had obtained the approval from the Shareholders for the Share Purchase Mandate (the “**Mandate**”) at the Annual General Meeting of the Company held on 27 July 2011. Pursuant to the Mandate, the Company had purchased a total of 620,000 shares of the Company as at 23 May 2012, prior to the printing of this Annual Report, to satisfy the obligations for the SATS RSP and the SATS PSP. The shares purchased are currently held as treasury shares.

# Internal Control Statement

## RESPONSIBILITY

The SATS Board recognises the importance of, and its role in, ensuring a proper internal controls environment for 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, addressing financial, operating and compliance risks.

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

### Audit Committee

The Board, through the Audit Committee (“**AC**”), oversees and reviews the adequacy and effectiveness of the Group's internal control functions, the Group's Corporate Governance, and the system of ensuring integrity of financial reporting and assessing financial risk management.

The AC is made up of four Directors, all of whom are independent, and is chaired by an independent non-executive Director. Two of the directors are concurrent members of the Board Risk Committee. The AC meets quarterly to exercise oversight of the management of financial risks, corporate governance and internal controls within the Group.

The Group's internal audit 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 AC 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 AC.

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 and the Group's key insurance coverage, the adequacy of which is reviewed on a yearly basis. 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 CSAs 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.

## Internal Control Statement

### Board Risk Committee

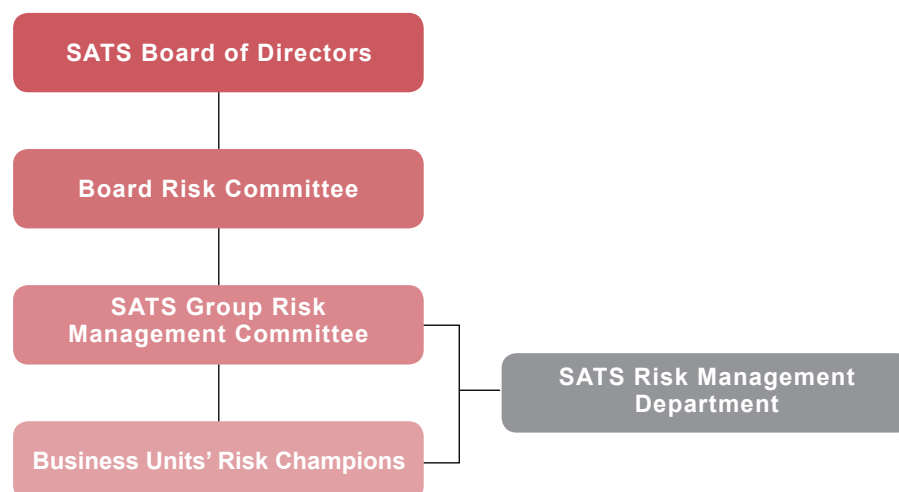
The Board, through the Board Risk Committee (“**BRC**”), generally oversees and reviews the other risks faced by the Group including operational and compliance risks. The BRC assists the Board in reviewing the effectiveness of the system of safety and risk management, and in doing so, the BRC considers the results of the risk management activities carried out for the Group.

The BRC is made up of four Directors, all of whom are non-executive Directors. Two of the directors are concurrent members of the Audit Committee. The BRC met five times in FY2011-12 to exercise oversight of the management of risks within the Group. The involvement of the BRC is key to the safety and risk management programme of the Group. Under its oversight, the safety and risk management programme is executed with an integrated view of the organisation and its needs in mind.

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

The SGRMC, chaired by the President and Chief Executive Officer, meets on a quarterly basis. It is vested with specific accountability for reviewing the system of risk management for reporting key risks and their associated mitigating factors to the BRC, 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 department, headed by the Assistant Vice President, Risk Management, coordinates and facilitates the risk management processes within the Group. It provides support to the SGRMC in carrying out its functions. The Group has formalised its risk management reporting structure as depicted in the diagram below. Additionally, there are established channels of communication for individuals to report on any wrongdoing or impropriety.



More information on the AC’s and BRC’s authorities and duties can be found in the “**Corporate Governance**” section of this Annual Report.

## Internal Control Statement

### CONTROL ENVIRONMENT AND CONTROL ACTIVITIES

The key elements of the Group's comprehensive internal controls framework include:

- written terms of reference for Management's and the various Board's Committees;
- written policies, procedures and guidelines, including guidelines on matters requiring the Board's approval which are subject to regular review and improvement;
- defined roles and responsibilities, including authorisation levels for all aspects of the businesses 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 crisis; and
- a planned and coordinated budgeting process where operating units prepare budgets for the coming year that are approved by both Management and the Board.

The Risk Management department continually strives to improve efforts in ensuring the compliance with, and implementation of, the risk management practices and policies.

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;
- CSAs 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 operational business units 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 BRC and the AC for review and information.

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 executive heads or other appropriate officers of all of the Company's active associated companies, that their respective companies' internal controls were adequate during the financial year under review.

### CONCLUSION

Taking into account the views of the AC and the BRC in the exercise of their responsibilities under their respective terms of reference, the framework established and maintained by the Group's Management, and the reviews conducted by the internal and external auditors, the Board opines, with the concurrence of the AC, that the system of internal controls (addressing financial, operational and compliance risks) was adequate as at the date of the report.



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