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OUR MISSION

SATS aims to be the best handling agent in the world, providing airport ground handling, inflight catering and aviation security services of the highest quality, while giving value to customers and shareholders, and career fulfilment to staff.

REGISTERED OFFICE

20 Airport Boulevard
SATS Inflight Catering Centre 1
Singapore 819659

CORPORATE WEBSITE

www.sats.com.sg

INVESTOR RELATIONS CONTACTS

Tel: (65) 6541 8153

Fax: (65) 6541 8154

“I manage.” “I deliver.” “I identify.” “I focus.” “I assist.” “I serve.” “I invent.”
“I communicate.” “I seek.” “I lead.” “I explore.” “I develop.” “I excel.”
“I guide.” “I innovate.” “I create.” “I build.” “I invent.” “I empower.” “I provide.”



“ we make it happen.





”
every minute, every hour, **everyday.**



CORPORATE INFORMATION

BOARD OF DIRECTORS

Cheong Choong Kong
Chairman

Michael Tan Jiak Ngee
Deputy Chairman

Chew Choon Seng
Director

Barry Desker
Director

Richard Charles Helfer
Director

Hong Hai
Director

Ng Kee Choe
Director

Ow Chin Hock
Director
(Appointed 21.5.02)

Jimmy Phoon Siew Heng
Director
(Appointed 21.5.02)

AUDIT COMMITTEE

Ng Kee Choe
Chairman

Hong Hai
Member

Chew Choon Seng
Member

SATS BOARD COMMITTEE

Cheong Choong Kong
Chairman

Michael Tan Jiak Ngee
Member

Chew Choon Seng
Member

REMUNERATION COMMITTEE

Richard Charles Helfer
Chairman

Michael Tan Jiak Ngee
Member

Hong Hai
Member

NOMINATING COMMITTEE

Barry Desker
Chairman

Cheong Choong Kong
Member

Ng Kee Choe
Member

COMPANY SECRETARY

Annabelle Yip Wai Ping

REGISTRAR

KPMG

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

AUDITORS

Ernst & Young

Certified Public Accountants
10 Collyer Quay #21-01
Ocean Building
Singapore 049315
Nagaraj Sivaram
Audit Partner

CORPORATE MANAGEMENT

Prush Nadaisan
Chief Executive Officer
Singapore Airport Terminal Services Limited

Karmjit Singh
Chief Executive
SATS Airport Services Pte Ltd

Joseph Chew Khiam Soon
Chief Executive
SATS Catering Pte Ltd

Lim Kei Hin
Chief Financial Officer

Ee Tiang Hwee
Acting Senior Vice-President
(Apron /Passenger Services)

Leong Kok Hong
Senior Vice-President
(Cargo)

Tan Chuan Lye
Senior Vice-President
(Catering)

Denis Marie
General Manager
SATS Security Services Pte Ltd

Wong See Heng
General Manager
Aero Laundry & Linen Services Pte Ltd

Ong Thiam Guan
General Manager
Aerolog Express Pte Ltd

FINANCIAL CALENDAR

31 March 2002
Financial year-end

17 May 2002
Announcement of 2001-2002 results

20 May 2002
Media / analyst briefing on
2001-2002 results

5 June 2002
Despatch of Summary Financial
Report to shareholders

20 June 2002
Despatch of Annual Report
to shareholders

9 July 2002
Annual General Meeting

26 July 2002
Payment of 2001-2002
final dividend

25 October 2002
Announcement of 2002-2003
half year results

28 October 2002
Media / analyst briefing on
2002-2003 half year results

FINANCIAL HIGHLIGHTS

Group (\$ million)	2001-2002	2000-2001*	% Change
Total revenue	895.3	887.2	+ 0.9
Total expenditure	628.6	692.6	- 9.2
Operating profit	266.7	194.6	+37.1
Profit before tax	287.5	210.9	+36.3
Profit after tax	212.8	170.6	+24.7
Profit attributable to shareholders	212.9	170.6	+24.8
Share capital	100.0	100.0	-
Distributable reserves	829.5	660.7	+25.5
Non-distributable reserves	0.8	0.6	+33.3
Shareholders' funds	930.3	761.3	+22.2
Return on shareholders' funds (%)	25.2	25.0	+ 0.2 point
Total assets	1,487.9	1,329.2	+11.9
Net liquid assets	253.5	172.2	+47.2
Value added	654.9	641.5	+ 2.1
Per share data			
Earnings before tax (cents)	28.8	21.1	+36.5
Earnings after tax (cents)			
- basic	21.3	17.1	+24.6
- diluted	21.3	17.1	+24.6
Net tangible assets (cents)	92.2	76.1	+21.2
Dividends			
Interim dividends (%)	20.0	20.0	-
Proposed final dividend (%)	40.0	40.0	-
Dividend cover (times)	4.6	3.9	+ 0.7 time
Employee productivity			
Average number of employees	9,227	9,147	+ 0.9
Revenue per employee (\$)	97,028	96,989	n.m.
Value added per employee (\$)	70,973	70,141	+ 1.2
Operating Data			
Airfreight throughput (in million tonnes)	1.32	1.43	- 7.9
Passengers served (in millions)	23.68	23.99	- 1.3
Inflight meals prepared (in millions)	21.77	22.86	- 4.8
Flights handled (in thousands)	75.95	75.56	+ 0.5

Notes:

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

* Figures restated for comparative purpose as a result of compliance with revised/new Statements of Accounting Standard ("SAS") wef 1 April 2001.

n.m. Not meaningful.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report that SATS has managed to weather the difficult conditions of the past year well. Despite falling demand and revenue, especially after September 11, we succeeded in increasing profit levels.

The key to this was our strong focus on managing costs, which was achieved with the unstinting effort of management and staff. A drive for greater efficiency and productivity was put in place from the start of the year when it was clear the global economy would steadily decline. All aspects of SATS' operations were reviewed but even as costs were driven down, we continued to expand abroad and at home.

During the year, we entered into three new joint ventures in Taiwan, India and Singapore and commenced operations at the new \$270-million Airfreight Terminal 6 and \$30-million Express Courier Centre 2 at Changi Airport, ensuring capacity for future growth.

In the first six months of the year, cargo processed declined by 11% as a result of the economic slowdown, while meals produced decreased marginally by 1.4% compared to the same period the previous year. Flight frequencies and passengers handled increased by 4.4% and 2.9% respectively.

The September 11 events changed the traffic profile in the second half of the financial year and caused declines of between 3% and 11% for cargo tonnage, passenger traffic, meal volumes and flight frequencies.

In response, staff and management tightened their belts, reducing costs and improving efficiency even further. In addition, they volunteered temporary pay cuts of between 2.5% and 5%, and 7% and 10% respectively. The Board was part of the united effort as it decided to reduce Directors' fees.

Because of these measures and zero provision of profit sharing bonuses for the year, the Group was able to record a 24.8% increase in net earnings after tax to \$212.9 million. The growth in profit was largely attributable to a 9.2% reduction in operating costs as revenue increased only marginally by 0.9%.

Associated companies contributed \$22.5 million (8.9%) to the Group's profit. The Board has decided to recommend a final dividend payment of \$0.04 per share.

Having satisfactorily navigated its way through challenging times, SATS is well positioned to continue its growth as economic conditions improve.

The Group will continue to seek new joint ventures and acquisitions at home and abroad to expand its scope of operations and firmly entrench itself as the region's leading integrated ground handling and inflight catering provider.

I wish to express my deepest appreciation to all employees for their commitment and performance and to my fellow Board members for their support and advice.

Cheong Choong Kong
Chairman

BOARD OF DIRECTORS



DR CHEONG CHOONG KONG

Chairman, SATS and Deputy Chairman and CEO, Singapore Airlines Limited.

Dr Cheong is also the Chairman of SIA Engineering Company Limited and serves as Board Director of Singapore Press Holdings Limited, Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Virgin Travel Group Limited.

He is the Vice-Chairman of Oversea-Chinese Banking Corporation Ltd, Chairman of the National University of Singapore 11th Council, Vice Chairman of the Singapore-United States Business Council and member of the Board of Governors of the Singapore International Foundation.

Dr Cheong graduated with a Bachelor of Science with First Class Honours in Mathematics from Australia's University of Adelaide on a Colombo Plan scholarship. He went on to earn a Masters of Science and a Ph.D. from the Australian National University in Canberra. He was Associate Professor at the University of Malaya before joining Singapore Airlines Limited in 1974.



MR MICHAEL TAN JIAK NGE

Deputy Chairman, SATS and Senior Executive Vice President (Commercial), Singapore Airlines Limited.

Mr Tan is also the Chairman of Singapore Airlines Cargo Pte Ltd and sits on the Board of Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Virgin Travel Group Limited.

He served as a member of the Singapore National Tourism Plan 21 and the Singapore Tourism Board. He has also served as a Board member of the Pacific Area Travel Association for many years, and represented SIA in the Singapore Government's Manpower 21 Project.



MR CHEW CHOON SENG

Senior Executive Vice President (Administration), Singapore Airlines Limited.

Mr Chew is also the Chairman of SMRT Corporation Limited, Trans-Island Bus Services Limited, TIBS Holdings Limited, Singapore MRT Limited and Singapore LRT Pte Ltd, and Singapore Aircraft Leasing Enterprise Pte Ltd.

He is alternate Director of Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Virgin Travel Group Limited.

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



MR BARRY DESKER

Director, Institute of Defence and Strategic Studies.

Mr Desker is also the Chairman of the Board of Governors of the Singapore International Foundation, Jurong Port Pte Ltd and Singapore Technologies Marine Ltd. He is a Trustee of Singapore's Institute of Southeast Asian Studies.

His past portfolios include being Chief Executive Officer of Singapore Trade Development Board, Singapore's Deputy Permanent Representative to the United Nations in New York, and Singapore's Ambassador to Indonesia. He was previously on the Boards of Sime SembCorp Engineering Sdn Bhd, as well as Sembawang Engineering and Construction Pte Ltd (now SembCorp Utilities Pte Ltd).

Mr Desker, a President's Scholar, graduated from the University of Singapore with a Bachelor of Arts (First Class Honours) degree and obtained his Masters degree from the University of London.



MR RICHARD CHARLES HELFER

President and Chief Executive Officer, Raffles Holdings Limited.

Mr Helfer is also the Chairman and Chief Executive Officer of Raffles International Limited in addition to his appointment as Chairman of Societe Montreux Palace SA.

He is the Senior Advisor to the Minister of Tourism in Cambodia and Deputy Chairman of Singapore’s Ministry of Manpower National Advisory Council on Skills Recognition. He sits on the Board of the Singapore Hotel Association, Nanyang Technology University and the Preservation of Monuments Board.

Mr Helfer graduated with a Bachelor of Arts (Honors) degree in Hotel and Restaurant Management from Michigan State University, U.S.A.



DR HONG HAI

President and Chief Executive Officer, Haw Par Corporation Limited and Haw Par Healthcare Limited.

Dr Hong is also a Director of Haw Par Corporation Limited, Haw Par Healthcare Limited, IDT Holdings (Singapore) Limited, Poh Tiong Choon Logistics Limited, Asia Food and Properties Limited and Golden Agri-Resources Limited.

He serves as Deputy Chairman of the Singapore-Sichuan Trade and Investment Committee, Chairman of the Economic Committee of the Singapore Chinese Chamber of Commerce and Industry, and Chairman of the Trade Working Group of Asia Europe Business Forum VI. He is also a member of the Traditional Chinese Medicine Practitioners Board.

Dr Hong was previously a Board member of Singapore Telecommunications Limited and also served as a Member of Parliament and as Chairman of government parliamentary committees as well as a member of various statutory boards.

Dr Hong has a Bachelor of Engineering (Honours) degree from the University of Canterbury, a Masters degree in Public Administration from Harvard University and a Ph.D. in Economics from the Carnegie-Mellon University, U.S.A.



MR NG KEE CHOE

Vice-Chairman, Development Bank of Singapore Limited.

Mr Ng also serves on the Board of Governors of the Singapore International Foundation. He is Vice-Chairman of the Institute of Banking and Finance, Chairman of Singapore Power Limited and Director of the Development Bank of Singapore Limited and Wing Lung Bank Limited.

He was previously Chairman of The Insurance Corporation of Singapore Ltd and a Director of DBS Group Holdings Ltd, DBS Thai Danu Bank Public Co Ltd, Singapore Technologies Engineering Ltd and DBS Kwong On Bank Limited.

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



DR OW CHIN HOCK

Ambassador-at-Large (part-time), Ministry of Foreign Affairs.

Dr Ow is also the Deputy Chairman of the Institute of Southeast Asian Studies. He has held several positions in the Singapore government, the most recent being Minister of State for Foreign Affairs, Singapore and Mayor of Tanjong Pagar CDC District and Chairman of the Tanjong Pagar-West Coast Town Council, from 1997 to 2001.

He was Executive Chairman of Pan-United Corporation Limited and Chairman of its joint venture companies in China, and also director of its subsidiaries, from 1993 to 1997.

Dr Ow holds a Ph.D. in Economics and an MA (Economic Development) from Vanderbilt University, Nashville, Tennessee, U.S.A. He was a Ford Economic Fellowship Scholar and also won the Fullbright Grant.



MR JIMMY PHOON SIEW HENG

Managing Director of Corporate Stewardship, Temasek Holdings (Private) Limited.

Mr Phoon is a Director of SMRT Corporation Ltd and SIA Engineering Company Limited.

He was previously an Executive Director of Standard Chartered Merchant Bank Asia Limited and a Deputy Director in the Ministry of Finance.

Mr Phoon holds a Bachelor of Economics (Honours) degree from Monash University, Australia.

ORGANISATIONAL STRUCTURE as at 31 March 2002

SINGAPORE AIRPORT TERMINAL SERVICES (SATS)

SATS Airport Services (SAS)	SATS Catering (SATSCAT)	SATS Security Services (SSS)	Aero Laundry & Linen Services (ALLS)	Aerolog Express
(100%)	(100%)	(100%)	(100%)	(70%)

OVERSEAS INVESTMENTS

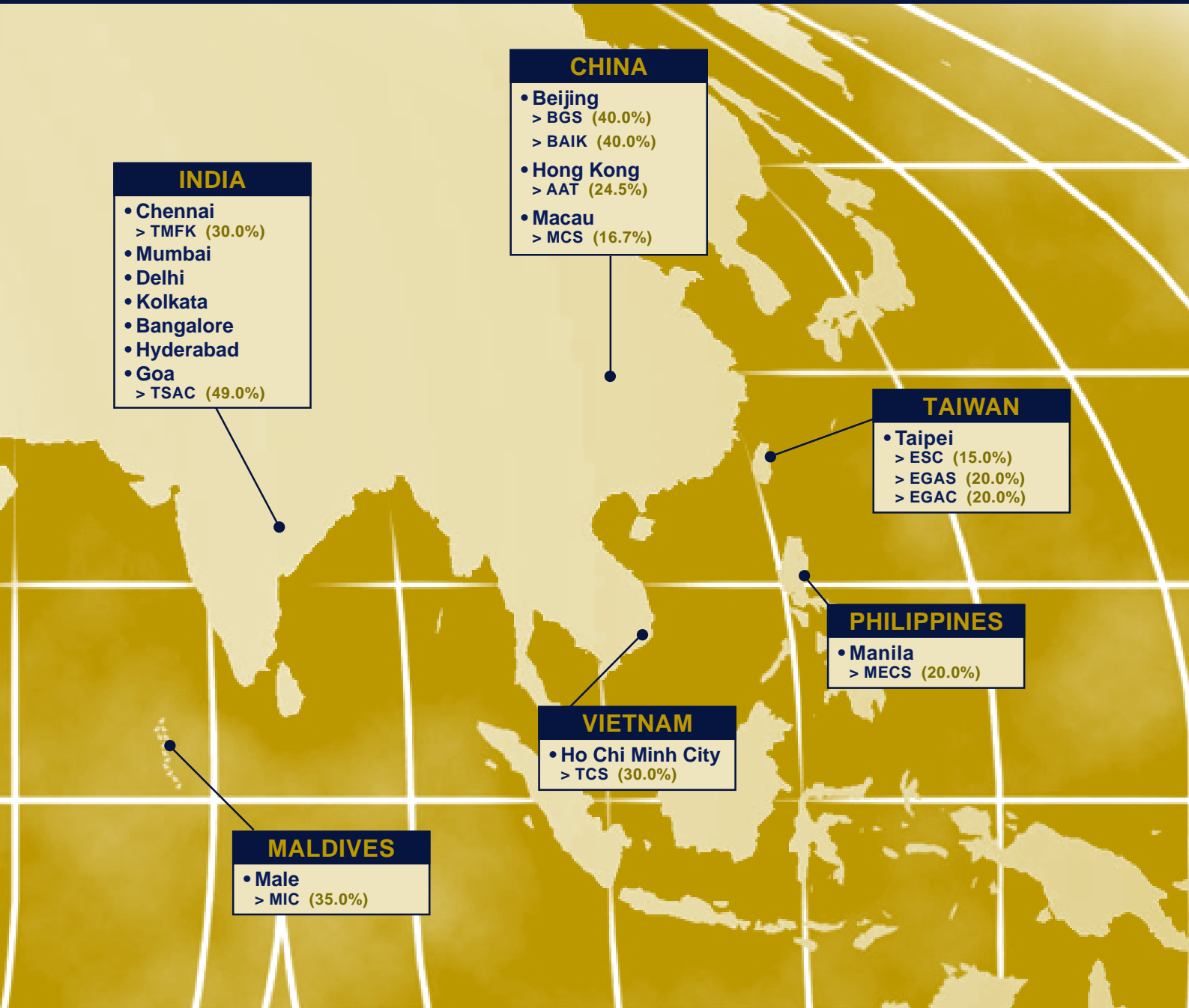
GROUND HANDLING	INFLIGHT CATERING
Beijing Aviation Ground Services (BGS) (40.0%)	Taj SATS Air Catering (TSAC) (49.0%)*
Tan Son Nhat Cargo Services (TCS) (30.0%)	Beijing Airport Inflight Kitchen (BAIK) (40.0%)
Asia Airfreight Terminal (AAT) (24.5%)	Maldives Inflight Catering (MIC) (35.0%)
Evergreen Airline Services Corporation (EGAS) (20.0%)	Taj Madras Flight Kitchen (TMFK) (30.0%)
Evergreen Air Cargo Services Corporation (EGAC) (20.0%)	MacroAsia-Eurest Catering Services (MECS) (20.0%)
	Macau Catering Services (MCS) (16.7%)**
	Evergreen Sky Catering (ESC) (15.0%)

* with operations at six major airports in India

** held through Servair-SATS in which SATS has a 49% share

OUR OVERSEAS INVESTMENTS

SATS' Geographical Presence



MILESTONES



23 May 2001

SATS purchased Singapore Airlines' 20% stake in Evergreen Air Cargo Services Corporation in Taiwan for \$8.8 million.

30 May 2001

SATS Maintenance Workshop (E7-11) officially opened at Singapore Changi Airport. The new \$1.1 million 1,440 sq m facility repairs and maintains vehicles 15 hours-a-day, seven days-a-week.

1 June 2001

SATS introduced check-in services via telephone, fax and email for nine airlines at Singapore Changi Airport's Terminal 1.

15 June 2001

Singapore Productivity and Standards Board awarded SATS Passenger Services the ISO 9001:2000 certification for its systems and procedures at Singapore Changi Airport's Terminals 1 and 2.

13 July 2001

SATS' young chefs clinched second spot in the Singapore Regional Final of the Meat & Livestock Australia Black Box Culinary Challenge for chefs under 30.

27 July 2001

SATS Catering won the British Airways Partners in Excellence Gold Award for the third year running.

1 August 2001

SATS management joined general staff in operational work for the annual SATS Service Day.

24 August 2001

SATS honoured 327 long serving staff, who had amassed 8,140 years of service, at an award ceremony at the Westin Stamford Hotel.

1 September 2001

SATS Catering installed the world's first Simulated Aircraft Cabin at the Inflight Catering Centre 1 at Singapore Changi Airport to test inflight meal quality in inflight conditions.

5 September 2001

SATS Baggage Supervisor (Line Training) Kevin Chin won Singapore's coveted National Productivity Award (Individual) for his contribution to SATS' productivity drive.

14 September 2001

The SATS Workers' Union awarded 153 scholarships worth \$18,800 to university undergraduates, junior college, secondary and primary school students.

18 September 2001

The \$270 million Airfreight Terminal 6, also dubbed Singapore Airlines Superhub 2, commenced full operations at Singapore Changi Airport.

25 September 2001

SATS signed a joint venture agreement with Indian Hotels Company Limited to form Taj-SATS Air Catering, which will operate inflight catering units, airport restaurant and lounge businesses in six major Indian cities. SATS has a 49% stake in the company.

26 September 2001

SATS' cargo handling joint venture in Hong Kong, Asia Airfreight Terminal Co. Ltd, set up a new subsidiary, Asia Airfreight Services Ltd, to provide cargo-related services.



5 October 2001

SATS signed a joint venture agreement with Singapore's YCH Group Pte Ltd to form Aerolog Express Pte Ltd. Aerolog Express offers seamless and timely cargo delivery services in the Changi Free Trade Zone.

31 October 2001

SATS received the Qantas Preferred Supplier Award for the second time in three years.

8 November 2001

SATS' Workers Union (SATSWU) and Air Transport Executives Staff Union (AESU) agreed to temporary wage cuts of between 2.5% and 5% to help contain company costs during the global economic downturn. SATS management had earlier volunteered pay cuts of 7% to 10%, and the Board had decided to reduce directors' fees.

28 November 2001

236 SATS employees won National Excellent Service Awards organised by the Singapore Productivity and Standards Board. Twenty staff members won the Star Award, 68 took the Gold Award and 148 received the Silver Award.

5 December 2001

Minister for Trade and Industry Brigadier General (NS) George Yeo officially opened the \$30-million SATS Express Courier Centre 2 (ECC2). The ECC2 is SATS' first facility purpose-built for a client – DHL Worldwide Express.

28 January 2002

The SATS Maintenance Workshop at ECC2, which was built exclusively to repair and maintain freighter and passenger aircraft loaders, commenced operations. Costing \$1 million, the 840 sq m facility houses seven bays for loader repair, forklift maintenance and equipment washing.

28 January 2002

SATS Cargo Division was awarded ISO 9001:2000 certification by the Singapore Productivity and Standards Board (now known as 'Spring Singapore').

26 February 2002

SATS was selected as security consultant for the Asian Aerospace 2002 trade fair in Singapore. The six-day event attracted 62,000 visitors including 22,000 trade visitors from 65 countries and about 900 exhibiting companies from 37 countries.

14 March 2002

SATS was named Best Air Cargo Terminal Operator in Asia in the 2002 Asian Freight Industry Awards for the eighth time in 13 years. SATS received the most votes from a pool of 13,000 senior cargo industry professionals in Asia Pacific.

STAYING FOCUSED IN CHALLENGING TIMES

Despite the difficult operating environment in the year in review, SATS remained focused on its long-term growth strategy, while reducing costs.

BUILDING A BIGGER INTERNATIONAL PRESENCE

During the year we expanded our regional operations and enlarged our customer base with three new strategic joint ventures. We entered new commercial partnerships in Taiwan, India and Singapore, bringing our total joint ventures to 12 at 14 airports around the region.

In May 2001, we purchased Singapore Airlines' 20% stake in Taiwan's Evergreen Air Cargo Services Corporation (EGAC) for \$8.8 million. EGAC is a cargo services operator at Taipei's Chiang Kai-Shek International Airport, and has won the contract to build and operate a 500,000 tonne-a-year airfreight terminal for the next 30 years. The acquisition was SATS' third joint venture in Taiwan, after it acquired a 20% stake in Evergreen Airline Services Corporation in July 2000 and took a 15% shareholding in Evergreen Sky Catering in October 1995. In September 2001, we signed an agreement with the Indian Hotels Company Ltd, a subsidiary of the diverse TATA Group, to form a joint venture, Taj SATS Air Catering (TSAC). We paid US\$17.7 million for a 49% stake in the newly formed company. It operates airline catering units and airport lounges in six major cities across India and has a total daily production capacity of 40,000 meals. Over time TSAC hopes to capture more than 60% of the airline catering market in those six centres, capitalising on the liberalisation of the Indian aviation sector and the subcontinent's growing middle-class.



In October 2001, we signed an agreement with Singapore's YCH Group Pte Ltd to form Aerolog Express Pte Ltd, a logistics company offering air cargo delivery services. Aerolog is a 70:30 joint venture between SATS and the YCH Group, and began with a paid-up capital of \$1.8 million. Our joint venture in Hong Kong, Asia Airfreight Terminal Co Ltd (AAT), formed a new cargo services company, Asia Airfreight Services Ltd (AAS), in September 2001 to provide cargo-related services to AAT.

AAT, which won a Qantas Supplier Assessment Award in 2001, provides cargo and mail handling services. AAS provides logistics services from Hong Kong International Airport to Shenzhen International Airport, China.

During the financial year, two new cargo facilities, SATS Airfreight Terminal 6 (AFT6) and SATS Express Courier Centre 2 (ECC2), became fully operational. They bring our total infrastructure investment at Singapore Changi Airport to more than \$1 billion over the last 10 years. SATS AFT6, dubbed Singapore Airlines Superhub 2, began operations in September 2001. Built at a cost of \$270 million, the three-level facility is our largest airfreight terminal and has the capacity to handle 800,000 tonnes of cargo per year. It increases SATS' total annual cargo handling capacity to more than 2 million tonnes a year.

In December 2001, Trade and Industry Minister BG (NS) George Yeo officially opened the \$30-million SATS ECC2, also known as the DHL Singapore Hub. SATS ECC2 is DHL's largest transshipment hub in Asia Pacific, with an annual throughput of 180,000 tonnes a year. Its presence at Changi strengthens Singapore's position as one of the region's premier cargo logistics hubs.



STAYING FOCUSED IN CHALLENGING TIMES

OUR PEOPLE

Our staff's adaptability and resilience helped us weather the challenging economic times. Their dedication to customer service once again won SATS a number of accolades in Singapore and abroad.

AWARDS

For the third consecutive year, SATS Catering won the British Airways Partners in Excellence Gold Award for all round service excellence. We won the Qantas Preferred Supplier Award for the second time in three years and also received the Most Improved On-Time Departure Award from United Airlines. For the eighth time in 13 years we were named the Best Air Cargo Terminal Operator in Asia in the 2002 Asian Freight Industry Awards, beating five other air cargo operators to clinch the prestigious title.

SATS Catering young chefs took second place in the Singapore Regional Final of the Meat & Livestock Australia Black Box Culinary Challenge for chefs under 30. The team, comprising Executive Sous Chef Anderson Ho, Cook Frankie Yong Fu-Jun, Chef de Partie Jhonson Teng and Pastry Cook Cheah Eng Hang, fought off stiff competition from teams from Singapore's 15 top hotels and restaurants. This achievement established SATS Catering as a culinary equal of five-star hotels. Our abilities were also recognised in China where our catering joint venture, Beijing Airport Inflight Kitchen was overall winner in the Chinese final of the same competition. SATS' other Chinese joint venture, Beijing Aviation Ground Services received the Swissair Logistics Award Long Haul 2000 for equipment handling.



At home, a highlight was SATS Baggage Supervisor (Line Training) Kevin Chin winning Singapore's coveted National Productivity Award (Individual). This prestigious accolade is for individuals who have made significant contributions to productivity in their workplaces. A further 236 of our employees won National Excellent Service Awards organised by the Singapore Productivity and Standards Board. Twenty staff members won the Star Award, 68 won the Gold Award and 148 received the Silver Award. Six of our staff also received the Civil Aviation Authority of Singapore's Service Personality of the Year Award for demonstrating exceptional customer service.

DEVELOPING SKILLS

During the year, staff continued to embrace upskilling opportunities and meet the challenges of working in changing high-tech work environments. SATS committed 188,678 hours to staff training, equivalent to three training days per employee. A further 617 staff completed the Power IT Basic Course, bringing the number of staff who have attended the course to about 5,000. We sponsored 12 of our young catering staff for the Certificate of Competency in Food Preparation (Western) at the Singapore International Hotel and Tourism College in July 2001. The five-week full time course is followed by 20-week supervised field training in SATS kitchens. Staff loyalty and continuity are major reasons for SATS' tradition of service excellence. This year we honoured 472 long-serving staff members who had at least 20 years of service with us. Together they amassed a total of 12,035 working years. And our spirit of camaraderie and sharing was strengthened through recreational activities like the SATS ACTIVE Day and the inaugural SATS walk-a-jog held in August 2001.

OUR COMMUNITY

Our sense of community also extends to the less fortunate. Throughout the year, staff volunteers distributed basic necessities such as rice, condensed milk, soap, biscuits and cooking oil to needy families on a regular basis. Staff from different divisions visited elderly residents of the SATS Staff Home for Senior Citizens on a monthly basis. Our Passenger Services trainees gave their time to help out at voluntary welfare organisations such as the Movement for the Intellectually Disabled in Singapore (MINDS) Guillemard Garden School, the Pertapis Children's Home and the Metta Day Activity Centre for the intellectually disabled.

The SATS Workers' Union also supports the community and during the year awarded a total of 153 scholarships worth \$18,800 to university undergraduates, junior college, secondary and primary school students.





It's a tough business

world out there.

A competitor could be

just down the street,

or come from half a

world away. Only by

staying innovative

can we retain

our competitiveness.

we are in business to serve

Michelle Tan
Customer Service Agent

Azlina Mohd Rasidin
Customer Service Agent



the customer.

if we see a problem, we fix it.

AIRPORT SERVICES

PASSENGER SERVICES

During the year SATS Passenger Services continued to develop new initiatives to enhance passenger convenience. We launched a telephone, fax and email check-in service to give passengers the convenience of being able to check-in 10 hours ahead of a flight's scheduled departure. Using the multi-channel check-in facility, travellers need to arrive just 45 minutes before departure. We made these advance check-in services available from June 2001 to customers from nine airlines at Singapore Changi Airport's Terminal 1 and extended it to two more airlines because of the services' popularity among business travellers and frequent flyers. At the end of the year, more than 21,500 passengers had used the new check-in channels. We also introduced the wireless Mobicheck, a self-contained mobile check-in counter designed to reduce waiting times during peak hours at Terminal 1. In October 2001, we introduced Multi-Function Card Readers to speed up passenger check-in processing in Singapore Changi Airport's Terminal 2 departure hall. The card readers instantly capture passport details at a single swipe, thereby reducing passenger waiting times and making data entry more efficient and accurate. In March 2002, we installed the card readers at transit counters in Terminal 2. Since August 2001, we have been processing visa applications to Australia at our Customer Services Unit at Terminal 2, providing passengers with their visas within minutes.

SATS Passenger Services in both Terminal 1 and 2 at Singapore Changi Airport achieved the ISO 9001:2000 certification from the Singapore Productivity and Standards Board in June 2001, increasing SATS' total ISO certifications to 10. During the financial year SATS Passenger Services staff served an estimated 23.7 million passengers at Singapore Changi Airport, down 1.3% on the previous year.



DURING THE YEAR SATS PASSENGER SERVICES
CONTINUED TO DEVELOP NEW INITIATIVES
TO ENHANCE PASSENGER CONVENIENCE.



AIRPORT SERVICES

BAGGAGE

At SATS we constantly develop new programmes to improve our customer service. Ensuring bags are delivered promptly is a key part of this. We are committed to delivering the first bag on the baggage claim belt within 12 minutes of an aircraft's arrival. During the year in review, we achieved this 99% of the time. During 2001 we set a benchmark of fewer than 1.1 pieces of mishandled baggage per 10,000 departing passengers. We did better than the benchmark, reducing the mishandled baggage rate to 0.95 pieces per 10,000 departing passengers – a figure we aim to lower further in the current year. We remain focused on improving client communications and in October 2001 we created a one-stop service for airline clients at Singapore Changi Airport called 'Dedicated Airline Handling'.

The new service gives airline clients one dedicated point of contact – a SATS officer who manages only their account. We took this step to improve our ability to respond quickly and in a personalised way to Baggage Handling, Apron Services and Load Control client issues. So far, the new service has been very well received. We also improved inter-divisional communication by holding regular exchange programmes with Passenger Services and Apron Services staff. The programme gives Baggage Handling staff a greater appreciation of other operations, and the challenges and constraints faced by their counterparts. This improved understanding will help foster greater efficiencies.

In December 2001, Baggage Handling launched 'Thinkathon' sessions to encourage staff to contribute ideas and suggestions to improve operational practices, staff development and welfare. During the year in review, Baggage Handling serviced 42 clients and handled about 24 million bags.

SPEEDY CHECK-IN WITH 'MOBICHECK'



“ At SATS our focus is to make travelling as convenient, comfortable and enjoyable as possible, so we constantly look at ways to improve our passenger services facilities. ”

At SATS our focus is to make travelling as convenient, comfortable and enjoyable as possible, so we constantly look at ways to improve our passenger services facilities. In 2001, we became the first company in the Asia Pacific to introduce the 'Mobicheck', a full-functionality wireless mobile check-in system that dramatically reduces queue lengths and waiting times at check-in counters. During peak hours, our passenger services staff at Singapore Changi Airport Terminal 1 wheel the Mobichecks to the departure hall and connect the trolley terminals to the check-in systems of various airlines, via a wireless local area network. The mobile check-in counters perform key departure handling functions such as passenger check-in, telex dispatch, and boarding pass and baggage tag printing. At the end of the financial year SATS had four Mobichecks available for use in Terminal 1.

AIRPORT SERVICES

APRON SERVICES AND MAINTENANCE

During the year in review, Apron Services focused on training while SATS Maintenance increased capacity and tightened inventory control. Apron Services continued to raise safety standards with the introduction of new safety initiatives. We introduced a three-day ramp servicemen refresher programme in April 2001, aimed at updating skills and reinforcing safe work practices. All ramp servicemen will complete the programme every three years. Apron Services also introduced a new training programme to upskill apron assistants to equipment operators and equipment operators to ramp servicemen. In February 2002 we began weekly rostered briefings for rotating batches of 60 staff. This will ensure that over time, all 1,100 Apron staff will have the opportunity to discuss operational developments, safety regulations and training procedures. At the end of the financial year, Apron Services operated a fleet of 352 motorised Ground Support Equipment units, comprising joint container pallet loaders, main deck loaders, passenger steps, transporters, skyloaders, tractors and forklifts. We also maintain a fleet of 2,438 non-motorised Ground Support Equipment units, comprising pallet dollies, trolleys and push steps.

We officially opened the \$1.1 million SATS Maintenance Workshop (E7-11) on 30 May 2001 and commenced operations of the \$1 million SATS Maintenance Workshop (ECC2) on 28 January 2002. The 1,440 sq m E7-11 maintenance workshop is the base for the department's rapid response breakdown teams. It operates 15 hours-a-day, seven days-a-week, repairing and maintaining vehicles. The ECC2 maintenance workshop was built exclusively to repair and maintain freighter and passenger aircraft loaders. The 840 sq m facility is equipped with three overhead cranes and a compressed air system and has seven bays for loader repair, forklift maintenance and equipment washing. During the year in review, SATS Maintenance eliminated spare inventories worth \$480,000 by outsourcing the maintenance of its fleet of 151 vans and 73 tractors. This contributed to Maintenance's overall reduction of spare inventory from \$4 million to \$2 million in the last three years. While there were no significant equipment purchases because of difficult economic conditions, Maintenance plans to replace or add almost 90 vehicles to the ground support equipment fleet in the 2002-2003 financial year.



DURING THE YEAR IN REVIEW, APRON SERVICES
FOCUSED ON TRAINING TO RAISE SAFETY STANDARDS
WHILE MAINTENANCE INCREASED CAPACITY.



AIRPORT SERVICES

CARGO

During the year, SATS' position as one of Asia's premier air cargo handlers was further strengthened as new cargo facilities and services came online. The SATS Airfreight Terminal 6 (AFT6), also known as Singapore Airlines Superhub 2, became fully operational in September 2001. This increased SATS' total cargo handling capacity to more than 2 million tonnes a year. The three-level, \$270 million terminal is one of the world's most sophisticated airfreight facilities and can store and seamlessly process up to 800,000 tonnes of cargo a year. In December 2001, the \$30-million Express Courier Centre 2 (ECC2) built for DHL, was officially opened by Minister of Trade and Industry, Brigadier General (NS) George Yeo. We also completed a new \$1.5-million strong room at SATS Airfreight Terminal 5 to cater to the needs of customers with valuable goods. The strong room is a secure, safe storage facility 18 metres wide and 24 metres long. It is specially designed for storage of high value cargo and contains a dehumidifier for art shipments and a vault room for gold bars.

In August 2001, we launched a new online service to notify cargo agents via email of shipment arrival times. Also in August, our cargo team conducted a series of seminars for 204 cargo agents on the proper handling of dangerous goods. In January 2002, we were awarded the new ISO 9001:2000 certification by the Singapore Productivity and Standards Board. The new standard replaces the ISO 9002:1994 certification, which SATS obtained in 1995. It places greater emphasis on management commitment, customer satisfaction monitoring and continuous improvement. SATS Cargo processed a total of 1.3 million tonnes of cargo in the 2001-2002 financial year, a drop of 7.9% from the previous year.

SATS-DHL MULTI-MILLION DOLLAR PARTNERSHIP



“At SATS we are proud of the enduring partnerships we form with our clients. It is one of our strengths and a key ingredient to our success. Our partnership with DHL Worldwide Express says a great deal about the way we operate.”

In December 2001, we opened the SATS Express Courier Centre 2 (ECC2), also known as the DHL Singapore Hub at Singapore Changi Airport. The ECC2 is the first facility we have built for a client. DHL has leased the express courier centre for the next ten years and has equipped it to process up to 180,000 tonnes of cargo a year. We spent \$30 million building the facility, and DHL has committed US\$34 million to equipping it. It's a win-win arrangement that delivers tangible benefits for both partners. Through the ECC2, SATS offers DHL greater speed and efficiency and helps to maintain its position as one of the world's leading express cargo companies. The size, volume throughput, and level of technology of the DHL Singapore Hub strengthens Changi Airport's reputation as one of the region's leading centres for express courier services. Occupying over 10,000 sq m, the centre is DHL's biggest trans-shipment hub in Asia Pacific and will significantly speed-up the processing of international shipments transiting Singapore.



John Sloane
Executive Chef

to think, to innovate, to **excel.**

If we weren't so

passionate about

what we do and

what we aim to achieve,

we could never

maintain the high

levels of service

we deliver every day.



that's what we strive for every single day.

INFLIGHT CATERING

During the year in review, SATS Catering achieved gains in productivity and efficiency with investments in state-of-the-art software technology. In March 2002, we began using a new \$17 million SAP information management system which streamlines work processes. The new system provides a central information resource for SATS Catering by integrating the division's complete chain of operations from purchasing to storage and production to delivery. It calculates meal costs, plans production and anticipates raw material needs more efficiently and accurately. This results in better use of resources and improved inventory management. We also rolled out the \$4 million Process Control Management System at Singapore Changi Airport's SATS Inflight Catering Centre 1, which also enhances our ability to monitor and control inventory. The computerised management system uses special software to link and integrate our storage, refrigeration and transportation facilities.

Our research and development capability received a major boost when we introduced the world's first Simulated Aircraft Cabin (SAC) designed to test meal quality. The SAC was built at a cost of \$1.7 million and is housed in our modern Inflight Catering Centre 1. It is designed to simulate passenger aircraft cabin conditions at 30,000 feet. At this altitude, cabin pressure, relative humidity and temperature changes can affect the look and taste of food. By simulating these conditions on the ground we can see how our creations will turn out in the air, even before they take off. During the year, we also introduced redesigned medical meals for passengers with special medical conditions. The high nutritional value meals cater to travellers with low calorie, low cholesterol and other food requirements. SATS Catering produced 21.8 million meals for 36 airline customers during the 2001-2002 financial year, a decrease of 4.8% on the previous year. The decrease was due to the difficult economic operating conditions, which were exacerbated by the events of September 11.



INFLIGHT CATERING ACHIEVED
GAINS IN PRODUCTIVITY AND EFFICIENCY
WITH INVESTMENTS IN STATE-OF-THE-ART SOFTWARE TECHNOLOGY.





Joseph Ling
Assistant Manager - Legal

Sharon Tong
Personnel Executive

the more **efficient**

Customer retention

depends on the

consistency and efficiency

of our services.

We put a lot of

emphasis on this while

continuously seeking

ways to add value

for our customers.

We believe by doing so,

we have and will

continue to touch

the lives of people

in different ways.



we are,
the more efficient our customers can be.

AVIATION SECURITY SERVICES

Demand for SATS Security Services (SSS) activity at Singapore Changi Airport increased strongly in the second half of the financial year, following the September 11 terrorist attacks in the United States. Personnel from SSS' aviation and installation security arms worked longer hours, more officers were deployed in the field, and additional X-ray machines and other security equipment were acquired to manage tighter security in and around the airport. Staff numbers increased by 5% to 845 to provide more comprehensive anti-sabotage services, baggage and cargo checks, security patrols and passenger screening. During the year, SSS continued its commitment to staff training and community education with a wide range of initiatives. The division held training seminars on aviation security practices for 118 Singaporean and foreign organisations in five countries. These included customer service refresher courses for frontline officers, diversity management, leadership and regular computer-based training, as well as a follow-up training workshop for staff mentors.

Security Services played a leading role in the June 2001 Airport Crime Prevention campaign. The biennial month-long campaign featured a series of roadshows and competitions designed to emphasise the role that all airport workers could play in fighting crime. In November 2001, SSS joined Hong Kong's Aviation Security Company to organise the first ever International Cargo Security Seminar in Hong Kong, which 160 participants from 14 countries attended. In February 2002, SATS Security Services acted as principal security consultant for the Asian Aerospace 2002 trade fair in Singapore, which attracted about 900 exhibitors and 62,000 visitors from 65 countries. In recognition of SSS' efforts to improve staff fitness levels, SSS received the National HEALTH (Helping Employees Achieve Life-Time Health) silver award. It also received a \$5,000 grant from the Health Promotion Board for a staff weight management programme. At the end of the year in review, SSS had 42 airline clients, 45 ad hoc airline-related clients, and 232 non-airline clients, 17 more clients than at the end of the previous year.



SATS SECURITY SERVICES CONTINUED ITS
COMMITMENT TO STAFF TRAINING
WITH A RANGE OF INITIATIVES.



AERO LAUNDRY AND LINEN SERVICES

During the year in review, Aero Laundry and Linen Services (ALLS) secured three new service contracts worth nearly \$180,000. The contracts were signed with Cathay Pacific Airways, Planet Fitness and Ubin Lagoon Resort. The service agreements increased ALLS' client base to 52. Thirty two of these are airlines, 10 are airline-related companies operating airport lounges and related businesses, and the remaining 10 comprise clubs, hotels and hospitality institutions. A key project during the year was the implementation of an integrated Environmental, Health and Safety Management System as part of an effort to gain ISO 14001 and OHSAS 18001 certification. These certifications are expected to be received in July 2002.

During the year, the capacity of ALLS' facilities remained level at 20 tonnes of laundry per day, while staff numbers decreased by 3% to 96. However, plans are in place to commission new laundry machines to boost daily capacity at the end of 2002.



AERO LAUNDRY AND LINEN SERVICES
SECURED THREE NEW SERVICE CONTRACTS
WORTH \$180,000.



CORPORATE GOVERNANCE

1. BOARD OF DIRECTORS

1.1 The Board supervises the management of the Company. It meets every two months, with optional meetings scheduled during the months in between which are held as scheduled if there are matters requiring the Board's decision at the relevant time. Article 100 of the Company's Articles of Association ("**Articles**") allows a Director to participate in a Board meeting by telephone conference or other similar means whereby all persons participating in the meeting are able to hear each other, without requiring a Director's physical presence at the meeting.

1.2 The Board members as at the end of financial year 2001/2002 ("**FY01/02**") were:

Name of Director	Position held on the Board	Date of first appointment to the Board	Date of last re-election as a Director
Cheong Choong Kong	Chairman	1 October 1984 (as Director) 1 February 1991 (as Chairman)	14 July 2000
Michael Tan Jiak Ngee	Deputy Chairman	1 September 1977 (as Director) 1 February 1991 (as Deputy Chairman)	14 July 2000
Chew Choon Seng	Director	1 June 1996	7 July 2001
Barry Desker	Director	1 August 1999	7 July 2001
Richard Charles Helfer	Director	1 March 2000	14 July 2000
Hong Hai	Director	1 March 2000	14 July 2000
Ng Kee Choe	Director	1 March 2000	14 July 2000

On 21 May 2002, Dr Ow Chin Hock and Mr Jimmy Phoon Siew Heng were appointed to the Board.

1.3 All Directors on the Board are non-executive Directors. Mr Barry Desker, Mr Ng Kee Choe, Dr Hong Hai, Mr Richard Helfer* and Dr Ow Chin Hock are considered by the Nominating Committee to be independent Directors. Dr Cheong Choong Kong, Mr Michael Tan Jiak Ngee, Mr Chew Choon Seng and Mr Jimmy Phoon Siew Heng are considered by the Nominating Committee to be non-independent Directors.

* Mr Helfer has been the President and Chief Executive Officer of Raffles Holdings Limited ("**RHL**") and the Chairman and Chief Executive Officer of Raffles International Limited ("**RHI**"), for as long as he has been a Director. Both RHL and RHI are related companies of the Company through their common ultimate controlling shareholder Temasek Holdings (Private) Limited ("**Temasek**"). Mr Helfer was appointed to the Board prior to RHL and RHI becoming Temasek group companies. The Nominating Committee and the Board regard Mr Helfer as independent; they consider that his employment by RHL and RHI would not interfere, nor would it be reasonably perceived to interfere, with the exercise of his independent business judgement with a view to the best interests of the Company.

- 1.4 Decisions of the Board are communicated to Management (Chief Executive Officer and Chief Financial Officer of the Company, Chief Executive of SATS Airport Services and Chief Executive of SATS Catering) through their attendance at Board meetings and circulation of the minutes of Board meetings to them.
- 1.5 The Board is issued with detailed Board papers by Management giving the background, explanatory information and justification for each decision and mandate sought by Management, including, where applicable, relevant budgets, forecasts and projections. Information papers are also circulated to the Board to inform the Board of material matters and issues currently being dealt with by Management. As part of good corporate governance, Board papers for decision or discussion at Board meetings are circulated a reasonable period in advance of the meetings for Directors' review and consideration, and key decisions are reserved for decision 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, contains both regular items such as reports on principal subsidiaries and associated companies, updates on business development, monthly management accounts of the SATS Group of Companies (the "**Group**") (covering, inter alia, consolidated unaudited profit and loss account, revenue breakdown by client, consolidated balance sheet and explanatory notes explaining variances), and productivity and performance indicators, as well as particular matters for the decision or information of the Board.
- 1.6 In FY01/02, eight Board meetings were held.
- 1.7 The Board has adopted a set of Guidelines on matters that require its approval. Matters requiring the Board's approval specified in the Guidelines include all matters of strategic importance, corporate governance practices, legal and regulatory compliance, risk management, maintenance of performance standards, corporate strategy, approval of business plans, approval of manpower establishment, operating and capital expenditure budgets, and approval and monitoring of major investment and strategic commitments.
- 1.8 The Chairman and Chief Executive Officer of the Company are not related to each other.
- 1.9 Under Article 83 of the Articles, at each Annual General Meeting ("**AGM**"), one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third are required to retire from office. Retiring Directors are selected on the basis of those who have been longest in office since their last election, failing which they shall be selected by agreement or by lot. They are eligible for re-election under Article 84.
- 1.10 The Directors standing for re-election at the AGM for FY01/02 under Articles 83 and 84 are Mr Michael Tan, Mr Richard Helfer and Dr Hong Hai. The Nominating Committee recommends their re-election, after assessing their contribution and performance (including attendance, preparedness, participation and candour), including, in the case of Mr Richard Helfer and Dr Hong Hai, as independent Directors. In addition, Dr Ow Chin Hock and Mr Jimmy Phoon as newly appointed Directors will be standing for re-election at the AGM under Article 90.

2. SATS BOARD COMMITTEE

- 2.1 For better operational efficiency, the SATS Board Committee was established on 24 March 2000 to deputise for the Board in operational matters and is duly empowered to, inter alia, open bank accounts, grant Powers of Attorney, affix the Company's seal, and nominate board members to the Company's subsidiaries and associated companies. The SATS Board Committee does not meet regularly and did not have any meetings throughout the whole of FY01/02. In practice, resolutions are passed by the SATS Board Committee by circulation in writing. In FY01/02, 17 resolutions were passed by the SATS Board Committee.

CORPORATE GOVERNANCE

2.2 The three members of the SATS Board Committee are:

Dr Cheong Choong Kong – Chairman
Mr Michael Tan Jiak Ngee
Mr Chew Choon Seng

Resolutions approved by the SATS Board Committee are duly notified to fellow Directors through their inclusion in the minutes of Board meetings.

3. AUDIT COMMITTEE

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

Mr Ng Kee Choe – Chairman
Mr Chew Choon Seng
Dr Hong Hai

The Board is of the view that the Audit Committee has the necessary expertise and experience required by the Code of Corporate Governance (the “Code”).

3.2 The Audit Committee is required by the Company’s Audit Committee Charter to meet at least three times a year, and in practice, is scheduled to meet on a quarterly basis, with the internal and external auditors of the Company, including at least once without the presence of Management. In FY01/02, four Audit Committee meetings were held.

3.3 The Audit Committee’s functions under its Charter include review of the following:

- interim and annual financial statements and financial announcements
- the audit plan, the external auditors’ management letter, any reservations arising from the interim and final audits, and the scope and results of the external audit
- independence and objectivity of the external auditors, consideration of their appointment, and their audit fee
- adequacy of the internal audit function, scope of internal audit work and audit programme, and co-ordination between internal and external auditors
- major findings of the internal auditors, Management’s responses, difficulties encountered during the course of the internal audit, and compliance with relevant professional internal audit standards
- effectiveness of the Company’s material internal controls, on an annual basis, with Management and the internal and/or external auditors
- suspected fraud or irregularity, or suspected infringement of any Singapore law, rule and 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 and/or financial position, and the findings of any internal investigations, and Management’s response thereto
- 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 (Cap.50), the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) including the Code, and other relevant laws and regulations.

3.4 The Audit Committee has full access to and co-operation of Management, and has full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its functions.

- 3.5 Minutes of Audit Committee meetings are circulated to fellow Directors by the Company Secretary or the Secretary to the Audit Committee.
- 3.6 The Company intends to commence quarterly reporting of its management accounts with effect from financial year 2003/2004.
- 3.7 In the opinion of the Directors, the Company complies with the Best Practices Guide on Audit Committees.

4. REMUNERATION COMMITTEE

4.1 The Senior Officers' Remuneration Committee, formed on 17 February 2000, was on 23 October 2001 renamed by the Board as the Remuneration Committee and vested additionally with the duties of the remuneration committee as set out in the Code as well as the duties of the SATS Committee on Staff Matters which was then disbanded.

4.2 The Remuneration Committee's revised terms of reference include the following:

- reviewing and recommending the remuneration framework for the Board, including Directors' Fees and Allowances
- overseeing the terms of appointment, scope of duties and remuneration of those occupying the position of Vice President and above within the Group
- implementing and administering the Company's Employee Share Option Plan ("Plan") in accordance with the prevailing Rules of the Plan, requirements of the SGX-ST and applicable laws and regulations
- overseeing the recruitment and promotion of sufficient numbers to leadership positions, identification of talent, implementation of leadership development programs, and distribution of talent within the Group
- doing all other things and exercising all other discretions as may form part of the responsibilities of the remuneration committee under the provisions of the Code.

4.3 The Remuneration Committee as at the end of FY01/02 comprised:

Mr Richard Helfer – Chairman
Mr Michael Tan Jiak Ngee
Dr Hong Hai

4.4 The Senior Officers' Remuneration Committee met once during FY01/02.

5. NOMINATING COMMITTEE

5.1 The Nominating Committee was formed on 23 October 2001. Under the Company's Nominating Committee Charter adopted by the Board, the Nominating Committee's functions include the following: to review and make recommendations to the Board on the structure, size and composition of the Board, make recommendations to the Board regarding selection of new Directors and re-nominations and re-elections of existing Directors, evaluate the independence of Directors, and do all things as may form part of the responsibilities of the Nominating Committee under the provisions of the Code, except as set out in Paragraph 5.3 below. The Nominating Committee as at the end of FY01/02 comprised:

Mr Barry Desker – Chairman
Dr Cheong Choong Kong
Mr Ng Kee Choe

CORPORATE GOVERNANCE

- 5.2 The Nominating Committee met once during FY01/02. At that meeting, the Nominating Committee considered and adopted principles for the determination of the Board size and composition and Directors' independence, based on the principles of the Code, and applying these principles, reviewed the size and composition of the Board. The Nominating Committee's recommendations in this regard have been accepted by the Board.
- 5.3 The Board has not at this stage implemented a formal process for assessing the effectiveness of the Board as a whole nor the contribution by each Director to the effectiveness of the Board. The scope of duties of the Nominating Committee does not include, for now, deciding how the Board's performance may be evaluated and proposing performance criteria for the Board or for individual Directors. The Board is looking into putting such a formal assessment process in place.

6. COMPANY SECRETARY

- 6.1 The Directors have separate and independent access to the Company Secretary. The role of the Company Secretary has been defined by the Board to include supervising, monitoring and advising on compliance by the Company with its Memorandum and Articles of Association, laws and regulations, and the Listing Manual of the SGX-ST, communicating with the SGX-ST, the Registry of Companies and Shareholders on behalf of the Company, and performing such other duties of a company secretary, as required under laws and regulations or as specified in the SGX-ST Listing Manual or the Articles of Association of the Company, 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.

7. ANNUAL REMUNERATION REPORT

- 7.1 None of the immediate family members of a Director on the Board at the end of FY01/02 or Chief Executive is employed by the Company or its related companies at a remuneration exceeding \$150,000 during the year.
- 7.2 The Fees and Allowances proposed to be paid to Directors for FY01/02 are as follows:

TYPE OF APPOINTMENT	EXISTING FEE (PAID IN FY00/01)	@ PROPOSED FEE
Board of Directors	(\$)	(\$)
Basic Fee	28,000	23,800
Chairman's Allowance	28,000	23,800
Deputy Chairman's Allowance	14,000	11,900
Audit Committee		
Chairman's Allowance	14,000	14,280
Member's Allowance	7,000	7,140
Other Board Committees		
Chairman's Allowance	14,000	7,140
Member's Allowance	7,000	3,570
Overall Cap on Fees and Allowances		
Chairman of the Board	NA	71,400
Deputy Chairman of the Board	NA	59,500
Director	NA	47,600

@ the proposed fees and allowances in this column are based on a 15% reduction of the basic fee for Directors, in the light of the general economic downturn and the events of 11 September 2001 which occurred during FY01/02.

Every Director on the Board during FY01/02 will receive the Basic Fee. In addition, he will receive the Chairman's or Deputy Chairman's Allowance if he is Chairman or Deputy Chairman of the Board respectively, as well as the relevant Allowance (depending on whether he is Chairman or Member of the relevant Board Committee) for each position he holds on a Board Committee, subject to an overall cap on the total fees and allowances to be received by him. If he occupied a position for part of FY01/02, the Fee or Allowance payable will be prorated accordingly.

7.3 Based on the proposed formula set out above, all seven Directors on the Board at the end of FY01/02 will each receive total fees and allowances not exceeding \$250,000.

7.4 **Details of the SATS Employee Share Option Plan**

The Plan comprises two schemes, namely:

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

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

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

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

The maximum number of shares over which Options may be granted under the Plan in each financial year to any employee, based on the Company's current issued share capital, ranges from:

- 272,000 for Grade I senior executives to 7,800 for Grade VI senior executives, under the Senior Executive Share Option Scheme; and
- 4,800 for administrative officers to 2,600 for employees other than administrative officers and supervisors, under the Employee Share Option Scheme.

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

The Exercise Price for each share on exercise of an Option shall be the average of the last dealt prices for the shares (as determined by reference to the daily official list or any other publication published by the SGX-ST) for the five consecutive market days immediately preceding the date of grant of the Option, but shall not be less than the nominal value of the shares.

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

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

CORPORATE GOVERNANCE

8. INTERNAL AUDIT

8.1 The Company's internal audit function is carried out by the Internal Audit department of Singapore Airlines Limited ("SIA"), the Company's holding company. At present, the internal auditors issue summaries of its findings and reports to the Audit Committee at least three times a year, and sends copies of its detailed reports to the Chairman of the Board. The internal auditors meet the professional standards set out in the Code.

9. INTERNAL CONTROLS

9.1 Management established a new Corporate Services department on 19 November 2001 to oversee, implement and administer risk management.

9.2 A risk management consultant has been appointed which will advise the Group on the development and establishment of a risk management structure. This structure will include a Risk Management Committee that will integrate and coordinate all the various different risk management activities in the Group.

Some of the recent risk management initiatives were:

- Conduct of Business Interruption (BI) Review to study the financial impact on the Group following a catastrophic loss event
- Setting up of a Computer Incidence Response Team (CIRT) to support the Group's Information Security Policy
- Fraud Prevention and Internal Controls Seminars for all senior staff
- Crime and Security Awareness for all junior staff
- Risk assessment for the key ground facilities owned and operated by the Group in Singapore
- A group-wide Information Security Awareness Campaign

10. COMMUNICATIONS WITH SHAREHOLDERS

10.1 The Company strives to convey to Shareholders pertinent information in a clear, forthcoming, detailed, timely manner and on a regular basis, take into consideration their views and inputs, and address Shareholders' concerns. While the Company's Investor Relations department communicates with analysts regularly, the Company monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis.

10.2 The Articles currently do not provide for Shareholders to vote at General Meetings in absentia such as by mail, email or fax. The Company will consider implementing the relevant amendment to the Articles if the Board is of the view that there is a demand for the same, and after the Company has evaluated and put in place the necessary security and other measures to facilitate absentia voting and protect against errors, fraud and other irregularities.

10.3 Chairmen of the Audit, Nominating and Remuneration Committees, or members of the respective Committees standing in for them, as well as the external auditors, will be present and available to address questions at General Meetings.

11. SECURITIES TRANSACTIONS

11.1 The Company has a clear set of Policy and Guidelines for Dealings in the shares of the Company and the other listed companies in the SIA group, SIA and SIA Engineering Company Limited. The Policy and Guidelines have been disseminated to employees of the Group. The Policy and Guidelines are in conformity with the guidelines of the SGX-ST.

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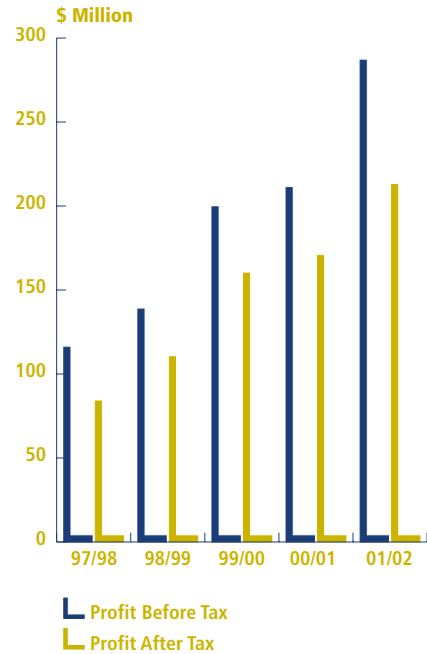
FINANCIAL REVIEW

EARNINGS

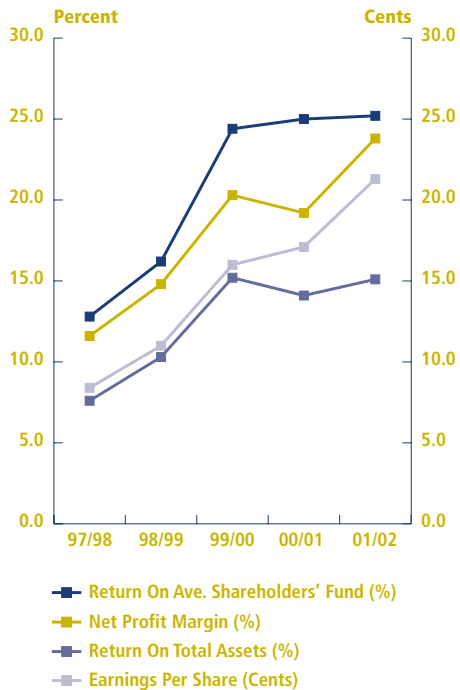
The SATS Group's operating profit grew \$72 million (+37.1%) to \$267 million. Profit before tax was \$288 million, an increase of \$77 million (+36.3%). Profit after tax rose \$42 million (+24.7%) to \$213 million.

Earnings per share was 21.3 cents, an increase of 4.2 cents (+24.7%). Profit margin increased by 4.6 percentage points to 23.8%. Return on average shareholders' funds was 25.2%, a marginal improvement of 0.2 percentage point. Return on total assets also grew 1 percentage point to 15.1%.

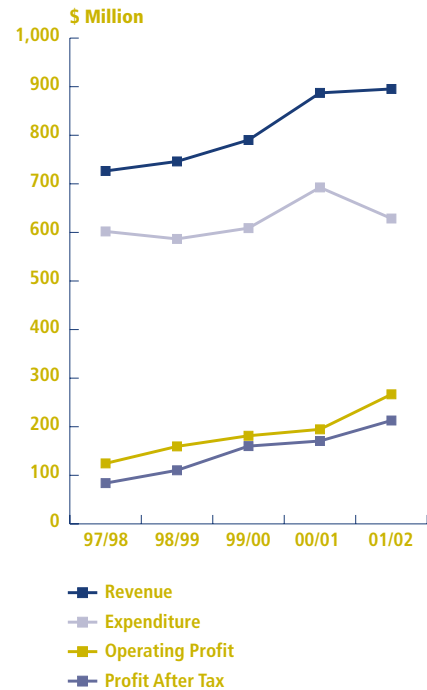
Group Profit Before And After Tax



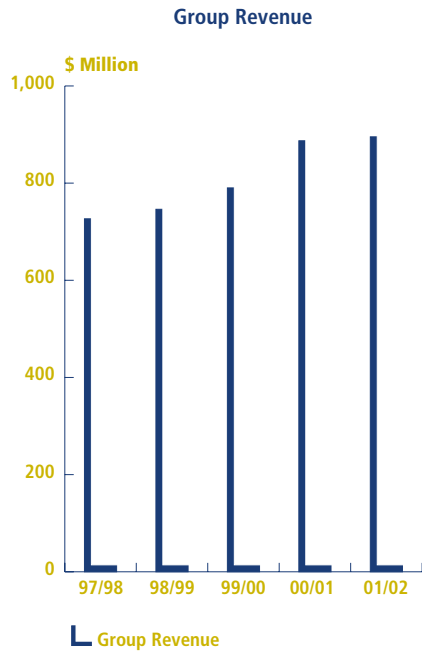
Group Profitability Ratios



Group Results



FINANCIAL REVIEW



REVENUE

The Group's revenue rose \$8 million (+0.9%) to \$895 million. Inflight catering revenue contributed \$406 million, down \$6 million (-1.5%) due to a 4.7% reduction in the number of meals uplifted. Ground handling revenue was however \$8 million (+1.9%) higher at \$426 million. Revenue from services other than inflight catering and ground handling amounted to \$63 million, up \$6 million (+11.3%) mainly from aviation security services rendered.

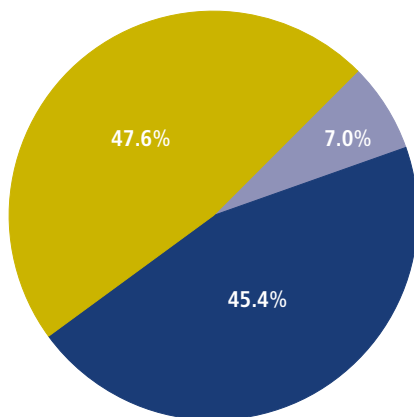
Group Revenue Composition

	2001-2002		2000-2001		Change %
	\$ Million	%	\$ Million	%	
Inflight catering	406.3	45.4	412.4	46.5	- 1.5
Ground handling	425.8	47.6	418.0	47.1	+ 1.9
Others #	63.2	7.0	56.8	6.4	+ 11.3
Total	895.3	100.0	887.2	100.0	+ 0.9

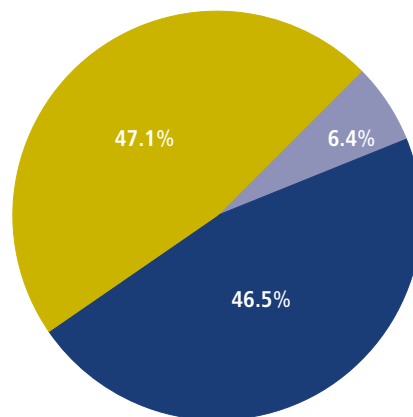
Others include aviation security services, airline laundry services and leasing of office space to airline clients and cargo agents.

Group Revenue Composition

(a) 2001 - 2002



(b) 2000 - 2001



■ Inflight Catering
 ■ Ground Handling
 ■ Others

FINANCIAL REVIEW

EXPENDITURE

The Group's expenditure decreased 9.2% or \$64 million to \$629 million.

The decrease in Group's expenditure came from:

	2001-2002 \$ Million	2000-2001 \$ Million	Change	
			\$ Million	%
Staff costs	324.3	406.6	- 82.3	- 20.2
Cost of raw materials	67.5	70.9	- 3.4	- 4.8
Licensing fees	64.4	64.7	- 0.3	- 0.5
Depreciation charges	56.8	40.0	+ 16.8	+ 42.0
Company accommodation and utilities	54.1	51.7	+ 2.4	+ 4.6
Other costs	61.5	58.7	+ 2.8	+ 4.8
Total	628.6	692.6	- 64.0	- 9.2

The decrease in staff costs of \$82 million (-20.2%) was mainly because no profit sharing bonus provision was made for the current year compared to 4.54 months of salary amounting to \$76 million provided in the previous year. In addition, overtime and meal allowances decreased \$11 million as a result of cost control. The wage cut from November 2001 amounted to a saving of \$3 million. The cost reductions were partly offset by the increase in CPF contribution from 12% to 16% in January 2001 amounting to approximately \$5 million.

Cost of raw materials decreased \$3 million (-4.8%) to \$68 million as a result of the lower number of meals produced.

Depreciation charges increased by \$17 million (+42.0%) mainly because of the sixth airfreight terminal which commenced operations in end April 2001.

Company accommodation and utilities increased \$2 million (+4.6%) mainly from costs associated with the opening of the sixth airfreight terminal.

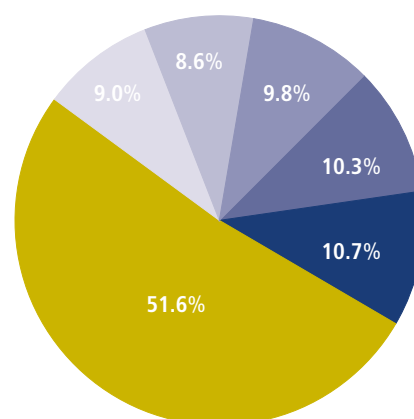
Other costs rose \$3 million (+4.8%) mainly because of higher insurance costs (+\$5 million) which were partly offset by lower maintenance costs (-\$2 million).

Group Expenditure Composition

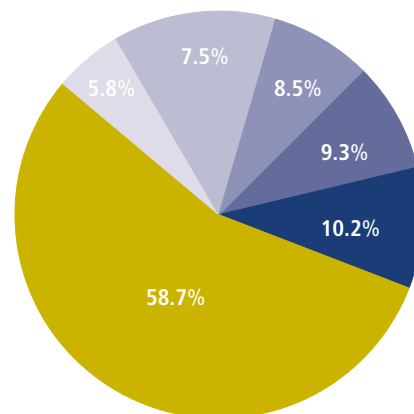
	2001-2002		2000-2001		Change
	\$ Million	%	\$ Million	%	%
Staff costs	324.3	51.6	406.6	58.7	- 20.2
Cost of raw materials	67.5	10.7	70.9	10.2	- 4.8
Licensing fees	64.4	10.3	64.7	9.3	- 0.5
Depreciation charges	56.8	9.0	40.0	5.8	+ 42.0
Company accommodation and utilities	54.1	8.6	51.7	7.5	+ 4.6
Other costs	61.5	9.8	58.7	8.5	+ 4.8
Total	628.6	100.0	692.6	100.0	- 9.2

Group Expenditure Composition

(a) 2001 - 2002

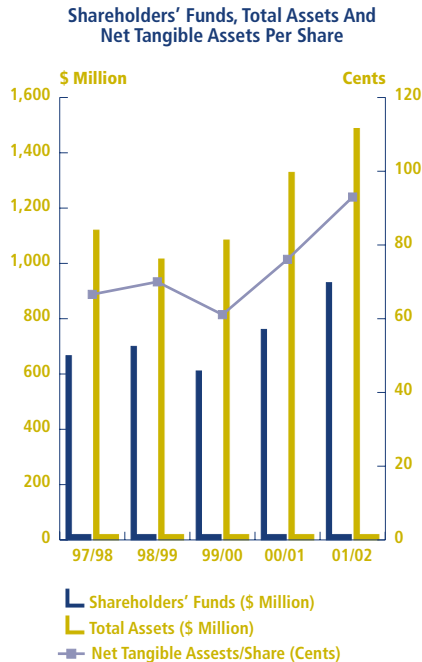


(b) 2000 - 2001



- Staff Costs
- Cost of Raw Materials
- Licensing Fees
- Depreciation Charges
- Company Accommodation and Utilities
- Other Costs

FINANCIAL REVIEW



SHARE OF RESULTS OF ASSOCIATED COMPANIES

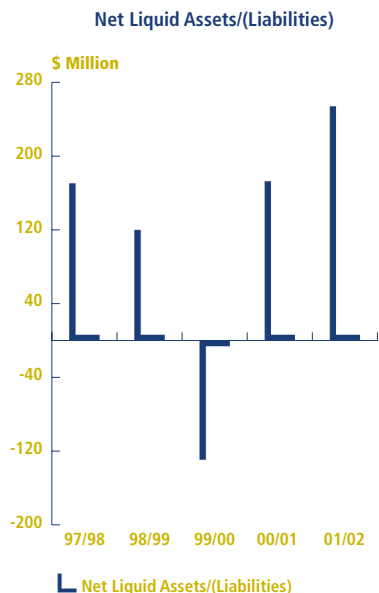
Profits from the associated companies increased \$5 million (+27.1%) to \$23 million and represent 8.9% of the Group's profit after tax. The increase came mainly from Asia Airfreight Terminal (+\$1 million), Beijing Aviation Ground Services (+\$1 million), and \$1 million each from the new associated companies Evergreen Airline Services and Taj SATS Air Catering.

TAXATION

The Group's provision for taxation in 2001-2002 was \$75 million, an increase of \$34 million (+85.4%) from 2000-2001. The increase was mainly because of (i) lower investment allowance claims for the new inflight catering centre and sixth airfreight terminal for the year under review, and (ii) impact from a reduction in statutory tax rate written back in last year's accounts.

DIVIDENDS

An interim dividend of 20%, amounting to \$15 million after tax, was paid on 29 November 2001. The directors propose that a final dividend of 40%, amounting to \$31 million after tax, be paid.



FINANCIAL POSITION

At 31 March 2002, the shareholders' funds of the Group was \$930 million, up \$169 million (+22.2%) from a year ago.

The net tangible assets per share of the Group rose 16.1 cents (+21.2%), to 92.2 cents on 31 March 2002.

The Group's total assets was \$1,488 million at 31 March 2002, an increase of \$159 million (+11.9%) from last year.

Net liquid assets of the Group was \$254 million at 31 March 2002, an increase of \$82 million from \$172 million. The debt equity ratio declined from 0.33:1 to 0.27:1 at 31 March 2002.

FINANCIAL REVIEW

SHARE OPTIONS

On 2 July 2001, options were granted under the SATS Employee Share Option Plan ("Plan") to eligible employees to subscribe for 16,784,200 ordinary shares of \$0.10 each of the Company ("Shares"), out of which options in respect of 15,350,200 Shares were accepted by the employees. The exercise periods of the said options commence on 2 July 2002 for Senior Executives (as defined under the Plan) and 2 July 2003 for other employees, and expire on 1 July 2011. The exercise price of the Shares under the said options is \$1.54 per Share.

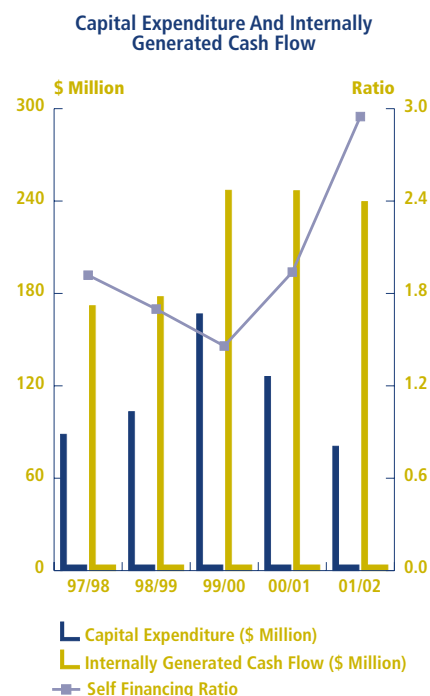
As at 31 March 2002, options to subscribe for a total of 47,310,700 Shares are outstanding under the Plan (options to subscribe for a total of 492,100 Shares lapsed pursuant to Rule 8 of the Plan).

None of the options granted on 28 March 2000, 3 July 2000 or 2 July 2001 have been exercised to date.

CAPITAL EXPENDITURE AND CASH FLOW

The Group's capital expenditure was \$81 million, \$45 million (-35.9%) lower than the preceding year. The capital expenditure was mainly on the sixth airfreight terminal (\$42 million), second express courier centre (\$12 million), and SAP R/3 system (\$22 million).

Internally generated cash flow was \$240 million, \$7 million (-2.8%) lower than last year. The self-financing ratio of cash flow to capital expenditure rose to 2.97:1 from 1.96:1.



BREAKDOWN BY BUSINESS ACTIVITIES

	Revenue \$ Million		Operating Profit \$ Million	
	2001-2002	2000-2001	2001-2002	2000-2001
Inflight catering	406.3	412.4	117.0	93.3
Ground handling	425.8	418.0	109.9	81.3
Others #	63.2	56.8	39.8	20.0
	895.3	887.2	266.7	194.6

	Profit Before Tax \$ Million		Average Number of Employee*	
	2001-2002	2000-2001	2001-2002	2000-2001
Inflight catering	123.8	99.6	2,852	2,789
Ground handling	129.1	97.3	5,207	5,205
Others #	34.6	14.0	1,168	1,153
	287.5	210.9	9,227	9,147

FINANCIAL REVIEW

BREAKDOWN BY BUSINESS ACTIVITIES (cont'd)

	Total Assets \$ Million		Capital Expenditure \$ Million	
	2001-2002	2000-2001	2001-2002	2000-2001
Inflight catering	595.5	557.6	14.8	61.9
Ground handling	726.8	655.0	62.9	62.8
Others #	165.6	116.6	3.0	1.4
	1,487.9	1,329.2	80.7	126.1

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

* Figures did not include number of contract workers.

INFLIGHT CATERING

Revenue decreased \$6 million (-1.5%) to \$406 million due to a 4.7% reduction in the volume of meals uplifted. Revenue from the SIA Group decreased 1.3%, while that from other operators decreased by 1.7%.

Operating profit increased \$24 million (+25.4%) to \$117 million due to lower staff costs. Profit before tax was up \$24 million (+24.3%) to \$124 million.

Total assets amounted to \$596 million, an increase of \$38 million (+6.8%) from a year ago.

The capital expenditure of \$15 million was mainly for the implementation of the SAP R/3 system.

GROUND HANDLING

Revenue rose \$8 million (+1.9%) to \$426 million. Revenue from the SIA Group was higher by 2.7%, while that from other operators increased 0.8%.

Operating profit increased \$29 million (+35.2%) to \$110 million, and profit before tax grew \$32 million (+32.7%) to \$129 million.

Total assets amounted to \$727 million, an increase of \$72 million (+11.0%) from a year ago.

The capital expenditure of \$63 million was largely for the development of the sixth airfreight terminal and second express courier centre.

BREAKDOWN BY GEOGRAPHICAL LOCATION

	Revenue \$ Million		Profit Before Tax \$ Million	
	2001-2002	2000-2001	2001-2002	2000-2001
Singapore	895.3	877.2	264.6	192.3
Overseas	-	-	22.9	18.6
	895.3	877.2	287.5	210.9

	Total Assets \$ Million		Capital Expenditure \$ Million	
	2001-2002	2000-2001	2001-2002	2000-2001
Singapore	1,305.0	1,212.0	80.7	126.1
Overseas	182.9	117.2	-	-
	1,487.9	1,329.2	80.7	126.1

FINANCIAL REVIEW

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

	2001-2002	2000-2001*	1999-2000	1998-1999	1997-1998
Total revenue	895.3	887.2	790.2	746.1	726.5
Less : Purchases of goods & services	267.5	266.7	226.0	208.7	211.5
Value added by the Group	627.8	620.5	564.2	537.4	515.0
Add/(less) :					
Interest income	4.0	2.9	2.0	4.1	5.2
Share of results of associated companies	22.5	17.7	17.5	9.3	6.2
Net loss from short-term investments	-	-	-	(33.2)	(20.5)
Net income/(loss) on long-term investments	0.6	0.4	(1.0)	(2.3)	-
Total value added available for distribution	654.9	641.5	582.7	515.3	505.9
Applied as follows :					
To employee					
- Salaries and other staff costs	304.3	385.9	344.3	334.1	341.4
To government					
- Corporate taxes	74.7	40.3	39.5	28.4	32.1
To supplier of capital					
- Dividends	45.3	15.1	148.7	81.4	65.1
- Minority interests	(0.1)	-	-	-	-
- Interest on borrowings	5.9	4.7	0.4	0.3	0.4
Retained for future capital requirements					
- Amortisation of goodwill	0.4	-	-	-	-
- Depreciation	56.8	40.0	38.5	42.4	48.1
- Retained earnings	167.6	155.5	11.3	28.7	18.8
Total value added	654.9	641.5	582.7	515.3	505.9
Value added per \$ revenue	0.73	0.72	0.74	0.69	0.70
Value added per \$ employee cost	2.15	1.66	1.69	1.54	1.48
Value added per \$ investment in fixed assets	0.53	0.69	0.73	0.65	0.63

Value added is a measure of wealth created. The statement above shows the Group's value added from 1997-1998 to 2001-2002 and its distribution by way of payments to employees, government, and to those who have provided capital. It also indicates the portion retained in the business for future capital requirements.

* Figures restated for comparative purpose as a result of compliance with revised/new Statements of Accounting Standard ("SAS") with effect from 1 April 2001.

FINANCIAL REVIEW

VALUE ADDED

The total value added of the Group was \$655 million, an increase of \$13 million (+2.1%) from 2000-2001.

Of the total value added of \$655 million, \$304 million (46.4%) went to salaries and other staff costs. Shareholders received \$45 million (6.9%) in dividends, interest on borrowings accounted for \$6 million (0.9%) while corporate taxes accounted for \$75 million (11.5%). The remaining \$225 million (34.3%) was retained for future capital requirements.

STAFF STRENGTH AND PRODUCTIVITY

The Group's average staff strength rose 0.9% from 9,147 to 9,227. Staff productivity measured by value added per employee, improved by 1.2%. A breakdown of the Group's staff strength is as follows:

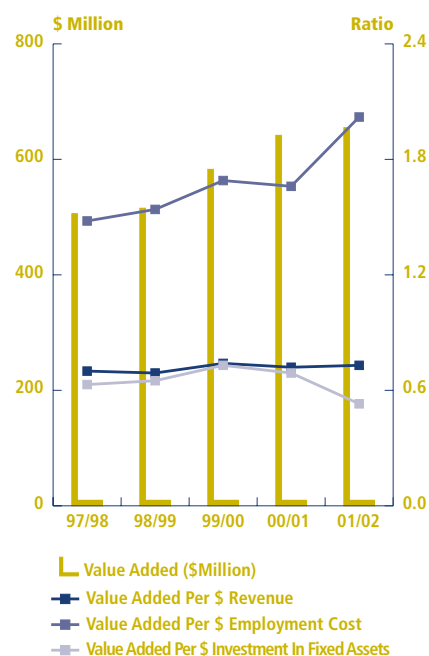
	2001-2002	2000-2001	% Change
Inflight catering	2,852	2,789	+ 2.3
Ground handling	5,207	5,205	*
Aviation security	825	812	+ 1.6
Others	343	341	+ 0.6
	9,227	9,147	+ 0.9

Revenue per employee increased marginally to \$97,028 whereas staff cost per employee decreased 21.9% to \$32,971.

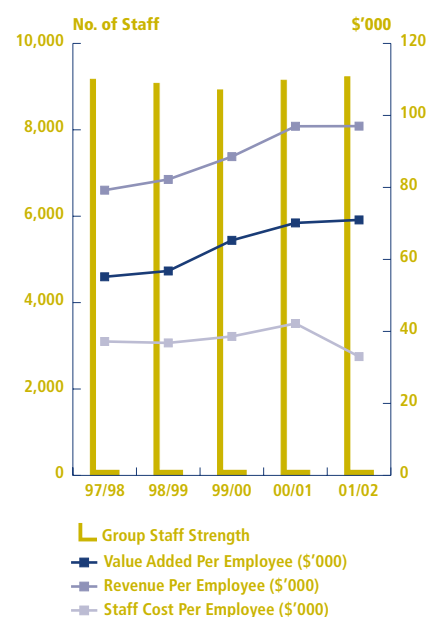
	2001-2002	2000-2001	% Change
Revenue per employee (\$)	97,028	96,989	*
Value added per employee (\$)	70,973	70,141	+ 1.2
Staff cost per employee (\$)	32,971	42,193	- 21.9

* Denotes less than 0.1%.

Value Added For The Group



Group Staff Strength And Productivity



REPORT OF DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements of the Company and of the Group for the year ended 31 March 2002.

1. ACCOUNTS (IN SINGAPORE DOLLAR THOUSANDS)

	Group		Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Profit attributable to shareholders	212,857	170,626	123,540	128,163
Transfer to statutory reserve	(196)	(57)	-	-
Dividends paid, less tax	212,661 (45,300)	170,569 (14,900)	123,540 (45,300)	128,163 (14,900)
Profit retained	167,361	155,669	78,240	113,263

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

2. TRANSFER TO/FROM RESERVES AND PROVISIONS

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

3. DIVIDENDS

A final dividend of 40%, less tax of 24.5%, amounting to \$30,200,000 was paid in respect of the previous financial year as proposed in the Directors' report of that year.

An interim dividend of 20%, less tax of 24.5%, amounting to \$15,100,000 was paid on 29 November 2001, in respect of the financial year under review.

The directors propose that a final dividend of 40%, less tax of 22.0%, amounting to \$31,200,000 be paid.

4. PRINCIPAL ACTIVITIES

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

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

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

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

REPORT OF DIRECTORS

5. DIRECTORS

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

Cheong Choong Kong - Chairman
 Michael Tan Jiak Ngee - Deputy Chairman
 Chew Choon Seng
 Barry Desker
 Richard Charles Helfer
 Hong Hai
 Ng Kee Choe

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

Name of director	Direct interest			Deemed interest		
	At 1.4.2001	At 31.3.2002	At 21.4.2002	At 1.4.2001	At 31.3.2002	At 21.4.2002
Interest in Singapore Airlines Limited's ordinary shares of \$0.50 each						
Cheong Choong Kong	480,800	480,800	480,800	24,000	24,000	24,000
Michael Tan Jiak Ngee	79,600	79,600	79,600	-	-	-
Chew Choon Seng	214,000	214,000	214,000	-	-	-
Barry Desker	2,000	2,000	2,000	4,000	4,000	4,000
Hong Hai	12,000	18,000	18,000	-	-	-
Interest in Singapore Airport Terminal Services Limited's ordinary shares of \$0.10 each						
Cheong Choong Kong	56,000	56,000	56,000	3,000	3,000	3,000
Michael Tan Jiak Ngee	16,000	16,000	16,000	-	-	-
Chew Choon Seng	10,000	10,000	10,000	-	-	-
Barry Desker	11,000	11,000	11,000	-	-	-
Richard Charles Helfer	11,000	11,000	11,000	-	-	-
Ng Kee Choe	11,000	11,000	11,000	-	-	-
Interest in SIA Engineering Company Limited's ordinary shares of \$0.10 each						
Cheong Choong Kong	58,000	58,000	58,000	3,000	3,000	3,000
Michael Tan Jiak Ngee	11,000	41,000	41,000	-	-	-
Chew Choon Seng	20,000	20,000	20,000	-	-	-
Interest in Singapore Telecommunications Limited's ordinary shares of \$0.15 each						
Cheong Choong Kong	1,690	121,690	121,690	1,690	1,690	1,690
Michael Tan Jiak Ngee	6,690	6,690	6,690	-	-	-
Chew Choon Seng	11,820	11,820	11,820	-	-	-
Barry Desker	1,490	1,490	1,490	7,690	7,690	7,690
Hong Hai	1,490	1,490	1,490	1,490	1,490	1,490
Ng Kee Choe	1,690	1,690	1,690	1,690	1,690	1,690

REPORT OF DIRECTORS

5. DIRECTORS (cont'd)

Name of director	Direct interest			Deemed interest		
	At 1.4.2001	At 31.3.2002	At 21.4.2002	At 1.4.2001	At 31.3.2002	At 21.4.2002
Interest in Singapore Technologies Engineering Ltd's ordinary shares of \$0.10 each						
Barry Desker	-	-	-	5,000	5,000	5,000
Interest in Vickers Capital Ltd's ordinary shares of \$0.25 each						
Barry Desker	-	-	-	3,000	3,000	3,000
Interest in SNP Corporation Ltd's ordinary shares of \$0.50 each						
Barry Desker	-	-	-	3,000	3,000	3,000
Interest in Raffles Holdings Ltd's ordinary shares of \$0.50 each						
Michael Tan Jiak Ngee	16,000	16,000	16,000	-	-	-
Chew Choon Seng	12,000	12,000	12,000	-	-	-
Barry Desker	-	-	-	-	20,000	20,000
Hong Hai	20,000	20,000	20,000	-	-	-
Ng Kee Choe	10,000	10,000	10,000	-	-	-
Richard Charles Helfer	250,000	250,000	250,000	-	-	-
Interest in SMRT Corporation Ltd's ordinary shares of \$0.10 each						
Chew Choon Seng	50,000	50,000	50,000	-	-	-
Interest in Capitaland Limited's ordinary shares of \$1 each						
Richard Charles Helfer	70,000	70,000	70,000	-	-	-
Interest in ST Assembly Test Services Ltd's ordinary shares of \$0.25 each						
Hong Hai	-	10,000	10,000	-	-	-
Interest in Chartered Semiconductor Manufacturing Ltd's ordinary shares of \$0.26 each						
Hong Hai	-	4,000	4,000	-	-	-
Interest in SembCorp Logistics Limited's ordinary shares of \$0.25 each						
Barry Desker	-	-	-	-	10,000	10,000
Interest in Singapore Airlines Limited's Fixed Rate Notes 2011 of \$250,000 each						
Cheong Choong Kong	-	1	1	-	-	-
Interest in Capitaland Limited's Fixed Rate Notes 2003 of \$250,000 each						
Cheong Choong Kong	-	1	1	-	-	-

REPORT OF DIRECTORS

5. DIRECTORS (cont'd)

Name of director	Direct interest		
	At 1.4.2001	At 31.3.2002	At 21.4.2002
Options to subscribe for Singapore Airlines Limited's ordinary shares of \$0.50 each			
Cheong Choong Kong	480,000	708,000	708,000
Michael Tan Jiak Ngee	150,000	302,000	302,000
Chew Choon Seng	150,000	302,000	302,000
Options to subscribe for Capitaland Limited's ordinary shares of \$1 each			
Richard Charles Helfer	970,487	750,149	750,149
Options to subscribe for Raffles Holdings Ltd's ordinary shares of \$0.50 each			
Richard Charles Helfer	-	1,000,000	1,000,000
Options to subscribe for The Ascott Group Limited's ordinary shares of \$0.20 each			
Richard Charles Helfer	-	60,000	60,000

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

6. AUDIT COMMITTEE

The Audit Committee comprises three members, two of whom are independent non-executive directors. The members of the Audit Committee at the date of this report are:

Ng Kee Choe - Chairman
 Chew Choon Seng
 Hong Hai

REPORT OF DIRECTORS

6. AUDIT COMMITTEE (cont'd)

The Audit Committee carried out its function in accordance with Section 201B(5) of the Companies Act, Cap. 50 and performed the following functions:-

- a) reviewed the audit plans of the internal and external auditors of the Group and the Company, the results of their examination of the Group and the Company's system of internal accounting controls and the co-operation given by the Group and the Company's officers to the internal and external auditors;
- b) reviewed the financial statements of the Group and the Company for the year and the auditors' report thereon before their submission to the Board of Directors; and
- c) reviewed interested persons transactions.

The Audit Committee has nominated Ernst and Young for re-appointment as auditors of the Company by shareholders for the ensuing financial year commencing 1 April 2002.

7. SHARE CAPITAL

No shares were issued by the Company during the year.

8. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

During the financial year, the Company incorporated the following subsidiary:-

<u>Name of subsidiary</u>	<u>Paid up capital</u>	<u>Cost of investment</u>	<u>Interest held</u>
Aerolog Express Pte Ltd	S\$1,800,000	S\$1,260,000	70%

There was no other acquisition or disposal of a subsidiary by the Company during the year.

9. OPTIONS ON SHARES OF THE COMPANY

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

Under the plan, all options to be issued will have a term no longer than 10 years from the date of grant. The exercise price of the option will be the average of the last dealt prices of the Company's ordinary shares on the SGX-ST for the five consecutive market days immediately preceding the date of grant.

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

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

REPORT OF DIRECTORS

9. OPTIONS ON SHARES OF THE COMPANY (cont'd)

The Committee administering the Plan comprises the following directors as at the date of this report:

Richard Charles Helfer - Chairman
Michael Tan Jiak Ngee
Hong Hai

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

No employee has received 5% or more of the total number of options available under the Plan.

During the financial year, in consideration of the payment of \$1 for each offer accepted, offers of options were granted pursuant to the Plan in respect of 16,784,200 unissued ordinary shares of \$0.10 each in the Company at an offering price of \$1.54 per share.

At the end of the financial year, options to take up 47,310,700 unissued ordinary shares of \$0.10 each in the Company were outstanding:

Date of grant	Number of unissued ordinary shares of \$0.10 each					
	Balance at 1.4.2001/ date of grant	Options not accepted	Options lapsed	Balance at 31.3.2002	Exercise Price	Expiry Date
28. 3.2000	18,435,900	-	285,900	18,150,000	\$2.50	27.3.2010
3. 7.2000	14,016,700	-	99,400	13,917,300	\$2.10	2.7.2010
2. 7.2001	16,784,200	1,434,000	106,800	15,243,400	\$1.54	1.7.2011
	49,236,800	1,434,000	492,100	47,310,700		

10. OTHER STATUTORY INFORMATION

- a) Before the profit and loss accounts and balance sheets of the Company and of the Group were made out, the directors took reasonable steps:
 - i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - ii) to ensure that any current assets which were unlikely to realise their book value in the ordinary course of business had been written down to their estimated realisable values.
- b) At the date of this report, the directors are not aware of any circumstances which would render:
 - i) the amount written-off for bad debts or the amount of the provision for doubtful debts in the Group inadequate to any substantial extent; and
 - ii) the values attributed to current assets in the consolidated financial statements misleading.
- c) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Company and the Group misleading.

REPORT OF DIRECTORS

10. OTHER STATUTORY INFORMATION (cont'd)

- d) As at the date of this report:
- i) there are no charges on the assets of the Company and of the Group which have arisen since the end of the financial year to secure the liabilities of any other person; and
 - ii) there are no contingent liabilities which have arisen since the end of the financial year in respect of the Company and of the Group, except those mentioned in Note 32 to the financial statements.
- e) No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or of the Group to meet their obligations as and when they fall due.
- f) In the opinion of the directors, no other item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made.

11. AUDITORS

Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board,

CHEONG CHOONG KONG
Chairman

MICHAEL TAN JIAK NGEE
Deputy Chairman

Dated this 16th day of May, 2002
Singapore

PROFIT AND LOSS ACCOUNTS

For the Year Ended 31 March 2002

(In Singapore Dollar Thousands)					
	Notes	Group		Company	
		2001-2002	2000-2001	2001-2002	2000-2001
REVENUE	3	895,279	887,156	70,864	56,056
EXPENDITURE					
Staff costs	28	(324,303)	(406,612)	(12,961)	(15,149)
Raw materials		(67,469)	(70,949)	-	-
Licensing fees		(64,416)	(64,660)	-	-
Depreciation charges		(56,824)	(39,985)	(26,309)	(19,611)
Company accommodation and utilities		(54,116)	(51,728)	(7,057)	(7,426)
Other costs		(61,435)	(58,622)	(5,265)	(4,912)
		(628,563)	(692,556)	(51,592)	(47,098)
OPERATING PROFIT	4	266,716	194,600	19,272	8,958
Interest on borrowings	5	(5,938)	(4,714)	(9,309)	(8,804)
Interest income	6	3,996	2,903	3,949	2,695
Gross dividends from subsidiary companies		-	-	135,223	145,245
Gross dividends from associated companies		-	-	18,067	9,836
Gross dividends from long-term investment		615	418	615	418
Gain on liquidation of a subsidiary company		-	-	-	3,641
Share of results of associated companies		22,486	17,732	-	-
Amortisation of goodwill		(429)	-	-	-
PROFIT BEFORE TAXATION		287,446	210,939	167,817	161,989
Taxation	7	(74,659)	(40,313)	(44,277)	(33,826)
PROFIT AFTER TAXATION		212,787	170,626	123,540	128,163
Minority interests		70	-	-	-
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		212,857	170,626	123,540	128,163
BASIC EARNINGS PER SHARE (CENTS)	9	21.3	17.1		
DILUTED EARNINGS PER SHARE (CENTS)	9	21.3	17.1		

The notes on pages 66 to 93 form an integral part of the financial statements.

BALANCE SHEETS

As At 31 March 2002

(In Singapore Dollar Thousands)		Group		Company	
	Notes	2002	2001	2002	2001
SHARE CAPITAL					
Authorised	10	200,000	200,000	200,000	200,000
Issued and fully-paid	10	100,000	100,000	100,000	100,000
RESERVES					
Distributable					
Revenue reserve		819,496	650,065	419,881	341,641
Foreign currency translation reserve		9,939	10,567	-	-
Non-distributable					
Statutory reserve		822	626	-	-
	11	830,257	661,258	419,881	341,641
SHARE CAPITAL AND RESERVES					
		930,257	761,258	519,881	441,641
MINORITY INTERESTS					
		470	-	-	-
DEFERRED TAXATION					
	12	113,298	102,335	60,778	55,104
NOTES PAYABLE					
	13	200,000	200,000	200,000	200,000
LOAN FROM IMMEDIATE HOLDING COMPANY					
	14	48,016	47,398	48,016	47,398
TERM LOAN					
	15	1,483	2,102	-	-
HIRE PURCHASE CREDITORS					
	16	9	193	-	-
		1,293,533	1,113,286	828,675	744,143
Represented by:					
FIXED ASSETS					
	17				
Leasehold land and buildings		617,224	440,642	614,597	437,893
Progress payments		8,831	247,584	432	175,169
Others		231,391	145,382	2,529	1,686
		857,446	833,608	617,558	614,748
INVESTMENT IN SUBSIDIARY COMPANIES					
	18	-	-	37,275	36,015
LONG-TERM INVESTMENTS					
	19	7,886	10,582	7,886	10,582
ASSOCIATED COMPANIES					
	20	122,195	77,336	92,722	42,912
GOODWILL					
	21	8,156	-	-	-
LOAN TO THIRD PARTY					
	22	48,016	47,398	48,016	47,398
CURRENT ASSETS					
Trade debtors	23	56,931	55,164	37	56
Other debtors	24	31,560	36,905	29,521	35,412
Related companies	25	293,729	224,398	247,146	150,549
Associated companies	20	757	3,061	733	2,904
Stocks	26	8,745	10,368	465	633
Bank fixed deposits		46,208	24,048	42,707	23,547
Cash and bank balance		6,252	6,352	2,028	1,278
		444,182	360,296	322,637	214,379
Less:					
CURRENT LIABILITIES					
Term loan	15	620	620	-	-
Trade creditors		52,503	123,335	3,945	3,487
Other creditors	27	70,517	54,289	33,577	32,492
Related companies	25	-	-	255,812	185,636
Provision for taxation		70,708	37,690	4,085	276
		194,348	215,934	297,419	221,891
NET CURRENT ASSETS/(LIABILITIES)					
		249,834	144,362	25,218	(7,512)
		1,293,533	1,113,286	828,675	744,143

The notes on pages 66 to 93 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended 31 March 2002

(In Singapore Dollar Thousands)

	Notes	Share Capital	Revenue Reserve	Statutory Reserve*	Foreign Currency Translation Reserve	Total Shareholders' Equity
GROUP						
Balance at 1 April 2000						
- As previously stated		100,000	502,479	569	7,866	610,914
- Effect of adopting SAS12		-	(8,083)	-	-	(8,083)
- As restated		100,000	494,396	569	7,866	602,831
Transfer to statutory reserve		-	(57)	57	-	-
Foreign currency translation adjustment		-	-	-	2,701	2,701
Net gain/(loss) not recognised in the profit and loss accounts		-	(57)	57	2,701	2,701
Profit attributable to shareholders for the year						
- As previously stated		-	175,011	-	-	175,011
- Effect of adopting SAS12		-	(4,385)	-	-	(4,385)
- As restated		-	170,626	-	-	170,626
Dividends, net						
- As previously stated		-	(45,100)	-	-	(45,100)
- Effect of adopting SAS10		-	30,200	-	-	30,200
As restated	8	-	(14,900)	-	-	(14,900)
Balance at 31 March 2001		100,000	650,065	626	10,567	761,258
Transfer to statutory reserve		-	(196)	196	-	-
Share of an associated company's revenue reserve arising from equity accounting		-	2,070	-	-	2,070
Foreign currency translation adjustment		-	-	-	(628)	(628)
Net gain/(loss) not recognised in the profit and loss accounts		-	1,874	196	(628)	1,442
Profit attributable to shareholders for the year		-	212,857	-	-	212,857
Dividends, net	8	-	(45,300)	-	-	(45,300)
Balance at 31 March 2002		100,000	819,496	822	9,939	930,257

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

The notes on pages 66 to 93 form an integral part of the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Year Ended 31 March 2002

(In Singapore Dollar Thousands)

	Notes	Share Capital	Revenue Reserve	Total Shareholders' Equity
COMPANY				
Balance at 1 April 2000				
- As previously stated		100,000	233,641	333,641
- Effect of adopting SAS12		-	(5,263)	(5,263)
- As restated		100,000	228,378	328,378
Profit attributable to shareholders for the year				
- As previously stated		-	129,704	129,704
- Effect of adopting SAS12		-	(1,541)	(1,541)
- As restated		-	128,163	128,163
Dividends, net				
- As previously stated		-	(45,100)	(45,100)
- Effect of adopting SAS10		-	30,200	30,200
- As restated	8	-	(14,900)	(14,900)
Balance at 31 March 2001		100,000	341,641	441,641
Profit attributable to shareholders for the year		-	123,540	123,540
Dividends, net	8	-	(45,300)	(45,300)
Balance at 31 March 2002		100,000	419,881	519,881

The notes on pages 66 to 93 form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 March 2002

(In Singapore Dollar Thousands)

	Notes	2001-2002	2000-2001
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		287,446	210,939
Adjustments for:			
Interest income		(3,996)	(2,903)
Interest on borrowings		5,938	4,714
Dividend from long-term investment		(615)	(418)
Depreciation of fixed assets		56,824	39,985
Gain on sale of fixed assets		(973)	(26)
Share of results of associated companies		(22,486)	(17,732)
Amortisation of goodwill		429	-
Operating profit before working capital changes		322,567	234,559
Increase in debtors		(2,099)	(5,430)
Decrease/(Increase) in stocks		1,623	(1,271)
Increase in amounts owing by related companies		(7,205)	(7,669)
(Decrease)/Increase in creditors		(92,078)	17,107
Increase in amounts due from associated companies		(29)	(299)
Cash generated from operations		222,779	236,997
Interest paid to third parties		(5,890)	(579)
Tax paid		(21,230)	(33,702)
NET CASH PROVIDED BY OPERATING ACTIVITIES		195,659	202,716
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	29	(43,108)	(91,972)
Investment in associated companies		(45,618)	-
Purchase of long-term investments		-	(2,696)
Loans to third parties and associated companies		-	(485)
Repayment of loan from associated companies		1,498	-
Dividends from associated companies		15,776	9,393
Proceeds from sale of fixed assets		1,056	286
Interest received from deposits		3,672	2,933
Dividends received from long-term investments		615	418
Interest paid to immediate holding company		-	(4,221)
NET CASH USED IN INVESTING ACTIVITIES		(66,109)	(86,344)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of notes issued during the year		-	200,000
Repayment of term loans		(620)	(15,620)
Issuance of shares by a subsidiary company to a minority shareholder		540	-
Repayment of loan to immediate holding company		-	(160,000)
Repayment of hire purchase creditor		(394)	(381)
Dividends paid		(45,300)	(14,900)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES		(45,774)	9,099
NET INCREASE IN CASH AND CASH EQUIVALENTS		83,776	125,471
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	29	170,280	44,809
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	29	254,056	170,280

The notes on pages 66 to 93 form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

1. GENERAL

The consolidated financial statements of Singapore Airport Terminal Services Limited ("the Company") for the year ended 31 March 2002 were authorised for issue in accordance with a resolution of the Directors on 16 May 2002.

The Company is a limited liability company incorporated in the Republic of Singapore. The Company is a subsidiary of Singapore Airlines Limited and its ultimate holding company is Temasek Holdings (Private) Limited, both incorporated in the Republic of Singapore. Related companies in these financial statements refer to members of the group of companies owned or controlled by Singapore Airlines Limited. The registered office of the Company is at 20 Airport Boulevard, Singapore 819659.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of accounting

The financial statements of the Company and of the Group, which are expressed in Singapore dollars, are prepared under the historical cost convention and in accordance with Singapore Statements of Accounting Standard and the applicable provisions of the Companies Act, Cap.50.

The accounting policies have been consistently applied by the Group and, except for the change in accounting policies discussed more fully below, are consistent with those used in the previous year.

(b) Changes in accounting policies

During the year, the Company and the Group complied with the revised/new Statements of Accounting Standard ("SAS") which were effective from 1 April 2001, and modified certain accounting policies. The effects of these changes on the financial statements were :

SAS 10 (2000) Events after the Balance Sheet Date

Under SAS 10 (2000), dividends proposed or declared after the balance sheet date are no longer recognised as a liability as at the balance sheet date.

SAS 12 (revised 2001) Income Taxes

Under SAS 12 (revised 2001), a deferred tax liability is now recognised for all taxable temporary differences. Previously deferred tax liabilities were recognised on account of differences only to the extent that a tax liability was expected to materialise in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Changes in accounting policies (cont'd)

SAS 22 (revised 2000) Business Combination

Under SAS 22 (revised 2000), goodwill arising from business combinations on or after 1 April 2001 is capitalised and amortised using a straight-line method over a useful period not exceeding 20 years. Such goodwill was previously written off directly to reserves in the year of acquisition. As SAS 22 (revised 2000) has been applied on a prospective basis, the gain or loss arising from the disposal of a subsidiary or associated company will include the attributable goodwill that was previously written off directly to reserves.

Further information on the effects of adopting the new and revised SAS is disclosed in the Statement of Changes in Shareholders' Equity.

(c) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies for the year ended 31 March. A list of the Group's subsidiary companies is shown in note 18 to the financial statements.

(d) Fixed assets

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

(e) Depreciation of fixed assets

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

Leasehold land and buildings	-	over the term of the lease or 30 years whichever is the shorter
Office fittings & fixtures and office & commercial equipment	-	1 to 5 years
Fixed and mobile ground support equipment and motor vehicles	-	1 to 12 years

No depreciation is provided for progress payments.

Fully-depreciated fixed assets are retained in the financial statements until they are no longer in use. No depreciation is charged after assets are depreciated to their residual values.

(f) Unquoted investments

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

(g) Income from investments

Dividend income from investments is recognised when the shareholder right to receive payments is established. Interest income from investments and fixed deposits is accrued on a day-to-day basis.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Subsidiary and associated companies

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

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

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

The Group's share of the results of associated companies is included in the consolidated profit and loss accounts of the Group and the Group's share of the post-acquisition changes in shareholder's equity is added to the value of investments in associated companies shown in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the associated company concerned, made up as appropriate, to the end of the financial year.

(i) Stocks

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

(j) Trade and other debtors

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

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

(k) Trade and other creditors

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

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

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(m) Leased assets

Where assets are financed by lease agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright at the values equivalent to the principal values of total rental payable during the periods of the leases and the corresponding lease commitments are included under liabilities. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss accounts. Depreciation on the relevant assets is charged to the profit and loss accounts.

Annual rentals on operating leases are charged to the profit and loss accounts.

(n) Deferred taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Deferred taxation (cont'd)

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

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

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

(o) Goodwill

When subsidiary companies or interests in associated companies are acquired, any excess of the consideration over the fair value of the net assets as at the date of acquisition represents goodwill. Goodwill is amortised using the straight-line method over a period not exceeding 20 years. When determining goodwill, assets and liabilities of the acquired interest are translated using the exchange rate at the date of acquisition if the financial statements of the acquired interest are not denominated in Singapore dollars.

(p) Foreign Currencies

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

For the purposes of the group accounts, the net assets of the associated companies incorporated or established in foreign jurisdictions are translated into Singapore dollars at the exchange rates prevailing on the balance sheet date. The resultant gain or loss on translation is taken to the foreign currency translation reserve.

(q) Revenue recognition

Revenue from ground handling, inflight catering, aviation security services, airline laundry and airport cargo delivery management services is recognised upon the rendering of services.

(r) Employee benefits

Defined contribution plans

As required by law, the Group's companies in Singapore make contributions to the state provident fund, The Central Provident Fund ("CPF"), for the benefits of its employees. The Group's companies also contribute to its immediate holding company's group pension scheme, the SIA Singapore Provident Fund, for the benefits of certain of its employees. Such contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions.

Equity Compensation Plan

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

Details of the Plan are disclosed in Note 28 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances, bank fixed deposits and deposits with the immediate holding company.

3. REVENUE (IN \$ THOUSANDS)

(a) Revenue

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

	Group		Company	
	2001-2002	2000-2001	2001-2002	2000-2001
External customers	371,508	369,045	6,661	5,016
Immediate holding company	417,780	498,214	1,555	2,103
Subsidiary companies	-	-	60,583	47,928
Related companies	105,991	19,897	2,065	1,009
	895,279	887,156	70,864	56,056

(b) Analysis by activity

	Group		Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Inflight catering services	406,281	412,413	-	-
Ground handling services	425,834	418,040	-	-
Others	63,164	56,703	70,864	56,056
	895,279	887,156	70,864	56,056

4. OPERATING PROFIT (IN \$ THOUSANDS)

	Group		Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Operating profit is stated after charging/(crediting) :				
Depreciation of fixed assets	56,824	39,985	26,309	19,611
Directors' emoluments				
- Directors of the Company	266	327	266	327
- Other directors of subsidiary companies	1,243	1,007	-	-
Auditors' remuneration				
- Audit fee	124	120	32	32
- Non-audit fee	211	94	154	50
Exchange gain, net	(910)	(955)	(910)	(955)
Gain on sale of fixed assets	(973)	(26)	(810)	(173)
Provision for doubtful debts	26	54	-	-
Bad debts written-off	38	5	-	-

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

5. INTEREST ON BORROWINGS (IN \$ THOUSANDS)

	Group		Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Interest expense on:				
Loan from immediate holding company	-	4,140	-	4,140
Loan from third parties	5,938	574	5,872	455
Deposit from subsidiary companies	-	-	3,437	4,209
	5,938	4,714	9,309	8,804

6. INTEREST INCOME (IN \$ THOUSANDS)

	Group		Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Interest income from :				
Immediate holding company	2,662	1,405	2,662	1,254
Third parties	1,145	1,296	1,098	1,240
Associated companies	189	202	189	201
	3,996	2,903	3,949	2,695

7. TAXATION (IN \$ THOUSANDS)

	Group		Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Taxation in respect of profit for the year :				
Current taxation	62,384	26,036	37,476	32,276
Deferred taxation (Note 12)	10,963	13,094	5,674	1,941
Over accrual in respect of prior years	(2,310)	(1,726)	(268)	(1,252)
Associated companies	3,622	2,909	1,395	861
	74,659	40,313	44,277	33,826

The current year's taxation charge for the Group and the Company is computed after taking into account non-taxable income and non-deductible expenses, and therefore differs from the amount determined by applying the statutory tax rate to the financial year's profit.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

7. TAXATION (IN \$ THOUSANDS) (cont'd)

A reconciliation of the statutory tax rate to the Group and the Company's effective tax rate applicable to profit before taxation was as follows:

	Group		Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Profit before taxation for the year	287,446	210,939	167,817	161,989
Taxation on profit before taxation for the year at 24.5%	70,424	51,680	41,115	39,688
Adjustments				
Permanent differences/expenses not deductible for tax purposes	4,114	(2,959)	2,187	(4,017)
Investment allowance	(1,530)	(5,056)	-	-
Additional tax on income of an associated company whose effective tax rate is higher than the statutory tax rate	4,159	2,275	1,396	1,608
Changes in statutory tax rate	-	(2,742)	-	(1,607)
Others	(198)	(1,159)	(153)	(594)
Current financial year's taxation charge	76,969	42,039	44,545	35,078
Comprising:				
Current taxation	62,384	26,036	37,476	32,276
Deferred taxation	10,963	13,094	5,674	1,941
Associated companies	3,622	2,909	1,395	861
	76,969	42,039	44,545	35,078

8. DIVIDENDS (IN \$ THOUSANDS)

	Group	
	2001-2002	2000-2001
Final dividend of 4 cents per ordinary share of \$0.10 each less 24.5% tax in respect of previous financial year	30,200	-
Interim dividend of 2 cents per ordinary share of \$0.10 each less 24.5% (2001:25.5%) tax in respect of current financial year	15,100	14,900
	45,300	14,900

The Directors propose that a final dividend of 4 cents per ordinary share of \$0.10 less 22.0% tax, amounting to \$31,200,000, be paid for the financial year ended 31 March 2002.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

9. EARNINGS PER SHARE

	Group	
	2001-2002	2000-2001
Profit attributable to shareholders (in \$ Thousands)	212,857	170,626

	Group	
	31 March 2002	2001
Weighted average number of ordinary shares in issue used for computing basic earnings per share	1,000,000,000	1,000,000,000
Adjustment for share options	-	-
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	1,000,000,000	1,000,000,000
Basic earnings per share (cents)	21.3	17.1
Diluted earnings per share (cents)	21.3	17.1

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

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect on the exercise of all outstanding share options granted to employees. This dilutive effect is computed based on the difference between the number of shares under option and the number of shares that could have been issued at fair values.

10. SHARE CAPITAL (IN \$ THOUSANDS)

	Group and Company	
	31 March 2002	2001
Authorised :		
Balance at beginning and end of the year		
2,000,000,000 ordinary shares of \$0.10 each	200,000	200,000
Issued and fully-paid:		
Balance at beginning and end of the year		
1,000,000,000 ordinary shares of \$0.10 each	100,000	100,000

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

11. RESERVES (IN \$ THOUSANDS)

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
Revenue reserve	819,496	650,065	419,881	341,641
Foreign currency translation reserve	9,939	10,567	-	-
Total distributable reserves	829,435	660,632	419,881	341,641
Non-distributable statutory reserve	822	626	-	-
Total reserves	830,257	661,258	419,881	341,641

12. DEFERRED TAXATION (IN \$ THOUSANDS)

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
Balance at beginning of year				
- As previously stated	89,867	81,158	48,300	47,900
- Effect of adopting SAS12	12,468	8,083	6,804	5,263
- As restated	102,335	89,241	55,104	53,163
Provided during the year (Note 7)				
- As previously stated	10,963	8,709	5,674	400
- Effect of adopting SAS12	-	4,385	-	1,541
- As restated	10,963	13,094	5,674	1,941
Balance at end of year	113,298	102,335	60,778	55,104
The deferred taxation principally arises as a result of :				
Excess of net book value over tax written down value of fixed assets	95,963	90,416	50,738	48,307
Undistributed profits of overseas associated companies and unremitted foreign income	18,134	12,468	9,767	6,804
Provisions	(799)	(549)	273	(7)
	113,298	102,335	60,778	55,104

13. NOTES PAYABLE

Notes payable refers to unsecured medium-term notes which bear effective interest at 2.94% per annum and are repayable on 29 March 2004.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

14. LOAN FROM IMMEDIATE HOLDING COMPANY

The loan from the immediate holding company is to finance the loan to August Skyfreighter 1994 Trust (Note 22). It is unsecured and bears interest rates ranging from 2.28% to 4.23% (2001: 5.77% to 7.29%) per annum. The loan is scheduled to mature on 28 March 2007.

15. TERM LOAN

The unsecured term loan is repayable over 10 years commencing 31 July 1996 and bears interest at 1/4% per annum above the one month (Singapore) swap offer rate for the first five years and 3/8% per annum above the one month (Singapore) swap offer rate for the next five years. In respect of the current financial year, interest rates ranged from 1.185% to 2.815% (2001: 2.47% to 3.21%) per annum.

16. HIRE PURCHASE CREDITORS (IN \$ THOUSANDS)

	Group	
	2002	2001
Repayable within one year (included in other creditors)	184	394
Repayable after one year	9	193
	193	587

	Group			
	2002		2001	
	Minimum payments	Present Value of Payments	Minimum payments	Present Value of Payments
Within one year	186	184	408	394
After one year but not more than five years	9	9	195	193
Total future lease payments	195	193	603	587
Amounts representing interest	(2)	-	(16)	-
Present value of minimum lease payments	193	193	587	587

The average discount rate implicit in the hire purchase is 3.5% (2001:3.5%) per annum.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

17. FIXED ASSETS (IN \$ THOUSANDS)

	At 1.4.01	Reclassi- fications	Additions	Disposals	At 31.3.02
GROUP					
Cost					
Leasehold land and buildings	550,822	174,529	27,702	-	753,053
Office fittings and fixtures	17,201	224	308	(1,636)	16,097
Fixed ground support equipment	246,583	62,691	27,060	(5,867)	330,467
Mobile ground support equipment	58,650	-	1,502	(6,462)	53,690
Office and commercial equipment	33,184	4,984	18,783	(5,610)	51,341
Motor vehicles	27,857	-	1,715	(153)	29,419
	934,297	242,428	77,070	(19,728)	1,234,067
Progress payments	247,584	(242,428)	3,675	-	8,831
	1,181,881	-	80,745	(19,728)	1,242,898
Accumulated depreciation					
Leasehold land and buildings	110,180	-	25,649	-	135,829
Office fittings and fixtures	13,226	-	973	(1,561)	12,638
Fixed ground support equipment	126,305	-	21,374	(5,864)	141,815
Mobile ground support equipment	50,836	-	1,948	(6,462)	46,322
Office and commercial equipment	23,315	-	5,424	(5,605)	23,134
Motor vehicles	24,411	-	1,456	(153)	25,714
	348,273	-	56,824	(19,645)	385,452
Net book value	833,608				857,446

The net book value of fixed assets under hire purchase amounted to approximately \$1,027,437 (2001:\$1,280,970).

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

17. FIXED ASSETS (IN \$ THOUSANDS) (cont'd)

	At 1.4.01	Reclassi- fications	Additions	Disposals	Transfer from subsidiary companies	At 31.3.02
Company						
Cost						
Leasehold land and buildings	547,233	174,480	27,702	-	17	749,432
Fixed ground support equipment	1,150	-	-	-	7	1,157
Mobile ground support equipment	14,972	-	-	(4,871)	26	10,127
Office and commercial equipment	2,227	351	1,324	(37)	638	4,503
Motor vehicles	5,593	-	-	-	31	5,624
	571,175	174,831	29,026	(4,908)	719	770,843
Progress payments	175,169	(174,831)	94	-	-	432
	746,344	-	29,120	(4,908)	719	771,275
Accumulated depreciation						
Leasehold land and buildings	109,340	-	25,478	-	17	134,835
Fixed ground support equipment	1,150	-	-	-	7	1,157
Mobile ground support equipment	14,807	-	31	(4,871)	26	9,993
Office and commercial equipment	744	-	787	(36)	638	2,133
Motor vehicles	5,555	-	13	-	31	5,599
	131,596	-	26,309	(4,907)	719	153,717
Net book value	614,748					617,558

	Group		Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Depreciation charge for the financial year				
Leasehold land and buildings	25,649	19,041	25,478	18,871
Office fittings and fixtures	973	1,141	-	-
Fixed ground support equipment	21,374	13,142	-	1
Mobile ground support equipment	1,948	1,603	31	30
Office and commercial equipment	5,424	3,686	787	701
Motor vehicles	1,456	1,372	13	8
	56,824	39,985	26,309	19,611

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

18. INVESTMENT IN SUBSIDIARY COMPANIES (IN \$ THOUSANDS)

	Company	
	31 March 2002	31 March 2001
Unquoted shares, at cost	37,275	36,015

The subsidiary companies are:

Name of companies (Country of Incorporation)	Principal activities (Place of business)	Cost to Company		Percentage of equity held	
		31 March 2002	31 March 2001	31 March 2002	31 March 2001
				%	%
Held by the Company					
SATS Airport Services Pte Ltd (Singapore)	Airport ground handling services (Singapore)	16,500	16,500	100	100
SATS Catering Pte Ltd (Singapore)	Inflight catering services (Singapore)	14,000	14,000	100	100
SATS Security Services Pte Ltd (Singapore)	Aviation security services (Singapore)	3,000	3,000	100	100
Aero Laundry and Linen Services Pte Ltd (Singapore)	Providing and selling laundry and linen services (Singapore)	2,515	2,515	100	100
Aerolog Express Pte Ltd (Singapore)	Air cargo delivery management services (Singapore)	1,260	-	70	-
Asia-Pacific Star Pte Ltd (Singapore)	Dormant (Singapore)	#	#	100	100
		37,275	36,015		

Denotes less than \$1,000.

19. LONG-TERM INVESTMENTS (IN \$ THOUSANDS)

	Group		Company	
	31 March 2002	31 March 2001	31 March 2002	31 March 2001
Unquoted equity investments at cost	7,886	15,434	7,886	15,434
Provision for impairment	-	(4,852)	-	(4,852)
	7,886	10,582	7,886	10,582

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

20. ASSOCIATED COMPANIES (IN \$ THOUSANDS)

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
Unquoted shares, at cost	96,519	47,309	96,519	47,309
Provision for impairment	(3,313)	(3,313)	(4,735)	(4,735)
Goodwill on acquisition	(9,324)	(739)	-	-
	83,882	43,257	91,784	42,574
Share of post-acquisition profits of associated companies	26,614	22,548	-	-
Share of statutory reserves of associated companies	822	626	-	-
Foreign currency translation adjustment	9,939	10,567	-	-
	37,375	33,741	-	-
Amounts receivable on :				
current account	297	503	273	346
loans due from associated companies	1,398	2,896	1,398	2,896
	122,952	80,397	93,455	45,816
Receivable within one year	(757)	(3,061)	(733)	(2,904)
	122,195	77,336	92,722	42,912

The loans due from associated companies bear interest between 3% and 19.453% (2001:3% and 12.6%) per annum. The loans are due from two associated companies, of which an amount of \$460,125 is due in July 2002 and the remaining amount of \$937,820 is payable by 30 April 2003.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

20. ASSOCIATED COMPANIES (IN \$ THOUSANDS) (cont'd)

The associated companies are:

Name of company (Country of Incorporation)	Principal activities (Place of business)	Cost to Company		Percentage of equity held	
		31 March 2002	2001	31 March 2002	2001
				%	%
Maldives Inflight Catering Private Ltd (Republic of Maldives)	Inflight catering services (Republic of Maldives)	287	287	35.0	35.0
Beijing Airport Inflight Kitchen Ltd (Peoples' Republic of China)	Inflight catering services (Peoples' Republic of China)	13,882	13,882	40.0	40.0
Beijing Aviation Ground Services Co Ltd (Peoples' Republic of China)	Airport ground handling services (Peoples' Republic of China)	5,710	5,710	40.0	40.0
AVISERV LTD (Ireland)	Inflight catering services (Pakistan)	3,313	3,313	49.0	49.0
Tan Son Nhat Cargo Services Ltd (Vietnam)	Airport ground handling services (Vietnam)	1,958	1,958	30.0	30.0
Asia Airfreight Terminal Co Ltd (Hong Kong)	Airport ground handling services (Hong Kong)	16,162	16,162	24.5	24.5
SERVAIR – SATS Holding Company Pte Ltd (Singapore)	Investment holding company (Singapore)	509	509	49.0	49.0
MacroAsia-Eurest Catering Services, Inc (Philippines)	Inflight catering services (Philippines)	2,027	2,027	20.0	20.0
Taj Madras Flight Kitchen Limited (India)	Inflight catering services (India)	1,901	1,901	30.0	30.0
Singapore Airport Duty-Free Emporium (Pte) Ltd (Singapore)	Dormant (Singapore)	1,560	1,560	24.0	24.0
Evergreen Airline Services Corporation (Taiwan)	Airport ground handling services (Taiwan)	4,893	-	20.0	-
Evergreen Air Cargo Services Corporation (Taiwan)	Air cargo handling services (Taiwan)	13,057	-	20.0	-
Taj SATS Air Catering Limited (India)	Catering services (India)	31,260	-	49.0	-
		96,519	47,309		

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

21. GOODWILL (IN \$ THOUSANDS)

	Group	
	31 March	
	2002	2001
At Cost		
Balance at beginning of the year	-	-
Goodwill on acquisition	8,585	-
Balance at end of the year	8,585	-
Accumulated amortisation		
Balance at beginning of the year	-	-
Charge for the year	429	-
Balance at end of the year	429	-
Net book value	8,156	-

22. LOAN TO THIRD PARTY

The loan to August Skyfreighter 1994 Trust is unsecured and bears interest between 2.28% and 4.23% (2001 : 5.77% to 7.29%) per annum. The loan is repayable on 28 March 2007.

23. TRADE DEBTORS (IN \$ THOUSANDS)

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
Trade debtors are stated after deducting provision for doubtful debts of	3,825	3,799	30	30
Analysis of the movements in provision for doubtful debts				
Balance at beginning of year	3,799	3,745	30	30
Charge to profit & loss accounts	26	54	-	-
Balance at end of year	3,825	3,799	30	30
Bad debts written off directly to profit and loss accounts	38	5	-	-

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

24. OTHER DEBTORS (IN \$ THOUSANDS)

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
Staff loans	5,263	6,632	5,230	6,608
Prepaid expenses	2,918	2,154	1,953	1,343
Sundry receivables	2,292	1,207	1,251	549
Tax recoverable	21,087	26,912	21,087	26,912
	31,560	36,905	29,521	35,412

25. RELATED COMPANIES (IN \$ THOUSANDS)

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
Deposits with immediate holding company	201,596	139,880	201,596	139,880
Amounts owing by/(to) immediate holding company	53,794	82,791	(302)	(750)
Amounts owing by/(to) related companies	38,339	1,727	(322)	(1,420)
Amounts owing by subsidiary companies	-	-	45,550	10,669
Deposits placed by subsidiary companies	-	-	(255,188)	(183,466)
	293,729	224,398	(8,666)	(35,087)
Disclosed as:				
Current assets	293,729	224,398	247,146	150,549
Current liabilities	-	-	(255,812)	(185,636)
	293,729	224,398	(8,666)	(35,087)

Deposits placed with the immediate holding company are available on demand and have interest rates ranging from 0.59% to 2.31% (2001: 1.81% to 2.88%) per annum.

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

The amounts owing by subsidiary companies are interest-free and have no fixed terms of repayment. The deposits placed by subsidiary companies bear interest rates ranging from 0.63% to 2.31% (2001 : 1.79% to 2.92%) per annum.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

26. STOCKS (IN \$ THOUSANDS)

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
Food supplies and dry stores	4,802	6,271	-	-
Technical spares	3,456	3,436	-	-
Stationery and office supplies	61	68	52	60
Uniforms	413	573	413	573
Fuel and oil	13	20	-	-
	8,745	10,368	465	633
Stocks are stated after deducting provision for stock obsolescence :				
Food supplies and dry stores	250	104	-	-
Technical spares	500	500	-	-
	750	604	-	-
Analysis of the movements in provision for stock obsolescence :				
Balance at beginning of year	604	450	-	-
Charge to profit and loss accounts	146	391	-	-
Written off against obsolete stocks during the year	-	(237)	-	-
Balance at end of year	750	604	-	-

27. OTHER CREDITORS (IN \$ THOUSANDS)

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
Tender deposits	1,194	1,341	358	630
Accrued expenses	11,650	14,558	10,862	13,853
Purchase of fixed assets	57,489	37,996	22,357	18,009
Hire purchase creditors (Note 16)	184	394	-	-
	70,517	54,289	33,577	32,492

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

28. EMPLOYEE BENEFITS

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
Number of employees at end of year	9,137	9,318	206	196
(in \$ Thousands)				
Staff costs (including executive directors) :				
- Salaries, bonuses and other costs	292,042	366,554	11,822	13,732
- Staff Provident Fund	32,261	40,058	1,139	1,417
	324,303	406,612	12,961	15,149

The SATS Employee Share Option Plan ("the Plan"), which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, grants non-transferrable options to selected employees. Options are granted for terms of 10 years to purchase the shares of the Company at an exercise price equivalent to the average of the last dealt prices of the Company's ordinary shares on the SGX-ST for the five consecutive market days immediately preceding the date of grant.

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

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

The Committee administering the Plan comprises the following directors as at the date of this report:

Richard Charles Helfer - Chairman
 Michael Tan Jiak Ngee
 Hong Hai

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

No employee has received 5% or more of the total number of options available under the Plan.

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

	Group	
	31 March	
	2002	2001
Outstanding at beginning of the year	32,452,600	18,703,600
Granted	16,784,200	14,788,900
Options not accepted	(1,434,000)	(652,300)
Options lapsed	(492,100)	(387,600)
Outstanding at end of the year	47,310,700	32,452,600
Exercisable at end of the year	17,959,200	275,150

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

28. EMPLOYEE BENEFITS (cont'd)

Details of share options granted during the financial year :

	Group	
	31 March 2002	2001
Expiry date	1.7.2011	2.7.2010
Exercise price	\$1.54	\$2.10
Aggregate proceeds if shares are issued	-	-

No share options were exercised during the financial year.

Terms of share options outstanding as at 31 March 2002 :

Exercise period	Exercise price	Number outstanding	Number exercisable
28.03.2001 to 27.03.2010	\$2.50	275,150	275,150
28.03.2002 to 27.03.2010	\$2.50	17,324,550	17,324,550
28.03.2003 to 27.03.2010	\$2.50	275,150	-
28.03.2004 to 27.03.2010	\$2.50	275,150	-
03.07.2001 to 02.07.2010	\$2.10	359,500	359,500
03.07.2002 to 02.07.2010	\$2.10	12,838,800	-
03.07.2003 to 02.07.2010	\$2.10	359,500	-
03.07.2004 to 02.07.2010	\$2.10	359,500	-
02.07.2002 to 01.07.2011	\$1.54	469,300	-
02.07.2003 to 01.07.2011	\$1.54	13,835,500	-
02.07.2004 to 01.07.2011	\$1.54	469,300	-
02.07.2005 to 01.07.2011	\$1.54	469,300	-
		47,310,700	17,959,200

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

29. CASH AND CASH EQUIVALENTS (IN \$ THOUSANDS)

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

	Group	
	31 March	
	2002	2001
Bank fixed deposits	46,208	24,048
Cash and bank balances	6,252	6,352
Deposits with immediate holding company (Note 25)	201,596	139,880
	254,056	170,280

(b) Analysis of capital expenditure cash flow:

	Group	
	31 March	
	2002	2001
Addition of fixed assets	80,745	126,051
Adjustment for fixed assets acquired under credit terms	(37,637)	(34,079)
Cash invested in fixed assets	43,108	91,972

30. RELATED PARTY TRANSACTIONS (IN \$ THOUSANDS)

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

	Group		Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Services rendered by:				
Immediate holding company	15,845	14,540	1,569	1,592
Subsidiary companies	-	-	207	669
Related companies	2,031	1,553	119	705
	17,876	16,093	1,895	2,966
Sales to:				
Immediate holding company	417,780	498,214	1,555	2,103
Subsidiary companies	-	-	60,583	47,928
Related companies	105,991	19,897	2,065	1,009
	523,771	518,111	64,203	51,040

Other transactions with related parties are disclosed in Notes 3, 5, 6 and 25.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

31. CAPITAL AND OTHER COMMITMENTS (IN \$ THOUSANDS)

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

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
Authorised and contracted for	17,991	112,021	3,082	45,927
Authorised but not contracted for	35,447	122,246	1,051	47,529
	53,438	234,267	4,133	93,456

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

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
2001-2002	-	2,392	-	2,200
2002-2003	2,190	2,392	1,998	2,200
2003-2004	2,392	2,392	2,200	2,200
2004-2005	2,392	2,392	2,200	2,200
2005-2006	2,392	2,392	2,200	2,200
Remaining years	41,532	41,535	37,828	37,831
	50,898	53,495	46,426	48,831

32. CONTINGENT LIABILITIES (IN \$ THOUSANDS)

(a) Contingent liabilities not provided for in the financial statements are as follows:-

	Group		Company	
	31 March		31 March	
	2002	2001	2002	2001
Guarantees given to banks in connection with credit facilities granted to an associated company	-	16,616	-	16,616
Bankers guarantee given with respect to securing work permits for foreign staff and their accommodation	165	325	165	325
	165	16,941	165	16,941

(b) A subsidiary of the Company has entered into a contract with a contractor to design, build and install certain fixed ground support equipment for an airfreight terminal. The contractor has made claims amounting to \$23 million against the subsidiary for additional work carried out during the installation of the fixed ground support equipment. The subsidiary has rejected these claims, and is currently in discussion with the contractor. The contractor may initiate arbitration proceedings against the subsidiary to claim for payments for these alleged additional works if the parties cannot reach a satisfactory settlement.

Based on legal and technical advice received and information presently available, the subsidiary believes that it has reasonable grounds to successfully resist these claims. Accordingly no provision has been made for these claims in the accounts of the subsidiary.

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

33. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group operates principally in Singapore and generates revenue mainly in Singapore dollars. The Group also has investments in associated companies that operate in 8 countries. The Group's operations carry certain financial and commodity risks, including the effects of changes in foreign exchange rates and interest rates. The Group's overall risk management approach is to minimise the effects of such volatility on its financial performance.

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

(b) Foreign Currency Risk

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

(c) Interest Rate Risk

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

The Group's interest-bearing assets and interest-bearing liabilities are predominantly denominated in SGD and USD.

(d) Counter-Party Risk

The Group's maximum exposure to credit risk in the event that counter-parties fail to perform their obligations as at 31 March 2002 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

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

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the group of counter-parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. As at 31 March 2002, the Group has trade receivables of \$53.8 million (2001:\$82.8 million) due from its immediate holding company, and has placed deposits of \$201.6 million (2001:\$139.9 million) with its immediate holding company.

(e) Liquidity Risk

As at 31 March 2002, the Group had at its disposal, cash and short-term deposits amounting to \$254.1 million (2001:\$170.3 million). In addition, the Group has available short-term credit facilities of approximately \$50 million (2001:\$50 million) from an open-ended revolving credit facility granted by a commercial bank. The Group also has an alternative facility to issue notes up to \$300 million (2001:\$300 million), with maturity dates between one month to ten years, under the Medium Term Note Programme.

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

(f) Derivative Financial Instruments

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

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

33. FINANCIAL INSTRUMENTS (cont'd)

(g) Fair values

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

	Total carrying amount		Aggregate net fair value	
	31 March		31 March	
	2002	2001	2002	2001
Financial liabilities				
Notes payable (in \$ Thousands)	200,000	200,000	201,252	200,000

The carrying values of the unquoted equity investments held as long-term investments are stated at cost of \$7,886,000 (2001 : \$10,582,000). The fair values of these investments are expected to be above their carrying values.

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

34. STATUTORY INFORMATION REQUIRED BY PARAGRAPH 7 OF THE NINTH SCHEDULE OF THE COMPANIES ACT, CAP. 50

Debts payable by and debts payable to the Company at the balance sheet date were as follows:

(in \$ Thousands)	Debts payable by the Company		Debts payable to the Company	
	31 March		31 March	
	2002	2001	2002	2001
Not later than two years	242,231	38,425	47,571	14,178
Later than two years but not later than five years	48,016	200,000	54,184	6,946
More than five years	-	47,398	-	47,398
	290,247	285,823	101,755	68,522

Debts payable by and debts payable to the Company include advances due to/from subsidiary companies.

35. SEGMENT REPORTING (IN \$ THOUSANDS)

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

35. SEGMENT REPORTING (IN \$ THOUSANDS) (cont'd)

The following tables present revenue and net income information for the Group's industry segments for the years ended 31 March 2001 and 31 March 2002 and certain asset and liability information regarding the Group's industry segments as at 31 March 2001 and 31 March 2002.

BY INDUSTRY

	Catering	Ground Handling/ Cargo	Others	Eliminations	Total
Financial year ended 31 March 2002					
Revenue					
External revenue	406,281	425,834	63,164	-	895,279
Inter-segment revenue	745	178	66,941	(67,864)	-
Total revenue	407,026	426,012	130,105	(67,864)	895,279
Operating profit	117,045	109,938	39,733	-	266,716
Interest income	1,725	1,473	4,235	(3,437)	3,996
Interest on borrowings	-	-	(9,375)	3,437	(5,938)
Gross dividends from long-term investment	615	-	-	-	615
Share of results of associated companies	4,835	17,648	3	-	22,486
Amortisation of goodwill	(429)	-	-	-	(429)
Profit before income tax	123,791	129,059	34,596	-	287,446
Tax expense	(28,397)	(31,556)	(14,706)	-	(74,659)
Net profit	95,394	97,503	19,890	-	212,787
As at 31 March, 2002					
Segment assets	531,470	661,410	163,893	-	1,356,773
Associated companies	64,019	65,435	1,654	-	131,108
Total assets	595,489	726,845	165,547	-	1,487,881
Total liabilities	41,673	39,329	292,146	-	373,148
Capital expenditure	14,780	62,933	3,032	-	80,745
Depreciation of fixed assets	23,039	31,161	2,624	-	56,824

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

35. SEGMENT REPORTING (IN \$ THOUSANDS) (cont'd)

BY INDUSTRY (cont'd)

	Catering	Ground Handling/ Cargo	Others	Eliminations	Total
Financial year ended 31 March 2001					
Revenue					
External revenue	412,413	418,040	56,703	-	887,156
Inter-segment revenue	365	173	53,224	(53,762)	-
Total revenue	412,778	418,213	109,927	(53,762)	887,156
Operating profit	93,342	81,302	23,597	(3,641)	194,600
Interest income	2,203	1,856	3,052	(4,208)	2,903
Interest on borrowings	-	-	(8,922)	4,208	(4,714)
Gross dividends from long-term investment	418	-	-	-	418
Share of results of associated companies	3,625	14,104	3	-	17,732
Profit before income tax	99,588	97,262	17,730	(3,641)	210,939
Tax expense	(21,924)	(17,938)	(451)	-	(40,313)
Net profit	77,664	79,324	17,279	(3,641)	170,626
As at 31 March, 2001					
Segment assets	525,179	608,682	114,962	-	1,248,823
Associated companies	32,433	46,343	1,621	-	80,397
Total assets	557,612	655,025	116,583	-	1,329,220
Total liabilities	68,609	63,306	296,022	-	427,937
Capital expenditure	61,842	62,802	1,407	-	126,051
Depreciation of fixed assets	19,479	18,091	2,415	-	39,985

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

35. SEGMENT REPORTING (IN \$ THOUSANDS) (cont'd)

BY GEOGRAPHICAL LOCATION

	Singapore	Overseas	Total
Financial year ended 31 March 2002			
Revenue	895,279	-	895,279
As at 31 March 2002			
Segment assets	1,304,782	51,991	1,356,773
Associated companies	175	130,933	131,108
Total assets	1,304,957	182,924	1,487,881
Capital expenditure	80,745	-	80,745
Financial year ended 31 March 2001			
Revenue	887,156	-	887,156
As at 31 March 2001			
Segment assets	1,211,798	37,025	1,248,823
Associated companies	172	80,225	80,397
Total assets	1,211,970	117,250	1,329,220
Capital expenditure	126,051	-	126,051

36. ADDITIONAL INFORMATION REQUIRED BY THE SGX-ST.

Directors' Remuneration

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

	The Company	
	2001-2002	2000-2001
\$500,000 and above	-	-
\$250,000 to \$499,999	-	-
Below \$250,000	7	7
	7	7

NOTES TO FINANCIAL STATEMENTS

31 March 2002 (In Singapore Dollars)

37. SUBSEQUENT EVENT

On 3 May 2002, the Singapore Finance Minister announced the revision in the Singapore corporate tax rate from 24.5% to 22.0%. The provisions for current and deferred tax in these financial statements have not been adjusted to reflect the change in the tax rate. Had they been adjusted, the provision for current tax for the Group and the Company would be reduced by approximately \$6.2 million and \$0.3 million respectively, and the provision for deferred tax for the Group and the Company would be reduced by approximately \$11.6 million and \$6.2 million respectively.

38. COMPARATIVE FIGURES

Certain comparative figures have been adjusted in order to provide proper comparison with the current year's presentation. The comparatives have been adjusted to take into account the requirements of the revised Statements of Accounting Standard.

ADDITIONAL INFORMATION

Required by The Singapore Exchange Securities Trading Limited

INTERESTED PERSONS TRANSACTIONS (IN \$ THOUSANDS)

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

Singapore Airlines Limited	16,443
SIA Engineering Company Limited	2,968
Invo-Tech Engineering Pte Ltd	1,773
Eagle Services Asia Pte Ltd	951
Changi International Airport Services Pte Ltd	516
SEMAC Pte Ltd	409
SilkAir Pte Ltd	234
Total interested person transactions	23,294

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

STATEMENT BY DIRECTORS

We, CHEONG CHOONG KONG and MICHAEL TAN JIAK NGEE, being two of the directors of SINGAPORE AIRPORT TERMINAL SERVICES LIMITED, do hereby state that in the opinion of the directors:

- a) the balance sheets, profit and loss accounts, statements of changes in equity and consolidated cash flow statement together with the notes thereto, set out on pages 61 to 93, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2002, the results and changes in equity of the Company and the Group, and the cash flows of the Group for the year then ended, and
- b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

CHEONG CHOONG KONG
Chairman

MICHAEL TAN JIAK NGEE
Deputy Chairman

Dated this 16th day of May, 2002
Singapore

AUDITORS' REPORT

to the Members of SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

We have audited the financial statements of Singapore Airport Terminal Services Limited set out on pages 61 to 93. These financial statements comprise the balance sheets of the Company and the Group as at 31 March 2002, the profit and loss accounts and statements of changes in equity of the Company and the Group, and the cash flow statement of the Group for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- a) the financial statements are properly drawn up in accordance with the provision of the Companies Act ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:-
 - i) the state of affairs of the Company and of the Group as at 31 March 2002, the results and changes in equity of the Company and of the Group, and the cash flows of the Group for the year then ended; and
 - ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements.
- b) the accounting and other records, and the registers required by the Act to be kept by the Company and those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

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

ERNST & YOUNG

Certified Public Accountants

Dated this 16th day of May, 2002
Singapore

HALF-YEARLY RESULTS OF THE GROUP

(In Singapore Dollars)

		First Half	Second Half	Total
Total Revenue				
2001-2002	(\$ million)	464.5	430.8	895.3
	(%)	51.9	48.1	100.0
2000-2001	(\$ million)	437.2	450.0	887.2
	(%)	49.3	50.7	100.0
Expenditure				
2001-2002	(\$ million)	326.9	301.7	628.6
	(%)	52.0	48.0	100.0
2000-2001	(\$ million)	332.8	359.8	692.6
	(%)	48.1	51.9	100.0
Operating Profit				
2001-2002	(\$ million)	137.6	129.1	266.7
	(%)	51.6	48.4	100.0
2000-2001	(\$ million)	104.4	90.2	194.6
	(%)	53.6	46.4	100.0
Profit Before Tax				
2001-2002	(\$ million)	148.7	138.8	287.5
	(%)	51.7	48.3	100.0
2000-2001	(\$ million)	112.9	98.0	210.9
	(%)	53.5	46.5	100.0
Profit Attributable to Shareholders				
2001-2002	(\$ million)	112.8	100.1	212.9
	(%)	53.0	47.0	100.0
2000-2001*	(\$ million)	92.8	77.8	170.6
	(%)	54.4	45.6	100.0
Earnings (after tax) per share				
2001-2002	(cents)	11.3	10.0	21.3
	(%)	53.1	46.9	100.0
2000-2001*	(cents)	9.3	7.8	17.1
	(%)	54.4	45.6	100.0

* Figures restated for comparative purpose as a result of compliance with revised/new Statements of Accounting Standard ("SAS") with effect from 1 April 2001.

FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

(In Singapore Dollars)

	2001-2002	2000-2001*	1999-2000	1998-1999	1997-1998
Profit and loss accounts (\$ million)					
Total revenue	895.3	887.2	790.2	746.1	726.5
Expenditure	628.6	692.6	608.8	586.6	602.0
Operating profit	266.7	194.6	181.4	159.5	124.5
Other income/(loss)	20.8	16.3	18.2	(20.8)	(8.5)
Profit before tax	287.5	210.9	199.6	138.7	116.0
Profit after tax	212.8	170.6	160.1	110.3	83.9
Profit attributable to shareholders	212.9	170.6	160.1	110.3	83.9
Balance sheets (\$ million)					
Paid-up capital	100.0	100.0	100.0	100.0	100.0
Distributable reserves	829.5	660.7	510.3	599.7	566.2
Non-distributable reserves	0.8	0.6	0.6	0.2	-
Shareholders' funds	930.3	761.3	610.9	699.9	666.2
Deferred taxation	113.3	102.4	81.2	69.9	62.1
Minority interests	0.5	-	-	-	-
Fixed assets	857.4	833.6	747.8	619.6	558.6
Loan to third parties	48.0	47.4	45.2	44.8	42.5
Associated companies	122.2	77.3	68.4	62.3	49.2
Long-term investments	7.9	10.6	7.9	7.9	7.9
Goodwill	8.2	-	-	-	-
Current assets	444.2	360.3	215.1	281.2	462.0
Total assets	1,487.9	1,329.2	1,084.4	1,015.8	1,120.2
Long-term liabilities	249.5	249.6	48.5	49.1	193.1
Current liabilities	194.3	215.9	343.8	196.9	198.8
Total liabilities	443.8	465.5	392.3	246.0	391.9
Net liquid assets/(liabilities)	253.5	172.2	(128.8)	119.5	170.0
Cash flow statement (\$ million)					
Cash flow from operations	222.8	237.0	241.0	176.7	168.8
Internally generated cash flow [Note 1]	239.6	246.6	247.0	177.8	172.0
Capital expenditures	80.7	126.1	166.7	103.2	88.5
Profitability Ratios (%)					
Return on shareholders' funds	25.2	25.0	24.4	16.2	12.8
Return on total assets	15.1	14.1	15.2	10.3	7.6
Return on turnover	23.8	19.2	20.3	14.8	11.6

FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

(In Singapore Dollars)

	2001-2002	2000-2001*	1999-2000	1998-1999	1997-1998
Productivity and Employee Data					
Value added (\$ million)	654.9	641.5	582.7	515.3	505.9
Value added per employee (\$)	70,973	70,141	65,303	56,788	55,177
Revenue per employee (\$)	97,028	96,989	88,554	82,220	79,239
Staff cost per employee (\$)	32,971	42,193	38,590	36,824	37,235
Average employee strength	9,227	9,147	8,923	9,075	9,169
Per Share Data (cents)					
Earnings before tax	28.8	21.1	20.0	13.9	11.6
Earnings after tax					
- Basic	21.3	17.1	16.0	11.0	8.4
- Diluted	21.3	17.1	16.0	11.0	8.4
Cash earnings [Note 2]	27.0	21.1	19.9	15.3	13.2
Net tangible assets	92.2	76.1	61.1	70.0	66.6
Dividends					
Gross Dividends (%) [Note 3]	60.0	60.0	198.0 #	110.0	88.0
Dividend cover (times)	4.6	3.9	1.1	1.4	1.3

* Figures restated for comparative purpose as a result of compliance with revised/new Statements of Accounting Standard ("SAS") with effect from 1 April 2001.

Notes:

1. Internally generated cash flow comprises cash generated from operations, dividends from associated companies, and proceeds from sale of fixed assets.
2. Cash earnings is defined as profit after tax plus depreciation and amortisation.
3. # include special dividend of 143% and tax exempt dividend of 5.8%.

INFORMATION ON SHAREHOLDINGS

As at 15 May 2002

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

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	%	Amount of Shareholdings	%
1 – 1,000	18,200	67.11	18,156,414	1.82
1,001 – 10,000	8,483	31.28	23,819,600	2.38
10,001 – 1,000,000	425	1.57	17,776,665	1.78
1,000,001 and above	11	0.04	940,247,321	94.02
Total	27,119	100.00	1,000,000,000	100.00

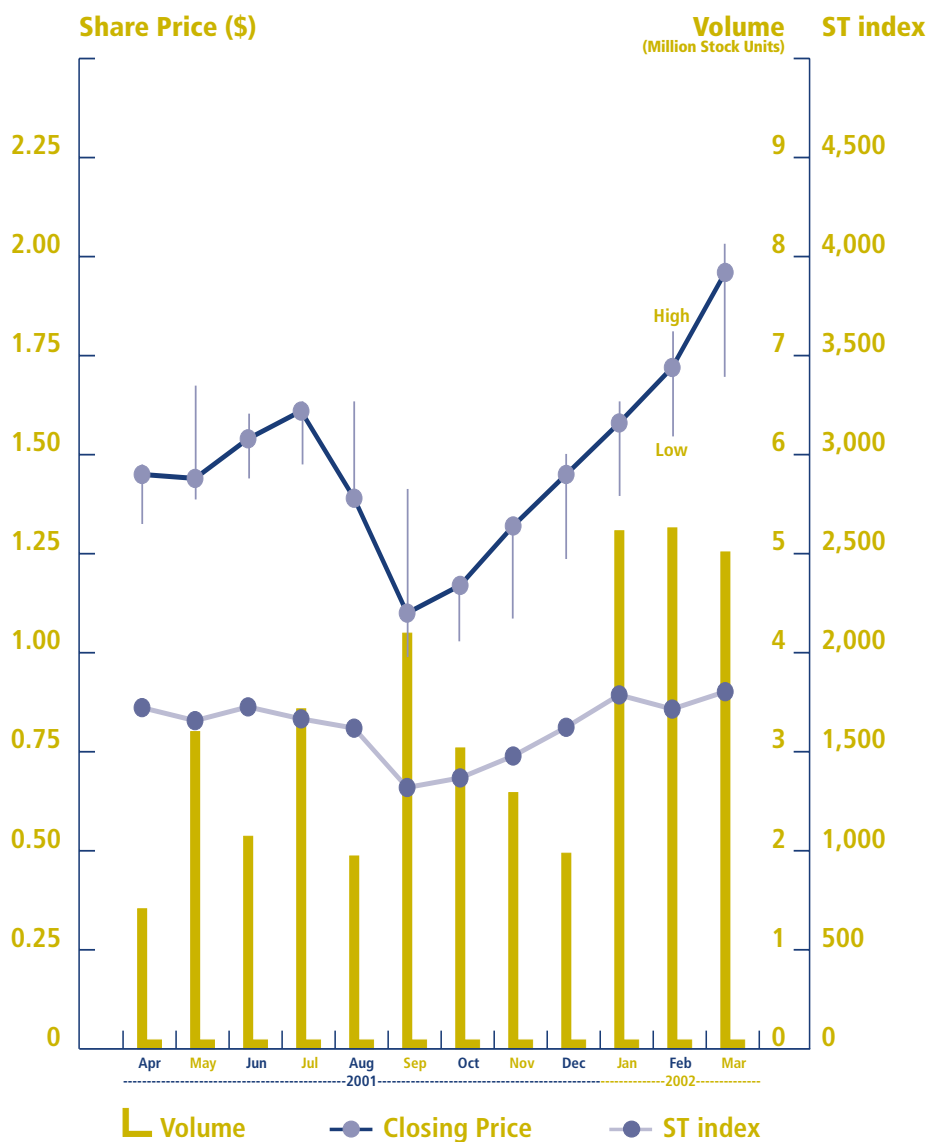
MAJOR SHAREHOLDERS

No.	Name	Number of Shares Held	%
1	Singapore Airlines Limited	870,000,000	87.00
2	DBS Nominees Pte Ltd	15,190,086	1.52
3	Raffles Nominees Pte Ltd	14,797,000	1.48
4	Citibank Nominees Singapore Pte Ltd	10,365,000	1.04
5	Oversea-Chinese Bank Nominees Pte Ltd	9,832,800	0.98
6	DB Nominees (S) Pte Ltd	6,769,035	0.68
7	United Overseas Bank Nominees Pte Ltd	5,764,400	0.58
8	Morgan Stanley Asia (S'pore) Sec Pte Ltd	3,134,000	0.31
9	J M Sassoon & Co (Pte) Ltd	1,806,000	0.18
10	NTUC Income Insurance Co-operative Limited	1,520,000	0.15
11	HSBC (Singapore) Nominees Pte Ltd	1,069,000	0.11
12	Overseas Union Bank Nominees Pte Ltd	836,000	0.08
13	Realty & Investment Holdings Pte Ltd	600,000	0.06
14	BNP Paribas Nominees Singapore Pte Ltd	476,000	0.05
15	OCBC Securities Private Ltd	439,000	0.04
16	Singapore Reinsurance Corporation Ltd - SIF General	380,000	0.04
17	UOB Kay Hian Pte Ltd	351,000	0.03
18	ABN Amro Nominees Singapore Pte Ltd	331,000	0.03
19	Phillip Securities Pte Ltd	287,465	0.03
20	W. Gan Sdn. Bhd.	286,000	0.03
	Total	944,233,786	94.42

SUBSTANTIAL SHAREHOLDERS (as shown in the Register of Substantial Shareholders)

No.	Name	Direct Interest	Indirect interest	Total Interest	%
1	Temasek Holdings (Private) Limited	-	870,210,000	870,210,000	87.02
2	Singapore Airline Limited	870,000,000	-	870,000,000	87.00

SHARE PRICES AND TURNOVER



	2001-2002	2000-2001
Share Price (\$)		
Highest Closing Price	2.01 (22 Mar 2002)	2.40
Lowest Closing Price	1.01 (20 Sep 2001)	1.39
31 March Closing Price	1.96	1.41
Market Value Ratios*		
Price/Earnings	9.21	8.26
Price/Book value	2.11	1.85
Price/Cash Earnings#	7.26	6.69

Notes:

* Based on closing price on 31 March

Cash earnings is defined as profit after tax plus depreciation and amortisation

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of the Company will be held at the Ballroom I and II, 3rd Level, Singapore Marriott Hotel, 320 Orchard Road, Singapore 238865, on Tuesday 9 July 2002 at 10.00 am to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 March 2002 and the Auditors' Report thereon.
2. To declare a final dividend of 40% or 4 cents per share less income tax of 22% for the year ended 31 March 2002.
3. To re-elect Mr Michael Tan, who will retire by rotation in accordance with Article 83 of the Company's Articles of Association and who, being eligible, will offer himself for re-election as Director.
4. To re-elect Mr Richard Helfer, who will retire by rotation in accordance with Article 83 of the Company's Articles of Association and who, being eligible, will offer himself for re-election as Director.
5. To re-elect Dr Hong Hai, who will retire by rotation in accordance with Article 83 of the Company's Articles of Association and who, being eligible, will offer himself for re-election as Director.
6. To re-elect Dr Ow Chin Hock in accordance with Article 90 of the Company's Articles of Association.
7. To re-elect Mr Jimmy Phoon in accordance with Article 90 of the Company's Articles of Association.
8. To re-appoint Messrs Ernst & Young as Auditors of the Company to hold office until the next Annual General Meeting and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

ORDINARY RESOLUTIONS

9. To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:
 - 9.1 "To approve payment of Directors' Fees of \$266,256.79 (2001:- \$327,120.54) for the year ended 31 March 2002."
 - 9.2 "That subject to the Companies Act (Cap. 50) and the Articles of Association of the Company and the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be and are hereby authorised pursuant to Section 161 of the Companies Act (Cap 50), to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, **PROVIDED ALWAYS THAT** the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per cent of the total issued share capital of the Company for the time being, of which the aggregate number of shares that may be issued other than on a pro rata basis to existing shareholders shall not exceed 20 per cent of the total issued share capital of the Company for the time being, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law or the Articles of Association of the Company to be held, whichever is the earlier."
 - 9.3 "That the Board of Directors of the Company be and is hereby authorised to offer and grant Options in accordance with the provisions of the SATS Employee Share Option Plan (the "Plan") and to allot and issue from time to time such number of ordinary shares of \$0.10 each in the capital of the Company as may be required to be issued pursuant to the exercise of the Options under the Plan, **PROVIDED ALWAYS THAT** the aggregate number of ordinary shares to be issued pursuant to the Plan shall not exceed 15 per cent of the total issued share capital of the Company from time to time."

NOTICE OF ANNUAL GENERAL MEETING

- 9.4 “That, for the purposes of Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited:-
- (a) approval be and is hereby given, for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out in the Company’s Mandate for Interested Person Transactions approved at the Extraordinary General Meeting of the Company held on 7 July 2001 (“IPT Mandate”), with any party who is of the class of Interested Persons described in the IPT Mandate, **PROVIDED ALWAYS THAT** such transactions are made at arm’s length and on normal commercial terms;
 - (b) such approval shall, unless revoked or varied by the Company in General Meeting, continue in force until the next Annual General Meeting of the Company; and
 - (c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation executing all such documents as may be required), as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorized by the IPT Mandate and/or this Resolution.”
10. To transact any other business which may arise and can be transacted at an annual general meeting.

NOTICE IS HEREBY GIVEN THAT, subject to approval being obtained at the 29th Annual General Meeting of the Company for the declaration of the final dividend which will be paid on 26 July 2002, the Transfer Books and Register of Members of the Company will be closed on 16 and 17 July 2002 for the preparation of dividend warrants.

Duly completed and stamped transfers received by the Company’s Share Registrars, KPMG, at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 pm on 15 July 2002 will be registered to determine shareholders’ entitlement to the proposed final dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 pm on 15 July 2002 will be entitled to the proposed final dividend.

By order of the Board

Annabelle Yip
Company Secretary

Dated this 5th day of June 2002
Singapore

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON ORDINARY BUSINESS RESOLUTION NOS. 3 TO 7 AND SPECIAL BUSINESS TO BE TRANSACTED

- i. In relation to Ordinary Business Resolutions Nos. 3 to 5, Mr Michael Tan will upon re-election continue to serve as Deputy Chairman of the Company and as a member of the SATS Board Committee and Remuneration Committee. Mr Richard Helfer will upon re-election continue to serve as the Chairman of the Remuneration Committee. Dr Hong Hai will upon re-election continue to serve as a member of the Remuneration Committee and Audit Committee. The Nominating Committee and the Board consider Mr Tan as a non-independent Director and Mr Helfer and Dr Hong as independent Directors. Please refer to the sections on Board of Directors and Corporate Governance in the SATS Annual Report for FY 2001-02 for more information relating to Mr Tan, Mr Helfer and Dr Hong.
- ii. In relation to Ordinary Business Resolutions Nos. 6 and 7, please refer to the sections on Board of Directors and Corporate Governance in the SATS Annual Report for FY 2001-02 for more information relating to Dr Ow and Mr Phoon. The Nominating Committee and the Board consider Mr Phoon as a non-independent Director and Dr Ow as an independent Director.
- iii. Ordinary Resolution No. 9.1 is to approve the payment of Directors' Fees of \$266,256.79 (2001:- \$327,120.54) for the year ended 31 March 2002, for services rendered by Directors on the Board as well as various Board Committees.
- iv. Ordinary Resolution No. 9.2 is to empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to issue shares in the Company. The number of shares which the Directors may issue under this Resolution will not exceed 50 per cent of the issued share capital of the Company for the time being. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed 20 per cent of the total issued share capital of the Company for the time being.
- v. Ordinary Resolution No. 9.3 is to authorise the Directors to offer and grant options in accordance with the provisions of the Company's Employee Share Option Plan (the "Plan") and to allot and issue shares under the Plan. The modified and restated Plan was approved at the Extraordinary General Meeting of the Company held on 7 July 2001.
- vi. Ordinary Resolution No. 9.4 is to renew the modified and restated Shareholders' Mandate for Interested Person Transactions ("IPT Mandate") approved at the Extraordinary General Meeting of the Company held on 7 July 2001, authorizing the Company, its subsidiaries and target associated companies or any of them to enter into certain types of transactions with certain interested persons, as specified in the IPT Mandate.

NOTES

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

