

## Key Figures

FY 2009-10

Revenue

**\$1,538.9m**

+45%

Economic Value Added

**\$67.2m**

+156%

Operating Profit

**\$184.4m**

+8%

Dividend Per Share

**13¢**

+30%

PATMI

**\$181.2m**

+23%

Dividend Payout Ratio

**78.1%**

+4.6PPT

Free Cashflow

**\$190.1m**

+22%

Earnings Per Share

**16.7¢**

+23%

Total Assets

**\$1,909.1m**

-7%

Return On Equity

**12.6%**

+2.1PPT



# Creating Sustainable Value

At SATS, we continue to drive excellence in our operations and processes, while strengthening our core capabilities in Gateway Services and Food Solutions to create sustainable value for our shareholders.

**Left page:**

Premium passengers of our airline customers can enjoy the exclusivity and convenience of checking in at SATS Premier Check-in Lounges.

**Right page:**

Tempting treats from UK's Farmhouse Fare, renowned for its delicious range of traditional puddings made from fresh, quality ingredients.



# Enriching Relationships

It has always been our founding belief to grow with our customers, deliver superior value propositions and enable their success, as it in turn enables ours.

**Left page:**

SFI has been providing hearty and wholesome meals to the Singapore Armed Forces since 1986.

**Right page:**

Providing personalised care and attention, our frontline staff strive to create a distinctive and enjoyable experience for every passenger.







# Inspiring Innovation

Innovation is the cornerstone of our continued success. We encourage creativity amongst our people and bring their passionate ideas to life with the creation of new services and products.

**Left page:**

Delivering quality food and service is part of Country Foods' drive to establish a unique offering in the area of hospital catering.

**Right page:**

Bringing freshness to the table, Coolport@Changi is the first on-airport facility to offer a secure cold chain for premium perishables including live and chilled seafood, chilled meat and temperature-sensitive pharmaceuticals.



# Enabling Growth

We are poised to leverage on our core competencies to grow both organically and inorganically, in and outside of Singapore to deliver sustained profitability.

**Left page:**

From chilled soups and juices to fresh cut fruits, ready meals and desserts, Daniels Group continues to increase trading volumes with the major retailers in the UK.

**Right page:**

Working in tandem, we aim to delight users and exceed our customers' expectations.







## Chairman's Statement

### Dear Shareholders,

FY2009-10 has been a remarkable year for SATS for a number of reasons. We grew financially as our people continued to drive growth and delivered a strong set of financial results despite the economic downturn. We successfully acquired Singapore Food Industries (SFI) and have substantially completed the integration of this significant business unit into our Food Solutions division. We renewed our ground and cargo handling, airline catering and aviation security contracts with our major customer. We also continued to strengthen our pillars in Gateway Services and Food Solutions in preparation for the aviation upturn and for future growth.

### Performance Review

The global economic downturn brought uncertainty to all sectors of the global market place, not least of all the economic bell-weather that is aviation. A core part of our business is in aviation and the myriad of news reports and analysis, especially in the first half of the financial year, painted a bleak picture.

However, that picture was not bleak for SATS. In fact, our business has continued to grow during the year, with the addition of new customers and business partners, the extension of service agreements with our existing customers as well as access to new opportunities, particularly in the tourism and hospitality sectors, through the strengthening of our core competencies in Gateway Services and Food Solutions.

In FY2009-10, SATS reported a good set of results, underpinned by the consolidation of SFI for the full 12 months. Despite a 5.4% dip in aviation revenue, our operating revenue rose 44.9% over the year before to \$1.54 billion while operating profit increased 7.9% to \$184.4 million.

Better performance reported by our ground handling associates, especially those in Indonesia and Hong Kong, saw contribution from our overseas associates jump 88.7% to \$41.9 million. Consequently, our profit before tax grew 21.5% year-on-year to \$223.0 million while our net profit attributable to equity holders rose 23.5% to \$181.2 million.

In view of our financial performance and capital structure, the Board has recommended a final dividend of 8 cents per share. Including the interim dividend paid earlier on 25 November 2009, the proposed total dividend will be 13 cents per share, compared to 10 cents per share paid in FY2008-09. This represents a dividend payout ratio of 78.1% of net profit attributable to equity holders, up from 73.5% in FY2008-09. The final dividend, upon shareholders' approval at the forthcoming annual general meeting of the Company, will be paid on 18 August 2010.

### Business Review

#### Gateway Services

For the year in review, SATS continued to handle about 80% of the scheduled flights at Singapore Changi Airport. Our strategic partnership with our major customer, Singapore Airlines (SIA), has gone from strength to strength, resulting in the renewal of several significant contracts at Singapore Changi Airport. These included the signing of comprehensive ground handling, cargo handling and aviation security contracts with SIA.

Despite the change in our parentage from SIA, we continue to drive a close association with SIA and we are grateful to SIA for its continued support and guidance.

Other contracts secured and renewed at Singapore Changi Airport included ground and cargo handling for China Eastern Airlines, Japan Airlines, Royal Brunei Airlines and Swiss World Cargo.

These contract awards are an independent affirmation of SATS' competitiveness and a testament to the strong ongoing relationships we hold with our customers.

SATS is well positioned for its future at Singapore Changi Airport and beyond. While news of the third entrant into ground handling has yet to be announced, we welcome new competition and believe our achievements with SIA and many other airline customers at Singapore Changi Airport will serve us well as the local market opens up. Furthermore, through our low-cost unit Asia-Pacific Star, we are able to effectively serve the fastest growing segment in the aviation sector.

“Today, SATS is poised to leverage on its core competencies in Gateway Services and Food Solutions to grow and become a key service provider in the hospitality and tourism sectors across the regions.”

In our aspiration to help reinforce Singapore’s position as the leading aviation hub, we introduced two key initiatives during the year. Coolport @ Changi, the first on-airport facility for handling terminal and transit perishables cargo, was launched in August 2009 with an ambition to become the preferred transshipment hub for perishables cargo in Asia.

Costing approximately \$16 million to build, this new facility – with an annual operating capacity of about 250,000 tonnes – will offer multi-tiered zones with different temperatures to handle urgent medical cargo, pharmaceutical products and commodities such as live seafood, ornamental fish and meats. It will also present our airline customers with the opportunity to access a new revenue source.

In January 2010, we launched the ONE! Service initiative together with the new uniform for our frontline staff. Through ONE! Service, which stands for “Outstanding aNd Exceptional Service”, we aim to drive a positive service culture amongst our frontline staff who are key touch points for passengers flying into Singapore Changi Airport.

On the non-aviation side, SATS has benefited from the recent transformation of Singapore’s tourism and hospitality landscape. The launch of the two Integrated Resorts in Singapore has presented new opportunities for SATS. During the year, we were awarded a contract by Resorts World Sentosa to provide armed security services at the resort.



## Chairman's Statement

### PATMI

# \$181.2m

## +23%

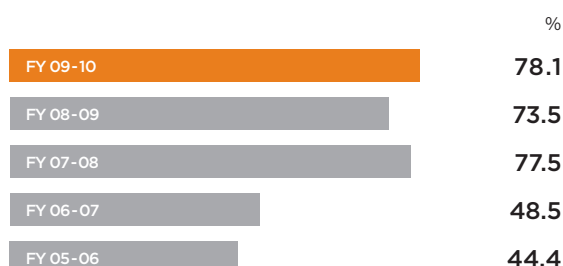


### Dividend Payout Ratio

Excludes special dividend

# 78.1%

## +4.6PPT



### Food Solutions

The acquisition of SFI has strengthened SATS' ability to weather the economic turbulence, as it is both accretive to our earnings and cash generation. We now have a Food Solutions business that enables us to access new geographical markets and customer segments. Our overseas presence has increased considerably, with the Daniels Group accounting for nearly a quarter of our operating revenue.

At the close of FY2009-10, we had substantially completed the integration of SFI and attained meaningful cost savings of \$7 million per annum. We expect the cost savings to reach more than \$12 million per annum as we progressively complete the various integration projects across the Food Solutions division.

On the aviation Food Solutions side, SATS serves 85% of the scheduled flights at Singapore Changi Airport. During the year in review, we renewed airline catering contracts with SIA, our major customer, as well as with China Eastern Airlines and Tiger Airways.

The launch of the Integrated Resorts has also benefited our non-aviation Food Solutions business as we signed a meat supply contract with Marina Bay Sands and another with Resorts World Sentosa to provide flat sheet laundry services.

In the area of events catering, we won a contract to cater meals for athletes and games officials at the first Asian Youth Games held in Singapore in June-July 2009. In the area of hospital catering, we added St Andrew's Community Hospital to our customer list and also worked closely with our existing customer, the National University Hospital, to develop new menus for its in-patient meals.

Abroad, our UK subsidiary Daniels Group performed well in FY2009-10. It saw a 6.4% increase in sales in sterling terms, with chilled soup and ready meals each contributing 28% and chilled juices contributing 25% to its revenue.

During the year, Daniels secured new contracts with major customers such as Sainsbury's and Coop, and also added Minor Weir & Willis and UFC as its new customers in the foodservice segment.

### Recognition for good service

Our success in working with our customers and delivering good service was reflected in the following awards we won:

- 'Air Cargo Terminal Operator of the Year (Asia Pacific)' in the 2009 Frost and Sullivan Asia Pacific Transportation and Logistics Awards;



- 22 Star Awards, 8 Gold Awards and 18 Silver Awards at the SPRING Singapore’s Excellent Service Awards 2009; and
- 60 awards at the Singapore Airlines Transforming Customer Services Awards which recognised our frontline staff for service excellence.

### Looking Ahead

With the current economic rebound in Asia, including Singapore, the aviation industry appears to be on the path to recovery. Across the regions, we expect to see an improvement in our activity levels in the new financial year as airlines gradually reinstate capacity with increased flights and cargo throughput. We expect our activity levels to surpass those seen before the downturn by the end of this financial year, barring any unforeseen circumstances.

More importantly, we remain strongly committed to our philosophy of embracing customer intimacy by developing innovative propositions for our customers. We continue to look for growth opportunities, both organic and inorganic, in and outside of Singapore to deliver sustained profitability. To this end, we have put in place a new \$500 million multi-currency medium term note programme to provide access to alternative sources of funds should compelling opportunities arise.

Today, SATS is poised to leverage on its core competencies in Gateway Services and Food Solutions to grow and

become a key service provider in the hospitality and tourism sectors across the regions.

In the area of Gateway Services, plans are already underway to launch new products and services, on-and off-airport. We are assessing opportunities at home for expansion into new gateways that will leverage on our core competence in facilitating people movements.

Overseas, we continue to explore new locations in Asia and the Middle East via strategic partnerships to grow our presence and serve our key customers in more locations. I am pleased to note that we have recently signed an agreement with our partner, Air India, to form a single 50:50 joint venture (JV) company, Air India SATS Airport Services (AISATS). With a legal entity now in place to house both partners’ three existing ground and cargo handling JVs in Bangalore and Hyderabad, we are able to start recognising profit contribution from our ground handling operations in India in this new financial year. At the same time, we also look forward to deepening our presence in India to serve our key customers at more locations, as well as new customers.

In the area of Food Solutions, we see numerous exciting opportunities that could potentially expand our customer list and deepen our relationships with existing customers. Our target customers are in these five segments, namely carriers, government agencies, retail, hotels/resorts and institutions.

## Chairman's Statement



In Singapore, we will continue to work on new contracts for catering and supply of food materials, while strengthening our product categories. We also look to broaden our food sources and to this end, I am happy to inform you that our subsidiary SFI has just entered into a JV agreement to set up a modern, integrated pig farm in China in Yongji County, Jilin Province over six years. This integrated pig farm, which will have an eventual annual production of 1 million pigs, will enable SFI to diversify its sources of pork supply as it plans to market and distribute the meat products in Singapore as well as in China and other overseas markets.

Abroad, we remain steadfast in growing our global service network in key aviation hubs in the UK, Middle East and Hong Kong, via strategic acquisitions and joint ventures. Daniels Group, our UK subsidiary, is keenly looking at new product launches and at strengthening its existing brands via acquisitions.

Last but not least, we strive to continue improving our productivity and operational excellence across the group. It is of paramount importance that we develop our people, help them grow with the organisation, and ensure that they continue to find SATS a satisfying place to work in.

### Acknowledgement

On behalf of the Board, I would like to extend my gratitude to our management, union and all of our staff – who work hard every day with dedication, loyalty and momentum to help continue to drive our business and deliver enviable results. As I have stated before, we are nothing without our people and during these turbulent economic times, our gratitude to our people cannot be overstated.

I also wish to thank my fellow members of the Board for their support, contribution and good counsel. They have done an excellent job in skillfully directing the Company in this turbulent period.

Finally, to our Shareholders, thank you for your continued confidence and support. We look forward to more dialogue with you as we continue to grow and evolve, and welcome your feedback and insight as always.

**Edmund Cheng Wai Wing**

Chairman

1 June 2010

## Significant Events

### 2009

**17 April 2009**

SATS announced the completion of its compulsory acquisition and delisting of SFI.

**11 May 2009**

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

We renewed our comprehensive ground handling and inflight catering contracts at Singapore Changi Airport with Singapore Airlines (SIA).

**23 July 2009**

SATS was named Air Cargo Terminal Operator of the Year (Asia-Pacific) at the 2009 Frost & Sullivan Asia Pacific Transportation & Logistics Award.

**27 July 2009**

We reported higher net profit of \$40.4 million for the first quarter of FY2009-10, up 17.1% from a year ago.

**17 August 2009**

We renewed our comprehensive cargo contract with SIA Cargo at Singapore Changi Airport.

**18 August 2009**

SATS announced the launch of Coolport @ Changi, Singapore's first on-airport perishables handling centre.

**7 October 2009**

We were conferred the Merit Award under the Singapore Corporate Governance category at the 2009 Securities Investors Association Singapore Investors' Choice Awards.

**15 October 2009**

We welcomed Mr David Heng Chen Seng as our new Director.

**22 October 2009**

Our interim net profit rose 21.5% to \$81.3 million.

**1 November 2010**

The Board Risk Committee was formed to oversee the safety and risk management activities of SATS.

**26 November 2009**

We won a total of 48 awards at the annual national Excellent Service Awards (EXSA) organised by SPRING Singapore to recognise service providers for their outstanding contributions.

### 2010

**5 January 2010**

SATS launched the ONE! Service initiative together with a new uniform design for its frontline staff to improve service standards and enhance the passenger experience at Singapore Changi Airport.

**21 January 2010**

We officially launched our first branded chocolate outlet, Jewels Artisan Chocolate, to showcase our expertise in chocolate confectionery.

**5 Feb 2010**

We reported higher net profit of \$53.4 million for the third quarter of FY2009-10, representing an increase of 42% year-on-year.

**16 April 2010**

SATS and Air India signed an agreement to form a single 50:50 joint venture company, Air India SATS Airport Services Private Limited, that would serve as the vehicle to house their three existing ground and cargo handling joint ventures in Bangalore and Hyderabad.

**27 April 2010**

We were awarded a technical ramp licence by Changi Airport Group.

**5 May 2010**

Our full-year net profit grew 23.5% to \$181.2 million for the financial year ended 31 March 2010.

**21 May 2010**

Our wholly-owned subsidiary, SFI, signed a joint venture agreement with Jilin China-Singapore Food Zone Development Construction Investment Co. Ltd and DaChan Food (Asia) Co. Ltd to set up an integrated pig farm in Yongji County, Jilin Province, China.

## Board of Directors





**1. Mr Edmund Cheng Wai Wing, 57**  
Chairman

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

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

Mr Cheng was conferred "Officier de l'Ordre des Arts et des Lettres" by the

Government of Republic of France in March 2009. For his contributions to public service, he was awarded the Outstanding Contributor to Tourism Award in 2002 and the Public Service Star Award (BBM) in 1999 by the Singapore Government.

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

Past principal directorships or appointments in the preceding three years: SNP Corporation Limited; DesignSingapore Council.

**2. Mr David Zalmon Baffsky, 68**  
Director

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

Mr Baffsky is the Chairman of Ariadne Australia Limited and is a director and the founder of Tourism Asset Holdings Limited, the largest hotel owning company in the Pacific.

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

Mr Baffsky previously served on the Singapore Tourism Board and other major government and industry bodies in the Asia Pacific region.

He continues to be a member of a number of government and industry bodies in diverse areas, including being actively involved in the Art Gallery of New South Wales and in national security and indigenous affairs being a Director of the Federal Government's Indigenous Land Corporation. More recently, he was appointed to the Board of the Sydney Olympic Park Authority in December 2009.

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

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

Past principal directorships in the preceding three years include KSW Properties Pty Limited and Reef Corporate Services Limited.

**3. Mr David Heng Chen Seng, 43**  
Director

Mr Heng is a Managing Director for Investment at Temasek Holdings (Private) Limited (Temasek), a position he has held since November 2006. Mr Heng has more than 16 years of experience in corporate finance and investment banking. Prior to joining Temasek in November

## Board of Directors

2003, he was with Deutsche Bank AG as its Vice President of Investment Banking from 1998 to 2003.

Mr Heng holds directorships in several companies including Cavanagh Investments Pte. Ltd., Duxton Investments Pte. Ltd. and Perikatan Asia Sdn. Bhd.

He graduated from the University of Canterbury, New Zealand with a Bachelor of Engineering degree. He holds a Masters of Business Administration degree from the University of Hull, UK.

Past principal directorships in the preceding three years: Bugis Investments (Mauritius) Pte Ltd; Sorak Financial Holdings Pte Ltd; Olyn Investments Limited.

#### 4. Mr Khaw Kheng Joo, 61 Director

Mr Khaw is a business consultant and was, until 31 August 2009, the Chief Executive Officer and Director of Mediaring Ltd. He started his working career with Hewlett Packard Company (HP) and spent a total of 26 years with the company in various technical and managerial positions. His last assignment there was General Manager of the PDA Division. He left HP in 1999 to become the President of Omni Electronics (S) Pte. Ltd. Before joining Mediaring Ltd, he was Senior Vice President of Celestica Inc., which acquired Omni Electronics Limited.

Mr Khaw was a former board member of the Economic Development Board and served on the advisory council of Singapore Polytechnic's Business School till the end of 2009.

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

Past principal directorships in the preceding three years: Senoko Power Limited; Mediaring Ltd.

#### 5. Dr Rajiv Behari Lall, 52 Director

Dr Lall is the Managing Director and Chief Executive Officer of Infrastructure Development Finance Company Ltd (IDFC). He was named to his position in January 2005. Dr Lall is also a director on the boards of the National Stock Exchange of India Ltd, National Securities Depository Ltd., and a number of companies within the IDFC Group.

Dr Lall has over two decades of experience with leading global investment banks, multilateral agencies and academia. His areas of expertise include project finance, private equity/venture capital, international capital markets, trade and macroeconomic policy issues with a focus on India and China.

Prior to joining IDFC, Dr Lall was variously, a Partner with Warburg Pincus in New York, Head of Asian Economic Research with Morgan Stanley Asia Limited, Economist with the World Bank, Washington DC and the Asian Development Bank, Manila, Philippines and a member of the

Economics faculty of Florida Atlantic University.

Dr Lall has a Bachelor of Arts in Politics, Philosophy and Economics from Oxford University and a Ph.D. in Economics from Columbia University.

Dr Lall has a number of publications to his credit and is fluent in French.

#### 6. Mr Mak Swee Wah, 49 Director

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

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

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

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

**7. Mr Ng Kee Choe, 65**  
Director

Mr Ng is the Chairman of Singapore Power Limited. He is also the Chairman of SP Ausnet<sup>#</sup>. His other current directorships include being Chairman of NTUC Income Insurance Co-Operative Ltd, Director of Singapore Exchange Limited and Capitaland Limited, and President Commissioner of PT Bank Danamon Indonesia Tbk. He is also a member of the Temasek Advisory Panel of Temasek Holdings (Private) Limited and the International Advisory Council of China Development Bank as well as Chairman of Tanah Merah Country Club.

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

For his contributions to the public service, Mr Ng was conferred the Public Service Star Award in 2001. Mr Ng graduated with a Bachelor of Science (Honours) degree from the University of Singapore.

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

**8. Mr Keith Tay Ah Kee, 66**  
Director

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

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

Mr Tay was the Vice Chairman of the Singapore Institute of Directors from 1998 to 2009, and now serves as a council member. A board member of the Singapore International Chamber of Commerce since 1985, he was Chairman of the Chamber from 1995 to 1997. He holds directorships in various listed companies including Singapore Post Limited, Singapore Reinsurance Corporation Ltd and FJ Benjamin Holdings Ltd.

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

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

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

**9. Mr Yeo Chee Tong, 50**  
Director

Mr Yeo is the President and Chief Executive Officer of Toppan Leefung Pte. Ltd., previously known as SNP Corporation Pte. Ltd., (which was formerly listed on the Singapore Exchange Securities Trading Limited). He sits on the boards of Toppan Leefung Pte. Ltd. and that of various other companies within the Toppan Leefung Group.

He was formerly with Singapore Computer Systems Ltd and ST Telemedia Pte Ltd before joining Toppan Leefung as its Vice President (Development) and subsequently as its President and Chief Executive Officer in 2000.

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

## Board of Directors

### Proposed New Director



#### **Mr Nihal Vijaya Devadas Kaviratne CBE, 66**

Mr Kaviratne's career with the Unilever Group spanned 40 years during which he held various senior level management positions in sales, marketing, brand and strategic planning and development, and as Chairman/CEO across Asia, Europe and Latin America. He retired from Unilever in March 2005.

Mr Kaviratne serves as an independent, non-executive director in various listed Indian companies including Agro Tech Foods Limited, Akzo Nobel India Limited, GlaxoSmithKline Pharmaceuticals Ltd, and Titan Industries Limited. He is also an independent, non-executive director of StarHub Limited and Wildlife Reserves Singapore. He is Advisor to Fullerton Financial Holdings Singapore and President Commissioner of PT. TVS Motor Company Indonesia.

He was chosen by Business Week in 2002 for the Stars of Asia Award as one of the '25 leaders at the

forefront of change'. Cited in the Queen's 2004 New Year Honours List in the UK, Mr Kaviratne has been awarded Commander of the British Empire (CBE) for services to UK business interests and sustainable development in Indonesia.

He has a keen interest in programmes for community development, health and education. He is a Governing Board member of the non-profit organization The Bombay Mothers and Children Welfare Society, Chairman of the Indian Cancer Society, and the Founder of the St Jude India Childcare Centres in Mumbai. He was the Founder President of the International Wine & Food Society, Bombay Branch, and is a Chevalier du Tastevin.

Mr Kaviratne holds a Bachelor of Arts (Honours) with a major in Economics from Bombay University, and attended the Advanced Management Programme at Harvard Business School and the Advanced Executive Programme at the Kellogg School of Management, Northwestern University, USA.

## CEO's Statement

### Dear Shareholders,

SATS' results for FY2009-10 were positively impacted by two major developments, namely the grants under the Jobs Credit Scheme and the consolidation of Singapore Food Industries (SFI). On the other hand, our aviation business was affected by capacity cuts as well as price and cost actions initiated by the airlines to improve their load factors and yields. Even as there were signs of an aviation recovery towards the third quarter of the financial year, volumes were below that of the preceding year. The silver lining was that a bottom had been reached and the industry was en route to recovery. Therefore, in spite of the weak economic conditions and a year that saw mostly consolidation and building strength in depth through projects that we had undertaken, we delivered above average returns to our shareholders.

### Performance Delivery

The Jobs Credit Scheme was Singapore's version of a stimulus package to help companies overcome the impact of the financial crisis that had begun to worsen by October 2008. In FY2009-10, we benefited from a \$17.1 million grant that went towards defraying some of our employment costs. We received a comparatively higher level of grant due to our substantial headcount in Singapore.

However, since 1 April 2010, the Scheme has been discontinued and the challenge that it poses for the new financial year will be our ability to more than compensate for the grant amount. The recovery of the aviation industry as well as our focus on driving productivity and accessing growth will be essential to meet our target for year-on-year profit growth.

The integration of SFI was substantially completed in FY2009-10. Costs synergies of \$7 million per annum have been achieved while sufficient projects have been identified and initiated to deliver more than \$12 million of annualised savings in the coming months. The savings have resulted in the higher margins and profitability reported by SFI in FY2009-10.

During the year, SATS Catering and SFI worked together on many revenue-generating projects to showcase the

combined strength of SATS' Food Solutions division. We were eventually successful in winning catering services contracts for iconic projects such as the Singapore Airshow, Asian Youth Games and the inaugural Youth Olympics Games. Co-operation in pre-processing, menu design, purchasing, production and food logistics has galvanised the two entities as one.

In May 2009, Singapore Airlines (SIA) announced the distribution of its holdings in SATS via an in specie dividend proposal that was eventually approved by its shareholders and completed in September 2009. As the founding shareholder, SIA has been instrumental in the development of SATS' core competencies. These are the bases that we intend to use to build and strengthen our market position. While we have lost the synergies that we previously enjoyed as a subsidiary of SIA, the change in our parentage does not in any way alter our aspiration to continuously improve total shareholder returns. SATS will continue to embrace the excellent service culture of SIA and at the same time, forge and strengthen relationships, anticipate emerging needs, and offer effective solutions to our customers.

FY2009-10 was a year where the effectiveness of management was put to test. Our results showed that we have been able to respond to the challenge and deliver a 23.5% growth in earnings on a largely similar capital base as the preceding year. As a result, our return on equity increased from 10.6% to 12.6% while return on invested capital increased from 13.8% to 15.6% last year. Furthermore, our free cash flow improved 22.3% to \$190.1 million while earnings per share grew 22.8% to 16.7 cents. SATS is financially healthy. It has shown its resilience during the economic crisis.

### Strategy Implementation

The timely approval from our Board on the strategy developed in April 2008, to mitigate concentration risks by extending our core competencies to non-aviation food, has served our stakeholders well. In retrospect, the acquisition of SFI was timely and at the right price. It clearly demonstrates the will of the Board to reallocate capital to reposition SATS as a substantial player in the broader hospitality and tourism industry, in contrast to the hitherto position of an outsource supplier in the

## CEO's Statement

narrower aviation segment. Even as we continue to implement this strategy, let me record my gratitude to the group of 40 executives who proactively participated in the development of this groundbreaking strategy which laid the seeds for the "new SATS".

Transformational projects will be the vehicles to drive change and implement ideas towards our growth aspirations. To this end, Country Foods (CF), our wholly-owned subsidiary, is leading the effort to innovate a new service concept for hospital catering. We believe that a central kitchen concept will help hospitals improve their financial performance by reallocating real estate assets to their core business. CF has successfully demonstrated its capability to deliver quality food and service to several local hospitals during the year. Although we have a lot more to do before we reach a tipping point for this idea, we are confident that we are on the right track to establish a unique offering that will have implications beyond the local market. CF will continue to invest in facilities and capabilities towards achieving this goal. The institutional catering market, in which hospital catering is a segment, offers tremendous growth opportunities if we are able to deliver extraordinary value to customers in this market.

SFI made progress during the year to improve its distribution business. Inventory was better managed, which led to an improvement in its free cash flow generation. In addition, we have stepped up efforts to improve products and branding for better differentiation. We also focused on key national agencies to increase service and consequently business. During the year, we contributed to national relief efforts in the aftermath of regional disasters. In addition to the Singapore Armed Forces, we achieved sales of retort products to other friendly armed forces for their training requirements. Our deliberate efforts to understand the evolving needs of these national agencies on an ongoing basis will improve our share of their spending.

Jewels Artisan Chocolate, SATS' own branded artisan chocolate café, was officially launched in January 2010 at Orchard Central, located right in the middle of Orchard Road. Artisan chocolate was an idea that emerged from our innovation process to showcase our capability, by transforming our in-house chocolates into a branded product. Although SATS has little experience in the

customer-facing retail market (B2C) in Singapore, we embarked on creating Jewels, both as a showcase of our capability and as a project that would develop our B2C competencies. Without this investment, we would not have the opportunity to develop skills and competence that are key to access this potential market. Jewels Artisan Chocolate is now a standard offering as part of our many food catering opportunities. They are also increasingly a preferred corporate gift idea for many companies.

The Jewels project is an example of our appetite for innovation and risk tolerance to bring the passionate ideas of our employees to life by taking small excursions from our established positions. It is possible that one of these investments may offer game changing opportunities for SATS one day. Management is willing to take calculated risk and be prudent in our approach to such opportunities.

In the UK, Daniels Group continues its growth trajectory with a strong showing in FY2009-10. Four out of the five Daniels' categories in the chilled food segment grew last year. While the chilled juice market size has declined, Johnson Juice had earlier in the year gained market share by winning the account of a key retailer. We also made an investment in a new soup and chilled ready meal plant in Grimsby, Lincolnshire that would increase our existing capacity by 25%.

In the new financial year, improving margins and accessing the markets in continental Europe remain our key challenges in the UK. Strategically, we can increase our trading volumes with the major retailers by expanding into new categories. We will also continue our evaluation of potential categories that are consistent with our strategic characteristics.

SATS HK, a wholly-owned subsidiary of SATS, made good progress during the year. Instead of expanding aggressively, we opted to focus on improving our service delivery both at the apron and the passenger terminals at Hong Kong International Airport (HKIA). Compliments from customers and passengers have increased and our efforts have been rewarded with new customer contracts towards the end of the financial year. Winning the confidence of SIA Cargo to subscribe to our ramp services

“Our aspiration is to be innovative in our approach, driving excellence in all our operations and processes, and embracing a culture where our customers will be at the centre of our business decisions.”

further boosted our morale and also confirmed that our efforts to build a consistent and differentiated service was the right thing to do from the start. We are optimistic that with the new customer pipeline, we will be profitable even though we are the third player by market share at HKIA. Through this acquisition, we have learnt to operate as a small player in an airport, breaking the myth that we have to be the dominant player to be successful in ground handling.

Another wholly-owned subsidiary, Asia-Pacific Star (APS), led our access to the passenger growth in the low-cost carrier (LCC) segment last year. As expected, LCCs accounted for the lion’s share of passenger growth at Singapore Changi Airport. However, the revenue streams from LCCs remained small as their requirements on the ground were much less compared to those of the traditional carriers. We knew from the onset that success from this segment would only be delivered if we took a differentiated approach.

While low-cost airlines aim to offer lower fares to passengers, their viability is dependent on the ability to derive ancillary revenues from passengers without increasing their back-office costs. APS offers an integrated approach for both ground handling and inflight services. Similar to Jewels Artisan Chocolate, we need B2C competencies if we are to be successful in supporting LCCs to drive inflight sales. During the year,



## CEO's Statement



we gained much experience in these areas, including better understanding the specific operating characteristics of LCCs. Our ambition is to be able to provide integrated inflight and ground handling services to key LCCs at more than one location. This means that eventually, APS has to go regional independently, differentiating itself from the traditional services in the SATS' network. The formula for a successful LCC handling business is taking shape nicely and we are confident that APS will contribute to our profitability very soon.

At Singapore Changi Airport, we are on the verge of being challenged by a third ground handler. Although we are mindful that there may be negative impact from this development, we will embrace the challenges of increased competition. We have observed the lessons from the entry and exit of Swissport at Changi Airport. We have learnt from our entry into HKIA as the smallest player. We have invested in product differentiation so that we can be the best at the high-end of the market. We have also invested

in LCC handling so that we can offer unique services at competitive prices at the other end as well. To sum up, we are aptly prepared and we are more competitive than we were ever before.

### Accessing Growth

Performances of our overseas associates had been mixed during the year as the global economy recovers. Recovery was not evenly spread and improvements were seen at only a few stations. Nevertheless, this gave rise to an overall improvement in associates' profit contribution of \$41.9 million, up 88.7% from a year ago.

SATS is fully committed to participate at key gateways through similar joint ventures that allow access to long-term growth. Our experiences during the year have highlighted some weaknesses in our approach with respect to these overseas associates. We must continue to improve our engagement, to transfer successful ideas



from Changi Airport and to effectively connect these regional stations as an integrated network from an operational and global marketing aspect. Our initial efforts to do these have shown promising results, confirming that the approach we have taken is a step in the right direction.

During the year, we continued to search for interesting acquisitions that could be synergistic and would extend our core competencies. Growing through acquisitions will offer a more efficient market entry with immediate scale. However, valuation has to be reasonable. While we had made a few bids, we were not successful due to pricing. Market valuation seemed to have outpaced the speed of the global economic recovery. There will not be a "must-have" acquisition in our management paradigm. Profiling targets and executing at the right time will deliver a sustainable acquisition strategy.

### Managing Change

We have, in FY2009-10, improved our capability to acquire and integrate acquisitions, and delivered on cost management. We firmly believe that a strong company will not be built purely on acquisitions or on cost reductions alone. Our aspiration is to be innovative in our approach, driving excellence in all our operations and processes, and embracing a culture where our customers will be at the centre of our business decisions.

Business growth must be complemented by a strengthened infrastructure in management capability and business processes. We have worked on these aspects including intangibles such as corporate branding and company culture. The various projects that we undertook during the year not just opened doors to growth opportunities, they were the vehicles to develop our competencies. "Learning by doing", coupled with a "can do" attitude, have paved the way for continuous improvements and growth. We are excited by our future prospects brought about by this change process.

### Acknowledging Support

In closing, I wish to express my appreciation and gratitude to my colleagues who have been fully committed and engaged in our efforts and change projects. Recognition and appreciation also go to all our staff and the unions for



their unstinting support and participation throughout the year. I also wish to thank our Board of Directors for their guidance and support. Their proactive engagement and spontaneous sharing of their experiences will continue to help shape the future of SATS. I am indebted to our Chairman, Mr Edmund Cheng, for his leadership of the Board and guidance to management. Last but not least, my appreciation goes to our shareholders for their support of our activities throughout the year.

### Clement Woon

President & Chief Executive Officer

1 June 2010

## Executive Management





## Executive Management

### 1. Clement Woon Hin Yong, 50

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

Mr Woon sits on various Boards of SATS' subsidiaries and associated companies. He is also Chairman of Singapore Food Industries Pte. Ltd. and SFI Manufacturing Private Limited, Vice Chairman of Beijing Aviation Ground Services Co., Ltd and Beijing Airport Inflight Kitchen Ltd, as well as Vice President Commissioner of PT Jasa Angkasa Semesta Tbk.

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

### 2. Lim Chuang, 54

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

Mr Lim sits on some of the Boards of SATS' subsidiaries and associated companies. He is also the Vice Chairman of Tan Son Nhat Cargo Services Ltd. He graduated from the University of Singapore with a Bachelor of Accountancy (First Class Honours) degree and a Masters of Business Administration degree from the National University of Singapore. He is also a Fellow of the Chartered Association of Certified Accountants (UK) and a member of the Institute of Certified Public Accountants of Singapore.

### 3. Tan Chuan Lye, 60

Mr Tan is Executive Vice President, Food Solutions of SATS. He joined SATS in May 1976 and was appointed to his current position in October 2009. He previously held managerial positions in SIA Ground Services and SATS Airport Services Pte Ltd, and also managed Changi Airport Terminal 2 for SIA and SATS operations.

Mr Tan is the Chairman of Country Foods Pte. Ltd. He also sits on the Boards of a number of SATS' subsidiaries and associated companies. He graduated from the University of Singapore with a Bachelor of Social Science (Honours) degree, majoring in Economics.

### 4. Ang Lee Nah, 57

Ms Ang is Senior Vice President, Corporate Development of SATS. She joined SATS in April 2009 following its acquisition of Singapore Food Industries Limited, where she was the Chief Financial Officer prior to delisting.

Ms Ang sits on several of the Boards of SATS' subsidiaries. She holds a Bachelor of Accountancy degree from the University of Singapore and a Masters of Business Administration from the University of Hull (UK). She is also a Fellow of the UK Chartered Institute of Management Accountants and a member of the Certified Public Accountants of Singapore.

### 5. Robert Burnett, 46

Mr Burnett is Chief Executive Officer, UK. He oversees and is responsible for the performance of Daniels Chilled Foods Limited, International Cuisine Limited and Farmhouse Fare Limited. He has been the Chief Executive Officer of Daniels Chilled Foods since July 2002. Prior to that, he had held various senior general management appointments with Albert Fisher Plc.



Mr Burnett sits on the Boards of SATS' subsidiaries in the UK. He holds a Higher National Diploma in Business Studies from the Aberdeen College of Commerce (UK).

### 6. Chang Seow Kuay, 45

Mr Chang is Chief Executive Officer of Country Foods Pte. Ltd. He is responsible for the growth of SATS' institutional catering business in Singapore.

Mr Chang joined SATS in June 1990 and had held various positions including Senior Vice President, Special Projects, Vice President, Business Planning & Development and other managerial positions in catering production and marketing. He was seconded to Beijing Airport Inflight Kitchen Ltd in 1995 to start up its catering operations.

Mr Chang is a director of Country Foods Macau, Limited. He graduated from the National University of Singapore with a Bachelor of Science (Honours) degree, majoring in Biochemistry.

### 7. Chi Ping Huey, 53

Ms Chi joined SATS in March 2010 as its General Counsel.

Formerly the General Counsel and Company Secretary of Singapore Power Limited and its principal operating subsidiaries (SP Group),

Ms Chi was responsible, amongst others, for providing leadership in protecting the legal position and interest of the SP Group, as well as implementing policies relating to corporate governance and legal risk management. She played a key role in the acquisition of the SP Group's Australian assets.

Ms Chi was an OCBC scholar and is a member of the Singapore Law Academy. She holds a Bachelor of Law (Honours) degree from the National University of Singapore and was admitted as an advocate and solicitor to the Supreme Court in 1985.

### 8. Tony Goh Aik Kwang, 56

Mr Goh is Senior Vice President, Strategy and Marketing of SATS, responsible for key accounts management, global marketing, corporate branding, and market research and development.

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

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

### 9. Leong Kok Hong, 59

Mr Leong is Senior Vice President, Strategic Partnership of SATS. He joined SATS in July 1976 and was appointed to his present position in June 2010. Prior to this, he was Senior Vice President, Apron Services. He also served as Senior Vice President, North Asia and Chief Representative China, responsible for business development and joint ventures for the North Asia region. He previously held several managerial capacities covering Catering, Cargo, IT Systems and Corporate Planning.

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

## Executive Management

### 10. Andrew Lim Cheng Yueh, 56

Mr Lim is Senior Vice President, Pearl River Delta Region of SATS, a position he assumed since August 2009. Prior to this, he was Senior Vice President, Apron & Passenger Services. He previously held managerial positions in SATS Cargo, Security Services, Passenger Services and Training, and SIA Cargo and was posted to Hong Kong from 1998 to 2000 as Chief Executive Officer of Asia Airfreight Terminal Co Ltd.

Mr Lim serves as a Director for a number of SATS' subsidiaries and associated companies. He graduated from the University of Singapore with a Bachelor of Social Science (Honours) degree, majoring in Sociology.

### 11. Philip Lim Chern Tjunn, 43

Mr Lim joined SATS in April 2010 as Senior Vice President, Apron Services. Prior to this, he served in the Singapore Armed Forces for 25 years. He held various command and staff appointments including Chief of Staff (General Staff) and Chief Armour Officer/Commander 25 Division.

Mr Lim graduated from the University of Manchester Institute of Science and Technology with a Bachelor of Science (First Class Honours) degree. He also holds a Masters of Technology (Knowledge Engineering) from the National University of

Singapore, Masters of Science (Management of Technology) from the Massachusetts Institute of Technology, and Masters of Military Arts and Science from the US Army Command and General Staff College in Leavenworth.

### 12. Denis Suresh Kumar Marie, 47

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

Mr Marie is a board member of SATS Security Services Private Limited. He holds a Bachelor of Science degree, majoring in Business Administration from the Oklahoma City University, USA.

### 13. Yacoob Bin Ahmed Piperdi, 51

Mr Piperdi is Senior Vice President, Cargo Services of SATS since January 2007. He joined SATS in April 1981 and assumed various positions including Vice President, Cargo, Vice President, Inflight Catering Centre 2 and other managerial positions in Apron & Baggage, Passenger Services and Marketing as well as SIA's Ground Services Department.

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

### 14. Poon Choon Liang, 59

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

Mr Poon sits on various Boards of SATS' subsidiaries. He holds a Bachelor of Commerce (Economics) from the Nanyang University (Singapore) and a Bachelor of Social Science (Honours) degree, majoring in Economics, from the National University of Singapore.

## Financial Calendar

### Financial Year Ended 31 March 2010

27 July 2009

Announcement of  
1Q FY2009-10 results

Results conference call with live  
webcast for 1Q FY2009-10

14 August 2009

Payment of final dividend

22 October 2009

Announcement of  
2Q FY2009-10 results

Results conference call with live  
webcast for 2Q FY2009-10

25 November 2009

Payment of interim dividend

4 February 2010

Announcement of  
3Q FY2009-10 results

Results conference call with live  
webcast for 3Q FY2009-10

5 May 2010

Announcement of  
4Q FY2009-10 results

Analysts and media briefing  
for 4Q FY2009-10 results

25 June 2010

Despatch of Summary Report  
to shareholders

9 July 2010

Despatch of Annual Report  
to shareholders

30 July 2010

Annual General Meeting

6 August 2010

Book closure date

18 August 2010

Proposed payment of  
final dividend

### Financial Year Ending 31 March 2011

29 July 2010

Proposed announcement of  
1Q FY2010-11 results

2 November 2010

Proposed announcement of  
2Q FY2010-11 results

January/February 2011

Proposed announcement of  
3Q FY2010-11 results

May 2011

Proposed announcement of  
4Q FY2010-11 results

## Investor Relations

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

Information is disseminated via:

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

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

For our quarterly financial results, we hold earnings conference calls with live audio webcasts to brief the media and the investment community

on our financial performance and update them on important corporate developments. The webcasts are made available on our website so that those who could not participate in the calls or are in different time zones, can easily access them.

SATS IR, together with the CEO and CFO, have been actively engaging our shareholders and the investment community through frequent and constructive communications. We hold regular dialogues with them through one-on-one meetings and conference calls, and strive to improve the transparency of our disclosure to help them better understand our business model, growth strategies and strategic developments. We also organise facility visits to help them appreciate the scale of our operations.

To grow and achieve a wider geographical spread in our shareholder base, we track changes in our share register on a regular basis. Our participation in non-deal roadshows to Asia, Europe and the US, and in broker-organised investor conferences, increase the visibility of SATS amongst our shareholders and a broad spectrum of investors, giving them direct access to our management.

Held every July, our annual general meeting (AGM) provides an opportunity for us to communicate directly with our shareholders. Our board of directors and key members of management are present to address shareholders' queries during the AGM.

In our bid to reach out to retail shareholders, we became a corporate member of the Securities Investors Association Singapore (SIAS) in August 2009. We took the opportunity to communicate with retail shareholders by organising a briefing in September, with the support from SIAS. We intend to work with SIAS to maintain this outreach programme going forward.

During the year, we made progress in extending broker research coverage on SATS by actively engaging the sell-side analysts. The number of sell-side analysts covering SATS has since increased from two to 12 currently. We will continue to maintain dialogues with other leading brokerages to increase coverage on SATS further.

### Accolades

Our efforts in investor communications were affirmed by the investment community at the IR Magazine South East Asia Awards 2009 in Singapore, where SATS for the first time was nominated under the category of "Best IR for a Corporate Transaction". In addition, we were conferred the Merit Award under the Singapore corporate governance category at the 2009 SIAS Investors' Choice Awards.

### Investor Relations Calendar

#### FY2009-10

##### First Quarter (1 April – 30 June 2009)

- FY2008-09 results briefing
- Post-results investor lunch hosted by DBS Vickers

##### Second Quarter (1 July – 30 September 2009)

- 1Q FY2009-10 results conference call with live audio webcast
- AGM
- Global non-deal roadshow with HSBC
- UK non-deal roadshow with Kim Eng
- SIAS investor outreach programme

##### Third Quarter (1 October – 31 December 2009)

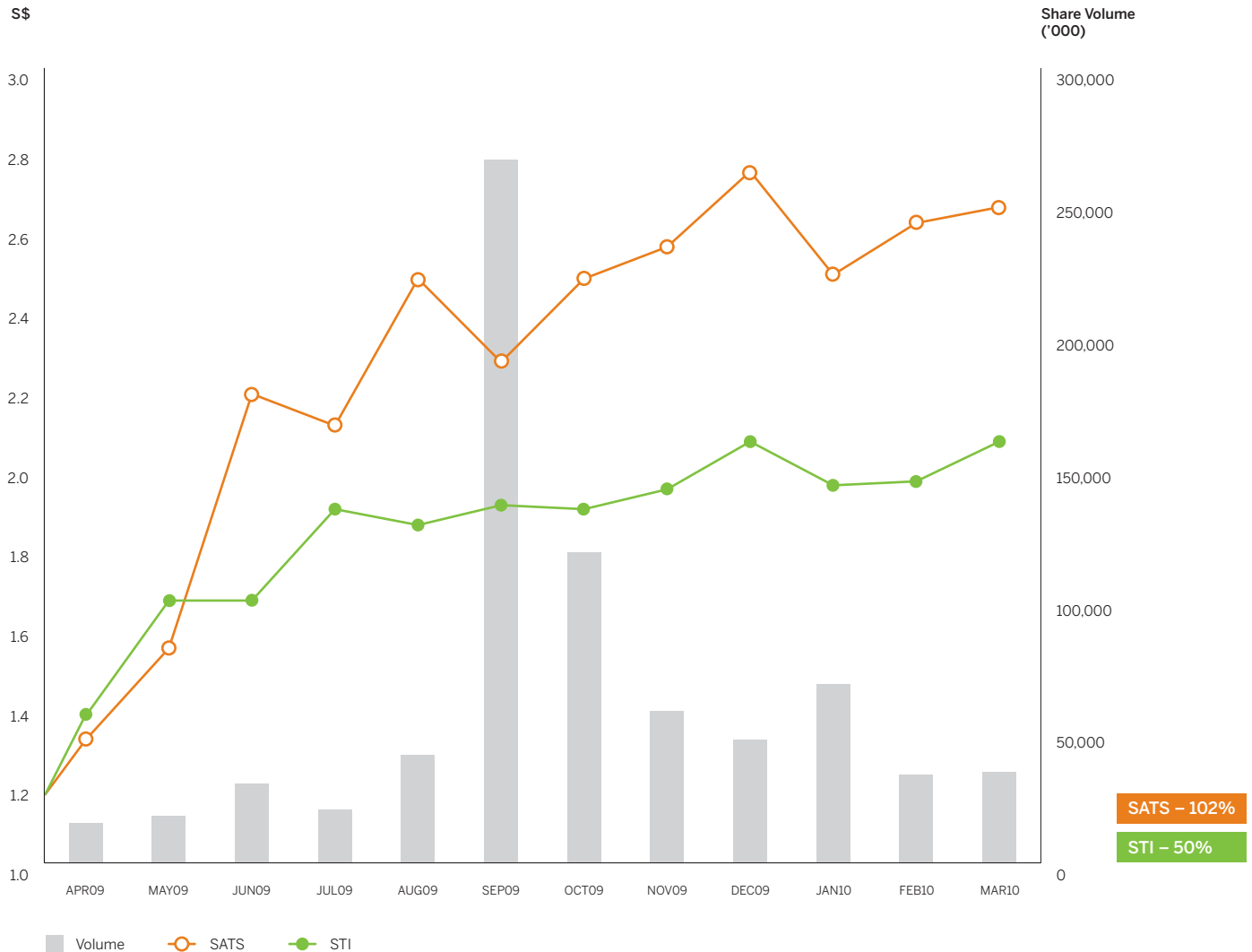
- 2Q FY2009-10 results conference call with live audio webcast
- Post-results investor lunch hosted by CLSA
- Morgan Stanley Asia Pacific Summit 2009, Singapore

##### Fourth Quarter (1 January – 31 March 2010)

- 3Q FY2009-10 results conference call with live audio webcast
- Post-results investor lunch hosted by BNP Paribas
- DBS Vickers Pulse of Asia 2010, Singapore



## Share Price and Turnover



Share Price (\$) and Volume (million stock units)	FY 09-10	FY 08-09
Highest Closing Price	<b>2.74</b> (31 December 2009)	2.51 (16 May 2008)
Lowest Closing Price	<b>1.21</b> (1 April 2009)	1.11 (9 March 2009)
Closing Price for the Year	<b>2.65</b> (31 March 2010)	1.21 (31 March 2009)
Total Volume for the Year	<b>745.58</b>	120.23
Average Daily Volume	<b>2.96</b>	0.48

Market Value Ratios	FY 09-10	FY 08-09
Price/Earnings	<b>15.83</b>	8.90
Price/Book Value	<b>1.94</b>	0.93
Price/Cash Earnings	<b>10.48</b>	5.99

Note:  
 – Book value is defined as net asset value.  
 – Cash earnings is defined as profit attributable to equity holders of the Company plus depreciation and amortisation.

## SATS at a Glance

### SATS Businesses

With over 60 years of operating experience and an emerging global presence, SATS is Singapore's leading provider of Gateway Services and Food Solutions.

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

Today, we handle 80% of the scheduled flights and serve about 50 of the 68 scheduled airlines out of Singapore Changi Airport. We have a presence in 31 airports in 9 countries in Asia. With our expanding Food Solutions business, we have also extended our reach beyond Asia to the UK.

### Group Revenue

# \$1,538.9m

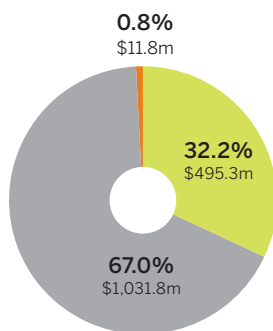
## +45%

	(\$m)
FY 09-10	1,538.9
FY 08-09	1,062.1
FY 07-08	958.0
FY 06-07	945.7
FY 05-06	932.0

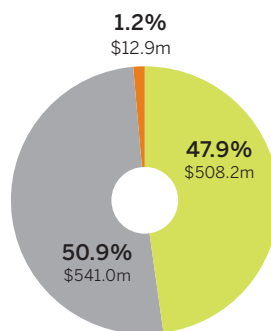


## Group Revenue

### By Business



**Total \$1,538.9m**  
FY 2009-10



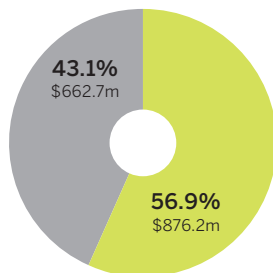
**Total \$1,062.1m**  
FY 2008-09

Percentage Change	%
Gateway Services	(2.6)
Food Solutions	90.7
Corporate	(8.5)
<b>Total</b>	<b>44.9</b>

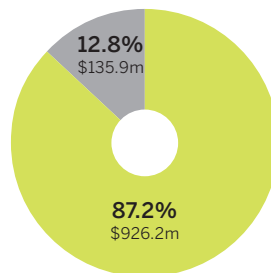
#### Notes:

- Gateway Services: Revenues from ground and cargo handling, aviation security, aircraft interior cleaning and cargo delivery and management.
- Food Solutions: Revenues from inflight catering, food logistics, industrial catering, chilled and frozen food manufacturing, and airline linen and laundry.

### By Industry



**Total \$1,538.9m**  
FY 2009-10



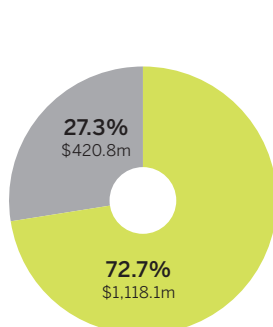
**Total \$1,062.1m**  
FY 2008-09

Percentage Change	%
Aviation	(5.4)
Non-Aviation	n.m.
<b>Total</b>	<b>44.9</b>

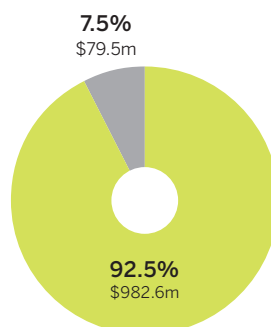
#### Notes:

- Aviation: Revenues from aviation-related businesses in Gateway Services and Food Solutions.
- Non-Aviation: Revenues from Singapore Food Industries, Country Foods and Country Foods Macau.
- n.m.: not meaningful

### By Geographical Location



**Total \$1,538.9m**  
FY 2009-10



**Total \$1,062.1m**  
FY 2008-09

Percentage Change	%
Singapore	13.8
Overseas	n.m.
<b>Total</b>	<b>44.9</b>

#### Notes:

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

# Group Structure & Investments\*

as at 1 June 2010

## SUBSIDIARIES

Singapore Airport Terminal Services Limited (SATS)

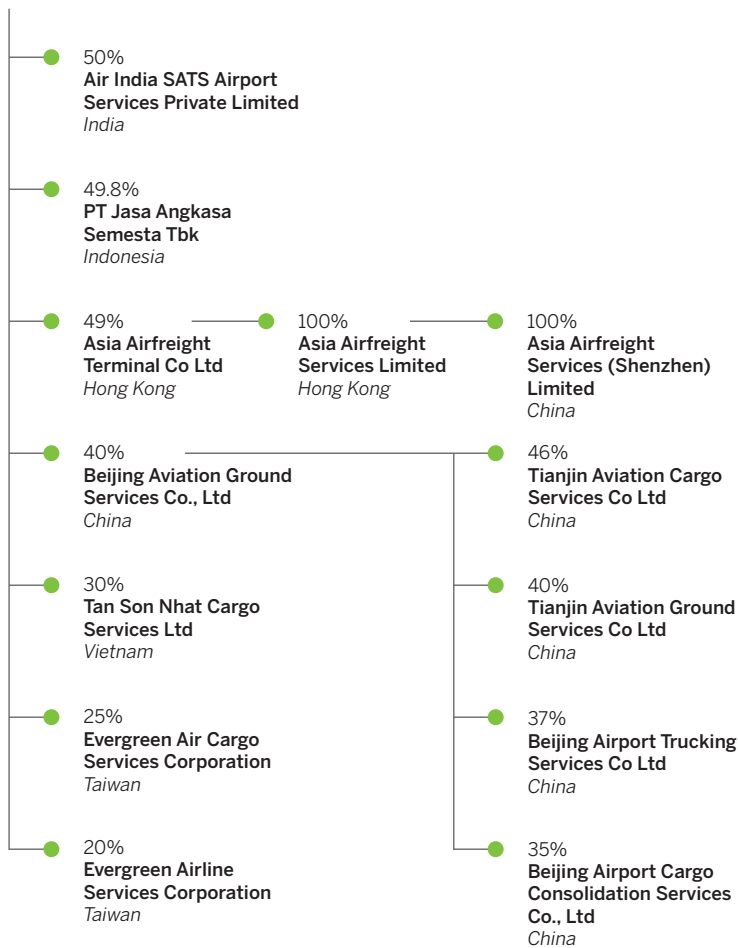


\* Excluding dormant/inactive companies

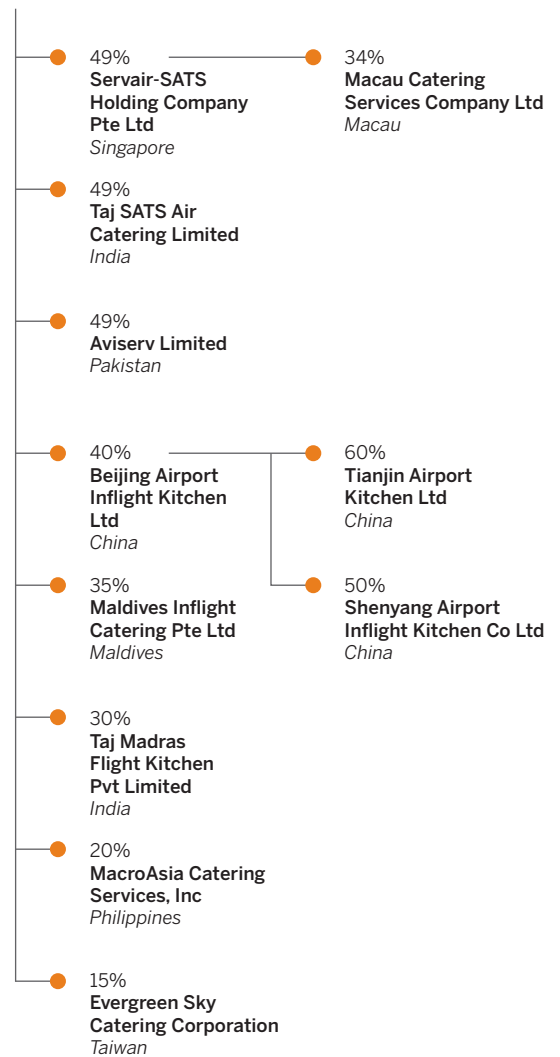
## INVESTMENTS

### Singapore Airport Terminal Services Limited (SATS)

#### Gateway Services



#### Food Solutions



## Statistical Highlights

	2009-10	2008-09	2007-08	2006-07	2005-06
<b>FINANCIAL STATISTICS</b>					
<b>Group (\$million)</b>					
Total revenue	1,538.9	1,062.1	958.0	945.7	932.0
Total expenditure	1,354.5	891.2	783.7	792.5	747.9
Operating profit	184.4	170.9	174.3	153.2	184.1
Profit before tax	223.1	183.5	248.7	219.8	246.1
Profit after tax	182.1	148.5	195.2	179.0	189.2
Profit attributable to equity holders of the Company	181.2	146.8	194.9	178.2	188.6
Equity attributable to equity holders of the Company	1,481.9	1,398.1	1,383.9	1,314.2	1,202.5
Total assets	1,909.1	*2,055.2	1,849.5	1,804.2	1,717.9
Total debt	24.1	251.5	208.0	202.8	247.5
Value added	802.8	639.3	682.5	675.1	665.1
Economic value added	67.2	26.2	53.9	60.7	79.8
<b>Financial Ratios</b>					
Return on average equity holders' funds (%)	12.6	10.6	14.4	14.2	16.7
Total debt equity ratio (times)	0.02	0.18	0.15	0.15	0.21
Return on total assets (%)	9.2	7.6	10.7	10.2	11.4
<b>Per Share Data</b>					
Earnings per share (cents) – basic	16.7	13.6	18.2	17.0	18.2
Earnings per share (cents) – diluted	16.7	13.6	17.9	16.9	18.1
Net asset value per share (\$)	1.37	1.29	1.29	1.24	1.15
Interim dividend (cents per share)	5.0	4.0	4.0	4.0	4.0
Proposed dividend (cents per share)	8.0	6.0	10.0	6.0	6.0
Special dividend (cents per share)	–	–	–	5.0	–
Dividend cover (times)	1.3	1.4	1.3	1.4	2.3
Dividend payout (%)	78.1	73.5	77.5	48.5	44.4
* Restatement					
<b>OPERATING STATISTICS</b>					
<b>Employee Productivity</b>					
Average number of employees	11,932	9,196	7,938	7,461	7,660
Revenue per employee (\$)	128,974	115,495	120,961	126,747	121,675
Value added per employee (\$)	67,293	69,524	85,979	90,477	86,831
Value added per \$ of employment cost	1.66	1.66	1.85	1.76	1.91
<b>Operating Data</b>					
Airfreight throughput (million tonnes)	1.41	1.46	1.57	1.55	1.49
Passengers served (million)	32.99	30.91	31.65	29.27	27.32
Inflight meals prepared (million)	23.47	25.19	25.72	24.74	24.19
Flights handled (thousand)	95.40	88.16	85.95	84.52	84.11

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



## Gateway Services

### SINGAPORE

SATS serves 45 scheduled airlines and close to 80% of the scheduled flights out of Singapore Changi Airport.

In FY2009-10, we handled a total of 95,400 flights, an 8.2% increase year-on-year, and 33 million passengers, representing a 6.7% increase over a year ago. Cargo throughput fell 3.7% to 1.4 million tonnes.

### New contracts and renewals

For the year in review, SATS secured and renewed contracts with several airline customers including China Eastern Airlines, Japan Airlines, Myanmar Airways International, Singapore Airlines and Swiss World Cargo.

The biennial Singapore Airshow saw the addition of more flights from various customers participating in the Airshow in February 2010.

On the non-aviation side, the launch of the two Integrated Resorts in Singapore has presented new opportunities as we secured a contract to provide armed security services at Resorts World Sentosa.

### New initiatives and offerings

Asia-Pacific Star (APS), our wholly-owned subsidiary serving the low-cost carriers (LCC) segment, started operating at the Budget Terminal on 1 April 2009. APS manifests our





“ During the preparation for the handling of Qantas’ inaugural A380 flight in Singapore, the entire Apron & Passenger Services team at SATS displayed excellent teamwork and coordination in supporting Qantas, right from the initial discussions, preparations and training, till the actual handling. Being ONE with Qantas, they have helped manage the inaugural flight and subsequent flights with extreme precision and excellence. Thank you, SATS!”

**Ms Elsie Low**, Airport Duty Manager, Qantas/British Airways Singapore

comprehension of the different segments within the airline industry and their differentiated needs, as it offers an alternative platform with a lower cost structure. Since July 2009, APS has extended its operations to Terminal 1 of Singapore Changi Airport. Its customers include Cebu Pacific Air, Jetstar Asia, Lion Air and Tiger Airways.

In January 2010, SATS launched ONE! Service, a new initiative driven by our frontline staff to help improve service standards at Singapore Changi Airport. As key service ambassadors and stewards of our airline customers, it is important for our frontline staff to create a distinctive experience for all passengers at every service touchpoint.

ONE! Service – which stands for “Outstanding and Exceptional Service” – comprises a comprehensive set of service guidelines aligned with the best practices and standards for service delivery in the hospitality and tourism industry. All of our frontline staff are required to complete the ONE! Service training and are evaluated on a regular basis to ensure consistent service delivery.

In conjunction with ONE! Service, we specially commissioned a new uniform for our frontline employees. Embodying SATS’ brand attributes of being modern, personable and professional, the new peach-coloured uniform also communicates the warmth, confidence and sincerity of our service staff.

Following the success of our first Premier Check-in Lounge in Terminal

1 of Singapore Changi Airport, we opened a new Premier Check-In Lounge at Terminal 2 in March 2010 to provide additional value-added service to our airline customers. This service is complimentary to participating airlines handled by SATS at Terminal 2 including Air India, All Nippon Airways, Etihad Airways and Korean Air. The new lounge offers premium passengers of our airline customers a hassle-free travel experience with the exclusivity and convenience of checking in at a private lounge with direct access to the immigration area. They can also relax with light refreshments in a comfortable lounge seating while enjoying access to international television channels and a wide variety of newspapers and periodicals.

To speed up the processing of lost or damaged bags at the passenger terminals, we introduced the “Wireless WorldTracer” at the baggage claim area during the year. With this wireless system, passengers can file their reports for lost and damaged bags immediately at the baggage belt instead of doing so at our Lost and Found office. In addition, the processing time is reduced from 20 minutes to 5 minutes, and staff are equipped with real-time flight and baggage information to answer passengers’ queries.

At our cargo services operations, we introduced a new, web-based service platform that enables cargo agents to schedule their cargo collection timing from anywhere via the internet. Self-



## Gateway Services

service kiosks are also available at the import counters of our airfreight terminal for cargo agents to access their schedules and input their requests within our premises. The self-service concept has taken off well as 70% of the transactions are now made through this user-friendly platform.

To elevate the service experience at our airfreight terminals, we renovated our premises and installed one-to-one service counters to provide more personalised service and facilitate better interactions with our customers.

## Upgrades and improvements

Improving the effectiveness and efficiency of what we do is an ongoing endeavour for SATS. For the year in review, we upgraded the cargo management system – COSYS Intelligent Solutions (COSYS-IS) –

“SATS Security Services has shown high levels of professionalism and commitment in ensuring the security of all our flights. They have been diligent in carrying out their duties to ensure that our operations are safe and secure, and can be relied on to provide advice on local aviation security directives.”

**Mr Rolando Delfin**, Airport Services Manager, Cathay Pacific Airways

to better meet the needs of our airline customers and freight forwarders.

The upgraded COSYS-IS enables quicker processing of cargo and enhances the monitoring and control of end-to-end cargo handling processes. This integrated system allows access to multiple applications which support functions such as events management, auto-capture of weights and billings, real-time data tracking, and direct links to the information made available to our customers in SATS CargoNet.

The system has vastly improved our service standards and reduced our response time to airlines and freight forwarders by making our workflow more efficient and transparent. It also supports E-freight, an industry-wide initiative to replace the use of paper with electronic messages, of which SATS is amongst the pioneers to embrace this initiative.

The enhanced COSYS-IS has been introduced to our joint venture partners in Beijing, Hong Kong, Taiwan and India. Most recently, it has been implemented at three Indonesian airports, namely Jakarta, Denpasar and Surabaya where our joint venture operates. In our ambition to promote COSYS-IS across the airline and cargo industry, we have entered into a partnership with NIIT Technologies, a global IT solutions provider, to jointly market this state-of-the-art solution globally.

We further harnessed technology to enhance our operations through the deployment of Radio Frequency (RF) technology for real-time tracking and updating of cargo movements and storage. In February 2010, we embarked on a trial project to track all export shipments including metal-based and liquid-based shipments using RF technology. If successfully implemented, this will help improve





the efficiency and accuracy of our cargo handling processes and provide more timely shipment updates to exporters.

On the security front, SATS has registered as a Regulated Cargo Agent (RCA) as part of the Regulated Cargo Agents Regime in Singapore, which seeks to enhance cargo security onboard passenger flights. Qualifying as a RCA is a stamp

of assurance to our customers that stringent air cargo security requirements have been adhered to and all necessary security measures and procedures are in place across the entire supply chain – from storage to cargo transportation – to protect their cargo from any unlawful interference or contamination.

As part of our focus to manage costs diligently and promote 'green'

efforts, we looked at various ways to minimise our energy consumption during the year. We rigorously identified areas where electricity could be saved, such as switching to energy-saving lights, alternating the usage of highbay lights during the day, optimising refrigeration facilities, upgrading office air-conditioners to energy-saving versions, and using energy-efficient compressors for the new Coolport@Changi.

## Awards and Accolades

- All Nippon Airways named the Singapore station manned by SATS as its top station worldwide in its second Customer Satisfaction Survey.
- SATS was awarded the Cargo 2000 Quality Certification for its proven quality management and information systems. It earned the distinction of being one of seven ground handlers in the world to receive this certification.
- SATS garnered a total of 1 Gold, 2 Silver, 2 Bronze and 1 Team awards at the Changi Airport Services Personality of the Year Awards 2009 organised by the Changi Airport Group to recognise exceptional customer service.
- We clinched 5 awards in the SMILE Awards organised by the Changi Airport Group to recognise individuals for their positive service attitudes and excellent service delivery.
- SATS was named Air Cargo Terminal Operator of the Year (Asia Pacific) at the 2009 Frost & Sullivan Asia Pacific Transportation & Logistics awards.
- In the "Go the Extra Mile" service campaign, Jet Airways commended SATS for its efforts in serving the airline customers.
- We were conferred the Service Excellence Award for Cargo Handling by Korean Air.
- We bagged a total of 60 wins at the Singapore Airlines Transforming Customer Services Awards in recognition of our frontline staff for service excellence.
- SATS' Auxiliary Police Officers received three individual commendation awards for their efforts in making the airport a safe place for passengers at the Airport Police Commander's Awards organised by the Singapore Police Force.
- SATS won three team awards for outstanding performances at the Commissioner of Police Awards organised by the Singapore Police Force.
- At the annual Excellent Service Awards organised by SPRING Singapore, we clinched 22 Star awards, 8 Gold awards and 18 Silver awards.
- We were conferred the Operational Excellence Award by United Airlines for achieving operational excellence and improving the airline's station performance.

## Gateway Services

### OVERSEAS

#### North Asia

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

Located at Beijing Capital International Airport (BCIA), BGS is a 60:40 ground handling joint venture between Capital Airports Holding Company and SATS. A leading ground handler in BCIA, BGS serves over 50% of the airlines at the airport, offering a comprehensive suite of services including passenger, cargo, apron and technical ramp handling.

BGS' customers include major airlines such as China Southern Airlines, Dragonair, KLM Royal Dutch Airlines and Singapore Airlines. During the year, it added Afriqiyah Airways, Donghai Airlines and Polet Airlines to its list of customers and renewed contracts with Air France, British Airways and Emirates, amongst others.

BGS saw flights handled increase 16.2% year-on-year to more than 86,000 flights while cargo throughput rose 18.4% to over 522,000 tonnes. Passengers handled declined by 4.3% to 3.6 million.

Towards the end of the financial year, BGS completed its divestment of seven ground handling joint ventures formed with the respective airport companies in Changchun, Chongqing, Guiyang, Harbin, Hohhot, Nanchang and Wuhan. It reported a small investment gain from these divestments.

Looking ahead, BGS plans to increase its cargo capacity and expand its scope of services. It intends to tap on the extended facilities of the upcoming new cargo terminal at BCIA.

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

SATS HK, a wholly-owned subsidiary of SATS, provides passenger and ramp handling services at Hong Kong International Airport (HKIA). It serves



about 24 airlines including Asiana Airlines, Cebu Pacific Air, Delta Air Lines and Turkish Airlines.

During the year in review, SATS HK has steadily grown its market share to 13% for passenger services and 17% for ramp handling, by the number of airline customers served. It handled over 1.5 million passengers and close to 7,200 flights. These were driven by several new customer wins, including Jet Airways, Singapore Airlines Cargo and Tiger Airways, amongst others, as well as contract renewals with key customers such as Air Canada and FedEx.

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

AAT is an airfreight terminal operator at HKIA with an annual handling capacity of 1.5 million tonnes. With an equity stake of 49%, SATS is the largest of the five shareholders in the international consortium that owns AAT.

AAT serves over 40 carriers including major international airlines such as All Nippon Airways, Qantas Airways, Singapore Airlines, Thai Airways and United Airlines. For the year in review, AAT secured 13 new airline customers including DHL Air, Tiger Airways and Vietnam Airlines, amongst others, while inking three contract renewals with Air Mauritius, Asiana Airlines and Pakistan International Airlines. As a result, its share of airline customers at the airport has increased to nearly 35%.



In terms of tonnage, AAT reported a cargo throughput of over 554,000 tonnes, a 2% decrease over a year ago. Despite the lower cargo throughput, profit after tax increased 24% primarily due to the increased contribution from related businesses brought in by its subsidiary Asia Airfreight Services.

The year in review also saw AAT embark on a series of energy saving projects to upgrade its lighting and air conditioning systems. These initiatives helped AAT become the first air cargo terminal and the second building at HKIA to receive the Energy Efficiency Certificate

awarded by the Electrical and Mechanical Services department of the Hong Kong Government. Together with the introduction of new electric vehicles, AAT achieved total annual savings of \$350,000.

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

SATS holds a 25% equity stake in EGAC – an airfreight terminal operator which offers a comprehensive range of cargo handling services at Taiwan Taoyuan International Airport (Taoyuan Airport).

## Gateway Services

EGAC has close to 30% market share by cargo throughput at Taoyuan Airport and runs a fully automated airfreight terminal that is one of the only two on-airport cargo facilities on the island. It serves more than 25 airline customers, including All Nippon Airways, China Airlines, EVA Airways, Singapore Airlines Cargo and Thai Airways.

During the year in review, EGAC renewed and secured new contracts with AirAsia, AirAsia X, FedEx and Thai AirAsia. It handled a higher cargo throughput of over 370,000 tonnes, which was driven by growth in import and export cargo arising from the direct airlinks between Taiwan and China, and new collaborations with freight forwarders such as

Hecny Transportation and Schenker Logistics.

### Evergreen Airline Services Corporation (EGAS)

EGAS is a ground handler based in Taoyuan Airport. Established in October 1990, it offers a comprehensive suite of services including ramp, baggage and airfreight handling as well as aircraft interior and exterior cleaning and maintenance services for airport equipment and vehicles. SATS owns a 20% equity stake in EGAS.

For the year in review, EGAS handled over 22,000 flights, an increase of 7.4% compared to the year before. It clinched new contracts with

AirAsia, AirAsia X and Thai AirAsia, and inked a contract renewal with Shanghai Airlines. This brings the total number of airlines that it serves to 13, up from 10 a year ago. Other key airline customers include All Nippon Airways, Asiana Airlines, Dragonair and Singapore Airlines.

### West Asia

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

SATS formed three joint ventures with the National Aviation Company India Limited (NACIL) to offer ground and cargo handling services at the Bengaluru International Airport in Bangalore and Rajiv Gandhi International Airport in Hyderabad



“I wish to express our appreciation for all the hard work that the Asia-Pacific Star team has put in to continuously achieve on-time performance for all Cebu Pacific Air flights here in Singapore. I am so proud that we always find ourselves in the league of best recoveries amongst our regional stations. Keep up the good work!”

**Ms Evelyn M. Mallari**, Station Manager – Singapore, Cebu Pacific Air



security partnership programme. Both parties are working together to develop standard operating procedures for high-value and high-risk air cargo, as well as share information on best practices, crime trends and security awareness training materials. This is a positive step for India's airfreight industry as it is the first collaboration between a freight forwarder and a cargo terminal operator to share their expertise and ensure consistency throughout the supply chain.

### **Southeast Asia and Australasia**

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

Based in Indonesia, PT JAS is a ground and cargo handling company established since 1986. SATS acquired a 49.8% equity stake in the company in June 2004 to tap on the growing market for ground and cargo handling in Indonesia.

Today, PT JAS operates in 11 key stations across the archipelago. It serves more than 60% of the international airlines and close to 50% of the domestic carriers in the airports where it operates. It counts 33 airlines as its customers, including Emirates, EVA Airways and Singapore Airlines.

For the year in review, PT JAS served over 15.4 million passengers, handled more than 52,000 flights and over 213,000 tonnes of cargo. It renewed and secured new contracts with airlines such as AirAsia, Cathay Pacific Airways, Qantas Airways, Qatar Airways and Turkish Airlines.



in March and May 2008 respectively. Both airports began operations in 2008.

In April 2010, SATS and NACIL set up a single 50:50 joint venture company, AISATS, to house their existing operations in Hyderabad and Bangalore as well as potential operations in other metro airports in India such as Mumbai and Delhi.

Today, AISATS serves more than half of the airlines operating in Bangalore and Hyderabad. For the year in review, it renewed and clinched new contracts with several airlines including Air China, Air India, Emirates, Malaysia Airlines and Saudi Arabian Airlines.

To enhance the security of airfreight handling, AISATS has collaborated with DHL Global Forwarding in a

## Gateway Services

In its efforts to provide greater value to its customers, PT JAS upgraded its facilities during the year. Apart from opening a priority check-in lounge in Jakarta airport for its customers' premium passengers, it also invested more than \$2.5 million to enhance its import warehouse with the addition of a coldroom and a cargo tracking system, amongst other facilities.

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

Operating since 1997, TCS provides cargo terminal services at Tan Son Nhat International Airport, Vietnam's largest airport in Ho Chi Minh City. It is a joint venture between Vietnam Airlines, Southern Airport Services Company and SATS, which holds a 30% equity stake. TCS serves 37 airlines at the airport including Cathay Pacific Airways, China Airlines, Korean Air and Vietnam Airlines.

For the year in review, TCS handled close to 200,000 tonnes of cargo,



an increase of 7.4% year-on-year. It also secured contract renewals with All Nippon Airways, EVA Airways, Hong Kong Airlines, Thai Airways and United Airlines.

TCS continues to explore ways to improve its services and facilities to better meet its customers' needs. The company is in the midst of expanding its facilities with the construction of a new 12,500 square metres export cargo terminal and

a Customs Hub in the airport to facilitate cargo clearance. It is also collaborating with Tan Son Nhat Cargo Services and Forwarding Company, a subsidiary of Vietnam Airlines, to provide express handling services. On the IT front, TCS is currently working to implement COSYS Intelligent Solutions, an advanced cargo management system from SATS, by end 2010 to enhance its cargo handling capabilities and improve its operational efficiency.

## Awards and Accolades

- AAT emerged as the second runner-up in the Power Smart competition organised by Friends of the Earth (Hong Kong) to encourage power conservation amongst corporations.
- BGS was rated by British Airways as its second most improved station and fifth best performing station amongst 21 stations, and named the best station nationally by Shenzhen Airlines. It also received outstanding service partner awards from Delta Air Lines and Hainan Airlines.
- EGAS was honoured with the Best Airport Performance Award 2009 by Dragon Airline for its Taipei station.
- AISATS was named the Best Agency for Safety by the Bengaluru International Airport, bagging eight individual awards for best aerobridge operator, best supervisor, best pushback operator, best marshaller, best driver and best foreign object disposal practices.
- PT JAS' Jakarta station emerged as one of the top three stations for SIA Cargo 2008/2009 Awards, while its Denpasar station took second place in the Group 1 Airport category.



Operations Review

## Food Solutions



## Food Solutions

### SINGAPORE

SATS now has a substantially fortified Food Solutions business following the successful acquisition of Singapore Food Industries (SFI). We are able to access new geographical markets and customer segments in addition to reaping cost synergies from the integration.

During the year in review, we initiated several integration projects covering the areas of procurement, production, food supply chain logistics, central services and corporate functions. At the close of FY2009-10, we had substantially completed the integration of SFI into our Food Solutions division and attained cost savings of \$7 million per annum. With the progressive completion of the remaining integration projects, we expect to deliver more than \$12 million of annualised savings in the coming months.

#### New contracts and renewals

At Singapore Changi Airport, SATS currently serves more than 40 airlines and around 85% of the total scheduled flights.



In FY2009-10, we produced a total of 23.5 million meals, a decline of 6.8% from a year ago. Despite the aviation downturn, we managed to secure contracts with several airline customers including China Eastern Airlines, Kingfisher Airlines, Singapore Airlines and Tiger Airways.

The Singapore Airshow also boosted our inflight catering business as we

received additional meal orders from chartered flights, business jets and participants of the Airshow.

Our non-aviation Food Solutions business is a beneficiary of the changing tourism and hospitality landscape in Singapore. During the year in review, we secured two contracts from the Integrated Resorts, namely a meat supply



“SATS Catering is committed to quality and efficiency. The team is always flexible in accommodating our needs and committed in presenting the best possible meals to Singapore Airlines’ passengers.”

**Mr Hermann Freidanck**, Manager Food & Beverage, Inflight Services, Singapore Airlines

contract from Marina Bay Sands and a flat sheet laundry services contract from Resorts World Sentosa.

In the area of events catering, we won a contract to cater meals for athletes and games officials at the first Asian Youth Games held in Singapore in June-July 2009.

In the area of hospital catering, we added St Andrew’s Community Hospital to our customer list, bringing the total number of hospital customers to seven. We continued to secure contracts to supply food materials to ship chandlers, hospitals and other food caterers in the food distribution business.

#### Process improvements and facility upgrades

To improve productivity and streamline our processes, we initiated and successfully completed 12 Lean Management projects during the year. These projects involved enhancing our production scheduling, optimising our manpower deployment and minimising raw material wastages, amongst others. As a result, we achieved total cost savings of over \$1.2 million per annum in FY2009-10.

One of the key Lean projects was to cut raw material wastages in the butchery section by 20%. Another project aimed to reduce the waiting time for dishing staff by 30% and food wastages by 50% at the bulk cooked food area.

To optimise manpower deployment at our inflight kitchens, we introduced a centralised roster to facilitate



staff scheduling, and streamlined preparation and cooking processes across all the kitchens. Staff from different sections were cross-trained to enable more flexible deployment across various work areas.

Another Lean project which focused on improving the delivery of catering uplifts also yielded an increase in productivity and higher customer satisfaction ratings. Monitoring of callbacks and tightening of the checking procedures at the outbound bay helped to ensure that the required items by airlines were accurately uplifted. As a result, this

initiative successfully achieved a 50% reduction in callbacks during the year.

In preparation for the economic upturn, we also embarked on a series of facility upgrades including:

- reconfiguring the refrigeration system, improving the boiler efficiency by replacing gas boilers with electrical heat pumps, and expanding our outbound truck docks, holding coldrooms and foodbank at our inflight kitchen;

## Food Solutions

- constructing a \$5 million Integrated Meat Processing Plant to centralise our meat cutting operations. Due to be completed in July 2010, the plant will also produce Halal certified ham and sausages as part of our strategy to pursue market growth in branded and value-added products; and
- investing in a fully automated fruit processing line, the first of its kind in Singapore, to improve productivity and reduce the reliance on manual labour.

### New initiatives and offerings

During the year, we continued to leverage on our competency in Food Solutions to launch new product and service offerings. Here are some of our initiatives:

- we opened our first branded chocolate outlet, Jewels Artisan Chocolate, to showcase our capability in chocolate confectionery. Located at Orchard Central, Jewels melds European artisan chocolate techniques with Asian flavours to bring a whole new experience to fine chocolate appreciation;



- we established a new event catering unit, Le Lifestyle, to provide catering services for premium events. We believe that as Singapore gears up to become a leading tourism hub, this will add more exciting premium catering opportunities for Le Lifestyle; and
- we introduced the concept of fine dining to enhance the meal experience of patients at the

National University Hospital, starting with its maternity ward. New premium menus were created and the presentation of meals was also enhanced. In addition, we set up a concierge unit to offer personalised services in taking meal orders, delivering food to the wards, and preparing celebration meals for patient discharge at the hospital.

## Awards and Accolades

- SATS won the Award for Excellence given by British Airways in recognition of its service and safety excellence.
- United Airlines awarded SATS a Gold Star certificate for excellence in all areas of customer service.
- SFI clinched the Gold award at the Community Chest Awards 2009 for its efforts in helping the less fortunate.
- SATS was conferred the 2009 Mabuhay Best Caterer Award in the Asia Pacific region by Philippines Airlines.
- Country Foods won the IUT Award given by the National Environment Agency in recognition of its efforts in food waste recycling.
- SFI was one of the 11 organisations named by Hewitt Associates in its Best Employers in Singapore 2009 Study.
- SATS clinched the Pride of SilkAir award for being the airline's best service partner in catering.



## OVERSEAS

### North Asia

#### Beijing Airport Inflight Kitchen Ltd (BAIK)

Established in 1993, BAIK is a 60:40 joint venture between Capital Airports Holding Company and SATS. Today, BAIK serves close to 50% of the international airlines at Beijing Capital International Airport including Scandinavian Airlines, Singapore Airlines and Turkish Airlines.

For the year in review, BAIK clinched a new contract with Ural Airlines, and renewed contracts with British Airways and Malaysia Airlines. It produced close to 6 million meals, representing a 38% increase year-on-year. Contributing to this increase was BAIK's new kitchen, which was

completed in end December 2008. This new kitchen spans 40,000 square metres and has a capacity to produce 30,000 meals per day including special and Halal meals. BAIK is the first and only inflight kitchen in China to be awarded the Halal certificate from the Chinese Minorities and Religious Office.

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

CF Macau was incorporated in December 2007 with the aim to expand SATS' food business in the territory. Country Foods, our wholly-owned subsidiary, holds a 51% equity stake in CF Macau.

CF Macau manufactures and supplies food materials such as processed fruits and vegetables, soups, sauces, semi-processed meats, roast meats

as well as ready-made meals and snacks for the Macau and Hong Kong market.

During the year in review, it won a contract to provide employee meals to Altira Macau, formerly known as Crown Macau. Its other customers include Cathay Pacific Catering Services, Hong Kong's Ocean Park and LSG Lufthansa Service Hong Kong.

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

Incorporated in 1995, MCS is a joint venture between Servair-SATS Holding and local Macau companies, Sociedade de Turismo e Diversões de Macau, Wu's Group and H. Nolasco & Cia Lda. Servair-SATS, a 49:51 joint venture between SATS and Servair Group, holds a 34% stake in MCS.

## Food Solutions



Located at Macau International Airport, MCS's production facility has the capacity to produce an average of 4,100 meals per day. It serves 11 airline customers including Air Macau, EVA Airways, Shanghai Airlines and TransAsia Airways.

For the year in review, MCS produced over 1.1 million meals, an 18.6% decline year-on-year.

### Evergreen Sky Catering Corporation (EGSC)

SATS holds a 15% equity stake in EGSC, its first major investment in Taiwan since October 1995. EGSC commands a market share of around 40% at Taiwan Taoyuan International Airport, and serves

a total of 14 airline customers including All Nippon Airways, EVA Airways, FedEx, Singapore Airlines and Thai Airways.

During the year in review, it added Shanghai Airlines to its customer list and produced over 6.4 million meals.

### West Asia

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

TSAC provides inflight catering services to domestic and international airlines in major cities in India including Mumbai, Delhi, Kolkata and Amritsar. It is a 49:51 joint venture between SATS and Indian Hotels, which operates the Taj Group of hotels in India.

Prominent international names in TSAC's roster of 49 airline customers include Air India, British Airways, Cathay Pacific Airways, Emirates and Singapore Airlines.

During the year in review, TSAC produced close to 16 million meals, down 2.7% from the previous year. It clinched new contracts with airlines such as Air China, American Airlines, Indian Airlines and Qatar Airways, among others. To expand out of the aviation sector, TSAC together with Taj Madras Flight Kitchen have embarked on initiatives to provide institutional catering to non-airline customers.

“SATS Catering is a partner that we can always count on. Throughout our partnership, it has always been proactive in offering support and assistance, providing valuable solutions on catering issues that we have encountered along the way.”

**Mr Baldev Bul**, Airport Manager Singapore, Etihad Airways

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

TMFK is a joint venture between Indian Hotels, Malaysia Airlines and SATS, which holds a 30% equity stake. As the leading inflight caterer in Chennai, TMFK currently serves around 10 airlines including Emirates, Jet Airways and Malaysia Airlines.

During the year in review, TMFK produced over 2 million meals and renewed its contract with Indian Airlines. The global economic downturn saw a drop in its meal production as more and more airlines switched to 'sale on-board' instead of offering inflight meals to every passenger.

**Maldives Inflight Catering Pte Ltd (MIC)**

Located at the Malé International Airport (MIA), MIC is a 65:35 joint venture between Maldives Airports Company and SATS. MIC serves more than 80% of the airlines for inflight catering and provides aircraft interior cleaning services to all airlines at MIA. It counts airlines such as China Southern Airlines, Qatar Airways and Singapore Airlines amongst its customers.

For the year in review, MIC produced over 472,000 meals, up 2.4% from the previous year. It signed on Air China, British Airways, China Southern Airlines, Korean Air and Malaysia Airlines as new customers.



“Thank you for your support, SFI. We greatly appreciate your effort and diligence in supporting us in our daily operations and during promotional activities. Your team is always there for us even during unforeseen circumstances where we require your immediate assistance to attend to the individual stores.”

**Ms Jessica Germaine Tok**, Category Manager, Giant/Shop N Save

**Food Solutions**

During the year, MIC-owned Hulhule Island Hotel (HIH) secured several crew accommodation contracts with airlines such as Condor Airlines, First Choice Airways, Qatar Airlines, Sri Lankan Airlines and XL Airways in addition to the business and leisure segments.

**Southeast Asia and Australasia**

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

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

Serving more than half of the international carriers at NAIA, MACS captures close to 60% of

the market share by meal volumes. Its customers include international carriers such as Emirates, KLM Royal Dutch Airlines, Qantas Airways and Singapore Airlines.

For the year in review, MACS produced over 2.6 million meals, an increase of 6.7% over a year ago. It renewed its contract with Air Niugini and upgraded its ISO certification to ISO 9001:2008.

**Europe**

**Daniels Group**

Comprising Daniels Chilled Foods, Farmhouse Fare and International Cuisine, UK-based Daniels Group is a food manufacturer supplying branded and private label products in five categories, namely fresh soup, chilled drinks, fresh fruit, ready meals and traditional desserts.







Wholly-owned by SATS, Daniels Group is the market leader for fresh soup and chilled orange juice with a market share of about 50% and 60% respectively by sales. Amongst its key customers are major UK retailers such as Sainsbury's, Tesco, Asda, Coop, Waitrose, and Marks and Spencer.

For the year in review, Daniels Group achieved sales of £160 million, representing more than 6% growth year-on-year. It also added new customers such as EAT and Minor Weir & Willis, amongst others.

In March 2010, Daniels Group opened a new £8.5 million plant in Grimsby,

Lincolnshire. This new facility will produce a wide range of soup and chilled ready meals and increase its current capacity by 25%.

## Awards and Accolades

- BAIK received the Silver Culinary Team Award in a culinary competition organised by the Chinese Catering Association. It also received an award for excellence from British Airways, and best partner awards from Garuda Indonesia and Turkish Airlines.
- Daniels Group won Gold and Silver awards at the Grocer Food & Drinks Awards 2010 for New Covent Garden Food Company's fresh orange juice with bits and Farmhouse Fare's luxury rice pudding with fruit compote respectively. It also bagged the Gold award in the desserts and pudding category in the Great Taste Awards 2009 organised by the Guild of Fine Food.
- HIH clinched top awards in the Maldives' leading hotel category at the World Travel Awards 2009 and was a finalist in the Luxury Airport Hotel category at World Luxury Hotel Awards 2009. It also clinched the awards for Most Outstanding Chef and Best Maldivian Chef at the Hotel Asia Exhibition and Culinary Challenge 2009.
- MACS was conferred the Valued Partner for 2009 Award and a Special Award for Outstanding Catering Services by Korean Air. It was also named the top catering team at the Singapore Airlines CEO Transforming Customer Service Awards.
- TSAC bagged the Gold Award for Best Caterer in Delhi from Cathay Pacific Airways. It was also named the Best Middle Haul and Short Haul Caterer for 2009 in Mumbai by All Nippon Airways, as part of its Overseas Caterer Award Programme.

## Corporate Social Responsibility

At SATS, we recognise the importance of protecting the environment that we work and live in. With diminishing natural resources, the urgency to conserve and protect our environment grows. So too, do our efforts to make a positive difference. From recycling to saving energy, we make it a point to reduce our carbon footprint throughout the SATS family. During the year in review, we put in place the following key initiatives:

### Saving Energy

- Optimising refrigeration system**  
 We reconfigured the refrigeration system at SATS Inflight Catering Centre 1 in September 2009 to reduce the level of energy consumption, with expected savings of over \$300,000 per annum.
- Consolidating coldroom operations**  
 We consolidated our coldroom operations at the airfreight terminals to reduce energy consumption and achieved cost savings of over \$150,000 per annum.
- Improving boiler efficiency**  
 We replaced gas boilers with five electrical heat pumps to improve the boiler efficiency at SATS Inflight Catering Centre 1. This effectively reduced energy consumption and achieved close to \$200,000 in savings per year.

- Cutting excess usage**  
 We conserved energy by switching off alternate highbay lights in our airfreight terminals during the day and achieved annual savings of close to \$75,000.
- Upgrading existing systems**  
 Our Hong Kong joint venture, Asia Airfreight Terminal, upgraded its air-conditioning and lighting systems with more environmentally friendly solutions. These initiatives reaped cost savings of over \$340,000 per year.

### Recycling

- Improving recyclability**  
 Daniels Group embarked on a project to improve the recyclability of the plastic bottles used for its juices and smoothies. This initiative reaped annualised savings of over \$130,000.
- Recycling organic waste**  
 We identified pre-preparation areas where organic waste could be segregated from inorganic waste with about 99.7% purity. The conversion of the organic waste into compost for sale translated into annualised savings of \$60,000.
- Recycling fruit waste**  
 Daniels Group recycled fruit waste to sell as feed for livestock from its fruit site in Leeds. This resulted in savings of more than \$80,000 per annum.

### Creating Awareness

- Pioneering E-freight**  
 As a pioneer of E-freight, an initiative facilitated by IATA to replace paper documentations in air cargo, SATS helped to raise awareness among its peers and partners about the importance of reducing paper usage and the benefits of the E-freight processes.
- Supporting Earth Hour**  
 SATS Cargo supported the Earth Hour initiative in Singapore by holding its own Earth Hour a day earlier to generate greater awareness among its partners and employees. On 26 March 2010 from 1pm to 2pm, lights in its airfreight terminal and throughout the offices, lift lobbies, corridors and multi-storey carpark were switched off for an hour.
- Supporting World Environment Day**  
 In June 2009, Taj SATS Air Catering and Taj Madras Flight Kitchen celebrated World Environment Day to create greater awareness on the importance of protecting the environment. As part of the celebration, activities such as tree planting and art competition were organised for employees and their families.

# Financial Review

FY2009-10

## Earnings

The Group recorded revenue of \$1.539 billion, an increase of \$476.8 million (+44.9%) over last financial year. Net profit attributable to equity holders was \$181.2 million, which was \$34.5 million (+23.5%) higher over FY2008-09.

The results have been positively impacted by the full year contribution from the Singapore Food Industries ("SFI"), which accounted for \$642.7 million in revenue and \$52.5 million of net profit attributable to equity holders (before amortization of intangible assets).

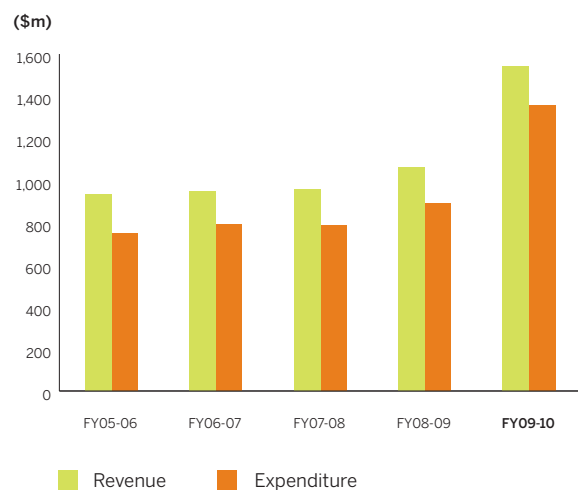
Group operating margin was 12.0% compared to 16.1% last year. The decline is attributable to a change in revenue mix, with a higher proportion from SFI, which had lower margins, and the inclusion of amortization charge of \$18.9 million for intangibles compared to \$3.2 million (2 months) in the last financial year.

Profit contribution from associated companies increased \$19.7 million (+88.6%) to \$41.9 million. Associated companies contributed 18.8% to the Group's profit before tax, an increase of 6.7 percentage points over the preceding financial year.

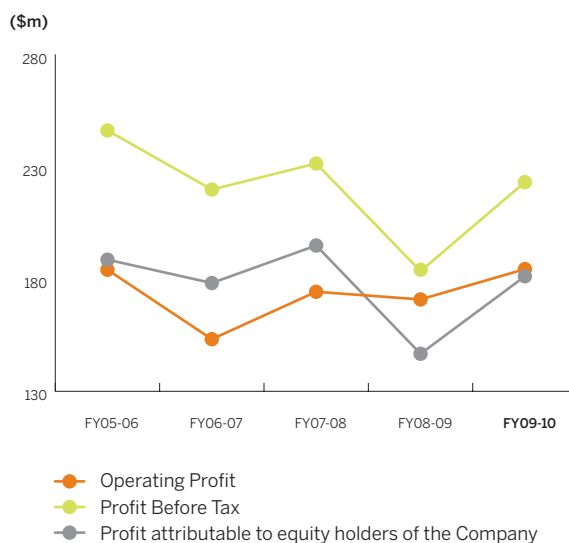
Other non-operating income improved despite a \$6.2 million (-90.9%) drop in interest income. This was due to a one-off loss on disposal of short-term non-equity investments of \$10.8 million recorded in the preceding year.

Profit before tax for the Group increased 21.5% to \$223.0 million and net profit attributable to equity holders was 23.5% higher at \$181.2 million.

## Group Revenue and Expenditure



## Group Operating Profit, Profit Before Tax and Profit Attributable to Equity Holders of the Company



## Financial Review

FY2009-10

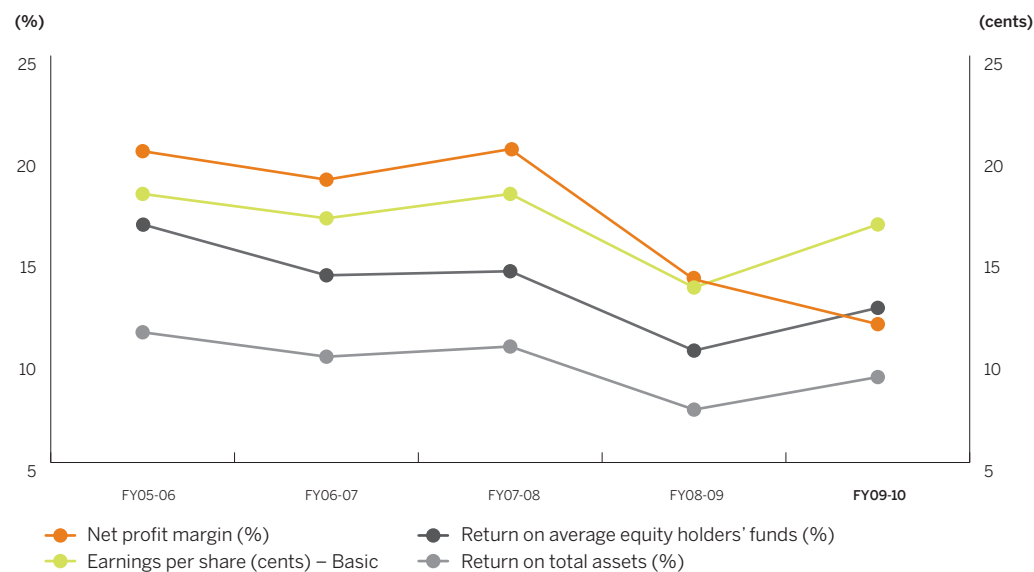
### Earnings (Cont'd)

Basic earnings per share increased 3.1 cents (+22.8%) to 16.7 cents.

Profitability ratios of the Group are as follows:

	2009-10	2008-09	Change
	%	%	% points
Return on turnover	11.8	14.0	-2.2
Return on equity holders' funds	12.6	10.6	+2.0
Return on total assets	9.2	7.6	+1.6

### Group Profitability Ratios



### Revenue

Revenue for FY2009-10 was \$1.539 billion, \$476.8 million or 44.9% higher than the preceding financial year mainly due to a full year's revenue contribution from SFI, which became a subsidiary on 20 January 2009, and Country Foods Macau and SATS Hong Kong, when they became subsidiaries in the third quarter of FY2008-09.

The segmental revenue and its composition are summarised below:

	2009-10		2008-09		% change
	\$ million	%	\$ million	%	
Gateway Services	495.3	32.2	508.2	47.9	-2.5
Food Solutions	1,031.7	67.0	541.0	50.9	+90.7
Corporate	11.9	0.8	12.9	1.2	-7.7
<b>Total</b>	<b>1,538.9</b>	<b>100.0</b>	<b>1,062.1</b>	<b>100.0</b>	<b>+44.9</b>

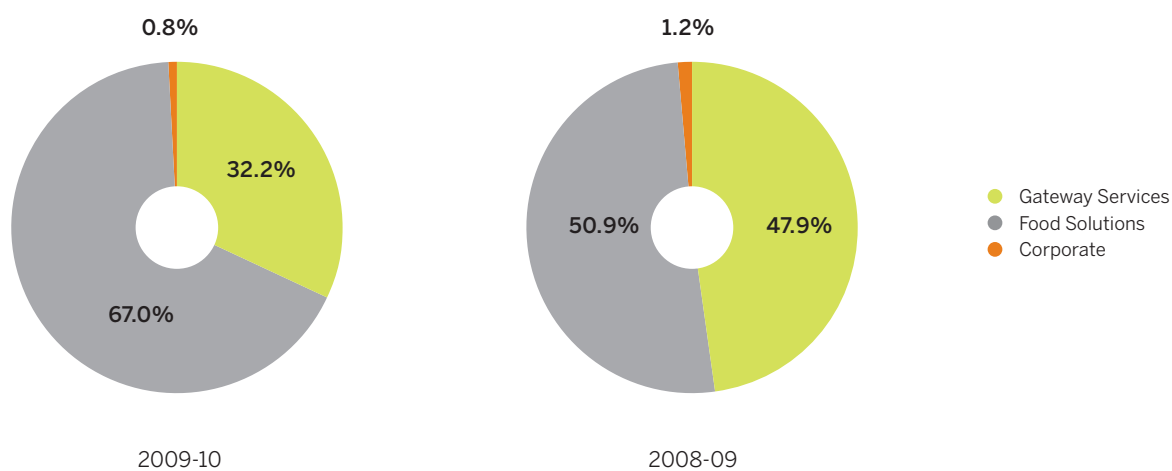
The segmental revenue excludes the intra-group revenue.

## Financial Review

FY2009-10

### Revenue (Cont'd)

#### Group Revenue Composition



The Gateway Services segment provides mainly airport terminal services, such as airfreight and ground handling services, aviation security and aircraft interior cleaning services to the Group's airline customers. Ground handling includes apron, passenger and baggage handling services. Airfreight and ground handling services formed the majority of this segment's revenue at 90.0%, similar to prior year's trend. Revenue saw a decrease due to lower airfreight even though there were increases in passengers served and flights handled, the increase came mainly from the low cost carrier service, where unit revenue contribution is lower compared to full service carriers.

Food Solutions segment provides mainly inflight catering, food processing and distribution services as well as airline laundry services. In FY2008-09, 72.3% of the revenue was derived from inflight catering. With the full year's contribution from SFI, inflight catering revenue fell to 34.4% of the total Food Solutions revenue.

Corporate segment revenue is derived from rental of premises. The decrease in revenue was \$1.0 million (-7.7%).

#### Expenditure

Operating expenditure increased 52.0% (+\$463.3 million) primarily due to the full year consolidation of SFI, Country Foods Macau and SATS Hong Kong. Excluding SFI, the Group's operating expenses had declined by 2.0% over last year.

The Group continued with the cost management measures introduced in the last financial year. The jobs credit scheme benefit of \$17.1 million (\$12.3 million in the preceding year) has also helped cushion the impact of the economic downturn.

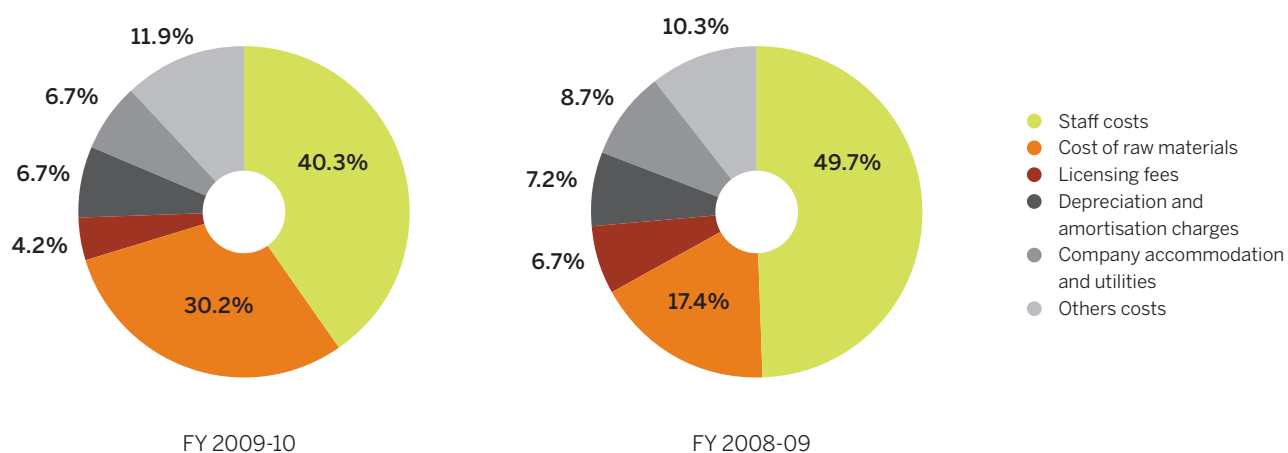
## Financial Review

FY2009-10

### Expenditure (Cont'd)

#### Group Expenditure Composition

	2009-10		2008-09		% change
	\$ million	%	\$ million	%	
Staff costs	545.4	40.3	442.7	49.7	+23.2
Cost of raw material	409.5	30.2	155.4	17.4	+163.5
Licensing fees	56.8	4.2	59.9	6.7	-5.2
Depreciation and amortisation charges	90.8	6.7	64.6	7.2	+40.5
Company accommodation and utilities	90.8	6.7	77.1	8.7	+17.8
Other costs	161.2	11.9	91.5	10.3	+76.2
<b>Total</b>	<b>1,354.5</b>	<b>100.0</b>	<b>891.2</b>	<b>100.0</b>	<b>+52.0</b>



### Profit Contribution from Associated Companies

Profit contribution from associated companies rose significantly by 88.7% to \$41.9 million, reflecting improvement in volumes and the absence of one-off charges. The main contributors to the improvement were PT Jasa Angkasa Semesta Tbk and Asia Airfreight Terminal Co Ltd, which contributed \$11.9 million and \$7.8 million respectively to the year on year increment.

Associated companies contributed 18.8% of the Group's profit before tax, an increase of 6.7 percentage points over the preceding financial year.

### Taxation

Tax expense was \$40.9 million, which was \$5.9 million higher than the preceding year. The increase was in tandem with the increase in profits. The effective tax rate was reduced from 19.1% in FY2008-09 to 18.3% in FY2009-10.

## Financial Review

FY2009-10

### Dividends

The Company paid an interim dividend of 5 cents per share, amounting to \$54.2 million on 25 November 2009. The directors proposed that a final dividend of 8 cents per share, amounting to \$87.4 million, be paid.

The total dividend of \$141.6 million, payable out of profits for financial year 2009-10, represents a dividend payout of 78.1%, an increase over the 73.5% payout ratio for FY2008-09.

### Financial Position

At 31 March 2010, the equity attributable to equity holders of the Group was \$1,481.9 million, an increase of \$83.8 million or 6.0% compared to \$1,398.1 million at 31 March 2009. The return on equity for the Group was 12.6% for FY2009-10, 2.0 percentage point higher than the preceding financial year.

The Group's total assets were \$1,909.1 million at 31 March 2010, which is \$146.1 million or 7.1% lower than that as at 31 March 2009.

The net asset value per share was \$1.37, 8 cents or 6.2% higher than the preceding year.

Net liquid assets of the Group increased \$118.7 million to \$182.7 million. Net liquid assets is calculated as financial liquid assets less current liabilities. The debt equity ratio for the Group at 31 March 2010 decreased from 0.18 to 0.02 due to the repayment of the Medium Term Notes and certain term loans in September 2009.

### Equity Holders' Funds, Total Assets and Net Asset Value Per Share



### Net Liquid Assets



## Financial Review

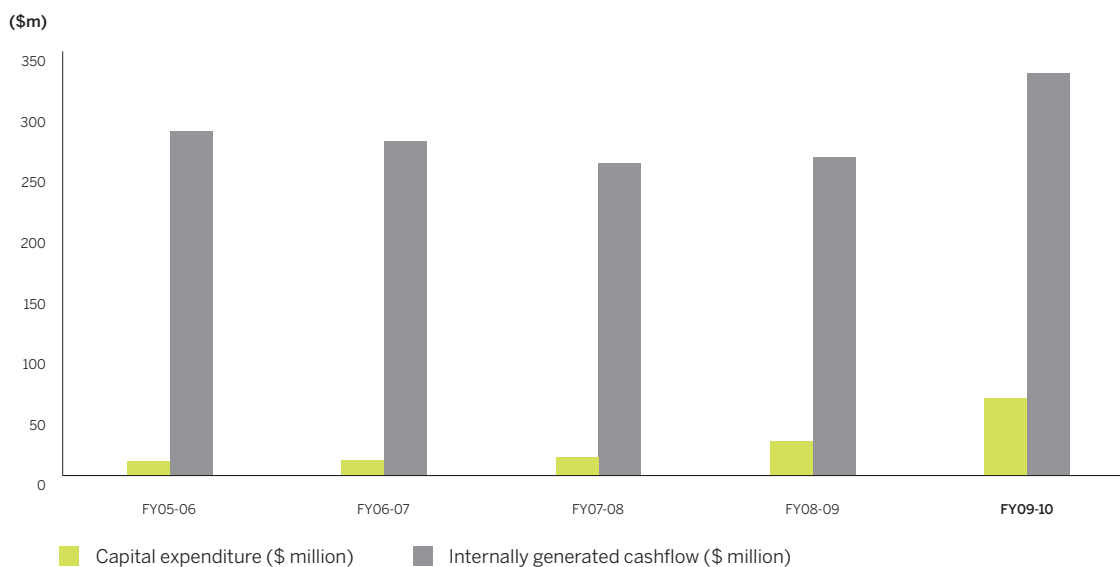
FY2009-10

### Capital Expenditure and Cash Flow

The Group's capital expenditure and internally generated cash flow were \$64.1 million and \$331.9 million respectively for the current financial year, an increase of \$36.0 million and \$69.7 million from the preceding financial year. Internally generated cash flow is the sum of cash generated from operations, gross dividends from associated companies and proceeds from sale of fixed assets.

The Group's cash and cash equivalents was \$195.7 million as at 31 March 2010, a decrease of \$80.0 million compared to a year ago due to the repayment of the Medium Term Notes in September 2009.

### Capital Expenditure and Internally Generated Cash Flow



### Value Added

The value added of the Group was \$802.8 million, an increase of \$163.5 million compared to the preceding financial year. \$483.4 million (60.2%) went to salaries and other staff costs while shareholders received \$118.9 million (14.8%) in dividends. Interest on borrowings and corporate taxes accounted for \$5.3 million (1.0%) and \$40.9 million (5.1%) respectively. \$153.4 million (19.1%) was retained for future capital requirement, and \$0.9 million was attributable to minority interests.



## Financial Review

FY2009-10

### Value Added (Cont'd)

#### Statement of Value Added and Its Distribution

	2009-10	2008-09	2007-08	2006-07	2005-06
	\$ million	\$ million	\$ million	\$ million	\$ million
Total Revenue	<b>1,538.9</b>	1,062.1	958.0	945.7	932.0
Less: Purchases of goods & services	<b>779.5</b>	441.7	355.7	343.3	335.5
	<b>759.4</b>	620.4	602.3	602.4	596.5
Add/(less):					
Interest income	<b>0.6</b>	6.9	15.7	18.2	9.3
Share of results of associated companies	<b>41.9</b>	22.2	44.7	52.1	57.3
Amortisation of deferred income	<b>0.9</b>	(0.5)	1.4	1.4	1.4
Income from long-term investments	<b>-</b>	(9.7)	1.1	1.0	0.6
Exceptional items	<b>-</b>	-	17.3	-	-
Total value added available for distribution	<b>802.8</b>	639.3	682.5	675.1	665.1
Applied as follows:					
To employee					
- Salaries and other staff costs	<b>483.4</b>	384.5	368.4	383.4	347.5
To government					
- Corporate taxes	<b>40.9</b>	35.0	53.5	40.8	56.9
To supplier of capital					
- Dividend	<b>118.9</b>	151.1	140.0	83.9	83.1
- Minority interests	<b>0.9</b>	1.7	0.3	0.8	0.6
- Interest on borrowings	<b>5.3</b>	6.7	6.2	6.2	6.3
Retained for future capital requirements					
- Depreciation and amortisation	<b>90.8</b>	64.6	59.2	65.7	65.3
- Retained earnings	<b>62.6</b>	(4.3)	54.9	94.3	105.4
Total value added	<b>802.8</b>	<b>639.3</b>	<b>682.5</b>	<b>675.1</b>	<b>665.1</b>
Value added per \$ revenue	<b>0.52</b>	0.60	0.71	0.71	0.71
Value added per \$ employment costs	<b>1.66</b>	1.66	1.85	1.76	1.91
Value added per \$ investment in fixed assets	<b>0.58</b>	0.47	0.53	0.52	0.52

### Staff Strength and Productivity

The Group's average staff strength for the current financial year was 11,932. This was 29.7% higher than the preceding financial year, reflecting the assimilation of staff from SFI. The breakdown of the average staff strength is as follows:

	2009-10	2008-09*	% change
Gateway Services	<b>6,529</b>	6,118	+6.7
Food Solutions	<b>5,137</b>	2,831	+81.4
Corporate	<b>266</b>	247	+7.7
Total	<b>11,932</b>	9,196	+29.7

\* FY2008-09 average staff strength has been recomputed using the formula consistent with that applied to FY2009-10.

## Financial Review

FY2009-10

### Staff Strength and Productivity (Cont'd)

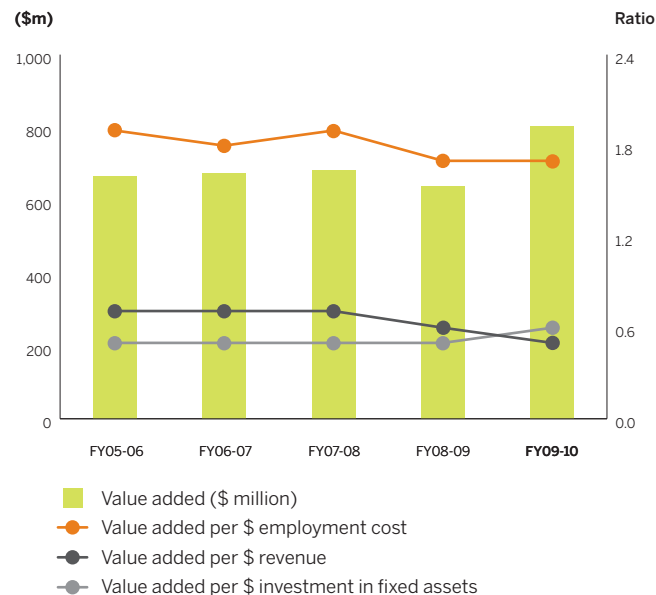
The staff productivity measured by value added per employee for the current financial year decreased 3.2% to \$67,293. Productivity in term of value added expressed per dollar of employment cost was maintained at 1.66.

Revenue increased 11.7% and while staff cost per employee decreased 3.1%.

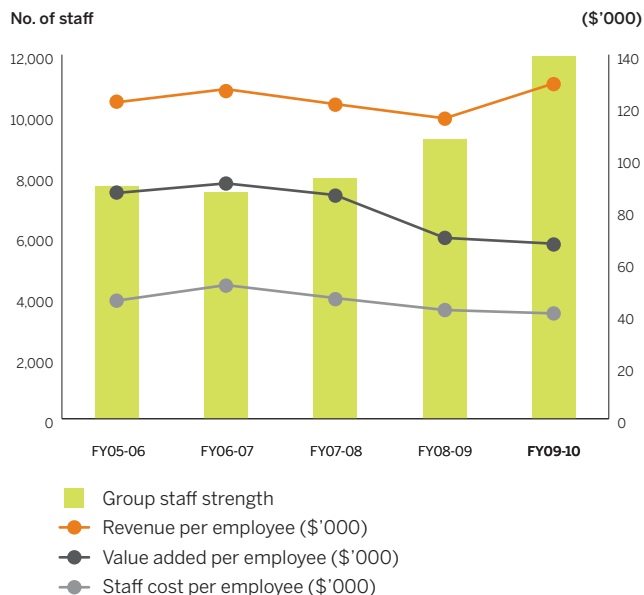
	2009-10	2008-09	% change
Value Added Per Employee (\$'000)	<b>67,293</b>	69,524*	-3.2
Value Added Per \$ of Employment cost	<b>1.66</b>	1.66	-
Revenue Per Employee (\$'000)	<b>128,974</b>	115,495*	+11.7
Staff Cost Per Employee (\$'000)	<b>40,532</b>	41,814*	-3.1

\* The staff productivity indicators for FY2008-09 have been recomputed using the formula consistent with that applied to FY2009-10.

### Group Value Added Productivity Ratios



### Group Staff Strength and Productivity



### Economic Value Added (EVA)

EVA for the Group was \$67.2 million, \$41.0 million or 156.5% higher than the preceding financial year mainly due to higher operating profit and share of profit from associated companies.

### Share Capital and Share Options of the Company

The issued and paid-up capital of the Company increased from S\$255,176,777 as at 31 March 2009 to S\$288,017,756 as at 31 March 2010. The increase was due to new ordinary shares of the Company ("Shares") allotted and issued pursuant to the exercise of options granted under the SATS Employee Share Option Plan ("Plan"), which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees. In addition, ordinary shares were vested and issued during the financial year under the Restricted Share Plan and Performance Share Plan.

## Financial Review

FY2009-10

### Share Capital and Share Options of the Company (Cont'd)

#### Employee Share Option Plan

There were no options granted during the year.

During the year, 13,592,720 share options were exercised by employees. As at 31 March 2010, there were 49,195,130 unexercised employee share options.

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

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

As at 31 March 2010, the number of outstanding shares granted under the Company's RSP and PSP were 1,410,353 and 502,816 respectively.

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

### Breakdown by Business Activities

	Revenue		Operating Profit	
	2009-10	2008-09	2009-10	2008-09
	\$ million	\$ million	\$ million	\$ million
Gateway Services	495.3	508.2	57.8	70.9
Food Solutions	1,031.7	541.0	143.5	96.5
Corporate	11.9	12.9	(16.9)	3.5
	<b>1,538.9</b>	<b>1,062.1</b>	<b>184.4</b>	<b>170.9</b>

	Profit Before Tax		Profit After Tax	
	2009-10	2008-09	2009-10	2008-09
	\$ million	\$ million	\$ million	\$ million
Gateway Services	95.0	85.4	75.7	72.2
Food Solutions	147.5	104.3	121.8	86.1
Corporate	(19.5)	(6.2)	(15.3)	(9.9)
	<b>223.1</b>	<b>183.5</b>	<b>182.1</b>	<b>148.4</b>

	Total Assets		Capital Expenditure	
	2009-10	2008-09	2009-10	2008-09
	\$ million	\$ million	\$ million	\$ million
Gateway Services	575.0	670.6	16.2	18.5
Food Solutions	740.9	656.3	43.1	12.4
Corporate	593.2	728.3	7.4	1.8
	<b>1,909.1</b>	<b>2,055.2</b>	<b>66.7</b>	<b>32.7</b>

## Financial Review

FY2009-10

### Performance by Major Business Units

#### Gateway Services

In the Gateway Services segment, airfreight and ground handling services formed the majority of the segment revenue at 90.0%, similar to prior year's trend. Revenue saw a decrease due to lower airfreight even though there were increases in passengers served and flights handled, the increase came mainly from the low cost carrier service, where unit revenue contribution is lower compared to full service carriers.

The savings from cost management measures and jobs credit scheme benefit were offset by the building up of operational capacity by SATS Hong Kong to cater for higher volume anticipated for the next financial year and the commencement of operations of the low cost carrier ground handling services. As such, the expenditure for the financial year saw no change.

Operating profit decreased 18.5% to \$57.8 million.

#### Food Solutions

In FY2008-09, 72.3% of the revenue was derived from inflight catering. With the full year contribution from SFI, inflight catering revenue fell to 34% of the total Food Solutions revenue.

Expenditure for the financial year increased 99.8% to \$888.2 million mainly from cost of raw materials due to higher volumes and revenue.

Operating profit for Food Solutions increased 48.7% to \$143.5 million.

### Revenue and Operating Profit by Business Activities



# Corporate Governance

## Code of Corporate Governance 2005 Specific Principles and Guidelines for Disclosure

Relevant Guideline or Principle	Page Reference
<b>Guideline 1.3</b> Delegation of authority, by the board to any board committee, to make decisions on certain board matters.	Pages 70 to 73, 76, 77, 81 and 82
<b>Guideline 1.4</b> The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings.	Page 71
<b>Guideline 1.5</b> The type of material transactions that require board approval under internal guidelines.	Page 72
<b>Guideline 2.2</b> Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the director's relationship and the reason for considering him as independent should be disclosed.	Not applicable
<b>Guideline 3.1</b> Relationship between the chairman and chief executive officer where they are related to each other.	Not applicable
<b>Guideline 4.1</b> Composition of nominating committee.	Pages 70 and 73
<b>Guideline 4.5</b> Process for the selection and appointment of new directors to the board.	Page 75
<b>Guideline 4.6</b> Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent.	Pages 70, 72 and 75
<b>Guideline 5.1</b> Process for assessing the effectiveness of the board as a whole and the contribution of each individual director to the effectiveness of the board.	Page 75
<b>Principle 9</b> Clear disclosure of its remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to directors and key executives, and performance.	Pages 77 to 81 and 85
<b>Guideline 9.1</b> Composition of remuneration committee.	Pages 70 and 76
<b>Guideline 9.2</b> Name and remuneration of each director. The disclosure of remuneration should be in bands of S\$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives.	Page 79
<b>Guideline 9.2</b> Names and remuneration of at least the top 5 key executives (who are not also directors). The disclosure should be in bands of S\$250,000 and include a breakdown of remuneration.	Page 80
<b>Guideline 9.3</b> Remuneration of employees who are immediate family members of a director or the chief executive officer, and whose remuneration exceed S\$150,000 during the year. The disclosure should be made in bands of S\$250,000 and include a breakdown of remuneration.	Page 81
<b>Guideline 9.4</b> Details of employee share schemes.	Pages 81 and 85
<b>Guideline 11.8</b> Composition of audit committee and details of the committee's activities.	Pages 70, 81 and 82
<b>Guideline 12.2</b> Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems.	Pages 82, 83, 86 to 88

## Corporate Governance

Singapore Airport Terminal Services Limited (“SATS” or the “Company”) continually strives to maintain high standards of corporate governance within the Company and its subsidiaries (the “Group”) by promoting corporate performance and accountability in order to enhance long term shareholder value.

This report (“Report”) describes SATS’ corporate governance policies and practices with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2005 (the “2005 Code”). This Report has been structured in accordance with the sequence of principles and guidelines as set out in the 2005 Code.

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

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

The key functions of the Board are to:

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

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

- Board Executive Committee
- Audit Committee (renamed on 1 November 2009, formerly known as the Audit and Risk Management Committee)
- Nominating Committee
- Remuneration and Human Resource Committee
- Board Risk Committee (established on 1 November 2009)

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

Board Member	Board Membership	Board Executive Committee	Audit Committee	Nominating Committee	Remuneration and Human Resource Committee	Board Risk Committee
Mr Edmund Cheng Wai Wing	Non-Executive Chairman & Independent Director	Chairman			Chairman	
Mr David Zalmon Baffsky	Independent Director		Member			
Mr David Heng Chen Seng <sup>1</sup>	Non-Executive, Non-Independent Director	Member				Member
Mr Khaw Kheng Joo <sup>2</sup>	Independent Director			Chairman		Member
Dr Rajiv Behari Lall	Independent Director			Member		
Mr Mak Swee Wah <sup>3</sup>	Non-Executive, Non-Independent Director	Member				Chairman
Mr Ng Kee Choe	Non-Executive, Non-Independent Director	Member			Member	
Mr Keith Tay Ah Kee	Independent Director		Chairman	Member		
Mr Yeo Chee Tong	Independent Director		Member		Member	

Notes:

<sup>1</sup> Appointed as a Director on 15 October 2009, and as a member of both the Board Executive Committee and Board Risk Committee with effect from 1 November 2009.

<sup>2</sup> Appointed as a member of the Board Risk Committee with effect from 1 November 2009, and stepped down as a member of the Audit Committee with effect from 1 November 2009.

<sup>3</sup> Appointed as the Chairman of the Board Risk Committee with effect from 1 November 2009, and stepped down as a member of the Remuneration and Human Resource Committee with effect from 1 November 2009.

## Corporate Governance

### Principle 1: Company to be headed by an effective board to lead and control the company (Cont'd)

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

In addition, an *ad hoc* Board Committee (namely, the SATS-SFI Integration Board Committee or “**SSIBC**”) was established by the Board in the previous financial year ended 31 March 2009 (“**FY2008-09**”) to oversee the integration of the SATS and Singapore Food Industries Limited (now known as Singapore Food Industries Pte. Ltd.) (“**SFI**”) groups of companies and their respective operations following the completion of the acquisition of SFI by the Company. The SSIBC’s members comprised Mr Edmund Cheng Wai Wing (Chairman of the SSIBC), Mr Mak Swee Wah, Mr Ng Kee Choe, Mr Keith Tay Ah Kee and Mr Yeo Chee Tong. The SSIBC met five times during the financial year ended 31 March 2010 (“**FY2009-10**”) to review integration-related matters together with Management and it was subsequently disbanded on 31 December 2009 upon substantial completion of the integration exercise.

Fixed Board meetings on a quarterly basis are scheduled in advance. In addition, *ad hoc* Board meetings are convened if there are pressing matters requiring the Board’s deliberation and decision in between the scheduled meetings. During FY2009-10, in addition to the quarterly scheduled Board meetings, there were two *ad hoc* Board meetings convened. Since 2003, the Board has also conducted annual Board strategy meetings to have more focused discussions on key strategic issues facing the Group.

The Company’s Articles of Association (“**Articles**”) allow Directors to participate in Board and Board Committee meetings by way of telephone conference or other similar means of communication equipment whereby all persons participating in the meeting are able to hear each other, without requiring their physical presence at the meeting. The Company has set up telephone and video conference facilities to enable alternative means of participation in Board and Board Committee meetings. During FY2009-10, various Directors have participated in Board or Board Committee meetings by way of telephone conference or video conference.

In respect of FY2009-10, a total of seven Board meetings, including a three-day Board strategy meeting and two *ad hoc* Board meetings, were held. The Directors’ attendance at Board and Board Committee meetings for FY2009-10 is set out below.

	No. of Board Committee Meetings Attended						
	No. of Board Meetings Attended (No. of meetings held: 7)	Board Executive Committee (No. of meetings held: 5)	Audit Committee (No. of meetings held: 5)	Nominating Committee (No. of meetings held: 2)	Remuneration and Human Resource Committee (No. of meetings held: 8)	Board Risk Committee (No. of meetings held: 1)	SATS-SFI Integration Board Committee (No. of meetings held: 5)
Mr Edmund Cheng Wai Wing	7 (1 via teleconference)	5	Not applicable	Not applicable	8	Not applicable	5
Mr David Zalmon Baffsky	7 (2 via teleconference)	Not applicable	5 (2 via teleconference)	Not applicable	Not applicable	Not applicable	Not applicable
Mr David Heng Chen Seng <sup>4</sup>	2	2	Not applicable	Not applicable	Not applicable	0	Not applicable
Mr Khaw Kheng Joo <sup>5</sup>	6	Not applicable	2 (1 via teleconference)	2	Not applicable	1	Not applicable
Dr Rajiv Behari Lall	5	Not applicable	Not applicable	1 (via teleconference)	Not applicable	Not applicable	Not applicable
Mr Mak Swee Wah <sup>6</sup>	6	5	Not applicable	Not applicable	6	1	4
Mr Ng Kee Choe	7	4	Not applicable	Not applicable	8	Not applicable	5
Dr Ow Chin Hock <sup>7</sup>	3	Not applicable	Not applicable	1	Not applicable	Not applicable	Not applicable
Mr Keith Tay Ah Kee	7	Not applicable	5 (1 via teleconference)	2 (1 via teleconference)	Not applicable	Not applicable	5
Mr Yeo Chee Tong	7 (2 via video conference)	Not applicable	5 (1 via teleconference; 1 via video conference)	Not applicable	6 (6 via video conference)	Not applicable	3 (2 via video conference)

#### Notes:

- Appointed as a Director on 15 October 2009, and as a member of both the Board Executive Committee and Board Risk Committee with effect from 1 November 2009. Mr Heng attended two out of three Board meetings and all meetings of the Board Executive Committee which were held during his term of Directorship in FY2009-10.
- Appointed as a member of the Board Risk Committee with effect from 1 November 2009 and stepped down as a member of the Audit Committee with effect from 1 November 2009. Mr Khaw attended two out of three meetings of the Audit Committee which were held during his term as a member of the Audit Committee in FY2009-10.
- Appointed as the Chairman of the Board Risk Committee with effect from 1 November 2009, and stepped down as a member of the Remuneration and Human Resource Committee with effect from 1 November 2009. Mr Mak attended all meetings of the Remuneration and Human Resource Committee which were held during his term as a member of the Remuneration and Human Resource Committee in FY2009-10.
- Retired as Director at the Company’s 36th Annual General Meeting held on 28 July 2009 and did not stand for re-election. At the time of his retirement, Dr Ow was a member of the Nominating Committee. Dr Ow had attended all Board meetings and all meetings of the Nominating Committee which were held during his term of Directorship in FY2009-10.

## Corporate Governance

### Principle 1: Company to be headed by an effective board to lead and control the company (Cont'd)

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

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

#### Board Executive Committee

In this regard, the Board has delegated to the Board Executive Committee the function of reviewing and approving certain matters, *inter alia*, guiding Management on business, strategic and operational issues, undertaking an initial review of the three- to five-year forecast/business plan and annual capital and operating expenditure budgets for the Group, granting initial or final approval (depending on the value of the transaction) of transactions of the Company or its subsidiaries relating to the acquisition or disposal of businesses, assets or undertakings, joint ventures, mergers, amalgamations or similar corporate transactions, establishing bank accounts, granting powers of attorney, affixation of the Company's seal, and nominating board members to the Company's subsidiaries and associated companies. Minutes of the meetings of the Board Executive Committee are forwarded to all Directors for their information.

The Board Executive Committee currently comprises Mr Edmund Cheng Wai Wing (who is the Chairman of the Committee), Mr David Heng Chen Seng, Mr Mak Swee Wah and Mr Ng Kee Choe. The Chairman of the Board Executive Committee is an independent Director.

The Board Executive Committee is required under its terms of reference to meet at least once in each financial year and met five times in FY2009-10. Regular reports are presented to the Committee at each meeting on the performance of the Group's subsidiaries, associated companies and joint ventures, and the operational performance of the Group. The President & Chief Executive Officer ("PCEO") and Chief Financial Officer ("CFO") are usually invited and present at the meetings of the Board Executive Committee.

#### Orientation and training for Directors

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

Newly-appointed Directors are each also sent a formal letter setting out directors' duties and obligations. They are also provided with other material relating to the Board and Board Committees (including the terms of reference of the various Board Committees as well as relevant guidelines and policies).

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

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

The Board, through the Nominating Committee, reviews the structure, size and composition of the Board. The Nominating Committee has developed a set of principles to guide it in carrying out its responsibilities of reviewing and determining an appropriate Board size and composition. The Nominating Committee reviews the composition of the Board to ensure that the Board comprises Directors who as a group provide core competencies such as accounting or finance, legal, business or management (including human resource development and management) experience, industry knowledge, strategic planning experience, and customer-based experience or knowledge, required for the Board to be effective.

The Nominating Committee, as part of its continuing review of the Board's size and composition, recommended the appointment of Mr David Heng Chen Seng as a Director of the Company in October 2009, to supplement and strengthen the collective competency of the Board.



## Corporate Governance

### Principle 2: Strong and independent element on the board to exercise objective judgement (Cont'd)

The Nominating Committee is currently considering the appointment of additional directors with specific areas of expertise to supplement and strengthen the collective competency of the Board as well as for Board rejuvenation, and in this regard, with the endorsement of the Board of Directors, is recommending the appointment of Mr Nihal Vijaya Devadas Kaviratne CBE as a Director of the Company for approval by the Company's shareholders at the Company's 37th Annual General Meeting to be held on 30 July 2010 ("AGM").

To facilitate open discussion and review on the effectiveness of Management, the Board members also meet up for informal discussions prior to the scheduled Board meetings, without Management being present.

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

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

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

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

#### Nominating Committee

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

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

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

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

The Chairman of the Nominating Committee is not associated with Temasek Holdings (Private) Limited ("Temasek"), the substantial shareholder of the Company.

The Nominating Committee is required by its terms of reference to hold meetings twice in each financial year. It held two meetings in FY2009-10.

## Corporate Governance

### Principle 4: Formal and transparent process for appointment of new directors (Cont'd)

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

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

Name of Director	Position Held on the Board	Date of First Appointment to the Board	Date of Last Re-election as a Director
Mr Edmund Cheng Wai Wing <sup>8</sup>	Chairman	22 May 2003 (as Director and Chairman)	24 July 2008
Mr David Zalmon Baffsky	Director	15 May 2008	24 July 2008
Mr David Heng Chen Seng <sup>8</sup>	Director	15 October 2009	Not applicable
Mr Khaw Kheng Joo <sup>8</sup>	Director	19 July 2005	24 July 2008
Dr Rajiv Behari Lall	Director	5 May 2008	24 July 2008
Mr Mak Swee Wah	Director	24 July 2008 (appointed at the Company's 35th Annual General Meeting)	Not applicable
Mr Ng Kee Choe	Director	1 March 2000	28 July 2009
Mr Keith Tay Ah Kee <sup>8</sup>	Director	26 July 2007 (appointed at the Company's 34th Annual General Meeting)	Not applicable
Mr Yeo Chee Tong	Director	19 May 2006	28 July 2009

Note:

<sup>8</sup> Mr Edmund Cheng Wai Wing, Mr Khaw Kheng Joo, Mr Keith Tay Ah Kee and Mr David Heng Chen Seng will be retiring and standing for re-election at the AGM. Other than Mr David Heng Chen Seng, who is regarded by the Nominating Committee to be a non-independent Director, Mr Edmund Cheng Wai Wing, Mr Khaw Kheng Joo and Mr Keith Tay Ah Kee are all considered by the Nominating Committee to be independent Directors. Mr Edmund Cheng Wai Wing is the Chairman of the Board and is also the Chairman of both the Board Executive Committee and the Remuneration and Human Resource Committee. Mr Khaw Kheng Joo is the Chairman of the Nominating Committee and a member of the Board Risk Committee. Mr Keith Tay Ah Kee is the Chairman of the Audit Committee and a member of the Nominating Committee. Mr David Heng Chen Seng is a member of both the Board Executive Committee and the Board Risk Committee.

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

The Directors standing for re-election at the AGM are Mr Keith Tay Ah Kee, Mr Khaw Kheng Joo, Mr Edmund Cheng Wai Wing and Mr David Heng Chen Seng. The Nominating Committee (after having taken the principles for the determination of the Board's size and composition adopted by it into consideration) recommend their re-election, after assessing their contribution and performance (including attendance, preparedness, participation and candour) as Directors, and the Board has endorsed the recommendation.

With effect from the financial year ending 31 March 2011 ("FY2010-11"), newly appointed Directors would be appointed to serve an initial term of three years. Based on the principle that regular renewal and rejuvenation of the Board is generally beneficial, the tenure of a Director would be considered at the juncture when he approaches on or about his sixth anniversary on the Board, taking into account the recommendations of the Nominating Committee as to whether any further renewal of the Director's term would be appropriate and in the Company's best interests, and subject to the Board's approval.

## Corporate Governance

### Principle 4: Formal and transparent process for appointment of new directors (Cont'd)

#### Annual independence review

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

In this regard, the following Directors are regarded as non-independent Directors of the Company:

- Mr David Heng Chen Seng, in view of his being an executive officer of Temasek, being the single largest substantial shareholder of the Company;
- Mr Mak Swee Wah, in view of his being an executive officer of Singapore Airlines Limited ("SIA"), which was prior to 1 September 2009, the majority shareholder of the Company and which till today remains a major customer of SATS; and
- Mr Ng Kee Choe, with effect from 1 September 2009, the date on which SIA effected a distribution *in specie* of all or substantially all of the Company's shares held by SIA to SIA's shareholders, whereby Temasek became a direct and the single largest substantial shareholder of the Company on such date, in view that he is a member of the Temasek Advisory Panel.

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

#### Selection and appointment of new Directors

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

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

#### Key information regarding the Directors

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

### Principle 5: Formal assessment of effectiveness of the board

The Board has implemented a process for assessing the effectiveness of the Board as a whole, with the objective of continuous improvement. A consulting firm specializing in Board evaluation and human resource assists the Board in the design and implementation of the process, comprising two parts – a structured qualitative assessment of the functioning of the Board, and a review of selected financial performance indicators. Both sets of performance criteria, recommended by the consultants, have been adopted by the Nominating Committee and the Board. The qualitative assessment process utilizes a confidential questionnaire submitted by each Director individually. As for the quantitative performance criteria, the Board has adopted, in line with the 2005 Code, performance criteria comprising the Company's share price performance over a five-year period vis-à-vis The Straits Times Index, return on assets, return on equity, return on investment, and economic value added over the preceding five years for the collective Board evaluation.

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

## Corporate Governance

### Principle 6: Board's access to information

The Board is issued with detailed Board papers by Management giving the background, explanatory information, justification, risks and mitigation for each decision and mandate sought by Management, including, where applicable, relevant budgets, forecasts and projections, and issues being dealt with by Management. Information papers on material matters and issues being dealt with by Management, and quarterly reports on major operational matters, market updates, business development activities and potential investment opportunities, are also circulated to the Board. In addition, various Board Committees receive minutes and reports from Management relating to their specific areas of oversight, which may contain more detailed and specific information than what is circulated to the rest of the Board members.

As part of good corporate governance, Board papers for decision or discussion at Board meetings are circulated, to the extent practicable, a reasonable period in advance of the meetings for Directors' review and consideration, and key matters requiring decision are largely reserved for resolution at Board meetings rather than by circulation to facilitate discussion. The detailed agenda of each Board meeting, prepared by Management and approved by the Chairman, contain specific matters for the decision and information of the Board.

The Board has separate access to the PCEO, CFO, General Counsel and other key Management, as well as the Company's internal and external auditors. Queries by individual Directors on circulated papers are directed to Management who will respond accordingly. Where relevant, Directors' queries and Management's responses are circulated to all Board members for their information.

The Directors also have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings and minutes the proceedings. The role of the Company Secretary has been defined by the Board to include supervising, monitoring and advising on compliance by the Company with its Memorandum and Articles of Association, laws and regulations, and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"); communicating with relevant regulatory authorities and bodies and shareholders on behalf of the Company; and performing such other duties of a company secretary, as required under laws and regulations or as specified in the Listing Manual or the Articles, or as required by the Chairman of SATS or the Chairman of any Board Committee or the Directors (or any of them), as the case may be. In addition, the Company Secretary assists the Chairman to ensure that there are good information flows within the Board and the Board Committees, and between senior Management and the Directors. She facilitates orientation and assists with professional development of the Directors as may be required. The appointment and removal of the Company Secretary are matters subject to the approval of the Board.

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

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

#### Remuneration and Human Resource Committee

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

The written terms of reference of the Remuneration and Human Resource Committee include the following:

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

## Corporate Governance

### Principle 7: Formal and transparent procedure for fixing remuneration packages of directors (Cont'd)

#### Remuneration and Human Resource Committee (Cont'd)

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

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

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

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

Every Director will receive the basic fee. In addition, he will receive the Chairman’s fee if he was the Chairman of the Board, as well as the relevant Board Committee fee (depending on whether he served in the capacity as the Chairman or a member of the relevant Board Committee) for each position he held on a Board Committee, during FY2009-10. If he occupied a position for part of a financial year, the fee payable would be prorated accordingly. Directors would also receive an attendance fee for each Board meeting attended by a Director during the financial year, on account of the time and effort of each of the Directors to avail himself for Board meetings. The attendance fees for Board meetings vary according to whether the Board meeting was held in the state/country in which the Director is ordinarily resident. Prior to FY2009-10, no attendance fees were payable to Directors in respect of their attendance at Board Committee meetings.

The structure for attendance fees is proposed to be revised for FY2009-10, such that attendance fees would be paid in respect of attendances at Board Committee meetings as well as at Board meetings, and to differentiate fees payable in respect of attendances in person or via teleconference/video conference at Board meetings or Board Committee meetings, with a view to having the Directors’ remuneration more equitably commensurate with the amount of time that they spend on the Group’s affairs. Payment of competitive and equitable remuneration would better serve the Company’s need to attract and retain Directors with the necessary experience and capabilities and desired attributes who can contribute to the Company’s future development and growth. With the recent acquisition of SFI resulting in the expansion of the Company’s scale, size and complexities of business operations and staff, internal re-organisation and the re-orientation of the Company’s core businesses as Gateway Services and Food Solutions as well as the recent divestment by SIA of its shareholdings in the Company vide the distribution of the Company’s shares by way of dividend *in specie*, resulting in a doubling of the Company’s shareholders, the nature and scope of responsibilities and accountability of the Directors have materially increased since FY2009-10.

Further, in view of the contributions of the SSIBC in supervising and reviewing the integration efforts of SATS and SFI, it is also proposed for a one-off lump sum payment of S\$25,000 to be paid to each member of the SSIBC for their services in respect of FY2009-10. The SSIBC conducted a total of 7 meetings over FY2008-09 and FY2009-10 and no fees were paid to its members in respect of their services on the SSIBC for FY2008-09. No attendance fees would be payable in respect of attendances at meetings of the SSIBC.

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

## Corporate Governance

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

Other than as stated above, the scale of fees proposed to be paid to the Directors for FY2009-10 remains unchanged from that of the previous financial year and is as follows:

Type of Appointment	Existing scale of Directors' fees S\$	Proposed revised scale of Directors' fees (from FY2009-10) S\$
<b>BOARD OF DIRECTORS</b>		
Basic fee	45,000	45,000
Board Chairman's fee	40,000	40,000
Board Deputy Chairman's fee	30,000	30,000
<b>AUDIT COMMITTEE</b>		
Committee Chairman's fee	30,000	30,000
Member's fee	20,000	20,000
<b>BOARD EXECUTIVE COMMITTEE</b>		
Committee Chairman's fee	30,000	30,000
Member's fee	10,000	10,000
<b>OTHER BOARD COMMITTEES (EXCEPT SSIBC)</b>		
Committee Chairman's fee	20,000	20,000
Member's fee	10,000	10,000
<b>SATS-SFI INTEGRATION BOARD COMMITTEE (SSIBC)</b>		
Committee Chairman/Member's fee	–	25,000 (one-off payment only applicable for FY2009-10)
<b>BOARD MEETING ATTENDANCE FEE<sup>9</sup></b>		
Attendance via teleconference/video conference	–	1,000
Attendance in person in home city (up to 4 hours for travel within home city)	1,000	2,500
Attendance in person outside home city	2,000	5,000
<b>BOARD COMMITTEE MEETING ATTENDANCE FEE (EXCEPT SSIBC)</b>		
Attendance via teleconference/video conference	–	500
Attendance in person in home city (up to 4 hours for travel within home city)	–	1,200
Attendance in person outside home city	–	2,500

Note:

<sup>9</sup> In respect of FY2008-09, Board meeting attendance fees were classified according to whether the Board meeting attended was held within or outside the state/country in which the Director was ordinarily resident in.

## Corporate Governance

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

#### Directors' remuneration

The Board will be recommending the following fees of the Directors in respect of FY2009-10 for approval by shareholders at the AGM, based on the proposed scale of fees set out above:

Name of Director	Total fees payable in respect of FY2009-10 based on the proposed revised scale of Directors' fees (S\$)
Mr Edmund Cheng Wai Wing	194,100
Mr David Zalmon Baffsky	100,500
Mr David Heng Chen Seng <sup>10</sup>	36,386
Mr Khaw Kheng Joo <sup>11</sup>	101,163
Dr Rajiv Behari Lall	80,500
Mr Mak Swee Wah <sup>12</sup>	126,037
Mr Ng Kee Choe	124,400
Dr Ow Chin Hock <sup>13</sup>	26,632
Mr Keith Tay Ah Kee	137,000
Mr Yeo Chee Tong	124,600
<b>Proposed total fees payable to all Directors in office during FY2009-10</b>	<b>1,051,318</b>

#### Notes:

- <sup>10</sup> Appointed as a Director on 15 October 2009, and as a member of both the Board Executive Committee and Board Risk Committee with effect from 1 November 2009. Directors' fees and allowances for Mr David Heng Chen Seng will be paid to Temasek.
- <sup>11</sup> Appointed as a member of the Board Risk Committee with effect from 1 November 2009, and stepped down as a member of the Audit Committee with effect from 1 November 2009.
- <sup>12</sup> Appointed as the Chairman of the Board Risk Committee with effect from 1 November 2009, and stepped down as a member of the Remuneration and Human Resource Committee with effect from 1 November 2009. Directors' fees and allowances for Mr Mak Swee Wah will be paid to SIA.
- <sup>13</sup> Retired as Director at the Company's 36th Annual General Meeting held on 28 July 2009 and did not stand for re-election. At the time of his retirement, Dr Ow was a member of the Nominating Committee.

While the above proposed total fees payable to all Directors in office during the course of FY2009-10 is an increase over that paid for FY2008-09 which was S\$749,357, it is noted that the increase in absolute fees payable is due to: (i) the proposed revised structure for attendance fees as explained in Principle 8 above; (ii) the one-off lump sum payment proposed for the members of the SSIBC for FY2009-10; (iii) the formation of a new Board Committee, being the Board Risk Committee, during FY2009-10; and (iv) a total of 21 Board Committee meetings (other than SSIBC meetings for which no attendance fees are payable) being held in FY2009-10 as compared to a total of 13 Board Committee meetings (other than SSIBC meetings) held in FY2008-09.

Thus far, the Company has been seeking shareholders' approval to pay Directors' fees at the Company's Annual General Meeting held after the end of each financial year. With a view to ensuring that the Company offers more timely remuneration to attract high-calibre Directors, the Company is seeking the approval of shareholders at the AGM to approve the payment of Directors' fees up to a stipulated amount for the current financial year so that Directors' fees can be paid in arrears on a half-yearly basis during the course of the financial year.

#### Key executives' remuneration

The Company's key executives' remuneration system is designed so as to include long-term incentives to allow the Company to better align executive compensation with creating more value for shareholders. The key executives' remuneration system includes the components of variable bonus and share awards under the SATS Restricted Share Plan ("SATS RSP") and/or the SATS Performance Share Plan ("SATS PSP"), in addition to fixed basic salary and fixed allowances. With the introduction of share awards under the SATS RSP and the SATS PSP for staff of managerial grade and above in the Company, including key executives, in 2006, the Company had phased out the award of employee share options under the Senior Executive Share Option Scheme (one of the two schemes under the SATS Employee Share Option Plan ("ESOP") which was adopted by the Company in 2000) as part of the key executives' remuneration system with effect from FY2007-08, and the final grant of share options for all employees other than senior executives under the ESOP was in July 2008. The payment of variable bonuses and grants of share awards under the SATS RSP and the SATS PSP are in turn dependent on the Company's financial performance as well as the executives' individual performance through their achievement of certain key performance indicators set for them.

## Corporate Governance

### Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration (Cont'd)

#### Key executives' remuneration (Cont'd)

The remuneration of key executives of the Group during FY2009-10 was as follows:

Name of Key Executive	Remuneration Band <sup>14</sup>	Salary (%)	Bonuses		Benefits (%)	Total (%)	Award under SATS RSP <sup>16</sup>	Award under SATS PSP <sup>16</sup>
			Fixed (%)	Variable <sup>15</sup> (%)				
Clement Woon Hin Yong PCEO	S\$500,001 – 750,000	73	6	12	9	100	52,000	72,000
Lim Chuang <sup>17</sup> CFO	S\$250,001 – 500,000	70	7	13	10	100	27,000	–
Tan Chuan Lye <sup>17</sup> Executive Vice President, Food Solutions	S\$250,001 – 500,000	73	7	13	7	100	27,000	–
Ang Lee Nah Senior Vice President, Corporate Development	S\$250,001 – 500,000	60	5	24	11	100	27,000	–
Robert Burnett <sup>18</sup> Chief Executive Officer, UK	S\$1,000,001 – 1,250,000	45	0	53	2	100	27,000	–
Chang Seow Kuay Chief Executive Officer, Country Foods Pte. Ltd.	Below S\$250,000	74	7	13	6	100	27,000	–
Chi Ping Huey <sup>19</sup> General Counsel	Below S\$250,000	79	0	13	8	100	–	–
Tony Goh Aik Kwang Senior Vice President, Strategy & Marketing	S\$250,001 – 500,000	75	7	12	6	100	27,000	–
Leong Kok Hong <sup>20</sup> Senior Vice President, Strategic Partnership	S\$250,001 – 500,000	76	7	12	5	100	18,900	–
Andrew Lim Cheng Yueh Senior Vice President, Pearl River Delta Region	S\$250,001 – 500,000	73	6	12	9	100	18,900	–
Denis Suresh Kumar Marie <sup>21</sup> Senior Vice President, Passenger Services	Below S\$250,000	75	7	13	5	100	33,000	–
Poon Choon Liang Chief Operating Officer, Singapore Food Industries Pte Ltd	S\$250,001 – 500,000	59	4	28	9	100	27,000	–
Frankie Tan Chiew Kuang Senior Vice President, Special Projects	S\$250,001 – 500,000	72	6	15	7	100	–	–
Yacoob bin Ahmed Piperdi Senior Vice President, Cargo Services	S\$250,001 – 500,000	75	7	12	6	100	18,900	–
Karmjit Singh <sup>22</sup>	Below S\$250,000	65	9	11	15	100	–	–
Rebecca Tan-Loke Won Moi <sup>23</sup>	Below S\$250,000	77	7	10	6	100	–	–

Notes:

<sup>14</sup> Remuneration bands as indicated do not include the value of any awards granted under the SATS RSP and/or the SATS PSP.

<sup>15</sup> Includes profit-sharing bonus paid or determined on an accrual basis for FY2009-10.

<sup>16</sup> Denotes the base awards of shares granted under the SATS RSP and the SATS PSP for FY2009-10 on 12 November 2009. Final number of shares awarded to the recipient could range between 0% and 150% of the base award granted under the SATS RSP, and between 0% to 200% of the base award granted under the SATS PSP. All awards of shares will vest in the award holder subject to the achievement of pre-determined targets over a two-year period for the SATS RSP and a three-year period for the SATS PSP.

<sup>17</sup> Promoted to the grade of Executive Vice President with effect from 1 October 2009.

<sup>18</sup> UK-based senior executive whose remuneration has for the purposes of this Report been converted at the exchange rate of £1: S\$2.09.

<sup>19</sup> Joined SATS on 16 March 2010. Remuneration is in respect of her period of service during FY2009-10.

<sup>20</sup> Appointed as Senior Vice President, Strategic Partnership with effect from 1 June 2010. He served as Senior Vice President, Apron Services immediately prior to his new appointment.

<sup>21</sup> Promoted to the grade of Senior Vice President with effect from 1 January 2010.

<sup>22</sup> Served as Chief Operating Officer, West Asia during FY2009-10 until his retirement on 11 September 2009. Remuneration is in respect of his period of service during FY2009-10.

<sup>23</sup> Served as Senior Vice President, Human Resource during FY2009-10 up to and including 31 December 2009. Remuneration is in respect of her period of service during FY2009-10.



## Corporate Governance

### Principle 9: Disclosure on remuneration policy, level and mix of remuneration, and procedure for setting remuneration (Cont'd)

#### Key executives' remuneration (Cont'd)

None of the immediate family members of a Director or of the PCEO was employed by the Company or its related companies at a remuneration exceeding S\$150,000 during FY2009-10.

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

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

Shareholders are presented with the quarterly and full-year financial results within 45 days of the end of the quarter or financial year (as the case may be). Through the release of its financial results, the Board aims to present shareholders with a balanced and understandable assessment of SATS' performance, position and prospects. The Company has in place a process to support Management's representations to the Board on the integrity of the Group's financial statements and internal control systems in relation to the requirement under the Listing Manual of the SGX-ST for the Board to issue a negative assurance statement that accompanies the Company's announcement of its quarterly and full year financial statements.

Monthly management accounts of the Group (covering, *inter alia*, consolidated unaudited profit and loss accounts, revenue breakdown by client, consolidated balance sheet and explanatory notes explaining any variance) are circulated to the Board for their information.

### Principle 11: Establishment of audit committee with written terms of reference

#### Audit Committee

Following the formation of the Board Risk Committee on 1 November 2009, the Audit and Risk Management Committee was renamed the Audit Committee with effect from 1 November 2009.

The Audit Committee comprises three members, all of whom are independent Directors. The Chairman of the Audit Committee is Mr Keith Tay Ah Kee, and its other members are Mr David Zalmon Baffsky and Mr Yeo Chee Tong.

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

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

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

- quarterly and annual financial statements and financial announcements as required under the Listing Manual of the SGX-ST;
- the audit plan, the external auditors' management letter and the scope and results of the external audit;
- independence and objectivity of the external auditors, their appointment and reappointment and audit fee;
- adequacy of resources for the internal audit function, ensuring it has appropriate standing within the Company and has a primary line of reporting to the Chairman of the Audit Committee (with secondary administrative reporting to the PCEO);
- adequacy of the internal audit function, scope of internal audit work and audit programme;
- major findings on internal audit during the year and Management's responses thereto, difficulties encountered during the course of the audit, significant changes to the audit programme and compliance with relevant professional internal audit standards, with the Head of Internal Audit and Management;
- effectiveness of the Company's material internal controls, on an annual basis with Management and the internal and/or external auditors;
- suspected fraud or irregularity or suspected infringement of any Singapore law, rule or regulation of which the Audit Committee is aware, which has or is likely to have a material impact on the Company's or Group's operating results or financial position, and the findings of any internal investigations and Management's response thereto; and
- interested person transactions as required under the Listing Manual of the SGX-ST and the Company's shareholders' mandate for interested person transactions.

## Corporate Governance

### Principle 11: Establishment of audit committee with written terms of reference (Cont'd)

#### Audit Committee (Cont'd)

The Audit Committee is also tasked to perform all other functions and responsibilities of an audit committee that may be imposed by the Companies Act, the Listing Manual of the SGX-ST, the 2005 Code and other relevant laws and regulations.

The Audit Committee is required by its terms of reference to meet at least four times a year, with the internal and external auditors of the Company present, including at least once without the presence of Management. The Audit Committee met five times in the course of FY2009-10, and also had a session without the presence of Management.

The Audit Committee reviews the independence of the external auditors annually. It has also reviewed the nature and volume of non-audit services provided by its external auditors to the Group during FY2009-10, and the fees, expenses and emoluments provided to the external auditors, and is satisfied that they have no significant impact on the independence and objectivity of the external auditors.

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

The Board recognizes the importance of a sound system of internal controls to safeguard shareholders' interests and investments and the Group's assets, and to manage risks. The Board, through the Audit Committee oversees and reviews the adequacy and effectiveness of the Group's internal control functions as well as assesses financial risks, and through the Board Risk Committee generally oversees and reviews the other risks faced by the Group.

#### Board Risk Committee

The Board had on 1 November 2009 established the Board Risk Committee, which presently comprises three members, being Mr Mak Swee Wah (Chairman), Mr David Heng Chen Seng and Mr Khaw Kheng Joo, all of whom are non-executive Directors, to oversee and review the adequacy and effectiveness of the Group's risk management systems as well as its safety systems and programmes. Prior to the establishment of the Board Risk Committee, the oversight and review of the risk management systems of the Company were under the purview of the then Audit and Risk Management Committee.

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

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

The Board Risk Committee is required under its terms of reference to meet at least four times a year.

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

## Corporate Governance

### Principle 12: Sound system of internal controls to safeguard shareholders' investments and the company's assets (Cont'd)

#### Whistle-blowing policy

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

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

#### Banking transaction procedures

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

### Principle 13: Independent internal audit function

For FY2009-10, the Company's internal audit function was undertaken by a dedicated section within the Internal Audit department of SIA. It is designed to provide reasonable assurance on the adequacy and effectiveness of controls over operations, reliability of financial information and compliance with the Company's policies and procedures, applicable laws and regulations.

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

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

The Company established its own Internal Audit department in FY2009-10 which will take over the function of performing internal audit on the Group with effect from FY2010-11. The Company's Internal Audit department meets all the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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

### Principle 14: Regular, effective and fair communication with shareholders

The Company strives to convey to shareholders pertinent information in a clear, forthcoming, detailed, timely manner and on a regular basis, takes into consideration their views and inputs, and address shareholders' concerns. While the Company's Investor Relations department communicates with analysts regularly, the Company monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Material information is published on SGXNET and on the Company's website ([www.sats.com.sg](http://www.sats.com.sg)), and where appropriate, through media releases.

The Company's dedicated Investor Relations department manages the dissemination of corporate information to the media, the public, as well as institutional investors and public shareholders, and promotes relations with and acts as a liaison point for such entities and parties. More details of the Company's investor relations programme can be found in the "Investor Relations" section of this Annual Report.

## Corporate Governance

### Principle 15: Greater shareholder participation at annual general meetings

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

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

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

### Dealings in securities

In line with the rules of the Listing Manual of the SGX-ST, the Company has in place a policy and guidelines on dealings in the securities of the Company, which have been disseminated to employees of the Group and directors of the companies within the Group. The policy and guidelines restrict certain employees (including all administrative officers and employees of managerial grade and above, and employees in departments which are likely to be privy to confidential material price-sensitive information, such as the offices of the PCEO, Executive Vice Presidents and Senior Vice Presidents, the Legal and Finance departments, and departments or units of companies in the Group having charge of business development and/or marketing activities), from trading in the Company's securities during the period falling two weeks before the announcement of the Company's quarterly financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements. The policy and guidelines also remind employees and directors of the Group that they should not deal in the Company's securities on short term considerations, and to be mindful of the insider trading prohibitions under the Securities and Futures Act whenever trading in the Company's or any other corporation's securities.

## Corporate Governance

### Annexure

#### Share Plans

##### (I) ESOP

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

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

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

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

Awards granted under the SATS RSP, which is intended to apply to a broader base of senior executives, will vest only after the satisfactory completion of time-based service conditions, that is, after the participant has served the Group for a specified number of years (time-based restricted awards) or, where the award is performance-based (performance-based restricted awards), after a further period of service beyond the performance target completion date. No minimum vesting periods are prescribed under the SATS RSP, and the length of the vesting period(s) in respect of each award will be determined on a case-by-case basis. Award of such performance-based restricted awards is intended to ensure that the earning of shares under the SATS RSP is aligned with the pay-for-performance principle. The use of time-based restricted awards will only be made on a case-by-case basis where business needs justify such awards.

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

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

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

The aggregate number of shares under awards which may be granted pursuant to the SATS RSP and/or the SATS PSP during the period from the date of the AGM to the date of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required to be held, whichever is the earlier, will not exceed 1 percent of the total number of issued ordinary shares (excluding treasury shares) in the capital of the Company from time to time.

# Internal Controls Statement

## Responsibility

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

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

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

## Risk Management Organisational Structure

Effective 1 November 2009, the oversight function on risk management activities was transferred from the Audit and Risk Management Committee ("**ARMC**") to a newly established Board Risk Committee ("**BRC**"), and the ARMC was subsequently renamed the Audit Committee ("**AC**"). More information on the AC's and BRC's authorities and duties can be found in the "**Corporate Governance**" section of this Annual Report.

### Audit Committee

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

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

The Group's internal audit function continually strives to improve efforts in ensuring the compliance with the risk management practices and policies. The Company's internal audit process provides an independent assessment and perspective to the AC, on the processes and controls which may have material financial impact on the Company. There are formal procedures in place for both internal and external auditors to report independently their conclusions and recommendations to the AC.

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

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

### Board Risk Committee

The Board through the BRC generally oversees and reviews the other risks faced by the Group. The BRC assists the Board in reviewing the effectiveness of the system of safety and risk management, and in doing so, the BRC considers the results of the risk management activities carried out for the Group.

The BRC is made up of three Directors, all of whom are non-executive directors. The BRC is scheduled to meet four times a year to exercise oversight of the management of operational risks within the Group.

## Internal Controls Statement

### Risk Management Organisational Structure (Cont'd)

#### Board Risk Committee (Cont'd)

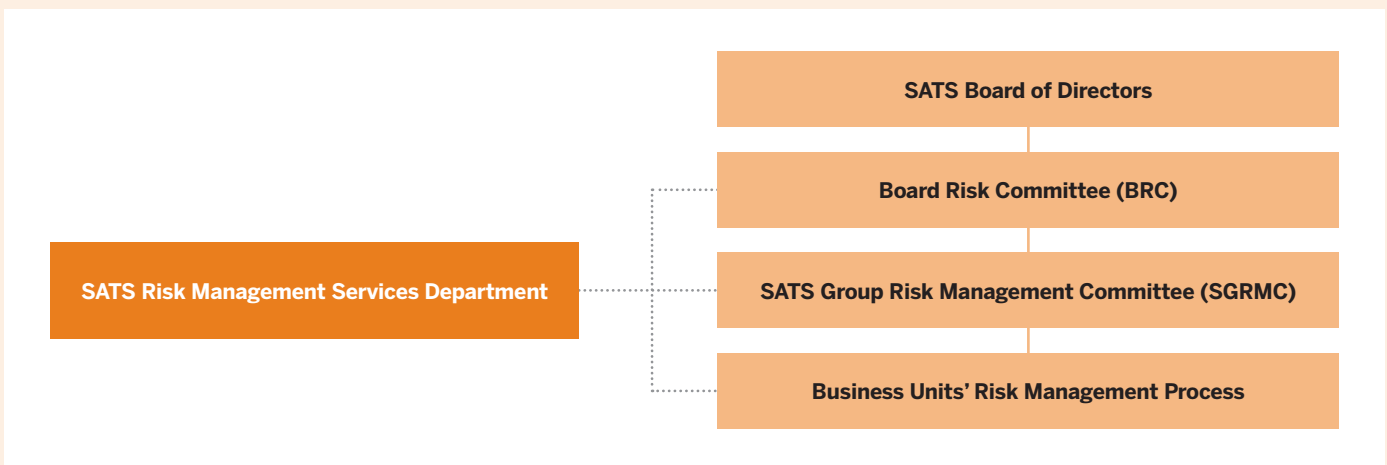
The involvement of the BRC is key to the safety and risk management programme. Under its oversight, the safety and risk management programme is executed with an integrated view of the organisation and its needs in mind.

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

The SGRMC, which meets on a quarterly basis, is vested with specific accountability for reviewing the system of risk management for reporting key risks and their associated mitigating factors to the BRC, for considering what changes to risk management and control processes, and methodologies of risk management, should be recommended, and for ensuring that processes and the methodologies of risk management are put in place.

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

The Group has formalised its risk management reporting structure as depicted in the diagram below. Additionally, there are established channels of communications for individuals to report on any wrongdoing or impropriety.



### Control Environment and Control Activities

The key elements of the Group’s comprehensive internal control framework encompass having:

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

## Internal Controls Statement

### Control Environment and Control Activities (Cont'd)

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

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

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

### Risk Assessment and Monitoring

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

The operational business units meet regularly to review risk and control matters including ascertaining that there are effective follow-up procedures. The outcome and status are reported to the BRC and AC for review and information.

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

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

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

### Conclusion

The Board believes that, in the absence of any evidence to the contrary, taking into account the views of the AC and BRC in the exercise of their responsibilities under their respective Charter and terms of reference, the system of internal controls including financial, operational and compliance controls, and risk management system maintained by the Group's Management and that was in place throughout FY2009-10 and up to and as of the date of this Annual Report, provides reasonable, but not absolute, assurance against material financial misstatement or loss, and on the whole is adequate to meet the needs of the Group in its current business environment.