Prospectus Dated 4 May 2000

We have made an application to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares of S$0.10 each ("Shares") in our capital already issued, including the Vendor Shares held by our holding company, Singapore Airlines Limited (the "Vendor") which are the subject of this Invitation. Such permission will be granted when we have been admitted to the Official List of the SGX-ST. Acceptance of applications will be conditional upon permission being granted to deal in, and for quotation of, all of the issued Shares (including the Vendor Shares). Moneys paid in respect of any application accepted will be returned without interest or any share of revenue or other benefit arising therefrom, and at the applicants' own risk, if the said permission is not granted.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, the Company, its subsidiaries or the Shares. A copy of this Prospectus has been lodged with, and registered by, the Registrar of Companies and Businesses in Singapore, who takes no responsibility as to the contents of this Prospectus.

Investing in the Shares involves risks which are described in the "Risk Factors" section beginning on page 14 of this Prospectus.

In conjunction with the public offering in Singapore, there is a Placement of 73,066,000 Placement Shares (i) to qualified institutional buyers in the United States in reliance on Rule 144A of the United States Securities Act of 1933, as amended, and (ii) outside the United States in reliance on Regulation S of the United States Securities Act of 1933, as amended, and other applicable laws. The Vendor has granted the initial purchasers an option for 30 days from the date of this Prospectus to purchase up to an additional 20,000,000 Vendor Shares in the Placement, representing approximately 18.2 per cent. of the Vendor Shares, solely to cover over-allotments in the Placement. Merrill Lynch (Singapore) Pte. Ltd., on behalf of the initial purchasers, may over-allocate, effect transactions which stabilise or maintain the market prices of the Shares, subject to compliance with the laws of Singapore. Such stabilising, if commenced, may have to be discontinued at any time in accordance with the laws of Singapore.

Joint Global Coordinators, Bookrunners and Joint Lead Managers
Singapore Airport Terminal Services Group is Singapore’s leading provider of integrated ground handling and inflight catering services.

At Singapore Changi Airport, during the last fiscal year, we handled about 83% of total air freight, provided handling services to about 81% of the airline passengers and meals to about 77% of departing passenger flights.

- Over 50 years of experience, with a commitment to quality service standards and superior customer service
- Served over 19.9 million passengers and handled over 1.1 million tonnes of air freight in Singapore last fiscal year
- Joint ventures in ground handling and in flight catering services at nine international airports in Asia Pacific

SATS provides airline clients a comprehensive range of services:
- Ground handling services include
  - Air freight handling services
  - Passenger services
  - Baggage handling services
  - Apron services
- Inflight catering services, including aircraft interior cleaning and cabin handling
- Aviation security services
- Airline linen laundry services
Competitive Strengths

- Leading market position at Singapore Changi Airport
- Reputation for high quality service standards and superior customer service culture
- Strong and established ties with airline clients
- Highly trained, experienced and motivated staff
- Expertise in leveraging in Information and other advanced Technologies to enhance customer service and achieve operational efficiencies
- Expertise in successfully developing and managing ground handling and inflight catering joint ventures in other Asia Pacific countries

- Beijing Airport Inflight Kitchen Ltd, China
- Maldives Inflight Catering Private Limited, Maldives
- Royal International Air-Catering Co., Ltd, Japan
- Macau Catering Services, Co., Macau
- Evergreen Sky Catering Corporation, Taiwan
- MacroAsia-Eurest Catering Services, Inc, Philippines
- Taj Madras Flight Kitchen Limited, India
- Beijing Aviation Ground Services Co., Ltd, China
- Tan Son Nhat Cargo Services Limited, Vietnam
- Asia Airfreight Terminal Company Limited, Hong Kong
Growth Strategy

Leverage leading market position at Singapore Changi Airport

- Invest in new state-of-the-art facilities to increase capacity
  - Construction of a sixth air freight terminal, adding 800,000 tons of cargo handling capacity
  - Construction of new 180,000 ton capacity express courier centre
  - Construction of new inflight catering centre, increasing total capacity to 75,000 meals a day

Develop new joint ventures overseas, acquisitions and alliances

- Provide high quality and seamless ground handling and inflight catering services over more destinations
- Financially well endowed for major new investments over the next five years:
  - New joint ventures and expansion of existing joint ventures
  - Acquisitions of existing ground handling and inflight catering operations
  - Alliance with global ground handling and inflight catering operators

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CORPORATE INFORMATION

Board of Directors (Designation) . . . . Dr. Cheong Choong Kong (Chairman)
Mr. Tan Jiak Ngee, Michael (Deputy Chairman)
Mr. Chew Choon Seng (Director)
Mr. Barry Desker (Director)
Mr. Richard Charles Helfer (Director)
Dr. Hong Hai (Director)
Mr. Ng Kee Choe (Director)

Company Secretary .................. Ms. Yao Hiang, Agnes

Registered Office ................. Airline House, 25 Airline Road
Singapore 819829

Registrar and Share Transfer Office . . KPMG
16 Raffles Quay #23-01
Hong Leong Building
Singapore 048581

Joint Lead Managers ............... The Development Bank of Singapore Ltd
6 Shenton Way
DBS Building
Tower One
Singapore 068809

Merrill Lynch (Singapore) Pte. Ltd.
1 Temasek Avenue
#28-01 Millenia Tower
Singapore 039192

Auditors and Reporting Accountants . . Ernst & Young
Certified Public Accountants
10 Collyer Quay
#21-01 Ocean Building
Singapore 049315

Solicitors to the Invitation .......... Wong Partnership
80 Raffles Place
UOB Plaza 1
#58-01
Singapore 048624

Principal Bankers ................... The Development Bank of Singapore Ltd
6 Shenton Way
DBS Building
Tower One
Singapore 068809
DEFINITIONS

In this Prospectus and the accompanying Application Forms, the following definitions apply throughout unless the context otherwise requires:

“Act” Companies Act, Chapter 50 of Singapore

“Application Forms” The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus

“Application List” The list of applications for purchase of the Vendor Shares

“ATM” Automated teller machine

“CDP” The Central Depository (Pte) Limited

“Company” Singapore Airport Terminal Services Limited

“DBS Bank” The Development Bank of Singapore Ltd

“Directors” The directors of the Company as of the date of this Prospectus, unless otherwise stated

“Electronic Applications” Applications for the Vendor Shares made through any ATM or Internet banking website of any of the Participating Banks in accordance with the terms and conditions of this Prospectus

“Group” The Company and its subsidiaries

“Initial Purchasers” The purchasers referred to in “Plan of Distribution” on page 121 of this Prospectus

“Invitation” The invitation by the Vendor to the public to purchase the Vendor Shares upon the terms of and subject to the conditions set out in this Prospectus

“Joint Lead Managers” The Development Bank of Singapore Ltd and Merrill Lynch (Singapore) Pte. Ltd.

“Management and Underwriting Agreement” The management and underwriting agreement dated 4 May 2000 made between (1) the Company, (2) the Vendor and (3) DBS Bank and Merrill Lynch relating to the management of the Invitation and the underwriting of the Offer Shares

“Market Day” A day on which the SGX-ST is open for trading in securities

“Merrill Lynch” Merrill Lynch (Singapore) Pte. Ltd.

“NTA” Net tangible asset value

“Offer” The offer by the Vendor of the Offer Shares to the public in Singapore upon the terms of and subject to the conditions set out in this Prospectus

“Offer Price” S$2.50 for each Offer Share

“Offer Shares” The 36,934,000 Vendor Shares (including the Reserved Shares) to be offered by the Vendor pursuant to the Offer upon the terms of and subject to the conditions set out in this Prospectus

“Over-allotment Option” The option granted by the Vendor to the Initial Purchasers referred to in “Over-allotment Option” on page 122 of this Prospectus
“Offering Memorandum” The Offering Memorandum dated 4 May 2000 included within this Prospectus

“Participating Banks” DBS Bank (including its POSBank Services division), Keppel TatLee Bank Limited, Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) group (comprising OCBC Bank and Bank of Singapore Limited), Overseas Union Bank Limited and United Overseas Bank Limited (“UOB”) group (comprising UOB, Far Eastern Bank Limited and Industrial & Commercial Bank Limited)

“Placement” The offer by the Vendor of the Placement Shares by way of placement upon the terms of and subject to the conditions set out in this Prospectus

“Placement Price” S$2.50 for each Placement Share

“Placement Shares” The 73,066,000 Vendor Shares to be offered by the Vendor pursuant to the Placement upon the terms of and subject to the conditions set out in this Prospectus

“Prospectus” This Prospectus dated 4 May 2000, including the Offering Memorandum

“Purchase Agreement” The purchase agreement dated 4 May 2000 made between (1) the Vendor and (2) Merrill Lynch and DBS Bank as representatives of the Initial Purchasers referred to in “Plan of Distribution” on page 121 of this Prospectus

“Reserved Shares” 14,934,000 Vendor Shares reserved by the Vendor for directors, employees, business associates and others who have contributed to our success and the success of our subsidiaries and associated companies

“Reserved Share Price” S$2.50 for each Reserved Share

“Securities Account” A securities account maintained by a Depositor with CDP

“SGX-ST” Singapore Exchange Securities Trading Limited

“Shares” Ordinary shares of S$0.10 each in the capital of the Company

“Substantial Shareholder” Singapore Airlines Limited

“$” or “S$” and “Cents” Singapore dollars and cents, respectively

“%” or “per cent.” per centum

“Underwriters” DBS Bank and Merrill Lynch and such other financial institutions with whom DBS Bank and Merrill Lynch sub-underwrites the Offer Shares

“United States” United States of America

“US$” or “US cents” United States dollars and cents, respectively

“Vendor” Singapore Airlines Limited

“Vendor Shares” 110,000,000 issued and fully paid-up Shares for which the Vendor invites applications to purchase, subject to the terms and conditions of the Prospectus.
The expressions “Depositor,” “Depository Agent” and “Depository Register” shall have the meanings ascribed to them, respectively, in the Act.

The expressions “our,” “ourselves,” “us,” “we” or other grammatical variations thereof shall, unless otherwise stated, mean the Company and its subsidiaries.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Prospectus and the Application Forms to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Prospectus and the Application Forms shall, where applicable, have the meaning assigned to it under the Act or that statutory modification, as the case may be.

Any reference to a time of day in this Prospectus shall be a reference to Singapore time.
DETAILS OF THE INVITATION

Invitation

The Offer and the Placement are part of a global offering by the Vendor, details of which are set out in this Prospectus (including the Offering Memorandum).

Listing on the SGX-ST

We have applied to the SGX-ST for permission to deal in, and for quotation of, all the Shares already issued (including the Vendor Shares). Such permission will be granted when we have been admitted to the Official List of the SGX-ST. Acceptance of applications will be conditional upon permission being granted to deal in, and for quotation of, all the issued Shares (including the Vendor Shares). Moneys paid in respect of any application accepted will be returned without interest or any share of revenue or other benefit arising therefrom, and at the applicant’s risk, if the said permission is not granted.

The SGX-ST assumes no responsibility for the correctness of any of the statements or reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of ourselves, the Vendor or the Shares.

The Directors and the Vendor individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other material facts the omission of which would make any statement in the Prospectus misleading.

No person is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendor or the Joint Lead Managers. Neither the delivery of this Prospectus and the Application Forms nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur, we may make an announcement of the same to the SGX-ST. All applicants should take note of any such announcement and, upon release of such an announcement, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein constitutes, or may be relied upon as, a promise or representation as to our future performance or policies.

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Vendor Shares or for any other purpose. This Prospectus does not constitute an offer of, or invitation to purchase, the Vendor Shares in any jurisdiction in which such offer or invitation is unauthorised or unlawful nor does it constitute an offer or invitation to any person to whom it is unlawful to make such offer of invitation.

Copies of this Prospectus and the Application Forms and envelopes may be obtained on request, subject to availability, from:

The Development Bank of Singapore Ltd
6 Shenton Way,
DBS Building Tower One
Singapore 068809

and from members of the Association of Banks in Singapore, members of the Singapore Exchange Limited and merchant banks in Singapore

Merrill Lynch (Singapore) Pte. Ltd.
1 Temasek Avenue, #28-01
Millenia Tower
Singapore 039192

The Application List will open at 6.00 a.m. on 10 May 2000 and will remain open until 8.00 a.m. on 10 May 2000 or for such further period or periods as our Directors may in their absolute discretion decide, subject to any limitation under all applicable laws.
Indicative Timetable for Listing

In accordance with the Singapore Exchange Securities Trading Limited’s News Release of 28 May 1993 on the trading of initial public offering shares on a “when issued” basis, an indicative timetable is set out below for the reference of applicants:

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<th>Event</th>
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<td>8.00 am on 10 May 2000</td>
<td>Close of Application List</td>
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<td>11 May 2000</td>
<td>Balloting of applications, if necessary</td>
</tr>
<tr>
<td>9.00 am on 12 May 2000</td>
<td>Commence trading on a “when issued” basis</td>
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<tr>
<td>24 May 2000</td>
<td>Last day of trading on a “when issued” basis</td>
</tr>
<tr>
<td>9.00 am on 25 May 2000</td>
<td>Commence trading on a “ready” basis</td>
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<tr>
<td>30 May 2000</td>
<td>Settlement date for all trades done on a “when issued” basis and for all trades done on a “ready” basis on 25 May 2000</td>
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The above timetable is only indicative as it assumes that the closing of the Application List takes place on 10 May 2000, the date of our admission to the Official List of the SGX-ST will be 12 May 2000 and the SGX-ST’s shareholding spread requirement will be complied with. The actual date on which the Shares will commence trading on a “when issued” basis will be announced when it is confirmed by the SGX-ST. Investors should consult the SGX-ST’s announcement of the “ready” trading date on the Internet (at the Singapore Exchange Limited’s website http://www.singaporeexchange.com), INTV or the newspapers, or check with their brokers on the date on which trading on a “ready” basis will commence.

The commencement of trading on a “when issued” basis will be entirely at the discretion of the SGX-ST. All persons trading in the Shares on a “when issued” basis do so at their own risk. In particular, persons trading in the Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, if applicable, have been allocated with or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if “when issued” trading ends sooner than the indicative date set out above. Persons who have net sell positions traded on a “when issued” basis should close their positions on or before the first day of trading on a “ready” basis.
ISSUE STATISTICS

Invitation Price per Share

Net Tangible Assets (“NTA”)

NTA per Share based on our NTA as at 30 September 1999 (based on the existing share capital of 1,000,000,000 Shares) 74.63 cents

Premium of Invitation Price over the NTA per Share as at 30 September 1999 235.00%

Earnings(1)

Historical net earnings (before extraordinary items) per Share for FY1999 (based on the existing share capital of 1,000,000,000 Shares) 11.01 cents

Price Earnings Ratio

Price earnings ratio based on the historical net earnings per Share for FY1999 22.71 times

Net Operating Cash Flow(2)

Historical net operating cash flow per Share for FY1999 (based on the existing share capital of 1,000,000,000 Shares) 15.25 cents

Price to Cash Flow Ratio

Price to historical net operating cash flow ratio based on the historical net operating cash flow per Share for FY1999 16.39 times

Notes

(1) Net earnings are based on net profit after tax and minority interests, but before extraordinary items

(2) Net operating cash flow is based on our Group’s profit after tax, but before extraordinary items with provisions for depreciation and amortisation added back for the financial year

S10
This is the initial public offering of our ordinary shares. Our sole shareholder, Singapore Airlines Limited, or Singapore Airlines or the selling shareholder, is offering 110,000,000 of our ordinary shares in the offerings. As part of the offerings, the selling shareholder is offering 73,066,000 ordinary shares through the initial purchasers to qualified institutional buyers within the United States in reliance on Rule 144A under the U.S. Securities Act of 1933, or the U.S. Securities Act, and outside the United States in reliance on Regulation S under the U.S. Securities Act. The selling shareholder is also offering 36,934,000 ordinary shares in Singapore by way of a public offer and placement. The ordinary shares offered in the offerings may be reallocated between the international placement and the public offering in Singapore. See “Plan of Distribution.” We will not receive any of the proceeds of the offerings.

The offering price for each ordinary share is S$2.50. Prior to the offerings, there has been no public market for our ordinary shares. We have received approval in principle to list our ordinary shares on the Main Board of the Singapore Exchange Securities Trading Limited, or the SGX-ST.

Investing in our ordinary shares involves risks which are described in the “Risk Factors” section beginning on page 14 of this offering memorandum.

The initial purchasers may also purchase up to 20,000,000 additional ordinary shares from the selling shareholder at the offering price, less the underwriting commission, for a period of 30 days from the date of this offering memorandum, to cover over-allotments.

The ordinary shares offered by this offering memorandum have not been registered under the U.S. Securities Act. Therefore, they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act), except that they may be offered to qualified institutional buyers within the United States in reliance on Rule 144A under the U.S. Securities Act and to certain persons outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. For a description of certain restrictions on offers and sales of the ordinary shares and the distribution of this offering memorandum, see “Notice to Investors” and “Plan of Distribution.”

We expect that the initial purchasers will pay the selling shareholder for, and the selling shareholder will sell to the initial purchasers, the ordinary shares on or about May 10, 2000. We expect that the ordinary shares will commence trading on the SGX-ST on or about May 12, 2000.

Joint Global Coordinators and Bookrunners

Merrill Lynch (Singapore) Pte. Ltd. The Development Bank of Singapore Ltd

Co-lead Managers

CLSA Emerging Markets Jardine Fleming Securities UBS Warburg

Co-Managers

ABN Amro Rothschild Credit Suisse First Boston Deutsche Bank Nomura Singapore Limited

The date of this offering memorandum is May 4, 2000.
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This offering memorandum without the supplement for the Singapore public offering as required under the Singapore Companies Act, Chapter 50 may not be circulated or distributed, directly or indirectly, in Singapore.

You should rely only on the information contained or incorporated by reference in this offering memorandum. We have not, and the selling shareholder and the initial purchasers have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the selling shareholder and the initial purchasers are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

We are relying on an exemption from registration under the U.S. Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the ordinary shares you will be deemed to have made the acknowledgments, representations, warranties and agreements described under the heading “Notice to Investors” in this offering memorandum. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time. The ordinary shares offered by this offering memorandum have not been registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state
securities laws. You are hereby notified that the seller may be relying on the exemption from Section 5 of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act. Until 40 days after the commencement of the offerings, an offer or sale of the ordinary shares offered by this offering memorandum within the United States by any dealer (whether or not participating in the offerings) may violate the registration requirements of the U.S. Securities Act, if such offer or sale is made other than in accordance with Rule 144A under the U.S. Securities Act. For a description of further restrictions on resale and transfer of the ordinary shares offered by this offering memorandum, see “Notice to Investors.”

We and the selling shareholder have submitted this offering memorandum confidentially to a limited number of institutional investors so that they can consider a purchase of the ordinary shares. Neither we nor the selling shareholder have authorized its use for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this offering memorandum, you agree to these restrictions. See “Notice to Investors.”

This offering memorandum is based on information provided by us and the selling shareholder and by other sources that we and the selling shareholder believe are reliable. Neither we nor the selling shareholder can assure you that this information is accurate or complete. This offering memorandum summarizes certain documents and other information and we and the selling shareholder refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of our company and the terms of the offerings and the ordinary shares, including the merits and risks involved.

Neither we nor the selling shareholder are making any representation to any purchaser of the ordinary shares regarding the legality of an investment in the ordinary shares by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in our ordinary shares.

The selling shareholder reserves the right to reject any offer to purchase any of the ordinary shares, in whole or in part, or to sell less than the number of ordinary shares offered by this offering memorandum or for which any prospective purchaser has subscribed. The selling shareholder may withdraw this offer any time before the closing of the offerings. The offer is specifically made subject to the terms described in this offering memorandum and in the purchase agreement described in “Plan of Distribution.”

You should contact the initial purchasers with any questions about the offerings or for additional information to verify the information contained in this offering memorandum.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

Notice to New Hampshire Residents

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B, or RSA 421-B, of the New Hampshire Revised Statutes with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of State of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State of New Hampshire has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.
In this offering memorandum, “we” and “us” refers to Singapore Airport Terminal Services Limited and its subsidiaries, collectively, and “SATS” refers to Singapore Airport Terminal Services Limited as the holding company for our group of companies.

In this offering memorandum, unless otherwise stated, when we refer to Singapore Airlines we are including the operations of its wholly-owned subsidiary, SilkAir (Singapore) Private Limited, or SilkAir. SilkAir operates some of the regional air routes of Singapore Airlines in Asia, principally Southeast Asia.

When we refer to “tonnes” in this offering memorandum we are referring to metric tonnes. A metric tonne is equal to 1,000 kilograms, or approximately 2,204.6 pounds.

Any discrepancy between the amounts listed and their totals in the tables included in this offering memorandum are due to rounding.
SUMMARY

This summary may not contain all of the information that may be important to you. You should read this entire offering memorandum, including the financial data and related notes, before making an investment decision. Except for those places in this offering memorandum where we tell you otherwise, the information in this offering memorandum assumes that the initial purchasers’ over-allotment option will not be exercised.

Singapore Airport Terminal Services Group

Who we are

We are the leading provider of integrated ground handling and inflight catering services at Singapore Changi Airport. Through our joint ventures, we also provide selected services at nine other international airports in the Asia-Pacific region. We have more than 50 years of experience in ground handling and inflight catering and, in the fiscal year ended March 31, 1999, we served more than 19.9 million passengers at Singapore Changi Airport and handled more than 1.1 million tonnes of air freight. Our principal strength is our uncompromising commitment to service, for which we have received awards from our clients.

We provide the following services to our airline clients:

• Ground handling services, including:
  • air freight handling services;
  • passenger services;
  • baggage handling services; and
  • apron services;
• Inflight catering services, including aircraft interior cleaning and cabin handling;
• Aviation security services; and
• Airline laundry services.

Our operations have grown substantially in the past five years. Our total revenue has grown at a compound annual rate of 7.2% from the fiscal year ended March 31, 1995 to the fiscal year ended March 31, 1999. Our total revenue was S$382.5 million (US$225.0 million) in the six-month period ended September 30, 1999 and S$746.1 million (US$438.9 million) in the fiscal year ended March 31, 1999. Our net income was S$89.1 million (US$52.4 million) in the six-month period ended September 30, 1999 and S$110.1 million (US$64.8 million) in the fiscal year ended March 31, 1999.

In the fiscal year ended March 31, 1999, we handled approximately 83% of the total air freight (by tonnage) which arrived at, departed from and transited through Singapore Changi Airport, we provided passenger services to approximately 81% of the airline passengers at Singapore Changi Airport and we provided meals to approximately 77% of the passenger flights departing from Singapore Changi Airport.

In recognition of the high quality of our services, we have received a number of awards from our international airline clients and other industry organizations including:

• Best Air Cargo Terminal Operator Award in the Asian Freight Industry Awards organized by Cargonews Asia (for seven of the last ten years);
• Qantas Quality Supplier Assessment Award by Qantas Airways in 1999;
• Most Consistent Caterer Award by Cathay Pacific Airways in 1999;
• United Airlines International Catering Award by United Airlines in 1999;
• **Partners in Excellence Award** (Bronze Plaque) by British Airways in 1998/99;

• **Catering Quality Assurance Award** by United Airlines in 1997 in the categories of On Time Performance Award Program (Gold Plaque) and International Quality Improvement Award Program (Silver Plaque);

• **Most Outstanding Staff Award** from Japan Airlines in 1996 and 1997 and Most Improved Station in the Network from Japan Airlines in 1996;

• **Service Excellence Award** from All Nippon Airways in 1997; and

• **Peter McCarthy Award** by British Airways in 1995 for achieving a “quantum leap” in catering and service standards.

We believe these awards are attributable to our strong management team and the high quality of the services provided by our employees.

We are a subsidiary of Singapore Airlines. Singapore Airlines (including its wholly-owned subsidiary SilkAir) provides commercial airline services throughout Asia and other parts of the world from its operating hub, Singapore Changi Airport. Singapore Airlines is our largest client and accounted for 58.5% of our total revenue during the six-month period ended September 30, 1999 and 57.5% of our total revenue during the fiscal year ended March 31, 1999.

As a complement to services offered by us, airlines operating at Singapore Changi Airport can obtain aircraft line maintenance and technical ground handling services from Singapore Airlines’ subsidiary, SIA Engineering Company Limited, or SIA Engineering.

**Our business strategy**

We aim to be a premier global provider of airport ground handling and inflight catering services through the expansion of our operations. Our growth strategy is to:

• **Leverage our leading market position at Singapore Changi Airport**

An important component of our business strategy is to maintain our position as the leading provider of ground handling and inflight catering services at Singapore Changi Airport. To service the anticipated increase in passenger and freight traffic, we are expanding our capacity and capabilities in our Singapore operations by investing in new state-of-the-art ground handling and inflight catering facilities.

To increase our air freight handling capacity, we are constructing a new air freight terminal, AFT 6, and, in the second quarter of 2000, we expect to begin constructing a new express courier center, ECC 2. We expect that, upon completion in the first quarter of 2001, AFT 6 will increase our cargo handling capacity by 800,000 tonnes per year and, upon completion in the third quarter of 2001, ECC 2 will increase our express courier package handling by 180,000 tonnes per year. We believe that our new facilities at AFT 6 and ECC 2 will provide us with the handling capacity necessary to accommodate the increasing level of air freight throughput at Singapore Changi airport.

For our inflight catering business, we are currently constructing SICC 3, which will have a capacity of 45,000 meals per day. SICC 3, which we expect will commence operations in mid-2000, will replace one of our existing inflight catering centers, SICC 1. Although SICC 3’s capacity will equal SICC 1’s existing capacity, the site on which SICC 3 is located has adjacent land which can be further developed to expand its capacity by an additional 45,000 meals per day. Although we currently have no specific plans to expand SICC 3 by this additional capacity, we may do so in the future to take advantage of increased air passenger traffic through Singapore.
• **Develop new joint ventures overseas**

We expect that the global trend toward consolidation in the ground handling and inflight catering industries will continue, following the trend toward consolidation and strategic alliances in the airline industry. We believe that in time this will result in relatively few large international ground handling and inflight catering providers. We believe that this trend will increase the competition we face outside Singapore since these global operators have greater financial resources than us. To meet this challenge, we intend to continue expanding our joint ventures and acquisitions. This will enable us to provide high quality and seamless ground handling and inflight catering services to our existing airline clients over a greater number of destinations. We believe this strategy will enhance our future growth and further strengthen our relationships with our international airline clients.

We have earmarked S$300.0 million for new investments in ground handling and inflight catering operations outside Singapore over the next five fiscal years. These investments may take the form of:

- establishment of new joint ventures and expansion of our existing joint ventures;
- acquisitions of existing ground handling and inflight catering operations; and
- investments in global operators as part of strategic alliances.

We established our first overseas joint venture over ten years ago. Since then, we have substantially expanded our overseas operations through investments in nine more joint ventures providing airport ground handling services and inflight catering services at nine international airports located throughout the Asia-Pacific region.

Although we hold minority interests in each of our ten joint ventures, we are actively involved in the day-to-day operations of five of these — particularly during the start-up and initial phases of their operations. By stationing our Singapore-trained staff at our joint ventures, we aim to export our high operational standards, such as fast baggage presentation and quick cargo delivery, and transfer such expertise to the management personnel of these joint ventures.

We are actively exploring opportunities to enter into new joint ventures at key international airports where we currently do not have operations. In addition, given the growth of our joint ventures in recent years and expected passenger and air freight traffic growth at the international airports where they operate, we may also expand their operations if appropriate.

• **Acquire existing ground handling and inflight catering operations at key international airports**

As a key component of our overseas growth strategy, we intend to acquire companies and assets that we feel will enhance our revenue growth, operations and profitability if suitable opportunities arise. We believe that, as airlines increasingly focus on their core business of operating passenger and freighter flights, they will divest their ground handling and inflight catering subsidiaries. We intend to actively explore opportunities to acquire these businesses if suitable for our long-term growth plans.

We are also looking into opportunities to enter into strategic alliances with major international ground handling and inflight catering operators. Over the past few years, the ground handling and inflight catering services markets in the United States and Europe have experienced significant consolidation and concentration. As a result, there are relatively few large ground handling and inflight catering providers that operate globally. We believe that entering into strategic alliances with one or more of these global operators would assist us in our overseas expansion, particularly in the United States and Europe, by providing opportunities to establish operations jointly in these new markets.
In pursuing our growth strategies, we intend to capitalize on our competitive strengths, including:

- our position as the leading provider of ground handling and inflight catering services at Singapore Changi Airport;
- our reputation for the high quality of our customer services;
- strong and established ties with our airline clients;
- expertise in successfully developing and managing ground handling and inflight catering joint ventures in other countries in the Asia-Pacific region; and
- highly trained and experienced ground handling and inflight catering staff.

We have designed our business strategy to take advantage of trends in the airport services industry that, if realized, will have significant impact on our business. These trends include consolidation, divestiture, privatization and continued long-term growth.

**Our ownership structure**

As of the date of this offering memorandum, Singapore Airport Terminal Services Limited, or SATS, is a wholly-owned subsidiary of Singapore Airlines.

After the offerings, Singapore Airlines will have voting control of 89.0% (87.0% if the initial purchasers exercise their over-allotment option) of our outstanding ordinary shares and will retain the power to elect all of the directors of, and otherwise control, SATS. See “Selling Shareholder” and “Our Relationship with Singapore Airlines and Its Affiliates.”

SATS was incorporated on December 15, 1972. It serves as the holding company for the ground handling, inflight catering, airline laundry and aviation security divisions of Singapore Airlines. SATS Airport Services Pte Ltd and SATS Catering Pte Ltd, which are wholly-owned subsidiaries of SATS, were incorporated on March 9, 1985 to operate our ground handling and inflight catering divisions, respectively. Aero Laundry & Linen Services Private Limited, which is a wholly-owned subsidiary of SATS, was incorporated on February 25, 1989 to operate our airline laundry division. SATS Security Services Private Limited, which is a wholly-owned subsidiary of SATS, was incorporated on November 17, 1989 to operate our aviation security division.

**Where you can find us**

Our executive office address and telephone number is as follows:

**Singapore Airport Terminal Services Limited**

55 Airport Boulevard  
Singapore Changi Airport  
Singapore 819647

Telephone: +(65) 541-8704

Our Internet address is www.sats.com.sg. Information contained on our Internet site does not constitute a part of this offering memorandum.

**Singapore Airlines**

Singapore Airlines is one of the most profitable airlines in the world. It provides commercial airline services throughout Asia, Australasia, North America, Europe and Africa. Singapore Airlines operates an extensive international network, which as of March 31, 1999 includes 110 cities in 42 countries. This includes destinations served through code share services with alliance partners and regional cities served by SilkAir, a wholly-owned subsidiary of Singapore Airlines. For the fiscal year ended March 31, 1999, Singapore Airlines carried 12.8 million passengers, resulting in passenger revenue of $5,180.4 million (US$3,047.3 million) and carried 768.5 million kilograms of air freight, resulting in air freight revenue of $1,605.4 million (US$944.4 million). Net income for the Singapore Airlines group for the fiscal year ended March 31, 1999 was $1,033.2 million (US$607.8 million).
The Offerings

Securities offered ................. 110,000,000 ordinary shares, par value S$0.10 per share, of Singapore Airport Terminal Services Limited owned by the selling shareholder.

Singapore retail offering ............ 36,934,000 ordinary shares offered in Singapore by way of a public retail offer sponsored and underwritten by The Development Bank of Singapore Ltd, or DBS, and Merrill Lynch (Singapore) Pte. Ltd., or Merrill Lynch.

International placement ............. 73,066,000 ordinary shares offered through the initial purchasers to:

- qualified institutional buyers within the United States in reliance on Rule 144A under the U.S. Securities Act; and
- certain persons outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

For a description of the international placement, see “Plan of Distribution.”

Over-allotment option ............... The initial purchasers may also purchase up to 20,000,000 additional ordinary shares from the selling shareholder at the offering price, less underwriting commissions, for a period of 30 days from the date of this offering memorandum, to cover over-allotments.

Shares outstanding after the offerings . 1,000,000,000 ordinary shares.

Selling shareholder ............... Singapore Airlines Limited, our sole shareholder prior to the offerings. For a description of the selling shareholder, see “Selling Shareholder” and “Our Relationship with Singapore Airlines and Its Affiliates.”

Price per ordinary share ............. The offering price for each ordinary share is S$2.50. You must pay the offering price in Singapore dollars.

Use of proceeds ..................... We will not receive any of the proceeds from the offerings.

Market and listing .................. Prior to the offerings, there has been no public market for the ordinary shares. We have received approval in principle to list our ordinary shares on the Main Board of the SGX-ST.

Settlement ......................... We expect that the initial purchasers will pay the selling shareholder for, and the selling shareholder will sell, the ordinary shares offered by this offering memorandum on or about May 10, 2000. We expect that the ordinary shares will commence trading on the SGX-ST on or about May 12, 2000. Generally, the ordinary shares will be held and will trade in book-entry form in accordance with the rules of the SGX-ST and The Central Depository (Pte) Limited, or the CDP. For a description of the settlement procedures for transfers of the ordinary shares, see “Clearance and Settlement.”

Dividends .......................... The declaration, amount and payment of future dividends on the ordinary shares, if any, is discretionary and subject to the
approval of our Board of Directors. Purchasers of the ordinary shares offered by this offering memorandum will not receive any dividends for the fiscal year ended March 31, 2000. For a description of our dividend policy, see “Dividend Policy.”

Risk factors

Investing in our ordinary shares involves risks which are described in “Risk Factors” beginning on page 14.
Summary Financial and Operating Data

You should read the following summary financial and operating data in conjunction with our consolidated financial statements and the related notes, “Selected Consolidated Financial Information and Other Data” and “Management's Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this offering memorandum.

We have derived the summary financial information in the tables below from our consolidated financial statements included elsewhere in this offering memorandum:

- our consolidated statements of income and cash flow data for each fiscal year in the three fiscal year period ended March 31, 1999 and for the six-month periods ended September 30, 1998 and 1999; and


We have derived the summary statement of income and cash flow data for each fiscal year in the two fiscal year period ended March 31, 1996 and the summary balance sheet data as of March 31, 1995 and 1996 set forth below from our consolidated financial statements for these periods and as of these dates. These consolidated financial statements have not been included in this offering memorandum.

Our consolidated financial statements — other than our consolidated financial statements for the six-month period ended September 30, 1998 — have been audited by Ernst & Young, who are our independent public accountants. Our accountants did not audit our consolidated financial statements for the six-month period ended September 30, 1998, but we have included those adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of our results for the six-month period ended September 30, 1998.

You should note that our results for the six-month period ended September 30, 1999 are not necessarily indicative of the results that we may achieve for the full fiscal year ended March 31, 2000.

In the table below, we computed pro forma net income per share for each period by dividing net income for that period by the total number of our issued ordinary shares after our share split completed in March 2000. See Note 35 of the notes to our consolidated financial statements.

We have prepared and presented our consolidated financial statements in accordance with International Accounting Standards, or IAS. IAS differs in certain material respects from generally accepted accounting principles in the United States, or U.S. GAAP. You should read “Principal Differences between International Accounting Standards and U.S. GAAP” for a description of the material differences between IAS and U.S. GAAP as they apply to our consolidated group of companies.

<table>
<thead>
<tr>
<th>Fiscal Year Ended March 31,</th>
<th>Six Months Ended September 30,</th>
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<tr>
<td></td>
<td>(unaudited)</td>
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<tr>
<td><strong>Consolidated statement of income data:</strong></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>S$564.5</td>
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<tr>
<td>Gross profit</td>
<td>156.8</td>
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<tr>
<td>Operating income</td>
<td>120.6</td>
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<tr>
<td>Net income</td>
<td>92.1</td>
</tr>
<tr>
<td>Net income per share</td>
<td>S$ 0.92</td>
</tr>
<tr>
<td>Dividends per share(1)</td>
<td>S$ 0.61</td>
</tr>
<tr>
<td>Number of shares outstanding (in millions) (end of period)</td>
<td>100.0</td>
</tr>
<tr>
<td>Pro forma net income per share(2)</td>
<td>S$ 0.09</td>
</tr>
<tr>
<td>Pro forma number of shares outstanding (in millions) (end of period) (2)</td>
<td>1,000.0</td>
</tr>
<tr>
<td></td>
<td>As of March 31, 1995</td>
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<tr>
<td>--------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td><strong>Consolidated balance sheet data:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>S$207.6</td>
</tr>
<tr>
<td>Total assets</td>
<td>911.3</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>325.4</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>586.0</td>
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<tbody>
<tr>
<td><strong>Other financial data:</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA (including share of associated companies’ net income)</td>
<td>S$142.8</td>
<td>S$163.4</td>
<td>S$147.1</td>
<td>S$178.8</td>
<td>S$211.1</td>
<td>S$124.2</td>
<td>S$98.6</td>
</tr>
<tr>
<td>EBITDA (excluding share of associated companies’ net income)</td>
<td>144.4</td>
<td>165.5</td>
<td>145.7</td>
<td>172.6</td>
<td>201.8</td>
<td>118.7</td>
<td>94.6</td>
</tr>
<tr>
<td>Depreciation</td>
<td>23.8</td>
<td>31.8</td>
<td>38.6</td>
<td>48.1</td>
<td>42.3</td>
<td>24.9</td>
<td>21.8</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>114.9</td>
<td>151.5</td>
<td>76.9</td>
<td>103.2</td>
<td>60.7</td>
<td>38.5</td>
<td>96.0</td>
</tr>
</tbody>
</table>

(1) Dividends are net of tax. On March 28, 2000, we paid a special dividend of S$106.5 million (US$62.6 million), net of tax, to Singapore Airlines. For more information regarding our payment of the special dividend, see “Capitalization,” “Dividend Policy” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Our liquidity and capital resources — Our capital adjustment and special dividend payment in 2000.”

(2) On March 20, 2000, we completed a share split which resulted in our issued share capital increasing from 100,000,000 ordinary shares of S$1.00 par value per share to 1,000,000,000 ordinary shares of S$0.10 par value per share.

(3) In the first quarter of 2000, we adjusted our share capital and, in conjunction with our capital adjustment, we distributed S$100.0 million (US$58.8 million) to Singapore Airlines on March 28, 2000. For more information regarding our capital adjustment, see “Capitalization,” “Dividend Policy” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Our liquidity and capital resources — Our capital adjustment and special dividend payment in 2000.”

(4) EBITDA (including share of associated companies’ net income (loss)), for each period, consists of income before income tax for the period plus, to the extent deducted in calculating income for the period, interest expense and financing charges, depreciation, amortization, loss on sale and diminution in value of short-term investments and loss on long-term investments and minus, to the extent added in calculating income for the period, interest income and gain on sale of short-term investments.

(5) We have included the information concerning EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash from operations to cover debt service and taxes. You should not consider EBITDA as an alternative to operating income or any other measure of performance determined in accordance with IAS or U.S. GAAP or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.
(6) EBITDA (excluding share of associated companies’ net income (loss)), for each period, consists of income before income tax for the period plus, to the extent deducted in calculating income for the period, interest expense and financing charges, depreciation, amortization, loss on sale and diminution in value of short-term investments, loss on long-term investments and share of associated companies’ net loss and minus, to the extent added in calculating income for the period, interest income, gain on sale of short-term investments and share of associated companies’ net income.

(7) Includes both arrivals and departures of the same aircraft.
RISK FACTORS

An investment in the ordinary shares involves risks, including risks not associated with investing in equity securities of United States companies. You should consider carefully all of the information contained in this offering memorandum, especially the following, in evaluating whether to purchase the ordinary shares offered by this offering memorandum. You should also note that certain of the statements set forth below constitute “forward-looking statements” as discussed in “Special Note Regarding Forward-Looking Statements” on page 23. Any of the following factors, depending upon the severity and circumstances of a particular occurrence, could result in a material adverse effect on our business, prospects, financial condition and results of operations.

Risks Related to Our Relationship with Singapore Airlines and its Affiliates

We rely for a substantial portion of our revenue on one customer, Singapore Airlines.

We depend on Singapore Airlines (including SilkAir) for a substantial portion of our business. Singapore Airlines accounted for 57.5% of our revenue for the fiscal year ended March 31, 1999 and 58.5% of our revenue for the six-month period ended September 30, 1999. We expect that Singapore Airlines will continue to account for a significant percentage of our revenue in the future. As a result of this reliance, the growth of our revenue is effectively constrained by the number of flights operated by Singapore Airlines, the number of passengers Singapore Airlines services out of Singapore Changi Airport, the amount of air freight Singapore Airlines carries through Singapore Changi Airport and the size of the aircraft used by Singapore Airlines for its flights. If Singapore Airlines decreases its flights into and out of Singapore Changi Airport or there is a significant reduction in the number of passengers using Singapore Airlines, the amount of air freight carried by Singapore Airlines through Singapore Changi Airport or the size of the aircraft that Singapore Airlines uses, our results of operations could be adversely affected. In addition, we cannot assure you that our revenue generated from Singapore Airlines will reach or exceed historical levels in any future period. Loss or cancellation of business from, or decreases in the rates we charge for our services to, Singapore Airlines could seriously harm our company.

Our relationship with Singapore Airlines also has a significant impact on our business through the practice of reciprocal arrangements. Reciprocal arrangements arise where an airline provides Singapore Airlines with ground handling and inflight catering services at an international airport and, in return, the other airline obtains ground handling and inflight catering services from us at Singapore Changi Airport. If Singapore Airlines terminates, or significantly reduces the fees it pays under, a reciprocal arrangement with an affiliated ground handling or inflight catering operator of another airline, that airline may seek to terminate, or significantly reduce the fees it pays us under, our reciprocal ground handling or inflight catering agreement with it. Our revenue earned through reciprocal arrangements accounted for 29.2% of our total revenue in the six-month period ended September 30, 1999 and 30.0% of our total revenue in the fiscal year ended March 31, 1999. Our reciprocal arrangements will remain in effect following completion of the offerings and we expect that, in the future, reciprocal arrangements will continue to account for a significant proportion of our total revenue. In addition, since we will continue to be controlled by Singapore Airlines, we expect to continue to enter into reciprocal arrangements in the future.

Furthermore, our existing reciprocal arrangements may affect our business strategy in the future. Our ability to expand our joint venture operations or enter into new joint ventures or acquire or invest in ground handling or inflight catering operators at other international airports may be limited if Singapore Airlines has a reciprocal arrangement with the primary airline operating at that airport for the provision of ground handling and inflight catering services at that airport.

Singapore Airlines will continue to be our controlling shareholder after the offerings and there may be conflicts of interest between us and our controlling shareholder.

Upon the completion of the offerings, Singapore Airlines will have voting control of 89.0% (87.0% if the initial purchasers exercise their over-allotment option) of our outstanding ordinary shares and will have the ability to control us and direct our affairs and business, including the election of our directors and the
approval of most actions requiring the approval of our shareholders. Singapore Airlines is also our most significant customer, which may create conflicts of interest as we seek to expand our business and acquire additional customers or as we seek to increase the amounts we charge Singapore Airlines for providing ground handling and inflight catering services.

After completion of the offerings, we will engage in transactions with Singapore Airlines and our other affiliates from time to time that are material to us. Although the Audit Committee of our Board of Directors will review all material transactions between our company and Singapore Airlines and our other affiliates, circumstances may arise in which the interests of Singapore Airlines and/or our other affiliates could conflict with our interests or the interests of our other shareholders.

Because Singapore Airlines owns a significant portion of our ordinary shares, they could delay or prevent a change in control of our company, even if a transaction of that nature would be beneficial to our other shareholders. For more information regarding our relationship with Singapore Airlines and its affiliates, see “Our Relationship with Singapore Airlines and Its Affiliates.”

The Singapore government indirectly controls Singapore Airlines and the interests of the Singapore government may affect our operations.

Temasek Holdings (Private) Limited, or Temasek, the primary investment arm of the Singapore government, has direct and indirect holdings in Singapore Airlines of 57.2% as of April 28, 2000. As a result, Temasek will indirectly have voting control of 50.9% (49.8% if the initial purchasers exercise their over-allotment option) of our outstanding ordinary shares after the offerings and will have the ability to control us and direct our affairs and business, including the election of directors and the approval of most actions requiring the approval of our shareholders. The Singapore government’s indirect interest in our company could potentially affect our operations, including our expansion plans into other countries or markets. For example, our ability to operate and expand successfully in markets outside of Singapore may be adversely affected if target joint venture partners and customers, particularly national air carriers in the region, believe that the Singapore government’s control over us will prevent us from providing our services in a manner consistent with that customer’s interest or that foreign country’s national interest. In addition, the Singapore government indirectly controls our only other competitor at Singapore Changi Airport, Changi International Airport Services, or CIAS, and operates Singapore Changi Airport through the Civil Aviation Authority of Singapore, or CAAS. There may be circumstances in which the public policy interests of the Singapore government in regulating Singapore Changi Airport and the airport terminal services provided at Singapore Changi Airport could also conflict with our interests.

We rely on Singapore Airlines for certain financing and for some general and administrative corporate services which would be costly to develop in-house if Singapore Airlines terminated these services.

We have a contract for provision of insurance, information technology services and corporate general and administrative functions by Singapore Airlines to us. This agreement is effective for an initial period of ten years from March 24, 2000 and, after the initial ten-year term, will continue in effect unless terminated by either party upon giving six months prior notice. The agreement may also be terminated upon the occurrence of specified events, such as insolvency, bankruptcy or liquidation of either party or disposal of all of the assets or business of either party or if a party breaches the agreement and such breach is not remedied within one month. In the event that this contract is terminated by Singapore Airlines, we could face a significant disruption in our business until we purchase these services from outside sources or develop this expertise in-house.

Singapore Airlines has provided us with financing in the past. However, we cannot assure you that Singapore Airlines will continue to provide us with credit and other financial support. For more information regarding our financial support from Singapore Airlines, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Our liquidity and capital resources — Net cash used in our financing activities — Our loans from Singapore Airlines” and “Our Relationship with Singapore Airlines and Its Affiliates — Financial support provided to us by Singapore Airlines.”
As part of the benefits we provide to our employees, we offer our employees subsidized travel on Singapore Airlines under existing agreements with Singapore Airlines. We believe that our ability to offer free and subsidized travel on Singapore Airlines has been an important factor in our ability to attract and retain a high number of qualified employees. If Singapore Airlines were to discontinue this arrangement with us, we may have difficulty attracting and retaining the same level of high-quality employees that we have historically. For more information about our employees and employee benefits, including our subsidized travel program, see “Business — Our employees.”

Risks Related to Our Business and the Airline and Airport Services Industry in General

We depend on a small number of customers other than Singapore Airlines for a significant portion of our revenue.

We depend on a small number of customers for a substantial portion of our business not provided by Singapore Airlines (including SilkAir). Our top ten customers other than Singapore Airlines accounted for 26.5% of our total revenue in the fiscal year ended March 31, 1999 and 26.1% during the six-month period ended September 30, 1999. We expect that we will continue to depend upon a relatively limited number of customers for a significant portion of our revenue not provided by Singapore Airlines. We cannot assure you that revenue generated from these customers, individually or in the aggregate, will reach or exceed historical levels in any future period. Loss or cancellation of business from, or decreases in rates we charge for our services to, any of these customers could seriously harm our company.

We rely on licenses granted by the Singapore government through CAAS to conduct our ground handling and inflight catering businesses at Singapore Changi Airport.

We operate our ground handling and inflight catering services at Singapore Changi Airport under licenses granted by CAAS, an agency of the Singapore government. We also lease land and other facilities necessary to conduct our businesses from CAAS. If we were to lose our existing licenses from CAAS, we would be unable to provide our ground handling and inflight catering services for our customers at Singapore Changi Airport and our results of operations would be adversely affected. In addition, if we were to fail to comply with the performance standards required by CAAS over an extended period of time, our reputation would be harmed and we could lose existing customers or fail to attract new customers and, as a result, our results of operations would be adversely affected or our licenses from CAAS could be revoked. For a discussion of our relationship with CAAS, see “Business — Our other material contracts — CAAS license agreements” and “Business — Our other material contracts — Lease agreements.”

We face significant competition at Singapore Changi Airport and other international airports at which our joint ventures operate.

At Singapore Changi Airport, we are one of two providers of ground handling and inflight catering services. CIAS is the only other provider of these services at Singapore Changi Airport and provides ground handling and inflight catering services to most, but not all, of the passenger and freighter airlines that do not obtain those services from us. If a significant number of our existing airline clients or one or more of our larger airline clients were to begin purchasing these services from CIAS or were to self-handle their ground support operations, our results of operations could be adversely affected. In addition, the level of competition we face at Singapore Changi Airport could increase substantially if CAAS were to grant one or more additional licenses to provide ground handling and inflight catering services at Singapore Changi Airport to other airport services operators.

Outside Singapore, our ground handling and inflight catering joint ventures face varying levels of competition at the international airports at which they operate. The level of competition depends primarily on the number and size of the other airport services providers operating at that airport. At some of these international airports, the service market is highly competitive and our joint venture competes against two or three other ground handling or inflight catering operators. In addition, our Singapore operations face competition from other international airports in Asia to the extent that passenger and freighter airlines use
other international airports in Asia as an alternative to using Singapore Changi Airport for passenger and freighter flights. If the level of competition we face were to increase significantly, our results of operations could be adversely affected. For more information about our competition, see “Business — Our competition.”

**Our domestic growth is effectively constrained by the growth of air freight and passenger traffic at Singapore Changi Airport.**

In the six-month period ended September 30, 1999:

- we handled approximately 83% of the total air freight (by tonnage) that was handled at Singapore Changi Airport;
- we provided passenger services, such as check-in services and operation of transfer desks, to approximately 81% of the passengers using Singapore Changi Airport;
- we provided baggage handling services to approximately 88% of all passenger flights arriving at, departing from and transiting through Singapore Changi Airport;
- we provided apron services to approximately 86% of the passenger and freighter flights arriving at, departing from and transiting through Singapore Changi Airport; and
- we provided meals to approximately 77% of the passenger flights departing from Singapore Changi Airport and provided meals to approximately 72% of the total number of passenger airlines operating at Singapore Changi Airport.

Our ability to expand our business domestically depends primarily on the growth of air freight and passenger traffic at Singapore Changi Airport. Any decrease in air freight or passenger traffic at Singapore Changi Airport could have an adverse effect on our results of operations.

**We may be unable to expand our business outside Singapore as planned.**

Our principal business strategy is to expand our overseas operations through new joint ventures and acquisitions of ground handling and inflight catering operators at other international airports. The significant challenges we face in this growth strategy include:

- our ability to find suitable business partners with the requisite level of experience and financial resources to establish and operate new joint ventures;
- the potential competition we would face at the international airports we have targeted for entry, which is dependent, in part, upon the number, size and operating history of airport services providers already operating at those international airports;
- the willingness of the government authorities regulating these other international airports to permit additional operators to establish operations at these airports;
- our ability to manage operations in different countries over a wide geographic area;
- unexpected changes in regulatory environments, including potentially adverse changes in tax regulations;
- political instability in the countries in which we operate and fluctuations in currency exchange rates in the various currencies in which we transact; and
- our ability to compete with international ground handling and inflight catering operators with larger and more geographically diverse operations and greater financial resources than us.

Any of the above could have an adverse effect on the success of our future international expansion.

As a key component of our growth strategy, in addition to establishing new joint ventures, we may acquire companies and assets that we believe will enhance our revenue growth, operations and profitability.
We have not made any acquisitions in the past. Our future acquisitions, if any, may result in the use of significant amounts of cash, potentially dilutive issuances of equity securities and amortization expenses related to goodwill and other intangible assets, each of which could adversely affect our business. Our future acquisitions may involve risks, including:

- difficulties in the integration and assimilation of the operations, services and personnel of the acquired business;
- diversion of management’s attention from other business concerns;
- availability of financing for future acquisitions; and
- potential loss of key employees of any acquired business.

If we make any acquisitions in the future, we will need to be able to successfully integrate these acquired businesses into our existing operations, and the failure to do so could have an adverse effect on our business, results of operations and financial condition.

We expect to incur substantial capital expenditures in connection with our growth plans and may require additional financing that may not be available.

We have substantial ongoing capital expenditures for our SICC 3, AFT 6 and ECC 2 construction projects. Based on current estimates, we expect to incur capital expenditures for these projects of S$61.3 million in the second half of the fiscal year ended March 31, 2000, S$142.9 million in the fiscal year ended March 31, 2001 and S$27.7 million in the fiscal year ended March 31, 2002. Our construction projects involve engineering, construction, regulatory and other significant risks that may delay or prevent the successful completion or operation of these projects. Furthermore, our actual expenditures may exceed our planned expenditures for a variety of reasons, including increases in construction costs, market conditions, interest rates and other factors.

We expect to finance our capital expenditure requirements with cash from operations and a portion of the proceeds of a S$160 million revolving credit facility we have entered into with Singapore Airlines in December 1999 and a S$50 million credit facility we have entered into with Oversea-Chinese Banking Corporation Limited in March 2000. We have drawn down S$20.0 million of the Singapore Airlines facility to fund a portion of our capital expenditures. We drew down the remainder of S$140 million available under the Singapore Airlines facility and we drew down S$15.0 million of the Oversea-Chinese Banking Corporation facility to fund a portion of the special dividend payment and capital adjustment payment we made to Singapore Airlines on March 28, 2000. Our special dividend payment and capital adjustment payment to Singapore Airlines on March 28, 2000 significantly lowered our cash balances available for financing construction costs. Therefore, we may require additional financing to fund our current construction projects. We cannot assure you that any additional financing we may need will be available or, if available, will be available on terms satisfactory to us. For more information regarding our expected capital expenditures in the next two fiscal years, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and capital resources — Our future capital expenditures and investments.”

Our business requires the work of many employees and any disruption in the supply of manpower could adversely affect our results of operations and financial condition.

Our business is labor intensive and requires highly trained ground handling and inflight catering personnel. Singapore has traditionally had a tight labor market. If we are unable to hire additional employees to meet our requirements or to retain existing employees, our results of operations and financial condition could be adversely affected.

As of March 31, 1999, approximately 91% of our employees were subject to collective bargaining agreements in Singapore. These agreements may in the future limit our ability to contain increases in labor costs and our ability to control our future labor costs depends on the outcome of our wage negotiations with our staff.
We are required to make monthly contributions to the Singapore Central Provident Fund, or CPF, which is a public retirement fund operated by the Singapore government, for our employees. Due to the economic crisis in Southeast Asia from 1997 through 1999, the Singapore government reduced employers’ required contributions from 20% of the employee’s salary (subject to a maximum contribution of $1,200 per month) to 10% of the employee’s salary (subject to a maximum contribution of $600 per month). This reduction reduced our labor costs, which comprise a portion of our cost of revenue. On November 23, 1999, the Singapore government announced that, with effect from April 1, 2000, the employers’ contribution under the CPF will be increased to 12%. The Singapore government also stated that it intends to restore the employers’ contribution to the original 20% amount over the next five years if economic conditions remain favorable. We expect that any further increases in our contribution obligations to the CPF will increase our cost of revenue and result in a decrease in our operating income. For more information regarding the CPF, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Restoration of employers’ contribution to the Singapore Central Provident Fund.”

Our failure to comply with certain environmental regulations could seriously harm our company.

We are subject to a variety of laws and governmental regulations in Singapore relating to the use, discharge and disposal of waste materials produced by our inflight catering operations. While we believe that we are currently in compliance in all material respects with these laws and regulations, if we fail to dispose of these waste materials appropriately, we could be subject to liability or could be required to suspend or adversely modify our inflight catering operations. We maintain insurance policies to guard against losses resulting from environmental harm caused by us. While we believe our insurance coverage is adequate, we cannot assure you that it would be sufficient to cover all our potential losses.

Risks Related to an Investment in a Singapore Company

An economic downturn in East and Southeast Asia could adversely affect our operations and growth.

A significant number of our airline clients are based in East and Southeast Asia. We plan to pursue additional client contacts with regional airlines. As a result, our revenue from regional airline clients and our results of operations and future growth depend, to some extent, on the growth of these economies. Over the past three years, currency fluctuations, higher interest rates and other factors have materially and adversely affected the economies of many countries in Asia in general and Southeast Asia in particular. Many Southeast Asian economies experienced a recession in 1998 and early 1999. Although most of the affected economies have started to grow again, economic growth in Southeast Asia as a whole remains substantially lower than it was before the recent economic crisis. Due to the effect that economic conditions in these markets have on our business, an economic decline in the East and Southeast Asian region could adversely affect our results of operations and future growth.

A contraction of, or decline in the growth of, the Singapore economy could adversely affect our results of operations.

Almost all of our assets are located, and most of our ground handling and inflight catering services are provided, in Singapore. We rely for a significant part of our revenue on income from Singapore Airlines (including SilkAir) which operates primarily from its hub at Singapore Changi Airport. In addition, most of our services are provided at Singapore Changi Airport. As a result, a contraction of, or decline in the growth of, the Singapore economy would adversely affect our results of operations and financial condition. Factors that may adversely affect the Singapore economy include:

- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Southeast Asian region;
- any continued or renewed devaluation of Asian currencies;
- any prolonged period of inflation or increase in regional interest rates; and
- any political instability in countries in the Southeast Asian region.
Exchange rate fluctuations in the Singapore dollar will affect the value of our ordinary shares and dividends on our ordinary shares in U.S. dollar terms.

Fluctuations in the exchange rate between the U.S. dollar and the Singapore dollar will affect the U.S. dollar value of our ordinary shares and our cash dividends, if any, which will be paid in Singapore dollars.

Our public shareholders may have more difficulty protecting their interests than they would as shareholders of a United States or European corporation.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the laws governing corporations incorporated in Singapore. The rights of our shareholders and the responsibilities of the members of our Board of Directors under Singapore law may be different from those applicable to a corporation incorporated in the United States or Europe. Therefore, our public shareholders may have more difficulty in protecting their interests in connection with actions taken by our management, members of our Board of Directors or our controlling shareholders than they would as shareholders of a corporation incorporated in the United States or Europe. For example, controlling shareholders in United States corporations are subject to fiduciary duties while controlling shareholders in Singapore corporations are not subject to such duties. For a discussion related to our relationship with the selling shareholder, see “Selling Shareholder.” Singapore Airlines will continue to control us following completion of the offerings and its interests may conflict with the interests of our other shareholders.

You may have difficulty enforcing judgments against us, the selling shareholder or our or their management.

We and the selling shareholder are incorporated in Singapore. All of our and the selling shareholder’s directors and executive officers, as well as some of our advisors and the experts named in this offering memorandum, reside outside the United States. Also, almost all of our and the selling shareholder’s assets are located outside the United States. As a result, you may not be able to:

- effect service of process upon us, the selling shareholder or these persons within the United States; or
- enforce against us, the selling shareholder or these persons in United States courts, judgments obtained in United States courts, including judgments predicated on the civil liability provisions of the federal securities laws of the United States.

Our Singapore legal advisor, Wong Partnership, has advised us and the selling shareholder that judgments obtained in the U.S. courts based upon the civil liability provisions of the federal securities laws of the United States are not enforceable in Singapore courts. Wong Partnership has also advised us and the selling shareholder that there is doubt as to whether Singapore courts will enter judgments in original actions brought in Singapore courts based solely upon the civil liability provisions of the federal securities laws of the United States.

Singapore law contains provisions that could discourage a takeover of our company.

The Companies Act (Chapter 50) of Singapore, or the Singapore Companies Act, and the Singapore Code on Takeovers and Mergers, or the Takeover Code, contain certain provisions that may delay, deter or prevent a future takeover or change in control of our company. Any person acquiring an interest — either singly or acting in concert with others — in 25% or more of our voting shares must extend a takeover offer for the remaining voting shares in accordance with the Takeover Code. A takeover offer is also required to be made if a person holding between 25% and 50% (both inclusive) of the voting rights (either singly or acting in concert with others) acquires more than 3% of our voting shares in any 12-month period. These provisions may discourage or prevent certain types of transactions involving an actual or threatened change of control of our company. This may harm you because a transaction of that kind may allow you to sell
your ordinary shares at a price above the prevailing market price. For a more detailed discussion of the Takeover Code, see “Description of Ordinary Shares — Takeovers.”

Risks Related to Our Ordinary Shares and Our Trading Market

Our ordinary shares have never been publicly traded before and the offerings may not result in an active or liquid market for our ordinary shares.

Prior to the offerings, there was no public market for our ordinary shares. We have received approval in principle to have our ordinary shares listed and quoted on the Main Board of the SGX-ST. The SGX-ST listing and quotation does not, however, guarantee that a trading market for the ordinary shares will develop or, if a market does develop, the liquidity of that market for the ordinary shares. Therefore, we cannot predict whether a trading market for our ordinary shares will develop or how liquid that market might become.

We have not registered, and will not register, our ordinary shares under the securities laws of the United States or any jurisdiction other than Singapore and our ordinary shares may not be publicly offered, sold, pledged or otherwise transferred in any jurisdiction where such registration may be required. For a description of the manner in which our ordinary shares will be offered, see “Plan of Distribution.”

Our ordinary share price may be volatile in the future.

The initial offering price for our ordinary shares has been determined by negotiations between the selling shareholder and the initial purchasers and may not be indicative of prices that will prevail in the market. The price of our ordinary shares after the offerings may fluctuate widely, depending on many factors, including:

• perceived prospects for our business and operations and the Asian airline industry in general;
• differences between our actual financial and operating results and those expected by investors and analysts;
• changes in analysts’ recommendations or perceptions;
• changes in general economic or market conditions;
• changes in prices of equity securities of foreign (particularly Asian) companies; and
• general stock market price fluctuations.

Our ordinary shares may trade at prices significantly below the offering price.

The prices on the SGX-ST may fluctuate more than larger U.S. and European stock exchanges.

As of March 31, 2000, there were 323 companies listed and quoted on the Main Board of the SGX-ST and the aggregate market capitalization of listed equity securities of these companies was approximately S$321.3 billion. The relatively small market capitalization of, and trading volume on, the SGX-ST, compared to stock exchanges in the United States and certain European countries, may cause the market price of securities listed on the SGX-ST, including our ordinary shares, to fluctuate more than those listed on larger U.S. and European stock exchanges.

Future sales of ordinary shares could adversely affect our ordinary share price.

We do not know what effect, if any, future sales of our ordinary shares, or the availability of our ordinary shares for future sale, will have on their market price. Sales of significant amounts of our ordinary shares in the public market after the offerings, or the perception that such sales may occur, could materially adversely affect the market price of our ordinary shares. These factors could also affect our ability to sell additional equity securities.
Upon completion of the offering, the selling shareholder will have voting control of 89.0% (87.0% if the initial purchasers exercise their over-allotment option) of our outstanding ordinary shares. Except as otherwise described in “Plan of Distribution,” “Description of Ordinary Shares” and “Notice to Investors,” there will be no restrictions on the ability of the selling shareholder to sell its ordinary shares, either on the SGX-ST or otherwise.

We and the selling shareholder have agreed that neither we nor it will offer, sell or agree to sell, directly or indirectly, or otherwise dispose of any of our ordinary shares without the prior written consent of Merrill Lynch (Singapore) Pte. Ltd., or Merrill Lynch, and The Development Bank of Singapore Ltd, or DBS, for a period of 180 days from the date of this offering memorandum, subject to certain exceptions. For additional information regarding resale restrictions, see “Plan of Distribution” and “Notice to Investors.”

You may not hold more than 5% of our ordinary shares without the approval of our directors.

Our Articles of Association provide that, unless approved by our directors, we may not issue or permit the transfer of our ordinary shares to any person or a related group of persons if, in the opinion of our directors, that person or the related group of persons would, as a result, have an interest, directly or indirectly, in more than 5% of our outstanding issued ordinary share capital. If our directors are of the opinion that a person or a related group of persons have an interest, directly or indirectly, in more than 5% of our issued share capital without their prior approval, our directors may require the person or the related group of persons to transfer the number of shares exceeding 5% of our issued share capital. It may not be possible for you to know in advance whether your purchase or sale of our ordinary shares would be affected by these ownership limitations.

Notwithstanding the limitations on shareholding discussed above, Temasek and Singapore Airlines and/or any person or persons approved by our Board of Directors may have an interest in more than 5% of our issued ordinary share capital on terms and conditions as our Board of Directors may think fit.
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this offering memorandum, statements made in press releases and oral statements that may be made by us or our officers, directors or employees acting on our behalf that are not statements of historical fact constitute “forward-looking statements.” You can identify some of these forward-looking statements by terms such as “expects,” “believes,” “plans,” “intends,” “estimates,” “anticipates,” “may,” “will,” “would” and “could” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to:

- our revenue and profitability;
- expected growth in airline client demand;
- expected growth in our handling capacity;
- other expected industry trends;
- anticipated completion and startup dates for expansion projects; and
- other matters discussed in this offering memorandum regarding matters that are not historical fact,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- changes in political, social and economic conditions and the regulatory environment in Singapore and other countries in which we operate joint ventures;
- changes in currency exchange rates;
- our anticipated growth strategies and expected internal growth;
- changes in fees for our services;
- changes in the availability and prices of, and import tariffs on, raw materials we need to prepare our inflight meals;
- changes in our airline clients’ preferences;
- demographic changes;
- changes in competitive conditions and our ability to compete under these conditions;
- changes in our future capital needs and the availability of financing and capital to fund these needs; and
- other factors beyond our control.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this offering memorandum, we advise you not to place undue reliance on those statements. We are not representing or warranting to you that our actual future results, performance or achievements will be as discussed in those statements. Further, we disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances. We are, however, subject to the provisions of the Listing Manual issued by the SGX-ST regarding corporate disclosure. For more discussion of these rules, see “Description of Ordinary Shares.”
AVAILABLE INFORMATION

For so long as the ordinary shares offered by this offering memorandum remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) of the U.S. Securities Act, we will furnish, upon the request of any holder, beneficial owner or prospective purchaser of the ordinary shares offered by this offering memorandum or interest therein who is a “qualified institutional buyer” within the meaning of Rule 144A, the information specified in paragraph (d)(4) of Rule 144A under the U.S. Securities Act, to that holder, beneficial owner or prospective purchaser in order to permit compliance by that holder or beneficial owner with Rule 144A in connection with the resale of the ordinary shares offered by this offering memorandum or beneficial interest therein in reliance on Rule 144A unless, at the time of that request, we are subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, or the U.S. Exchange Act, or we are included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the U.S. Exchange Act (and therefore are required to furnish the U.S. Securities and Exchange Commission certain information pursuant to Rule 12g3-2(b) under the U.S. Exchange Act).

We will furnish annual reports in English to the SGX-ST. These annual reports will include a review of our business and operations. We also will furnish to the SGX-ST all notices of ordinary shareholders’ meetings and other reports and communications in English that we make available to our shareholders.
USE OF PROCEEDS

The selling shareholder, Singapore Airlines, will receive all of the net proceeds from the sale of the ordinary shares in the offerings. We will not receive any proceeds from the offerings.
EXCHANGE RATES

The following table sets forth, for the fiscal periods indicated, information concerning the exchange rates between Singapore dollars and U.S. dollars based on the average of the noon buying rate in the City of New York on the last business day of each month during the period for cable transfers in Singapore dollars as certified for customs purposes by the Federal Reserve Bank of New York. The table illustrates how many Singapore dollars it would take to buy one U.S. dollar.

<table>
<thead>
<tr>
<th>Period Ended</th>
<th>Singapore Dollars/U.S. Dollar Noon Buying Rate</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Average</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 1995</td>
<td>1.48</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 1996</td>
<td>1.41</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 1997</td>
<td>1.41</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 1998</td>
<td>1.55</td>
</tr>
<tr>
<td>Fiscal half-year ended September 30, 1998</td>
<td>1.69</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 1999</td>
<td>1.68</td>
</tr>
<tr>
<td>Fiscal half-year ended September 30, 1999</td>
<td>1.70</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 2000</td>
<td>1.67</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 2001 (through May 2, 2000)</td>
<td>1.71</td>
</tr>
</tbody>
</table>

Currently, there are no exchange control restrictions in Singapore.

In parts of this offering memorandum, we have translated Singapore dollar amounts into U.S. dollars for the convenience of potential investors in the ordinary shares. Unless otherwise noted, the exchange rate used for these translations was S$1.70 = US$1.00 which was the noon buying rate in the City of New York on September 30, 1999 for cable transfers in Singapore dollars as certified for customs purposes by the Federal Reserve Bank of New York. On May 2, 2000, the noon buying rate for Singapore dollars was S$1.72 = US$1.00. We make no representation that the Singapore dollar amounts stated in this offering memorandum could have been or could be converted into U.S. dollars at any particular rate, the above rates or at all.

Fluctuations in the exchange rate between the Singapore dollar and the U.S. dollar will affect the U.S. dollar equivalent of the Singapore dollar price of our ordinary shares on the SGX-ST and cash dividends paid by us in Singapore dollars.
DIVIDEND POLICY

Historically, we have declared and paid dividends to Singapore Airlines on both an interim and final basis. In the fiscal year ended March 31, 1999, we declared and paid aggregate dividends, net of tax, of S$81.4 million (US$47.9 million) and, in the six-month period ended September 30, 1999, we declared an interim dividend, net of tax, of S$42.2 million (US$24.8 million) which we paid in November 1999 to Singapore Airlines. In the fiscal year ended March 31, 1999, our dividends payments, net of tax, were 73.9% of our net income during the same period. In the six-month period ended September 30, 1999, this figure was 47.4%. We do not expect to pay dividends in the future at the same rate that we have in the past. For more information regarding our historical dividend payments to Singapore Airlines, see note 11 of the notes to our consolidated financial statements.

On March 28, 2000, we paid Singapore Airlines a special dividend of S$106.5 million (US$62.6 million), net of tax. For more information regarding our payment of the special dividend, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Our liquidity and capital resources — Our capital adjustment and special dividend payment in 2000.” Purchasers of the ordinary shares offered by this offering memorandum will not receive any dividends for the fiscal year ended March 31, 2000.

We may declare dividends by ordinary resolution of our shareholders at a general meeting. However, we may not pay dividends in excess of the amount recommended by our Board of Directors. Our Board of Directors may, without the approval of our shareholders, declare an interim dividend. In making a determination to recommend the amount of the final dividend or to declare an interim dividend, our Board of Directors will consider, among other factors:

- our results of operations, cash flows and financial condition;
- the payment by our subsidiaries and joint ventures of cash dividends to us;
- our capital requirements;
- our future prospects; and
- other factors deemed relevant by our Board of Directors.

We must pay all dividends out of our profits, which would generally comprise retained earnings, or pursuant to Section 69(2)(c) of the Companies Act of Singapore, which permits the application of the share premium attributable to our issued ordinary shares to the payment of dividends in the form of shares. In order to pay dividends on ordinary shares, we will primarily depend on the receipt of dividends from our subsidiaries and joint ventures.

We will pay any cash dividends on our ordinary shares in Singapore dollars. For a description of the historical rate of exchange between the Singapore dollar and the U.S. dollar, see “Exchange Rates.”
CAPITALIZATION

The following table shows our consolidated short-term borrowings and capitalization as of September 30, 1999 and as adjusted to give effect to our capital adjustment in the first quarter of 2000, our special dividend payment in March 2000 and our share split in March 2000. For more information regarding our capital adjustment, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Our liquidity and capital resources — Our capital adjustment and special dividend payment in 2000” and “Description of Ordinary Shares.”

This table was derived from our consolidated financial statements contained in this offering memorandum, which we prepared in accordance with IAS. You should read this table in conjunction with:

- our consolidated financial statements, the related notes and the other financial information contained elsewhere in this offering memorandum; and

- the section in this offering memorandum entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

<table>
<thead>
<tr>
<th></th>
<th>As of September 30, 1999</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>As Adjusted</td>
</tr>
<tr>
<td></td>
<td>(in millions, except number of ordinary shares)</td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>S$ 1.0</td>
<td>US$ 0.6</td>
</tr>
<tr>
<td>Long-term debt, net of current maturities</td>
<td>S$ 49.1</td>
<td>US$ 28.9</td>
</tr>
<tr>
<td>Shareholders’ equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized ordinary shares, 200,000,000 (as adjusted, 2,000,000,000)</td>
<td>S$100.0</td>
<td>US$ 58.8</td>
</tr>
<tr>
<td>Issued ordinary shares, 100,000,000 (as adjusted, 1,000,000,000)</td>
<td>646.8</td>
<td>380.5</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>S$746.8</td>
<td>US$439.3</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>S$795.9</td>
<td>US$468.2</td>
</tr>
<tr>
<td>Total capitalization</td>
<td>S$795.9</td>
<td>US$437.9</td>
</tr>
</tbody>
</table>

In the table above, we have included the current portion of our long-term debt in “Short-term borrowings.” In addition, since September 30, 1999, we have incurred an additional S$20.0 million in long-term debt under our S$160.0 million credit facility from Singapore Airlines and an additional S$15.0 million in long-term debt under our S$50.0 million credit facility from the Oversea-Chinese Banking Corporation Limited.

In the first quarter of 2000, we adjusted our share capital by:

- capitalizing S$100.0 million (US$58.8 million) of our retained earnings;
- issuing 100,000,000 new ordinary shares to Singapore Airlines; and
- canceling 100,000,000 of our ordinary shares.

In conjunction with this capital adjustment, we distributed S$100.0 million (US$58.8 million) to Singapore Airlines on March 28, 2000.

In addition, we paid Singapore Airlines a special dividend of S$106.5 million (US$62.6 million), net of tax, on March 28, 2000. Therefore, our retained earnings was further reduced by this amount on an as adjusted basis.

On March 20, 2000, we completed a share split which resulted in our issued share capital increasing from 100,000,000 ordinary shares of S$1.00 par value per share to 1,000,000,000 ordinary shares of S$0.10 par value per share.
SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

You should read the selected consolidated financial information presented below in conjunction with our consolidated financial statements contained elsewhere in this offering memorandum. You should also see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

We have derived the selected financial information in the tables below from our consolidated financial statements included elsewhere in this offering memorandum:

- our consolidated statement of income and cash flow data for each fiscal year in the three fiscal year period ended March 31, 1999 and for the six-month periods ended September 30, 1998 and 1999; and

We have derived the selected consolidated statement of income and cash flow data for each fiscal year in the two fiscal year period ended March 31, 1996 and the selected consolidated balance sheet data as of March 31, 1995 and 1996 set forth below from our consolidated financial statements for these periods and as of these dates. These consolidated financial statements have not been included in this offering memorandum.

Our consolidated financial statements — other than our consolidated financial statements for the six-month period ended September 30, 1998 — have been audited by Ernst & Young, who are our independent public accountants. Our accountants did not audit our consolidated financial statements for the six-month period ended September 30, 1998, but we have included those adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of our results for the six-month period ended September 30, 1998.

You should note that our results for the six-month period ended September 30, 1999 are not necessarily indicative of the results that we may achieve for the full fiscal year ended March 31, 2000.

In the table below, we computed pro forma net income per share for each period by dividing net income for that period by the total number of our issued ordinary shares after our share split completed in March 2000. See Note 35 of the notes to our consolidated financial statements.

We have prepared and presented our consolidated financial statements in accordance with IAS. IAS differs in certain material respects from U.S. GAAP. You should read “Principal Differences between International Accounting Standards and U.S. GAAP” for a description of the material differences between IAS and U.S. GAAP as they apply to our consolidated group of companies.
### Consolidated statement of income:

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended March 31,</th>
<th>Six Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(unaudited)</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated statement of income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$564.5</td>
<td>$630.2</td>
</tr>
<tr>
<td>Cost of revenue(1)</td>
<td>(407.7)</td>
<td>(453.1)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>156.8</td>
<td>177.1</td>
</tr>
<tr>
<td>Operating expenses(2)</td>
<td>(36.2)</td>
<td>(43.4)</td>
</tr>
<tr>
<td>Operating income</td>
<td>120.6</td>
<td>133.7</td>
</tr>
<tr>
<td>Interest and financing charges</td>
<td>(6.9)</td>
<td>(6.4)</td>
</tr>
<tr>
<td>Interest income</td>
<td>7.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Gain (loss) on sale and diminution in value of short-term investments</td>
<td>11.5</td>
<td>14.3</td>
</tr>
<tr>
<td>Share of associated companies’ net income (loss)</td>
<td>(1.6)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>Loss on long-term investments</td>
<td>(—)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Other income (expense)</td>
<td>(—)</td>
<td>(—)</td>
</tr>
<tr>
<td>Other income (expense) — net</td>
<td>10.0</td>
<td>4.6</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>130.6</td>
<td>138.3</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>(38.5)</td>
<td>(36.9)</td>
</tr>
<tr>
<td>Net income</td>
<td>$92.1</td>
<td>$101.4</td>
</tr>
<tr>
<td>Net income per share</td>
<td>$0.92</td>
<td>$1.01</td>
</tr>
<tr>
<td>Dividends per share(3)</td>
<td>$0.61</td>
<td>$0.62</td>
</tr>
<tr>
<td>Number of shares outstanding (in millions) (end of period)</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Pro forma net income per share(4)</td>
<td>$0.09</td>
<td>$0.10</td>
</tr>
<tr>
<td>Pro forma number of shares outstanding (in millions) (end of period)(4)</td>
<td>1,000.0</td>
<td>1,000.0</td>
</tr>
</tbody>
</table>

### Consolidated balance sheet data:

<table>
<thead>
<tr>
<th></th>
<th>Cash and cash equivalents</th>
<th>Current assets</th>
<th>Property, plant and equipment, net</th>
<th>Total assets</th>
<th>Short-term borrowings, including current maturities of long-term debt</th>
<th>Long-term debt, net of current maturities</th>
<th>Total liabilities</th>
<th>Shareholders’ equity(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S$207.6</td>
<td>S$137.8</td>
<td>S$156.0</td>
<td>S$178.1</td>
<td>S$119.5</td>
<td>US$70.3</td>
<td>S$92.1</td>
<td>US$54.2</td>
</tr>
<tr>
<td></td>
<td>S$281.0</td>
<td>S$325.2</td>
<td>S$344.8</td>
<td>S$283.9</td>
<td>S$161.8</td>
<td>S$95.1</td>
<td>177.6</td>
<td>104.4</td>
</tr>
<tr>
<td></td>
<td>S$362.7</td>
<td>S$481.4</td>
<td>S$518.3</td>
<td>S$558.6</td>
<td>S$619.6</td>
<td>S$364.5</td>
<td>696.3</td>
<td>409.6</td>
</tr>
<tr>
<td></td>
<td>911.3</td>
<td>1,020.0</td>
<td>1,098.2</td>
<td>1,120.2</td>
<td>1,016.4</td>
<td>597.9</td>
<td>1,084.9</td>
<td>638.2</td>
</tr>
</tbody>
</table>

### Footnotes:

1. Revenue includes revenue from operations, finance income and gains and losses on investments.
2. Operating expenses include research and development expenses.
3. Dividends declared per share.
4. Pro forma net income per share and number of shares outstanding are calculated based on the pro forma adjustment for the purchase.
5. Shareholders’ equity includes preferred and common stockholders’ equity, less treasury stock.

---

**Note:** The table above provides a comprehensive view of the financial statements for the years 1995-1999, including revenue, expenses, income, and balance sheet data. The footnotes clarify various aspects of the financial data, ensuring a clear understanding of the reported figures.
Consolidated statement of cash flows data:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>S$ 98.7</td>
<td>S$ 139.6</td>
<td>S$132.7</td>
<td>S$146.0</td>
<td>S$ 157.6</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(153.5)</td>
<td>(154.4)</td>
<td>(62.8)</td>
<td>(7.1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>1.1</td>
<td>(55.0)</td>
<td>(51.7)</td>
<td>(54.1)</td>
<td>(209.1)</td>
</tr>
</tbody>
</table>

Other financial data:

- EBITDA (including share of associated companies' net income(loss)) (6)(7) | S$ 142.8 | S$ 163.4 | S$147.1 | S$178.8 | S$ 211.1 | US$ 124.2 | S$ 98.6 | S$125.2 | US$ 73.6 |
- EBITDA (excluding share of associated companies' net income(loss)) (7)(8) | 144.4 | 165.5 | 145.7 | 172.6 | 201.8 | 118.7 | 94.6 | 116.1 | 68.3 |
- Depreciation | 23.8 | 31.8 | 38.6 | 48.1 | 42.3 | 24.9 | 21.8 | 19.3 | 11.4 |
- Capital expenditures | 114.9 | 151.5 | 76.9 | 88.5 | 103.2 | 60.7 | 38.5 | 96.0 | 56.5 |
- Gross profit margin | 27.8% | 28.1% | 23.2% | 25.5% | 28.7% | 28.7% | 94.6 | 116.1 | 68.3 |
- Operating margin | 21.4% | 21.2% | 15.7% | 17.1% | 21.4% | 19.8% | 25.3% | 25.3% |
- Net margin | 16.3% | 16.1% | 12.3% | 11.6% | 14.8% | 14.8% | 11.2% | 23.3% | 23.3% |

Operating data:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Air freight throughput (in thousands of tonnes)</td>
<td>813.7</td>
<td>923.6</td>
<td>1,025.9</td>
<td>1,116.1</td>
<td>1,082.9</td>
</tr>
<tr>
<td>Air freight handled (in thousands of flights) (9)</td>
<td>122.3</td>
<td>133.7</td>
<td>143.0</td>
<td>148.7</td>
<td>143.4</td>
</tr>
<tr>
<td>Passengers handled (in millions)</td>
<td>16.3</td>
<td>18.0</td>
<td>19.1</td>
<td>19.4</td>
<td>19.9</td>
</tr>
<tr>
<td>Inflight meals prepared (in millions)</td>
<td>15.4</td>
<td>16.8</td>
<td>18.1</td>
<td>18.3</td>
<td>19.3</td>
</tr>
<tr>
<td>Flights handled by apron services (in thousands)</td>
<td>62.1</td>
<td>66.9</td>
<td>71.1</td>
<td>74.0</td>
<td>71.9</td>
</tr>
</tbody>
</table>

(1) For a breakdown of the items comprising “cost of revenue,” see note 4 of the notes to our consolidated financial statements.

(2) For a breakdown of the items comprising “operating expenses,” see note 5 of the notes to our consolidated financial statements.

(3) Dividends are net of tax. On March 28, 2000, we paid a special dividend of S$106.5 million (US$62.6 million), net of tax, to Singapore Airlines. For more information regarding our payment of the special dividend, see “Capitalization,” “Dividend Policy” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Our liquidity and capital resources — Our capital adjustment and special dividend payment in 2000.”

(4) On March 20, 2000, we completed a share split which resulted in our issued share capital increasing from 100,000,000 ordinary shares of S$1.00 par value per share to 1,000,000,000 ordinary shares of S$0.10 par value per share.

(5) In the first quarter of 2000, we adjusted our share capital and, in conjunction with our capital adjustment, we distributed S$100.0 million (US$58.8 million) to Singapore Airlines on March 28, 2000. For more information regarding our capital adjustment, see “Capitalization,” “Dividend Policy” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Our liquidity and capital resources — Our capital adjustment and special dividend payment in 2000.”

(6) EBITDA (including share of associated companies’ net income (loss)), for each period, consists of income before income tax for the period plus, to the extent deducted in calculating income for the period, interest expense and financing charges, depreciation, amortization, loss on sale and diminution in value of short-term investments and loss on long-term investments and minus, to the extent added in calculating income for the period, interest income and gain on sale of short-term investments.

(7) We have included the information concerning EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash from operations to cover debt service and taxes. You should not consider EBITDA as an alternative to operating income or any other measure of performance determined in accordance with IAS or U.S. GAAP or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.
(8) EBITDA (excluding share of associated companies’ net income (loss)), for each period, consists of income before income tax for the period plus, to the extent deducted in calculating income for the period, interest expense and financing charges, depreciation, amortization, loss on sale and diminution in value of short-term investments, loss on long-term investments and share of associated companies’ net loss and minus, to the extent added in calculating income for the period, interest income, gain on sale of short-term investments and share of associated companies’ net income.

(9) Includes both arrivals and departures of the same aircraft.
MANAGEMENT’S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with:

- the section of this offering memorandum entitled “Selected Consolidated Financial Information and Other Data;” and
- our consolidated financial statements included elsewhere in this offering memorandum.

Our consolidated financial statements for the three fiscal years ended March 31, 1999, as well as for the six-month periods ended September 30, 1998 and 1999, have been prepared in accordance with IAS. You should read “Principal Differences between IAS and U.S. GAAP” for a description of the material differences between International Accounting Standards and U.S. GAAP as they apply to our consolidated financial statements.

Overview

We are the leading provider of integrated ground handling and inflight catering services at Singapore Changi Airport. Through our joint ventures, we also provide selected services at nine other international airports in the Asia-Pacific region. We offer a comprehensive selection of ground handling and inflight catering services to our airline clients. Almost all of our revenue and income from operations is derived from our sale of ground handling services (including air freight handling, passenger services, baggage handling and apron services), inflight catering services (including aircraft interior cleaning and cabin handling), airline laundry services and aviation security services to our airline clients.

Our largest client is Singapore Airlines (including SilkAir) which accounted for 58.5% of our total revenue during the six-month period ended September 30, 1999 and 57.5% of our total revenue during the fiscal year ended March 31, 1999.

The primary factors which have affected, and we expect will continue to affect, our revenue and operating income are:

- the type, volume and pricing of services requested from us by our airline clients;
- the rates we are able to charge our airline clients for our services which are dependent, in part, on the competition we face from Changi International Airport Services Private Limited, or CIAS, and ground handling and inflight catering operators at other Southeast Asian international airports;
- the amount of fees we are obligated to pay the Civil Aviation Authority of Singapore, or CAAS, for licensing of ground handling and inflight catering services at Singapore Changi Airport;
- the growth of Singapore Changi Airport as a transportation hub for airline passengers and transshipment of air freight;
- expansion and replacement of our facilities;
- the results of operations of our joint ventures;
- losses on the sale and diminution in value of our listed short-term investments; and
- changes in our required contributions to the Singapore Central Provident Fund for our employees.

After September 30, 1999, our liquidity and capital resources was affected by our capital adjustment in the first quarter of 2000 and by our special dividend payment to Singapore Airlines on March 28, 2000 which are described in “— Our liquidity and capital resources — Our capital adjustment and special dividend payment in 2000.”

In addition, in the past two fiscal years, our net income has been affected by losses on our sale of short-term investments we had made long before the recent economic downturn in Asia.
Type, volume and pricing of services we provide

Ground handling services. The type, volume and pricing of services we provide our airlines clients under our ground handling agreements with them have affected, and will continue to affect, our revenue.

We typically provide our airline clients with a comprehensive package of services under a standard ground handling agreement. The comprehensive fee covers the complete package of ground handling services required by the airline client, including air freight handling services, baggage handling service, apron services and passenger services. For each client, the comprehensive rate charged for each type of flight handled is based on a standard rate for a unit flight. We define a unit flight as a Boeing 747 passenger flight in transit. The actual comprehensive rate for a flight will vary from the unit flight rate depending on:

- the type of aircraft;
- whether the flight is a passenger or freighter flight;
- the capacity and configuration of the aircraft;
- the range of services provided to the aircraft; and
- the nature of the flight — such as whether it is a turnaround flight (where there is a complete change of passenger, baggage and cargo loads) or a transit flight (where there is a partial change of passenger, baggage and cargo loads).

Our ground handling revenues for any period depend, in part, on the number of passenger and freighter flights operated by our airline client, principally Singapore Airlines (including SilkAir), through Singapore Changi Airport during that period. This number of flights is affected by demand from airline passengers and air freight shippers which, in turn, is dependent on a number of factors, including the passenger airfares and air freight rates charged by our airline clients and the level of tourism, personal and business travel and economic activity (which affects business travel and shipment of air freight), particularly in the Southeast Asian region. In the latter part of the fiscal year ended March 31, 1998 and in the fiscal year ended March 31, 1999, the level of tourism, personal travel and economic activity in Asia declined significantly. As a result, the number of passenger and freighter flights of our airline clients’ flights decreased as well. In addition, during this period some of our former airline clients discontinued their operations at Singapore Changi Airport. Since the end of the fiscal year ended March 31, 1999, the number of passenger and freighter flights of our airline clients through Singapore Changi Airport have increased in response to increases in tourism and economic activity in Singapore and in Asia generally.

Historically, we charged only a small number of airlines for air freight handling services on a fee per tonne basis. As a result, the growth of our ground handling revenues has not been directly correlated to the growth in the tonnage amount of air freight throughput we handle. We have entered into new ground handling services agreements with our primary clients, Singapore Airlines and SilkAir, which alter the basis of our air freight charges from a comprehensive fee to a fee per tonne with effect from April 1, 2000. In addition, we intend to revise our billing arrangements, to the extent that we are able, to charge our airline clients for air freight handling services on a fee per tonne basis. Therefore, we expect that our ground handling revenues for air freight handling services in future periods will be more closely correlated to the air freight throughput we handle during those periods.

Inflight catering services. The type, number and pricing of inflight meals we provide to our airline clients under our inflight catering agreements with them have affected, and will continue to affect, our revenue.

We cater the full range of inflight meals, including breakfast, lunch, dinner, supper, refreshments, light meals, snacks and special meals. We also provide gourmet meals when requested by our airline clients.
We charge our international airline clients for inflight meals based on the cost of meals selected by the airline plus a margin. The price for a meal will vary depending on:

- whether the meal is prepared for first class, business class or economy class passengers;
- the type of meal — breakfast, lunch, dinner, supper, snack, refreshment or special meal;
- the airline’s specifications for the ingredients to be included in the meal and the size of the serving; and
- the labor required to produce the meal.

We generally receive higher margins for our gourmet meals.

The number of inflight meals we cater during any period depends on the number of passengers traveling on our airline clients’ passenger flights through Singapore Changi Airport during that period. This number is affected by various factors, including the passenger airfares charged by our airline clients and the level of tourism, personal and business travel and economic activity (which affects business travel) particularly in the Southeast Asian region. In the latter part of the fiscal year ended March 31, 1998 and in the fiscal year ended March 31, 1999, the level of tourism, personal travel and economic activity in Asia declined significantly. As a result, the number of passengers traveling on our airline clients’ flights decreased as well. Since the end of the fiscal year ended March 31, 1999, these airline passenger numbers have increased and the revenue from our inflight catering operations have increased as well.

Our aircraft interior and cabin handling services performed by our inflight catering division are mainly charged under the comprehensive fee arrangements under the ground handling agreements. In some cases, cabin handling services are charged under the inflight catering agreement for the airline client.

**Competition affects the rates we charge our clients**

The rates and fees we are able to charge our airline clients for the services we provide also affects, and will continue to affect, our revenue. Our ability to maintain or increase our rates and fees and to attract and retain customers is limited by the competition we face within Singapore and from airport service providers at other major international airports in Asia, particularly Southeast Asia. For more information about the competition we and our joint ventures face, see “Business — Our competition.”

**Fees we pay to CAAS**

We are parties to four license agreements with CAAS which entitle us to provide passenger handling services, apron handling services (including aircraft interior cleaning), inflight catering services (including cabin handling), and air freight handling services, on a non-exclusive basis at Singapore Changi Airport. Under our license agreements with CAAS, we are required to pay CAAS license fees equal to a percentage of the gross revenue we earn from providing each of these services, except that we pay CAAS a fixed annual license fee for passenger services. The amounts we have paid to CAAS in the last three fiscal years and the six-month period ended September 30, 1999 have remained relatively stable at approximately 7% of our revenue. We account for these fees as a cost of our revenue. For more information regarding our license agreements with CAAS, see “Business — Our other material contracts — CAAS license agreements.”

**Growth of Singapore Changi Airport**

Our future business prospects are significantly dependent on the continued success of Singapore Changi Airport as an important international hub and transit point in Southeast Asia. Singapore Changi Airport is one of the busiest airports in Southeast Asia. In calendar year 1999, it handled approximately 26 million passengers, 1.4 million tonnes of air freight and 180,000 aircraft movements. Singapore Changi Airport has two principal passenger terminals capable of handling 44 million passengers per year. Upon completion of new Passenger Terminal 3, which is expected in the fiscal year ended March 31, 2006, Singapore Changi Airport is expected to have an annual handling capacity of 64 million passengers. We
expect that our business will continue to grow to the extent that the frequency of flights and the number of passengers arriving at, departing from and transiting through Singapore Changi Airport continues to increase. To the extent that airlines use other international airports in Asia as an alternative to using Singapore Changi Airport for passenger and freighter flights, our revenue and results of operations would be adversely affected. For more information about Singapore Changi Airport, see “Annex C — Singapore Changi Airport.”

**Expansion and replacement of our facilities**

We are currently expanding our air freight handling capacity and replacing one of our in-flight catering facilities. We are building our sixth air freight terminal, AFT 6, and second express courier center, ECC 2. We expect that, upon completion, these new facilities will increase our air freight handling capacity by 980,000 tonnes per year. We are also replacing our existing SATS Inflight Catering Center 1 with a new facility, SATS Inflight Catering Center 3, or SICC 3. Although SICC 3’s capacity will equal SICC 1’s existing capacity, the site on which SICC 3 is located has adjacent land which can be further developed to expand its capacity by an additional 45,000 meals per day if we deem appropriate. Given the expansion of our air freight handling capacity and expected increases in air freight handling, we expect that the revenue from our ground handling operations will increase as a percentage of our total revenue after our new air freight handling facilities commence operations.

**Results of operations of our joint ventures**

We own minority interests in our ten ground handling and in-flight catering joint ventures. For eight of our joint ventures where we own 20% or more, but less than 50%, of the equity interests, we account for their results of operations under the equity method of accounting. The net income (loss) from those joint ventures is included as other income (expense) in our consolidated income statements. As a result, the results of operations of our joint ventures have affected, and we expect will continue to affect, our net income. For the remaining two joint ventures where we own less than 20% of the equity interests, we recognize income only when we receive dividends from them. Their results only affect us to the extent that they distribute dividends to us as a shareholder.

**Our losses from sales and diminution in value of short-term investments**

Our net income in the fiscal years ended March 31, 1998 and 1999 was significantly affected by our losses on the sale and diminution in value of listed short-term investments during these periods. These losses resulted from substantial declines in the market values of these listed debt and equity securities during the recent Asian economic downturn. We had made these investments, through three independent fund managers, in the early 1990s. Our losses on the sale and diminution in value of listed short-term investments was S$10.3 million in the fiscal year ended March 31, 1998 and S$23.9 million (US$14.1 million) in the fiscal year ended March 31, 1999. We sold all of our remaining listed short-term investments in November 1998. As of the date of this offering memorandum, we have no funds invested in listed short-term investments.

**Restoration of employer’s contribution to the Singapore Central Provident Fund**

The Singapore Central Provident Fund, or CPF, is a public retirement fund operated by the Singapore government. Under Singapore law, employees and employers are required to make monthly contributions to the CPF. Until December 31, 1998, both an employer and an employee were required to each contribute an amount equal to 20% of the employee’s salary, each up to a maximum contribution of S$1,200 per month. Due to the economic crisis in Southeast Asia, as from January 1, 1999, the employer’s contribution to the CPF was reduced to an amount equal to 10% of the employee’s salary, up to a maximum contribution of S$600 per month. This reduction in the employer’s contribution rate was for a period of two years, with the rate to be subsequently reviewed at the end of the two-year period. On November 23, 1999, the Singapore government announced that, with effect from April 1, 2000, the employer’s contribution rate under the CPF will be increased by 2% to 12%. The Singapore government
also stated that it intends to restore the employer’s contribution fully to 20% over the next five years if economic conditions are favorable. Any increase in our contribution obligations to the CPF will increase our cost of revenues and result in a decrease in our operating income.

**Segment data**

We operate in two primary business segments:

- ground handling services, including air freight handling services, baggage handling services, apron services and passenger services; and
- inflight catering services, including aircraft interior cleaning and cabin handling.

We also provide other services, including aviation security services and laundry services, for our airline clients.

In the following table we have set forth our consolidated revenue, operating income, capital expenditures and depreciation by segment:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground handling services</td>
<td>$318.4</td>
<td>$348.7</td>
<td>$347.5</td>
<td>$204.4</td>
<td>$174.8</td>
<td>$174.7</td>
</tr>
<tr>
<td>Inflight catering services</td>
<td>316.1</td>
<td>326.4</td>
<td>346.4</td>
<td>203.8</td>
<td>167.4</td>
<td>181.3</td>
</tr>
<tr>
<td>Other services</td>
<td>49.0</td>
<td>51.4</td>
<td>52.2</td>
<td>30.7</td>
<td>26.1</td>
<td>26.5</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$683.5</td>
<td>$726.5</td>
<td>$746.1</td>
<td>$438.9</td>
<td>$368.3</td>
<td>$382.5</td>
</tr>
<tr>
<td><strong>Operating income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground handling services</td>
<td>$ 32.3</td>
<td>$ 41.9</td>
<td>$ 58.0</td>
<td>$ 34.1</td>
<td>$ 28.1</td>
<td>$ 34.1</td>
</tr>
<tr>
<td>Inflight catering services</td>
<td>61.1</td>
<td>64.6</td>
<td>82.2</td>
<td>48.3</td>
<td>34.9</td>
<td>52.3</td>
</tr>
<tr>
<td>Other services</td>
<td>13.7</td>
<td>18.0</td>
<td>19.3</td>
<td>11.4</td>
<td>9.8</td>
<td>10.4</td>
</tr>
<tr>
<td>Total operating income</td>
<td>$107.1</td>
<td>$124.5</td>
<td>$159.5</td>
<td>$93.8</td>
<td>$72.8</td>
<td>$96.8</td>
</tr>
<tr>
<td><strong>Capital expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground handling services</td>
<td>$ 21.9</td>
<td>$ 72.3</td>
<td>$ 59.7</td>
<td>$ 35.1</td>
<td>$ 26.2</td>
<td>$ 37.4</td>
</tr>
<tr>
<td>Inflight catering services</td>
<td>47.4</td>
<td>15.5</td>
<td>41.8</td>
<td>24.6</td>
<td>11.8</td>
<td>58.2</td>
</tr>
<tr>
<td>Other services</td>
<td>7.6</td>
<td>0.7</td>
<td>1.7</td>
<td>1.0</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Total capital expenditures</td>
<td>$ 76.9</td>
<td>$ 88.5</td>
<td>$103.2</td>
<td>$ 60.7</td>
<td>$ 38.5</td>
<td>$ 96.0</td>
</tr>
<tr>
<td><strong>Depreciation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground handling services</td>
<td>$ 24.7</td>
<td>$ 30.4</td>
<td>$ 25.9</td>
<td>$ 15.2</td>
<td>$ 13.6</td>
<td>$ 11.2</td>
</tr>
<tr>
<td>Inflight catering services</td>
<td>12.2</td>
<td>15.6</td>
<td>14.9</td>
<td>8.8</td>
<td>7.2</td>
<td>7.4</td>
</tr>
<tr>
<td>Other services</td>
<td>1.7</td>
<td>2.1</td>
<td>1.5</td>
<td>0.9</td>
<td>1.0</td>
<td>0.7</td>
</tr>
<tr>
<td>Total depreciation</td>
<td>$ 38.6</td>
<td>$ 48.1</td>
<td>$ 42.3</td>
<td>$ 24.9</td>
<td>$ 21.8</td>
<td>$ 19.3</td>
</tr>
</tbody>
</table>

All of our revenue is derived from our operations in Singapore. For eight of our joint ventures where we own 20% or more, but less than 50%, of the equity interests, we account for their results of operations under the equity method of accounting. The income (loss) from those joint ventures is included as other income (expense) in our consolidated income statements. For the remaining two joint ventures where we own less than 20% of the equity interests, we recognize income only when we receive dividends from them.
Recent developments

We derived the summary financial data for the nine-month periods ended December 31, 1998 and December 31, 1999 set forth below from our consolidated financial statements for these periods. Our accountants did not audit the summary financial data below, but we believe that it includes those adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of our results for the nine-month periods ended December 31, 1998 and December 31, 1999. You should note that our results for the nine-month period ended December 31, 1999 are not necessarily indicative of the results we may achieve for the full fiscal year 2000.

<table>
<thead>
<tr>
<th>Nine Months Ended December 31,</th>
<th>1998</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>(unaudited) (in millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated statement of income data:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>S$ 559.9</td>
<td>S$ 586.8</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>(401.2)</td>
<td>(403.1)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>158.7</td>
<td>183.7</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>(42.3)</td>
<td>(42.3)</td>
</tr>
<tr>
<td>Operating income</td>
<td>116.4</td>
<td>141.4</td>
</tr>
<tr>
<td>Other income (expense) — net</td>
<td>(23.0)</td>
<td>13.2</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>93.4</td>
<td>154.6</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>(17.7)</td>
<td>(26.5)</td>
</tr>
<tr>
<td>Net income</td>
<td>S$ 75.7</td>
<td>S$ 128.1</td>
</tr>
<tr>
<td><strong>Other financial data:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA (including share of associated companies’ net income (loss)) (1)</td>
<td>S$ 154.9</td>
<td>S$ 182.6</td>
</tr>
<tr>
<td>EBITDA (excluding share of associated companies’ net income (loss)) (2)</td>
<td>147.9</td>
<td>170.4</td>
</tr>
<tr>
<td><strong>Consolidated balance sheet data:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>S$ 1,085.7</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>299.6</td>
<td></td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>786.1</td>
<td></td>
</tr>
</tbody>
</table>

(1) EBITDA (including share of associated companies’ net income (loss)), for each period, consists of income before income tax for the period plus, to the extent deducted in calculating income for the period, interest expense and financing charges, depreciation, amortization, loss on sale and diminution in value of short-term investments and loss on long-term investments and minus, to the extent added in calculating income for the period, interest income and gain on sale of short-term investments.

(2) EBITDA (excluding share of associated companies’ net income (loss)), for each period, consists of income before income tax for the period plus, to the extent deducted in calculating income for the period, interest expense and financing charges, depreciation, amortization, loss on sale and diminution in value of short-term investments, loss on long-term investments and share of associated companies’ net loss and minus, to the extent added in calculating income for the period, interest income, gain on sale of short-term investments and share of associated companies’ net income.

Our revenue increased 4.8% from S$559.9 million in the nine months ended December 31, 1998 to S$586.8 million in the nine months ended December 31, 1999. This increase resulted mainly from a 7.0% increase in revenue from our in-flight catering division. Inflight catering services revenue increased primarily since we catered 8.3% more inflight meals in the nine months ended December 31, 1999 compared to the nine months ended December 31, 1998.
Our cost of revenue increased slightly from S$401.2 million in the nine months ended December 31, 1998 to S$403.1 million in the nine months ended December 31, 1999. Cost of revenue increased in the nine months ended December 31, 1999 due to increases in wages for our employees, licensing fees paid to CAAS and amounts paid for contract labor. This increase was partially offset by a 10.0% reduction in our required contributions to the CPF for our employees.

Our gross profit increased 15.8% to S$183.7 million in the nine months ended December 31, 1999 compared to S$158.7 million in the nine months ended December 31, 1998. As a percentage of our total revenue, our gross profit increased to 31.3% in the nine months ended December 31, 1999 from 28.3% in the nine months ended December 31, 1998.

Our operating expenses remained relatively constant at S$42.3 million in the nine months ended December 31, 1999, mainly due to a write-back of doubtful debts and a reduction in our required contributions to the CPF for our administrative staff for the nine months ended December 31, 1998.

Our operating income increased 21.5% to S$141.4 million in the nine months ended December 31, 1999 compared to S$116.4 million in the nine months ended December 31, 1998. As a percentage of our total revenue, our operating income increased to 24.1% in the nine months ended December 31, 1999 from 20.8% in the nine months ended December 31, 1998.

Our other income (expense) — net showed a gain of S$13.2 million in the nine months ended December 31, 1999 primarily because of an increase in our share of our associated companies' income. In the nine months ended December 31, 1998, our other income (expense) — net showed a loss of S$23.0 million due to losses on the sale and diminution in value of our listed short-term debt and equity investments. We disposed of all our existing short-term investments in November 1998.

Our income before income tax increased 65.5% to S$154.6 million in the nine months ended December 31, 1999 compared to S$93.4 million in the nine months ended December 31, 1998. As a percentage of our total revenue, our income from operations before income taxes increased to 26.3% in the nine months ended December 31, 1999 from 16.7% in the nine months ended December 31, 1998.

Our income tax payable increased 49.7% from S$17.7 million in the nine months ended December 31, 1998 to S$26.5 million in the nine months ended December 31, 1999. This increase resulted from increased operating income. Our effective tax rate was 19.0% in the nine months ended December 31, 1998 and 17.1% in the nine months ended December 31, 1999.

Our net income increased 69.2% from S$75.7 million in the nine months ended December 31, 1998 to S$128.1 million in the nine months ended December 31, 1999. As a percentage of our total revenue, our net income increased to 21.8% in the nine months ended December 31, 1999 from 13.5% in the nine months ended December 31, 1998.
Our results of operations

In the following table we have set forth our income statement items expressed as a percentage of our revenue.

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended March 31,</th>
<th>Six Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>(76.8)</td>
<td>(74.5)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>23.2</td>
<td>25.5</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(7.5)</td>
<td>(8.4)</td>
</tr>
<tr>
<td>Operating income</td>
<td>15.7</td>
<td>17.1</td>
</tr>
<tr>
<td>Interest and other financing charges</td>
<td>(1.0)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Interest income</td>
<td>0.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Gain (loss) on sale and diminution in value of short-term investments</td>
<td>1.6</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Share of associated companies' income</td>
<td>0.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Loss on long-term investments</td>
<td>(0.1)</td>
<td>—</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>16.9</td>
<td>15.9</td>
</tr>
<tr>
<td>Income tax payable</td>
<td>(4.6)</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Net income</td>
<td>12.3%</td>
<td>11.6%</td>
</tr>
</tbody>
</table>

Six-month period ended September 30, 1999 compared to six-month period ended September 30, 1998

Revenue. Our revenue increased 3.9% to S$382.5 million (US$225.0 million) in the six-month period ended September 30, 1999, or the First Half Fiscal 2000, from S$368.3 million in the six-month period ended September 30, 1998, or the First Half Fiscal 1999. This increase was primarily due to an 8.3% increase in revenue at our inflight catering division.

Ground handling division. Our revenue from our ground handling division remained relatively constant at S$174.7 million (US$102.8 million) in the First Half Fiscal 2000 compared to S$174.8 million in the First Half Fiscal 1999. In the First Half Fiscal 2000, our ground handling revenues from Singapore Airlines increased primarily due to a 2.4% increase in unit flights serviced for Singapore Airlines. In addition, our revenue from our ground handling operations was positively affected by higher ground handling rates for third party airline clients in the First Half Fiscal 2000. However, this increase in ground handling revenue was almost completely offset by a decline in ground handling revenue resulting from a 6.1% decrease in unit flights serviced for our third party airline clients. During the fiscal year ended March 31, 1999, and the early part of First Half Fiscal 2000, in response to the general economic downturn in Asia:

- three of our freighter airline clients ceased operations at Singapore Changi Airport;
- six of our passenger airline clients reduced their number of weekly flights; and
- two of our passenger airline clients began utilizing smaller aircraft for their flights.

We receive lower fees for servicing smaller aircraft under the comprehensive fee arrangements of our ground handling contracts. Our revenue from our ground handling division comprised 45.7% of our total revenue in the First Half Fiscal 2000 compared to 47.5% in the First Half Fiscal 1999.

Inflight catering division. Our revenue from our inflight catering division increased by 8.3% to S$181.3 million (US$106.6 million) in the First Half Fiscal 2000 from S$167.4 million in the First Half Fiscal 1999. In the First Half Fiscal 2000, our number of actual inflight meals catered increased 9.0%. Our revenue from our inflight catering division comprised 47.4% of our total revenue in the First Half Fiscal 2000 compared to 45.5% in the First Half Fiscal 1999.
Other services. Our revenue from our services other than ground handling and inflight catering increased by 1.5% to S$26.5 million (US$15.6 million) in the First Half Fiscal 2000 from S$26.1 million in the First Half Fiscal 1999. This increase was primarily due to increased volume of security services we provided to airline clients other than Singapore Airlines. Our revenue from other services comprised 6.9% of our total revenue in the First Half Fiscal 2000 compared to 7.0% in the First Half Fiscal 1999.

Cost of revenue. Our cost of revenue consists mainly of:

- direct labor costs, including contract labor;
- the cost of food, dry stores and other raw materials at our inflight catering operations;
- depreciation on our buildings, machinery and equipment directly used in our operations;
- maintenance, fuel and oil costs for machinery and equipment directly used in our operations; and
- license fees we are required to pay to CAAS to conduct our business.

Our cost of revenue decreased 3.1% to S$262.4 million (US$154.4 million) in the First Half Fiscal 2000 from S$270.8 million in the First Half Fiscal 1999. This decrease in cost of revenue was due primarily to:

- a 5.4% reduction in our labor costs through a decrease in the number of our employees and a decrease in the amount of our required contributions to the CPF from 20% to 10% of the salary (subject to certain caps) for all of our employees; and
- a 1.1% reduction in our cost of raw materials used in our operations through more effective purchasing, inventory control and use of raw materials; and
- a 12.2% reduction in depreciation for machinery and equipment directly used in our operations.

We reduced our cost of raw materials by developing new sources of lower-cost raw materials, including direct purchasing at food exhibitions outside Singapore. We also developed new procedures for inventory control and raw material usage to closely monitor the use of raw materials in our production processes in order to reduce wastage.

The decrease in our labor costs was partially offset by an increase in employee wages. The other decreases in cost of revenue were partially offset by an increase in fees paid to CAAS — as a result of our higher revenue for this period — and other expenses. As a percentage of our total revenue, our cost of revenue decreased to 68.6% in the First Half Fiscal 2000 from 73.5% in the First Half Fiscal 1999.

Gross profit. Our gross profit increased 23.2% to S$120.1 million (US$70.6 million) in the First Half Fiscal 2000 from S$97.5 million in the First Half Fiscal 1999. As a percentage of our total revenue, our gross profit increased to 31.4% in the First Half Fiscal 2000 from 26.5% in the First Half Fiscal 1999.

Operating expenses. Our operating expenses consist of

- general administrative costs, such as:
  - salaries and employee benefits for administrative staff;
  - property taxes;
  - traveling expenses;
  - training expenses; and
  - office supplies; and
- depreciation related to general use facilities and machinery.

Our operating expenses decreased 5.7% to S$23.3 million (US$13.7 million) in the First Half Fiscal 2000 from S$24.7 million in the First Half Fiscal 1999. This decrease was due primarily to a reduction in labor costs for administrative staff resulting from the reduction in the mandatory employer contribution to.
the CPF and a write-back of doubtful debts in First Half Fiscal 2000. As a percentage of our total revenue, our operating expenses decreased to 6.1% in the First Half Fiscal 2000 from 6.7% in the First Half Fiscal 1999.

**Operating income.** Our operating income increased 33.0% to S$96.8 million (US$56.9 million) in the First Half Fiscal 2000 from S$72.8 million in the First Half Fiscal 1999. As a percentage of our total revenue, our income from operations was 25.3% in the First Half Fiscal 2000 compared to 19.8% in the First Half Fiscal 1999.

**Ground handling division.** Our operating income from our ground handling division increased 21.4% to S$34.1 million (US$20.0 million) in the First Half Fiscal 2000 from S$28.1 million in the First Half Fiscal 1999. As a percentage of the total revenue from our ground handling division, our operating income from our ground handling division was 19.5% in the First Half Fiscal 2000 compared to 16.1% in the First Half Fiscal 1999.

**Inflight catering division.** Our operating income from our inflight catering division increased 49.8% to S$52.3 million (US$30.8 million) in the First Half Fiscal 2000 from S$34.9 million in the First Half Fiscal 1999. As a percentage of the total revenue from our inflight catering division, our operating income from our inflight catering division was 28.8% in the First Half Fiscal 2000 compared to 20.8% in the First Half Fiscal 1999.

**Other services.** Our operating income from our services other than ground handling and inflight catering increased 6.1% to S$10.4 million (US$6.1 million) in the First Half Fiscal 2000 from S$9.8 million in the First Half Fiscal 1999. As a percentage of the total revenue from our services other than ground handling and inflight catering, our operating income from these services was 39.2% in the First Half Fiscal 2000 compared to 37.5% in the First Half Fiscal 1999.

**Other income (expense).**

**Interest and financing charges.** Our total interest and financing charges decreased 99.1% to S$60,000 (US$35,300) in the First Half Fiscal 2000 from S$6.8 million in the First Half Fiscal 1999. In November 1998, we repaid a S$157.5 million loan (including accrued interest) from Singapore Airlines which we had entered into in December 1990. As a result of our repayment of this loan, our amount of interest we paid in the First Half Fiscal 2000 decreased substantially compared to historical levels. For more information about this loan, see "— Our liquidity and capital resources — Net cash used in our financing activities — Our loans from Singapore Airlines."

**Interest income.** Our total interest income decreased 56.0% to S$1.1 million (US$0.6 million) in the First Half Fiscal 2000 from S$2.5 million in the First Half Fiscal 1999. Our interest income decreased substantially in the First Half Fiscal 2000 as we used a portion of our cash which had previously been invested in interest bearing instruments to fund a portion of our equity investments in our joint ventures and capital expenditures for AFT 6 and SICC 3. In addition, deposit rates on our remaining interest bearing instruments decreased significantly compared to interest rates prevailing in the First Half Fiscal 1999. The interest rates on our deposits decreased from a range of 1.26% to 6.34% in the First Half Fiscal 1999 to a range of 1.29% to 1.99% in the First Half Fiscal 2000.

**Loss on sale and diminution in value of short-term investments.** We have historically invested a certain portion of our surplus cash in listed short-term debt and equity investments — primarily in Singapore — through three independent investment fund managers. We disposed of all of our existing short-term investments in November 1998 in order to repay the outstanding amounts due under our S$157.5 million loan from Singapore Airlines. We incurred a net loss of S$22.8 million in the First Half Fiscal 1999 on the sale and diminution in value of these short-term investments. The net loss resulted from a decline in the value of these investments due to the economic downturn affecting Asian economies in general. We did not have any listed short-term investments in the First Half Fiscal 2000.
Share of associated companies’ income. Our share of the net income of our associated companies’ income increased 127.5% to S$9.1 million (US$5.3 million) in the First Half Fiscal 2000 from S$4.0 million in the First Half Fiscal 1999. Our share of associated companies’ income increased substantially in the First Half Fiscal 2000 due to substantial increases in income at all of our ground handling joint ventures — Beijing Aviation Ground Services, Tan Son Nhat Cargo Services and Asia Airfreight Terminal — and at one of our inflight catering joint ventures — Maldives Inflight Catering. This increase was partially offset by a small net loss incurred in the First Half Fiscal 2000 at our inflight catering joint venture in Beijing, Beijing Airport Inflight Kitchen, compared to a net profit earned in the First Half Fiscal 1999 at this joint venture.

Income before income tax. Our income before income tax increased 115.3% to S$106.8 million (US$62.8 million) in the First Half Fiscal 2000 from S$49.6 million in the First Half Fiscal 1999. As a percentage of our total revenue, our income before income tax increased from 13.5% in the First Half Fiscal 1999 to 27.9% in the First Half Fiscal 2000.

Income tax payable. Our income tax payable increased 108.2% to S$17.7 million (US$10.4 million) in the First Half Fiscal Year 2000 from S$8.5 million in the First Half Fiscal Year 1999. Our income tax payable includes the portion of the taxes paid by our joint ventures attributable to our effective interest in that joint venture. As a percentage of our total revenue, our income tax payable increased from 2.3% in the First Half Fiscal 1999 to 4.6% in the First Half Fiscal Year 2000. Our effective tax rate was 16.6% in the First Half Fiscal 2000 compared to an effective tax rate of 17.1% in the First Half Fiscal 1999. Our effective tax rate was lower in the First Half Fiscal 2000 since we claimed investment allowances for capital expenditures incurred for SICC 3 and AFT 6 of S$7.1 million and we received a tax credit from the Inland Revenue Authority of Singapore, or IRAS, of S$7.3 million as a result of the resolution of our dispute with the IRAS over a previously disallowed industrial building allowance.

Net income. Our net income increased 116.8% to S$89.1 million (US$52.4 million) in the First Half Fiscal 2000 from S$41.1 million in the First Half Fiscal 1999. As a percentage of our total revenue, our net income increased from 11.2% in the First Half Fiscal 1999 to 23.3% in the First Half Fiscal 2000.

Fiscal year ended March 31, 1999 compared to fiscal year ended March 31, 1998

Revenue. Our revenue increased 2.7% to S$746.1 million (US$438.9 million) in the fiscal year ended March 31, 1999, or Fiscal Year 1999, from S$726.5 million in the fiscal year ended March 31, 1998, or Fiscal Year 1998. This overall increase in our revenue was primarily attributable to a 6.1% increase in our revenue from our inflight catering operations which was partially offset by a slight decline in our revenue from our ground handling operations.

Ground handling division. Our revenue from our ground handling division decreased slightly to S$347.5 million (US$204.4 million) in Fiscal Year 1999 from S$348.7 million in Fiscal Year 1998. Our revenue from ground handling operations decreased due to a 1.5% decrease in unit flights serviced resulting from:

- two of our freighter airline clients ceasing operations at Singapore Changi Airport;
- three of our passenger airline clients ceasing operations at Singapore Changi Airport;
- four of our passenger airline clients reducing their number of weekly flights to Singapore Changi Airport; and
- one of our passenger airline clients utilizing smaller aircraft for their flights to Singapore Changi Airport;

in response to the general downturn in the regional Asian economies. This decrease was almost totally offset by an increase in ground handling rates charged to our airline clients, including Singapore Airlines. Our revenue from our ground handling division comprised 46.6% of our total revenue in Fiscal Year 1999 compared to 48.0% in Fiscal Year 1998.
Inflight catering division. Our revenue from our inflight catering division increased by 6.1% to S$346.4 million (US$203.8 million) in Fiscal Year 1999 from S$326.4 million in Fiscal Year 1998. The increase was primarily due to a 5.5% increase in the number of meals we catered, as well as a relatively higher percentage of gourmet meals by our major airline clients. Gourmet meals are generally of higher margin. Our revenue from our inflight catering division comprised 46.4% of our total revenue in Fiscal Year 1999 compared to 44.9% in Fiscal Year 1998.

Other services. Our revenue from our services other than ground handling and inflight catering increased by 1.6% to S$52.2 million (US$30.7 million) in Fiscal Year 1999 from S$51.4 million in Fiscal Year 1998. This increase was primarily due to an increase in the volume of security and laundry services we provided to Singapore Airlines and laundry services we provided to third party airline clients. However, this increase was partially offset by a decrease in the volume of security services provided to our third party airline clients. Our revenue from our services comprised 7.0% of our total revenue in Fiscal Year 1999 compared to 7.1% in Fiscal Year 1998.

Cost of revenue. Our cost of revenue decreased 1.8% to S$531.6 million (US$312.7 million) in Fiscal Year 1999 from S$541.2 million in Fiscal Year 1998. The decrease was primarily due to a 2.8% reduction in labor costs resulting from a reduction in our required contributions to the CPF which took effect in January 1999. This decline in labor costs was partially offset by an increase in wages. In addition, our depreciation costs attributable to our operations decreased 2.0%, our cost of raw materials decreased slightly due to more effective inventory control and waste management and our other costs decreased 2.5%. These decreases were offset by a 3.7% increase in our license fees paid to CAAS due to increased revenue from our services during Fiscal Year 1999. As a percentage of our total revenue, our cost of revenue decreased to 71.3% in Fiscal Year 1999 from 74.5% in Fiscal Year 1998.

Gross profit. Our gross profit increased 15.7% to S$214.5 million (US$126.2 million) in Fiscal Year 1999 from S$185.3 million in Fiscal Year 1998. As a percentage of our total revenue, our gross profit increased to 28.7% in Fiscal Year 1999 from 25.5% in Fiscal Year 1998.

Operating expenses. Our operating expenses decreased 9.5% to S$55.0 million (US$32.4 million) in Fiscal Year 1999 compared to Fiscal Year 1998 primarily because we recognized an exceptional charge of S$5.3 million in Fiscal Year 1998 when we accelerated the remaining depreciation charges for SATS Maintenance Center 1, or SMC 1, to redevelop the land on which SMC 1 is located for construction of ECC 2 at Singapore Changi Airport. We expect SMC 1 to be demolished in the near future to clear land for construction of ECC 2. In addition, our operating expenses were lower due to a reduction in our required contributions to the CPF on behalf of our employees and in our rental payments to CAAS and Jurong Town Corporation, or JTC, for property lease from CAAS and JTC resulting from property tax rebates we received from these lessors in July 1998. This decrease was partially offset by an increase in provisions for doubtful debts and higher training expenses. As a percentage of our total revenue, our operating expenses decreased to 7.3% in Fiscal Year 1999 from 8.4% in Fiscal Year 1998.

Operating income. Our operating income increased 28.1% to S$159.5 million (US$93.8 million) in Fiscal Year 1999 from S$124.5 million in Fiscal Year 1998. As a percentage of our total revenue, our income from operations was 21.4% in Fiscal Year 1999 compared to 17.1% in Fiscal Year 1998.

Ground handling division. Our operating income from our ground handling division increased 38.4% to S$88.0 million (US$34.1 million) in Fiscal Year 1999 from S$41.9 million in Fiscal Year 1998. As a percentage of the total revenue from our ground handling division, our operating income of our ground handling division was 16.7% in Fiscal Year 1999 compared to 12.0% in Fiscal Year 1998.

Inflight catering division. Our operating income from our inflight catering division increased 27.2% to S$82.2 million (US$48.3 million) in Fiscal Year 1999 from S$64.6 million in Fiscal Year 1998. As a percentage of the total revenue from our inflight catering division, our operating income of our inflight catering division was 23.7% in Fiscal Year 1999 compared to 19.8% in Fiscal Year 1998.
**Other services.** Our operating income from our services other than ground handling and inflight catering increased 7.2% to S$19.3 million (US$11.4 million) in Fiscal Year 1999 from S$18.0 million in Fiscal Year 1998. As a percentage of the total revenue from our services other than ground handling and inflight catering, our operating income from these services was 37.0% in Fiscal Year 1999 compared to 35.0% in Fiscal Year 1998.

**Other income (expense).**

**Interest and financing charges.** Our total interest and financing charges decreased 16.7% to S$8.0 million (US$4.7 million) in Fiscal Year 1999 from S$9.6 million in Fiscal Year 1998. Our interest and financing charges decreased in Fiscal Year 1999 because we repaid our loan from Singapore Airlines in November 1998 — and, therefore, only a partial year of interest was incurred in Fiscal Year 1999. The interest rates applied to our loans increased slightly from a range of 5.13% to 9.25% in Fiscal Year 1998 to a range of 5.48% to 9.25% in Fiscal Year 1999.

**Interest income.** Our total interest income decreased 21.2% to S$4.1 million (US$2.4 million) in Fiscal Year 1999 from S$5.2 million in Fiscal Year 1998. We earned lower interest income because we used a portion of our cash deposited in interest bearing instruments to pay capital expenditures and make equity investments in our overseas joint ventures in Fiscal Year 1999. In addition, interest rates on our interest bearing deposits declined slightly in Fiscal Year 1999 compared to Fiscal Year 1998. The interest rates on our deposits decreased from a range of 1.44% to 7.40% in Fiscal Year 1998 to a range of 1.26% to 6.34% in Fiscal Year 1999.

**Loss on sale and diminution in value of short-term investments.** We recognized a loss of S$23.9 million (US$14.1 million) on the sale and diminution in value of listed debt and equity short-term investments — principally in Singapore — in Fiscal Year 1999. In Fiscal Year 1998, we recognized a loss of S$10.3 million on the sale and diminution in value of listed short-term investments. These investments suffered substantial declines in market value in Fiscal Years 1998 and 1999 due to the general downturn in Asian regional economies and stock markets. We sold all of our existing short-term investments in November 1998 to repay our S$157.5 million loan (including accrued interest) to Singapore Airlines.

**Share of associated companies’ income.** Our share of the income of our associated companies’ income increased 50.0% to S$9.3 million (US$5.5 million) in Fiscal Year 1999 from S$6.2 million in the Fiscal Year 1998. This share increased in Fiscal Year 1999 due primarily to:

- the inclusion of income at Beijing Airport Inflight Kitchen — our share of which was S$1.2 million (US$0.7 million) — compared to a loss — our share of which was S$1.3 million — in Fiscal Year 1998;

- the inclusion in Fiscal Year 1999 of the income of Asia Airfreight Terminal — our share of which was S$1.7 million (US$1.0 million) — which commenced operations in July 1998.

This increase was partially offset by a 14.3% decline in the combined net income of Maldives Inflight Catering, Beijing Aviation Ground Services and Tan Son Nhat Cargo Services in Fiscal Year 1999 compared to Fiscal Year 1998.

**Loss on long-term investments.** In Fiscal Year 1999, we recognized a loss of S$2.3 million (US$1.3 million) since we wrote off 70.0% of our investment in Aviserv Ltd, an inflight catering joint venture through which we had expected to develop an inflight catering center at Quaid-e-Azam International Airport in Karachi, Pakistan. However, we decided not to proceed with this investment further.

**Income before income tax.** Our income before income tax increased 19.4% to S$138.5 million (US$116.0 million) in Fiscal Year 1999 from S$116.0 million in Fiscal Year 1998. As a percentage of our total revenue, our income before income tax increased from 15.9% in Fiscal Year 1998 to 18.6% in Fiscal Year 1999.

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**Income tax payable.** Our income tax payable decreased 11.5% to S$28.4 million (US$16.7 million) in Fiscal Year 1999 from S$32.1 million in Fiscal Year 1998. As a percentage of our total revenue, our income tax payable decreased from 4.3% in Fiscal Year 1998 to 3.8% in the Fiscal Year 1999. Our effective tax rate was 20.5% in Fiscal Year 1999 compared to an effective tax rate of 27.6% in Fiscal Year 1998. Our effective tax rate was lower in Fiscal Year 1999 since we received rebates and adjustments for prior taxes of S$9.0 million and we claimed for investment allowances in SICC 3 of S$3.3 million.

**Net income.** Our net income increased 31.2% to S$110.1 million (US$64.8 million) in Fiscal Year 1999 from S$83.9 million in Fiscal Year 1998. As a percentage of our total revenue, our net income increased from 11.6% in Fiscal Year 1998 to 14.8% in Fiscal Year 1999.

**Fiscal year ended March 31, 1998 compared to fiscal year ended March 31, 1997**

**Revenue.** Our revenue increased 6.3% to S$726.5 million in Fiscal Year 1998 from S$683.5 million in the fiscal year ended March 31, 1997, or Fiscal Year 1997. This increase was primarily due to a 9.5% increase in revenue at our ground handling division.

**Ground handling division.** Our revenue from our ground handling division increased by 9.5% to S$348.7 million in Fiscal Year 1998 from S$318.4 million in Fiscal Year 1997. Our revenue from our ground handling operations increased primarily due to a 4.9% increase in unit flights we serviced. Our unit flights serviced for Singapore Airlines increased 4.8% and our unit flights serviced for third party airline clients increased 5.0%. Our ground handling revenue also increased in Fiscal Year 1998 due to increases in the ground handling rates we charged to our airline clients. Our revenue from our ground handling division comprised 48.0% of our total revenue in Fiscal Year 1998 compared to 46.6% in Fiscal Year 1997.

**Inflight catering division.** Our revenue from our inflight catering division increased by 3.3% to S$326.4 million in Fiscal Year 1998 from S$316.1 million in Fiscal Year 1997. This increase was primarily due to an increase in the number of meals catered to airline clients. Although our number of unit meals served remained relatively constant from Fiscal Year 1997 to Fiscal Year 1998, we served an increased number of first class inflight meals — which are generally of higher margin — in Fiscal Year 1998 compared to Fiscal Year 1997. Our revenue from our inflight catering division comprised 44.9% of our total revenue in Fiscal Year 1998 compared to 46.2% in Fiscal Year 1997.

**Other services.** Our revenue from our services other than ground handling and inflight catering increased by 4.9% to S$51.4 million in Fiscal Year 1998 from S$49.0 million in Fiscal Year 1997. This increase was primarily due to increased revenue from our comprehensive package of security services provided to Singapore Airlines and laundry services to some of our airline clients. Our revenue from our other services comprised 7.1% of our total revenue in Fiscal Year 1998 compared to 7.2% in Fiscal Year 1997.

**Cost of revenue.** Our cost of revenue increased 3.1% to S$541.2 million in Fiscal Year 1998 from S$524.7 million in Fiscal Year 1997. Our cost of revenue increased due to:

- a 2.8% increase in labor costs resulting from an increase in the number of our employees to operate SICC 2 which commenced operations in September 1996 and an increase in wages;
- an 11.2% increase in our depreciation costs resulting from the inclusion in Fiscal Year 1998 of a full fiscal year of depreciation for SICC 2; and
- a 6.1% increase in our license fees paid to CAAS due to increased revenues for our services during Fiscal Year 1998.

The increase in our cost of revenue was partially offset by a 1.5% decline in the cost of raw materials due to more effective purchasing, inventory control and use of raw materials in our inflight catering operations. We reduced our cost of raw materials by developing new sources of lower cost raw materials, including direct purchasing at food exhibitions outside Singapore. We also developed new procedures for inventory control and raw material usage to closely monitor the use of raw materials in our production.
processes in order to reduce wastage. As a percentage of our total revenue, our cost of revenue decreased to 74.5% in Fiscal Year 1998 from 76.8% in Fiscal Year 1997.

**Gross profit.** Our gross profit increased 16.7% to S$185.3 million in Fiscal Year 1998 from S$158.8 million in Fiscal Year 1997. As a percentage of our total revenue, our gross profit increased to 25.5% in Fiscal Year 1998 from 23.2% in Fiscal Year 1997.

**Operating expenses.** Our operating expenses increased 17.6% to S$60.8 million in Fiscal Year 1998 from S$51.7 million in Fiscal Year 1997. Our operating expenses increased in Fiscal Year 1998 compared to Fiscal Year 1997 primarily because we recognized an exceptional charge of S$5.3 million in Fiscal Year 1998 when we accelerated the remaining depreciation charges for SMC 1. In addition, there was a 7.6% increase in our general and administrative expenses resulting from additional overhead costs associated with operating our second inflight catering kitchen, SICC 2, from September 1996. As a percentage of our total revenue, our operating expenses were 8.4% in Fiscal Year 1998 and 7.5% in Fiscal Year 1997.

**Operating income.** Our operating income increased 16.2% to S$124.5 million in Fiscal Year 1998 from S$107.1 million in Fiscal Year 1997. As a percentage of our total revenue, our income from operations was 17.1% in Fiscal Year 1998 compared to 15.7% in Fiscal Year 1997.

**Ground handling division.** Our operating income from our ground handling division increased 29.7% to S$41.9 million in Fiscal Year 1998 from S$32.3 million in Fiscal Year 1997. As a percentage of the total revenue from our ground handling division, our operating income from our ground handling division was 12.0% in Fiscal Year 1998 compared to 10.1% in Fiscal Year 1997.

**Inflight catering division.** Our operating income from our inflight catering division increased 5.7% to S$64.6 million in Fiscal Year 1998 from S$61.1 million in Fiscal Year 1997. As a percentage of the total revenue from our inflight catering division, our operating income of our inflight catering division was 19.8% in Fiscal Year 1998 compared to 19.3% in Fiscal Year 1997.

**Other services.** Our operating income from our services other than ground handling and inflight catering increased 31.4% to S$18.0 million in Fiscal Year 1998 from S$13.7 million in Fiscal Year 1997. As a percentage of the total revenue from our services other than ground handling and inflight catering, our operating income from these services was 35.0% in Fiscal Year 1998 compared to 28.0% in Fiscal Year 1997.

**Other income (expense).**

**Interest and financing charges.** Our total interest and financing charges increased 37.1% to S$9.6 million in Fiscal Year 1998 from S$7.0 million in Fiscal Year 1997. Our interest and financing charges increased in Fiscal Year 1998 compared to Fiscal Year 1997 primarily due to higher interest rates charged on, and an increase in the principal amount of, our loan from Singapore Airlines. Under the terms of this loan, accrued interest was capitalized into principal and the interest rate charged was the Singapore Interbank Offer Rate, or SIBOR, plus 2% per annum. The interest rates applied to our loans increased from a range of 4.56% to 5.13% in Fiscal Year 1997 to a range of 5.13% to 9.25% in Fiscal Year 1998.

**Interest income.** Our total interest income increased 40.5% to S$5.2 million in Fiscal Year 1998 from S$3.7 million in Fiscal Year 1997. This increase resulted principally from higher cash balances invested in interest bearing bank instruments and higher deposit rates on those accounts in Fiscal Year 1998 compared to Fiscal Year 1997. The interest rates on our deposits increased from a range of 0.81% to 3.43% in Fiscal Year 1997 to a range of 1.44% to 7.40% in Fiscal Year 1998.

**Gain (loss) on sale and diminution in value of short-term investments.** We recognized a loss of S$10.3 million in Fiscal Year 1998, compared to a gain of S$11.2 million in Fiscal Year 1997, on the sale and diminution in value of listed short-term debt and equity investments by our three independent fund managers. The loss in Fiscal Year 1998 resulted from the decline in the market value of our listed investments due, in large part, to the overall decline in the equity and debt capital markets in Singapore in late 1997 and 1998.
Share of associated companies' net income. Our share of the net income of our associated companies increased substantially to S$6.2 million in Fiscal Year 1998 from S$1.4 million in Fiscal Year 1997. This increase resulted primarily from:

- an increase in net income at Maldives Inflight Catering and Beijing Aviation Ground Services;
- a decline in the net loss of Beijing Airport Inflight Kitchen; and
- the inclusion in Fiscal Year 1998 of the net income of Tan Son Nhat Cargo Services — our share of which was S$2.4 million — which commenced operations in November 1996.

Loss on long-term investments. In Fiscal Year 1997, we recognized a loss of S$0.5 million upon the liquidation of our equity investment in SATS Curacao N.V. We established SATS Curacao to invest in a joint venture with Dobbs International Services, Inc., or Dobbs, for the establishment of inflight catering centers at San Francisco and Los Angeles International Airports. However, we decided not to continue this joint venture with Dobbs.

Income before income tax. Our income before income tax remained relatively constant at S$116.0 million in Fiscal Year 1998 and S$115.9 million in Fiscal Year 1997. As a percentage of our total revenue, our income before income tax decreased from 16.9% in Fiscal Year 1997 to 15.9% in Fiscal Year 1998.

Income tax payable. Our income tax payable increased 1.6% to S$32.1 million in Fiscal Year 1998 from S$31.6 million in Fiscal Year 1997. As a percentage of our total revenue, our income tax payable decreased from 4.6% in Fiscal Year 1997 to 4.3% in Fiscal Year 1998.

Net income. Our net income decreased slightly to S$83.9 million in Fiscal Year 1998 from S$84.3 million in Fiscal Year 1997. As a percentage of our total revenue, our net income decreased from 12.3% in Fiscal Year 1997 to 11.6% in Fiscal Year 1998.

Our liquidity and capital resources

Our principal uses of cash have been for our operations, the construction of our expansion and facilities replacement projects — such as AFT 5, AFT 6, SICC 2, SICC 3 and our new SATS Maintenance Center, or SMC 2 (which we expect to replace SMC 1) — and investments in our overseas joint ventures. Our primary sources of liquidity have been cash generated from our operations and financing from our parent company, Singapore Airlines. We expect that cash generated from our operations and bank financing will be our primary sources of liquidity in the future.

In the following table we have set forth a condensed summary of our statement of cash flows for the periods indicated:

<table>
<thead>
<tr>
<th>Condensed Summary of Our Cash Flows</th>
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<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Fiscal Year Ended March 31,</td>
</tr>
<tr>
<td>1997</td>
</tr>
<tr>
<td>(in millions)</td>
</tr>
<tr>
<td>Net cash provided by operating activities . . . . . . . S$132.7 S$146.0 S$157.6 US$92.7 S$61.1 S$104.2 US$61.3</td>
</tr>
<tr>
<td>Net cash used in investing activities . . . . . . . (62.8) (69.8) (7.1) (4.2) (29.0) (82.8) (48.7)</td>
</tr>
<tr>
<td>Net cash used in financing activities . . . . . . . (51.7) (54.1) (209.1) (123.0) (22.3) (48.8) (28.7)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents . . S$18.2 S$22.1 S$58.6 US$34.5 S$9.8 S$27.4 US$(16.1)</td>
</tr>
</tbody>
</table>

Net cash provided by our operating activities

In the First Half Fiscal 2000, our cash provided by operating activities was S$104.2 million (US$61.3 million). The cash generated from operations was S$116.1 million (US$68.3 million) and this was reduced
mainly due to payment of S$19.1 million (US$11.2 million) in income taxes and an increase in accounts receivable from Singapore Airlines of S$5.4 million (US$3.2 million) — mainly due to timing of payments. The reduction was offset by an increase in accounts and other payables of $11.1 million (US$6.5 million) due to accrued purchases for raw materials, technical stocks and operating expenses at the end of the reporting period.

In the First Half Fiscal 1999, our cash provided by operating activities was S$61.1 million. The cash generated from operations was S$93.3 million. This was reduced by the payment of S$15.2 million in income taxes, a reduction in accounts and other payables of S$9.6 million, and an increase in accounts receivable from Singapore Airlines of S$5.4 million — mainly due to timing of payments.

In Fiscal Year 1999, our cash provided by operating activities was S$157.6 million (US$92.7 million). The cash generated from operations was S$197.8 million (US$116.4 million). This was reduced by the payment of S$18.8 million (US$11.1 million) in income taxes and a decrease in accounts and other payables of S$15.5 million (US$9.1 million) because the amount of contributions to the CPF was lower in Fiscal Year 1999 due to a reduction in the CPF contribution rate from 20% to 10%.

In Fiscal Year 1998, our cash provided by operating activities was S$146.0 million. The cash generated from operations was S$172.8 million. This was reduced by the payment of S$22.4 million in income taxes. It was decreased further from a reduction in accounts and other payables of S$10.0 million after payment of Singapore Airlines’ 50th anniversary bonus, which was offset by contributions to the CPF as a result of retrospective payments to staff for wage adjustments in March 1998 upon the conclusion of new collective agreements.

In Fiscal Year 1997, our cash provided by operating activities was S$132.7 million. The cash generated from operations was S$144.5 million. This was reduced by the payment of S$31.3 million in income taxes, but was offset by an increase in accounts and other payables of S$26.4 million mainly due to accruals of bonuses for Singapore Airlines’ 50th anniversary.

Net cash used in our investing activities

Our capital expenditures. In the following table we have summarized our capital expenditures for property, plant and equipment by segment for the periods indicated:

<table>
<thead>
<tr>
<th>Our Capital Expenditures</th>
<th>Fiscal Year Ended March 31,</th>
<th>Six Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in millions)</td>
<td>(in millions)</td>
</tr>
<tr>
<td>Building expenses</td>
<td>S$20.3</td>
<td>S$ 76.2</td>
</tr>
<tr>
<td>Operating equipment</td>
<td>26.8</td>
<td>20.3</td>
</tr>
<tr>
<td>Office and commercial equipment</td>
<td>5.9</td>
<td>3.8</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>3.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Other items</td>
<td>1.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>S$57.9</td>
<td>S$103.5</td>
</tr>
</tbody>
</table>

Our loans to third parties. In 1994, we made a loan of S$35.8 million to August Skyfreighter 1994 Trust Pte. Ltd., or August Skyfreighter, in connection with our purchase of a participation in a loan for the leasing of a Boeing 747 freighter aircraft to Singapore Airlines and a loan of S$1.4 million to Vietnam Airlines in connection with our investment in Tan Son Nhat Cargo Services. The August Skyfreighter loan is a floating rate loan maturing in March 2007. The interest rate applicable to the August Skyfreighter loan is the London Interbank Offer Rate, or LIBOR, for six-month U.S. dollar deposits plus a margin of 0.35% per annum. Under the August Skyfreighter loan, a portion of the interest payable to us is capitalized into principal in July of each year and the remaining portion of the interest is payable to us by August Skyfreighter in January of each year. We charge increases (decreases) in the aggregate principal
amount of these loans as an increase (decrease) in net cash used in investing activities. As of September 30, 1999, the aggregate principal amount of the August Skyfreighter loan was S$45.3 million (US$26.6 million) and the aggregate principal amount of the Vietnam Airlines loan was S$588,000 (US$346,000). Vietnam Airlines repaid the remaining principal amount of its loan on April 4, 2000.

**Our net cash used in investing activities in the First Half Fiscal 2000.** In the First Half Fiscal 2000, we incurred capital expenditures of S$87.8 million (US$51.6 million). Of this amount, we spent S$52.0 million (US$30.6 million) for the building and equipment expenses of SICC 3 and S$29.9 million (US$17.6 million) for the building and equipment expenses of AFT 6. In addition, in the First Half Fiscal 2000, our net cash used in investing activities was increased by an increase in the aggregate principal amount of the August Skyfreighter loan due to capitalization of a portion of the interest amounts owed to us, but was decreased by aggregate dividends paid to us by some of our associated companies and a principal repayment by our associated company, Beijing Aviation Ground Services, under our loan to them.

**Our net cash used in investing activities in the First Half Fiscal 1999.** Our capital expenditures in the First Half Fiscal 1999 were S$38.5 million — of which we spent S$10.6 million for the building and equipment expenses of SICC 3 and S$24.5 million for the building and equipment expenses of AFT 6. During the First Half Fiscal 1999, our net cash used in investing activities was increased by an additional equity investment in our Madras inflight catering joint venture, Taj Madras Flight Kitchen, and an increase in the principal amount of our loan to August Skyfreighter due to capitalization of a portion of the interest amounts owed to us, but was decreased by proceeds of S$12.7 million from our sale of listed short-term debt and equity investments, the amount of aggregate dividends paid to us by an associated company and a principal repayment by our associated company, Beijing Aviation Ground Services, and Vietnam Airlines under our loans to them.

**Our net cash used in investing activities in Fiscal Year 1999.** In Fiscal Year 1999, we spent a total of S$115.5 million (US$68.0 million) for capital expenditures. We incurred capital expenditures of S$59.3 million (US$34.9 million) in the construction of AFT 6 and S$44.4 million (US$26.1 million) in the construction of SICC 3. During Fiscal Year 1999, our net cash used in investing activities was increased by our additional equity investments in Taj Madras Flight Kitchen and an increase in the principal amount of our loan to August Skyfreighter due to capitalization of a portion of the interest amounts owed to us, and a loan to our associated company, MacroAsia-Eurest Catering Services, but was decreased by proceeds of S$113.0 million (US$66.5 million) from our sale of listed short-term debt and equity investments, the amount of aggregate dividends paid to us by one of our associated companies and a principal repayment by Vietnam Airlines and our associated company, Beijing Aviation Ground Services, under our loans to them.

**Our net cash used in investing activities in Fiscal Year 1998.** In Fiscal Year 1998, we incurred capital expenditures of S$103.5 million — of which S$63.2 million was spent for AFT 6 and S$12.6 million was spent for SICC 3, as well as payment of accrued project costs of S$6.6 million for SICC 2, S$6.0 million for AFT 5 and S$2.4 million for SMC 2. In addition, our net cash used in investing activities in Fiscal Year 1998 increased by S$7.0 million due to our additional equity investments in Asia Airfreight Terminal, MacroAsia-Eurest Catering and Beijing Airport Inflight Kitchen during this period and an increase in the principal amount of our loan to August Skyfreighter due to capitalization of a portion of the interest amounts owed to us, but was decreased by proceeds of S$38.5 million from our sale of listed short-term debt and equity investments and aggregate dividends of S$2.8 million paid to us by some of our associated companies.

**Our net cash used in investing activities in Fiscal Year 1997.** In Fiscal Year 1997, we incurred capital expenditures of S$57.9 million. Of this amount, we spent S$20.2 million for the building and equipment expenses of SICC 2, which commenced commercial operations in September 1996, S$6.0 million for the building and equipment expenses of SMC 2 and S$1.7 million in preliminary construction costs of SICC 3 and AFT 6. We also paid accrued project costs of S$7.5 million for AFT 5 and S$5.6 million for the purchase of machinery and equipment for our airline laundry operations. Our net
cash used in investing activities in Fiscal Year 1997 also increased by S$11.8 million for additional equity investments in Asia Airfreight Terminal, S$2.2 million used to purchase listed short-term debt and equity investments and an increase in the principal amount of our loan to August Skyfreighter due to capitalization of a portion of the interest amounts owed to us, but was decreased by S$4.7 million due to the net proceeds from the sale of our investment in SATS Curacao N.V., S$2.0 million from the sale of five airfield buses to an overseas buyer and S$1.0 million due to aggregate dividends paid to us by one of our associated companies.

Net cash used in our financing activities

Our net cash used in our financing activities primarily consisted of the payment of dividends to our parent company, Singapore Airlines and, in Fiscal Year 1999, the repayment of our then-existing loan from Singapore Airlines.

Our loans from Singapore Airlines. In December 1990, we incurred a S$100 million term loan from Singapore Airlines which we repaid in full in November 1998. We used the original proceeds of this loan to invest in listed short-term debt and equity investments — principally in Singapore — through three independent fund managers. The floating interest rate payable under this loan was based on six-month SIBOR plus 2% per annum, adjusted in January and July of each year. However, under this loan, Singapore Airlines capitalized our interest amounts payable into principal. In our statements of cash flow, we credited these amounts of capitalized interest into principal as proceeds from long term debt. In November 1998, we repaid Singapore Airlines the outstanding principal amount and accrued interest of S$157.5 million in full under this loan.

In September 1994, Singapore Airlines loaned us S$35.8 million which we used to purchase a participation in the loan to August Skyfreighter. Under the terms of that loan from Singapore Airlines, a portion of the interest payable by us is capitalized into principal in July of each year and the remaining portion of the interest is payable by us to Singapore Airlines in January of each year. The interest rate applicable to this loan is LIBOR for six-month U.S. dollar deposits plus a margin of 0.35% per annum. As of September 30, 1999, we owed Singapore Airlines S$45.3 million (US$26.7 million) under that loan. For more information on our loan to August Skyfreighter, see “— Net cash used in our investing activities — Our loans to third parties.”

In December 1999, we entered into a new S$160 million line of credit facility from Singapore Airlines. As of December 31, 1999, we had drawn down S$20 million under this facility to finance capital expenditures. We made an additional draw-down of S$140 million under this facility to pay a portion of our special dividend payment and capital adjustment payment to Singapore Airlines on March 28, 2000. We intend to repay all amounts drawn down under this facility by March 31, 2001. Under the terms of this facility, we are entitled to prepay any drawn amounts, subject to 14 days’ prior written notice to Singapore Airlines, and the payment of a prepayment fee of 0.125% on the amount prepaid. For more information regarding this facility, see “Our Relationship with Singapore Airlines and Its Affiliates — Financial support provided to us by Singapore Airlines.”

Management of our cash balances by Singapore Airlines. Historically, our cash management has been handled by Singapore Airlines’ Treasury Department which aggregates funds from Singapore Airlines and other Singapore Airlines subsidiaries for investment. Our amounts invested through Singapore Airlines’ Treasury Department in interest bearing instruments were S$74.4 million (US$43.8 million) as of September 30, 1999 and S$106.5 million (US$62.6 million) as of March 31, 1999. As of December 31, 1999, our cash amounts invested through Singapore Airlines’ Treasury Department amounted to S$43.1 million. As of September 30, 1999, these investments were bearing interest at rates ranging between 0.06% and 1.99% per annum. As of December 31, 1999, this range was 0.50% to 2.38%.

Our net cash used in financing activities. In the First Half Fiscal Year 2000, our net cash used in our financing activities was S$48.8 million (US$28.7 million). This amount was paid by us as dividends to Singapore Airlines. Our long-term loans outstanding as of September 30, 1999 were S$49.1 million (US$28.9 million).
In the First Half Fiscal 1999, our net cash used in financing activities was S$22.3 million. Our payment of dividends of S$32.6 million to Singapore Airlines in the First Half Fiscal 1999 was partially offset by capitalization of S$10.7 million of accrued interest under our 1990 and 1994 loans from Singapore Airlines.

Our net cash used in financing activities was S$209.1 million (US$123.0 million) in Fiscal Year 1999. This amount comprised S$146.5 million (US$86.2 million) — including capitalized interest — for the repayment of our 1990 loan from Singapore Airlines and S$65.1 million (US$38.3 million) in dividend payments to Singapore Airlines.

In Fiscal Year 1998, our net cash used in financing activities was S$54.1 million. Our payment of dividends of S$65.1 million to Singapore Airlines in Fiscal Year 1998 was partially offset by capitalization of S$12.4 million of accrued interest under our 1990 and 1994 loans from Singapore Airlines.

Our net cash used in financing activities was S$51.7 million in Fiscal Year 1997. Our payment of dividends of S$63.6 million to Singapore Airlines in Fiscal Year 1997 was partially offset by capitalization of S$7.7 million of accrued interest under our 1990 and 1994 loans from Singapore Airlines and a S$4.9 million term loan from a commercial bank to finance a new laundry plant.

As of December 31, 1999, we had

- aggregate long-term loans (including current maturities) outstanding of S$69.9 million — including loans of S$65.3 million from Singapore Airlines — compared to S$50.1 million (US$29.5 million) as of September 30, 1999 and S$50.1 million (US$29.5 million) as of March 31, 1999;
- aggregate unused short-term and long-term credit facilities of S$140.0 million;
- aggregate cash, cash equivalents and time deposits of S$56.9 million — compared to S$92.1 million (US$54.2 million) as of September 30, 1999 and S$119.5 million (US$70.3 million) as of March 31, 1999; and
- S$43.1 million in interest-bearing instruments invested through Singapore Airlines' Treasury Department — compared to S$74.4 million (US$43.8 million) as of September 30, 1999 and S$106.5 million (US$62.6 million) as of March 31, 1999.

On March 23, 2000, we entered into a S$50 million credit agreement with Overseas-Chinese Banking Corporation Limited, or OCBC. On March 28, 2000, we drew down S$15.0 million of the amount available under this facility to fund a portion of our special dividend and capital adjustment payment to Singapore Airlines. This facility matures on March 28, 2001 and bears a floating interest rate at the lower of OCBC’s cost of funds plus 0.2% per annum or OCBC’s U.S. dollar to Singapore dollar swap offered rate plus 0.2% per annum.

**Our capital adjustment and special dividend payment in 2000**

**Capital adjustment.** In the first quarter of 2000, we adjusted our capital structure by:

- capitalizing S$100.0 million (US$58.8 million) of our retained earnings which resulted in the transfer of that amount from our retained earnings to our share capital account;
- issuing 100,000,000 new ordinary shares to Singapore Airlines; and
- reducing our share capital account by canceling 100,000,000 ordinary shares.

Our resulting issued share capital was S$100.0 million consisting of 100,000,000 ordinary shares of S$1.00 each, all of which are owned by Singapore Airlines. In conjunction with our capital adjustment, we distributed S$100.0 million (US$58.8 million) — the amount of share capital attributable to the canceled shares — to Singapore Airlines on March 28, 2000.
On March 20, 2000, we split our ordinary shares, resulting in a total authorized capital of 2,000,000,000 ordinary shares with a par value of S$0.10 each and issued capital of 1,000,000,000 ordinary shares, all of which are owned by Singapore Airlines.

**Special dividend payment to Singapore Airlines.** We paid a special dividend of S$106.5 million (US$62.6 million), net of tax, to Singapore Airlines on March 28, 2000.

**Our other financial resources**

Our primary sources of liquidity have been cash from operations and loans from Singapore Airlines. We expect that our primary sources of liquidity will be cash from our operations and bank financing. In addition, we may, depending on our capital requirements, market conditions and other factors, raise additional funds through debt or equity offerings or the sale or other disposition of our ordinary shares.

SATS is a holding company that depends upon the receipt of dividends from its subsidiaries to make payments with respect to its debt obligations and other liabilities, in order to provide funds to its other subsidiaries and to pay dividends on its ordinary shares. The payment of dividends in the future by our subsidiaries will depend upon the results of operations and cash requirements of these subsidiaries and other factors.

We expect that our cash flow from operations, together with our cash, cash equivalents and time deposit balances, our available lines of credit and additional anticipated borrowings will be sufficient to fund our planned capital expenditures, to make scheduled interest and principal payments under our outstanding indebtedness and to fund our anticipated working capital needs and potential joint ventures and acquisitions in our fiscal year ending March 31, 2001.

**Our future capital expenditures and investments**

In order to complete the expansion of our air freight handling capacity through the construction of AFT 6 and ECC 2 and the replacement of our inflight meal production capacity at SICC 1 through the construction of SICC 3, we expect to incur significant capital expenditures in the six months ended March 31, 2000 and the two fiscal years ended March 31, 2002. In the following table, we have set forth our expected capital expenditures for the six months ended March 31, 2000, or the Second Half Fiscal 2000, and the fiscal years ended March 31, 2001, or Fiscal Year 2001, and March 31, 2002, or Fiscal Year 2002:

<table>
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<tbody>
<tr>
<td><strong>SATS Inflight Catering Center 3 (SICC 3):</strong></td>
<td>S$ 25.2</td>
<td>S$ 19.9</td>
<td>S$ 8.1</td>
</tr>
<tr>
<td>Building costs</td>
<td>25.2</td>
<td>19.9</td>
<td>8.1</td>
</tr>
<tr>
<td>Equipment and machinery</td>
<td>10.9</td>
<td>27.7</td>
<td>10.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>S$ 36.1</td>
<td>S$ 47.6</td>
<td>S$ 18.9</td>
</tr>
<tr>
<td><strong>Air Freight Terminal 6 (AFT 6):</strong></td>
<td>S$ 19.8</td>
<td>S$ 19.5</td>
<td>S$ —</td>
</tr>
<tr>
<td>Building costs</td>
<td>19.8</td>
<td>19.5</td>
<td>—</td>
</tr>
<tr>
<td>Equipment and machinery</td>
<td>4.8</td>
<td>50.2</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>S$ 24.6</td>
<td>S$ 69.7</td>
<td>S$ 4.1</td>
</tr>
<tr>
<td><strong>Express Courier Center 2 (ECC 2):</strong></td>
<td>S$ 0.6</td>
<td>S$ 25.6</td>
<td>S$ 4.7</td>
</tr>
<tr>
<td>Building costs</td>
<td>0.6</td>
<td>25.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Other general equipment and machinery</td>
<td>S$ 8.6</td>
<td>S$ 40.0</td>
<td>S$35.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>S$ 69.9</td>
<td>S$182.9</td>
<td>S$63.3</td>
</tr>
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</table>
In the table above, “Other general equipment and machinery” refers to our expected purchases of operating ground equipment, office and commercial equipment and motor vehicles for general use in our operations.

We expect SICC 3 to commence commercial operations in mid-2000, AFT 6 to commence commercial operations in the first quarter of 2001 and ECC 2 to commence commercial operations in the third quarter of 2001. We expect to finance our capital expenditures in Second Half Fiscal 2000, Fiscal Year 2001 and Fiscal Year 2002 through cash generated from our operations, S$20.0 million in financing received under our current S$160.0 million line of credit facility from Singapore Airlines and amounts available for drawdown under our S$50.0 million credit facility from OCBC.

In addition to our capital expenditures, we plan to continue to invest in joint ventures and make acquisitions and strategic investments in the future. We expect to invest approximately S$300.0 million over the next five fiscal years in new joint ventures, acquisitions and strategic purchases of equity investments in other ground handling and inflight catering companies. However, we cannot assure you that we will be able to find suitable joint venture partners, acquisitions or strategic purchase opportunities over the next five fiscal years or at all.

Our future funding

We expect to meet our debt service, capital expenditure, joint venture investment, acquisition financing and working capital requirements principally through cash generated from operations, bank financing and internal sources. We may also incur additional indebtedness to finance portions of future projects that we may undertake. In addition, depending on our capital requirements, market conditions and other factors, we may raise additional funds through debt or equity offerings or the sale or other disposition of shares or assets. Although we do not have a current intention to do so, we may from time to time consider equity issuances or listings of one or more of our companies.

Taxes

The amount of our income tax payable depends on the source of our income. On February 25, 2000, the Minister of Finance of Singapore announced that the corporate tax rate in Singapore would be reduced from 26% to 25.5%. The new corporate tax rate will apply to the operating income of SATS from April 1, 1999 and other income, such as interest and dividends received, from January 1, 2000.

Two of our subsidiaries have been granted investment allowances from the Singapore Ministry of Trade and Industry under Section 87 of the Economic Expansion Incentives (Relief from Income Tax) Act. These subsidiaries can offset their taxable income over time by these investment allowances.

SATS Airport Services was granted investment allowances of:

- S$27.6 million granted in December 1993 for the material handling system in AFT 5;
- S$46.1 million granted in February 1998 for the material handling system in AFT 6; and
- S$1.4 million granted in April 1995 for the material handling system in SMC 2.

SATS Airport Services utilized a substantial portion of its investment allowances for AFT 5 and SMC 2. However, as of September 30, 1999, the remaining portion of these investment allowances had expired. As of September 30, 1999, SATS Airport Services had claimed approximately S$4.1 million of its total investment allowance of S$46.1 million for AFT 6.

SATS Catering was granted investment allowances of:

- S$15.6 million granted in May 1994 for the food handling system in SICC 2; and
- S$17.7 million granted in December 1997 for the food handling system in SICC 3.
SATS Catering utilized the entire amount of its investment allowances for SICC 2. As of September 30, 1999, SATS Catering had claimed approximately S$8.8 million of its total investment allowance of S$17.7 million for SICC 3.

Our provision for taxes was S$17.7 million (US$10.4 million) in the First Half Fiscal 2000, S$8.5 million in the First Half Fiscal 1999, S$28.4 million (US$16.7 million) in Fiscal Year 1999, S$32.1 million in Fiscal Year 1998 and S$31.6 million in Fiscal Year 1997.

Inflation

We do not believe that inflation has had a material effect on our revenue or operating results on a consolidated basis for the periods presented.

Exchange rates

We do not believe that fluctuations in exchange rates between the Singapore dollar and other currencies have had a material effect on our revenue or operating results on a consolidated basis for the periods presented.
BUSINESS

Who we are

We are the leading provider of integrated ground handling and inflight catering services at Singapore Changi Airport. Through our joint ventures, we also provide selected services at nine other international airports in the Asia-Pacific region. We have more than 50 years of experience in ground handling and inflight catering and, in the fiscal year ended March 31, 1999, we served more than 19.9 million passengers at Singapore Changi Airport and handled more than 1.1 million tonnes of air freight. Our principal strength is our uncompromising commitment to service, for which we have received numerous awards from our clients.

We provide the following services to our airline clients:

- Ground handling services, including:
  - air freight handling services;
  - passenger services;
  - baggage handling services; and
  - apron services;
- Inflight catering services, including aircraft interior cleaning and cabin handling;
- Aviation security services; and
- Airline laundry services.

Our operations have grown substantially in the past five years. Our total revenue has grown at a compound annual rate of 7.2% from the fiscal year ended March 31, 1995 to the fiscal year ended March 31, 1999. Our total revenue was S$382.5 million (US$225.0 million) in the six-month period ended September 30, 1999 and S$746.1 million (US$438.9 million) in the fiscal year ended March 31, 1999. Our net income was S$89.1 million (US$52.4 million) in the six-month period ended September 30, 1999 and S$110.1 million (US$64.8 million) in the fiscal year ended March 31, 1999.

In the fiscal year ended March 31, 1999, we handled approximately 83% of the total air freight (by tonnage) which arrived at, departed from and transited through Singapore Changi Airport, we provided passenger services to approximately 81% of the airline passengers at Singapore Changi Airport and we provided meals to approximately 77% of the passenger flights departing from Singapore Changi Airport.

In recognition of the high quality of our services, we have received a number of awards from our international airline clients and other international industry organizations including:

- Best Air Cargo Terminal Operator Award in the Asian Freight Industry Awards organized by Cargonews Asia (for seven of the last ten years);
- Qantas Quality Supplier Assessment Award by Qantas Airways in 1999;
- Most Consistent Caterer Award by Cathay Pacific Airways in 1999;
- United Airlines International Catering Award by United Airlines in 1999;
- Partners in Excellence Award (Bronze Plaque) by British Airways in 1998/99;
- Catering Quality Assurance Award by United Airlines in 1997 in the categories of On Time Performance Award Program (Gold Plaque) and International Quality Improvement Award Program (Silver Plaque);
- Most Outstanding Staff Award from Japan Airlines in 1996 and 1997 and Most Improved Station in the Network Award from Japan Airlines in 1996;
• **Service Excellence Award** by All Nippon Airways in 1997;

• **Most Outstanding Staff Award** by EVA Airways in 1996; and

• **Peter McCarthy Award** by British Airways in 1995 for achieving a “quantum leap” in catering and service standards.

We believe these awards are attributable to our strong management team and the high quality of the service provided by our employees.

We are a subsidiary of Singapore Airlines. Singapore Airlines (including its wholly-owned subsidiary SilkAir) provides commercial airline services throughout Asia and other parts of the world from its operating hub, Singapore Changi Airport. Singapore Airlines is our largest client and accounted for 58.5% of our total revenue during the six-month period ended September 30, 1999 and 57.5% of our total revenue during the fiscal year ended March 31, 1999.

As a complement to services offered by us, airlines operating at Singapore Changi Airport can obtain aircraft line maintenance and technical ground handling services from Singapore Airlines' subsidiary, SIA Engineering.

**Our ground handling services**

Our ground handling services include air freight handling services, passenger services, baggage handling services and apron services. In the six-month period ended September 30, 1999, our ground handling services accounted for 45.7% of our total revenue, or S$174.7 million (US$102.8 million), and, in the fiscal year ended March 31, 1999, our ground handling services accounted for 46.6% of our total revenue, or S$347.5 million (US$204.4 million). The revenue from our ground handling services grew at a compound annual rate of 7.7% from the fiscal year ended March 31, 1995 to the fiscal year ended March 31, 1999.

**Our air freight handling services.** We provide handling services at Singapore Changi Airport for the export, import and transhipment of air freight and mail. We believe that we offer one of the most time efficient air freight service operations in Asia, and have been awarded the **Best Air Cargo Terminal Operator Award** by Cargonews Asia in seven of the last ten years.

We currently operate five air freight terminals and one express courier center at Singapore Changi Airport. We believe that our air freight facilities are one of the most modern in the world through the combination of state-of-the-art technology and an automated material handling system. We believe this enables us to provide a high level of service to our airline clients. Our air freight facilities have a combined warehouse space of 84,600 square meters and are capable of handling up to 1,290,000 tonnes of cargo and mail per year. We handle the import, export and transhipment of a wide variety of cargo at our facilities, including perishable cargo, high value consignments and approved dangerous goods. Through our joint ventures, we also provide air freight handling services at the international airports in Hong Kong S.A.R., People’s Republic of China; Beijing, People’s Republic of China; and Ho Chi Minh City, Vietnam.

Our air freight handling operations have grown significantly in the last ten years. The throughput of air freight at our air freight terminals at Singapore Changi Airport has increased at a compound annual growth rate of 11.0% from the fiscal year ended March 31, 1989 to the fiscal year ended March 31, 1999 and at an annual rate of 14.6% in the six-month period ended September 30, 1999 compared to the six-month period ended September 30, 1998. At our air freight terminals at Singapore Changi Airport, we handled 605,747 tonnes of air freight in the six-month period ended September 30, 1999, or approximately 82% of the total air freight (by tonnage) which arrived at, departed from and transited through Singapore Changi Airport. For the fiscal year ended March 31, 1999, these figures were 1,082,868 tonnes of air freight and approximately 83%. As of September 30, 1999, we provided air freight handling services to 44 of the 59 passenger and freighter airlines operating at Singapore Changi Airport.

We are currently expanding our air freight handling facilities at Singapore Changi Airport through the construction of Air Freight Terminal 6, or AFT 6, at an estimated cost of S$270.0 million, and the
planned construction starting in the second quarter of 2000 of Express Courier Center 2, or ECC 2, at an estimated cost of S$30.0 million. We expect that AFT 6 will have a total capacity of 800,000 tonnes per year upon commencement of operations in the first quarter of 2001 and that ECC 2 will have a total capacity of 180,000 tonnes per year upon commencement of operations in the third quarter of 2001. This will increase our total air freight handling capacity to 2,270,000 tonnes per year.

Our passenger services. We provide a full range of passenger services to our international airline clients at the two passenger terminals at Singapore Changi Airport, including:

- the operation of check-in, transfer, boarding gate and airline service counters;
- the operation of SATS Premier Lounges for first class and business class passengers in Passenger Terminals 1 and 2; and
- general assistance to arriving, departing, transferring and transiting passengers and individualized assistance to passengers with special needs.

We train our Customer Service Agents to provide quality service to our airline clients’ passengers arriving, departing, transferring or transiting through Singapore Changi Airport. In the last five years we have earned a number of awards for our passenger services, including those awarded by the Civil Aviation Authority of Singapore, the Singapore Tourism Board and our leading airline clients.

In the six-month period ended September 30, 1999, we provided passenger services to more than 10.5 million airline passengers at Singapore Changi Airport, or approximately 81% of the airline passengers using Singapore Changi Airport during that period. In the fiscal year ended March 31, 1999, these figures were 19.9 million airline passengers and approximately 81%. As of September 30, 1999, we provided passenger services to 40 of the 53 passenger airlines operating at Changi Airport. Through a joint venture, we also provide passenger services at the international airport in Beijing.

Our baggage handling services. We provide baggage handling services to our international passenger airline clients at Singapore Changi Airport. These services involve the sorting and loading of baggage checked-in at Singapore, as well as the sorting and transferring of transfer passengers’ baggage, in preparation for loading onto departing flights and the unloading and segregating of baggage of arriving flights. Through a joint venture, we also provide baggage handling services at the international airport in Beijing.

In the six-month period ended September 30, 1999, we estimate that we handled more than 10.0 million pieces of baggage. In the fiscal year ended March 31, 1999, this figure was an estimated 19.0 million pieces. As of September 30, 1999, we provided baggage handling services to 41 of the 53 passenger airlines operating at Singapore Changi Airport. For the six-month period ended September 30, 1999, we provided baggage handling services to approximately 88% of all passenger flights arriving at, departing from and transiting through Singapore Changi Airport. In the fiscal year ended March 31, 1999, this figure was approximately 89%.

Our apron services. We provide apron services to passenger and freighter airlines operating at Singapore Changi Airport. Through a joint venture, we also provide apron services at the international airport in Beijing. Our apron services include the operation of ground support equipment for embarking and disembarking aircraft passengers and crew and the loading and unloading of mail, baggage and cargo to and from passenger and freighter aircraft.

As of September 30, 1999, we provided apron services to 46 of the 59 passenger and freighter airlines operating at Changi Airport. For the six-month period ended September 30, 1999, we provided apron services to approximately 86% of all the passenger and freighter aircraft flights arriving at, departing from and transiting through Singapore Changi Airport. For the fiscal year ended March 31, 1999, this figure was approximately 88%.
Our inflight catering services

We are the leading inflight catering company for airlines operating at Singapore Changi Airport. Through our joint ventures, we also provide inflight catering services at the international airports in Taipei, Taiwan; Beijing, People’s Republic of China; Osaka, Japan; Chennai (Madras), India; Manila, Philippines; Macau S.A.R., People’s Republic of China; and Male, Maldives.

In our experience, international airlines operating in Asia have placed a high degree of emphasis on meal quality and variety of cuisine in selecting their inflight caterers. We believe that the high quality of our inflight meals and our ability to provide our airline clients with gourmet menus are our main competitive advantages. Our gourmet meals generally provide us with higher profit margins than standard inflight meals.

We cater the full range of inflight meals, including breakfast, lunch, dinner and supper. We also cater special meals, refreshments, light meals and snacks, depending on the specific inflight meal requirements of our airline clients. Our chefs and cooks have an average of 18 years of culinary experience and are trained to prepare an extensive range of cuisine to cater to the different palates of our airline clients’ passengers. We also specialize in providing our airline clients with gourmet menus for their first and business class passengers, such as Qantas Airways’ Rockpool and United Airlines’ Ritz Carlton meal services. We cater for Singapore Airlines’ World Gourmet Cuisine, a selection of menus specially created by a panel of internationally renowned chefs and served exclusively on Singapore Airlines flights in all classes of travel. We also cater special meals for Singapore Airlines’ Book The Cook meal service which allows Singapore Airlines’ first and business class passengers departing from selected cities, including Singapore, to pre-order their main course from a menu of Western and Asian dishes, as well as World Gourmet Cuisine. In Singapore, we operate two inflight catering centers with a combined meal production capacity of 75,000 meals per day. For the six-month period ended September 30, 1999, these facilities produced an average 55,423 meals a day. In the fiscal year ended March 31, 1999, this figure was 53,002 inflight meals per day.

As of September 30, 1999, we provided inflight catering services to 38 of the 53 passenger airlines operating at Singapore Changi Airport. In the six-month period ended September 30, 1999 and in the fiscal year ended March 31, 1999, our inflight catering division provided meals to approximately 77% of the passenger flights departing from Singapore Changi Airport.

The revenue from our inflight catering services has grown at a compound annual rate of 6.7% from the fiscal year ended March 31, 1995 to the fiscal year ended March 31, 1999. In the six-month period ended September 30, 1999, our inflight catering services accounted for 47.4% of our total revenue, or S$181.3 million (US$106.6 million). In the fiscal year ended March 31, 1999, this figure was 46.4%, or S$346.4 million (US$203.8 million).

Our aviation security services

We provide a wide range of aviation security services to our airline clients at Singapore Changi Airport. These security services support our ground handling operations. Our security services accounted for 4.4% of our total revenue, or S$16.7 million (US$9.8 million), in the six-month period ended September 30, 1999 and 4.4% of our total revenue, or S$32.5 million (US$19.1 million), in the fiscal year ended March 31, 1999.

Our laundry services

We provide laundry services for airlines operating at Singapore Changi Airport, including the washing, dry-cleaning, ironing, folding and delivery of blankets and linen — such as napkins, tablecloths and towels. Our laundry services accounted for 1.2% of our total revenue, or S$4.4 million (US$2.6 million), in the six-month period ended September 30, 1999 and 1.2% of our total revenue, or S$8.7 million (US$5.1 million), in the fiscal year ended March 31, 1999.
Our corporate history and structure

We began our airport ground handling operations in 1947 as a division of Malayan Airways Ltd., the predecessor of Singapore Airlines. SATS, a wholly-owned subsidiary of Singapore Airlines, was incorporated on December 15, 1972 to serve as the intermediate holding company for the ground handling, inflight catering, airline laundry and aviation security divisions of Singapore Airlines. SATS Airport Services Pte Ltd and SATS Catering Pte Ltd were incorporated on March 9, 1985 to operate our ground handling and inflight catering divisions, respectively. Aero Laundry & Linen Services Private Limited was incorporated on February 25, 1989 to operate our airline laundry division. SATS Security Services Private Limited was incorporated on November 17, 1989 to operate our aviation security division.

In the following chart, we have set forth the ownership structure of our group of companies (including our joint ventures) and the percentage of equity interest we own in each of these companies:
Our business strategy

We aim to be a premier global provider of airport ground handling and inflight catering services through the expansion of our operations. Our growth strategy is to:

- Leverage our leading market position at Singapore Changi Airport;
- Develop new joint ventures overseas; and
- Acquire or invest in existing ground handling and inflight catering operators at key international airports.

In pursuing our growth strategies, we intend to capitalize on our competitive strengths, including:

- our position as the leading provider of ground handling and inflight catering services at Singapore Changi Airport;
- our reputation for the high quality of our customer service;
- strong and established ties with our airline clients;
- expertise in successfully developing and managing ground handling and inflight catering joint ventures in other countries in the Asia-Pacific region; and
- highly trained and experienced ground handling and inflight catering staff.

We have designed our business strategy to take advantage of trends in the airport services industry that, if realized, will have a significant impact on our business. These trends include consolidation, divestiture, privatization and continued long-term growth.

Consolidation. We expect consolidation of global ground handling and inflight catering operators will provide us with greater opportunities to form strategic alliances and joint ventures with them in new markets.

Divestiture. We expect divestitures by airlines of their ground handling and inflight catering subsidiaries as they increasingly focus on their core business will present us with more opportunities to acquire existing ground handling and inflight catering operations outside Singapore.

Privatization. We anticipate privatization of airports and deregulation of the ground handling and inflight catering service providers in various countries, particularly in Asia and Europe, will allow us to establish operations or acquire existing operators in previously closed markets.

Continued long-term growth. A June 1999 Boeing forecast predicts that the world jet fleet will grow from an operating fleet of 12,600 aircraft at the end of 1998 to 19,100 aircraft in 2008 and projects annual air travel growth of 4.6% and air cargo growth of more than 6.0% for the same period.

Leverage our leading market position at Singapore Changi Airport

An important component of our business strategy is to maintain our position as the leading provider of ground handling and inflight catering services at Singapore Changi Airport. To service the anticipated increase in passenger and freight traffic, we are expanding our capacity and capabilities in our Singapore operations by investing in new state-of-the-art ground handling and inflight catering facilities.

To increase our air freight handling capacity, we are constructing a new air freight terminal, AFT 6, and, in the second quarter of 2000, we expect to begin constructing a new express courier center, ECC 2. We expect that, upon completion in the first quarter of 2001, AFT 6 will increase our air freight handling capacity by 800,000 tonnes per year to 2,090,000 tonnes per year and that, upon completion in the third quarter of 2001, ECC 2 will increase our express courier package handling capacity by 180,000 tonnes per year. We believe that our new facilities at AFT 6 and ECC 2 will provide us with the handling capacity necessary to accommodate the increasing level of air freight throughput at Singapore Changi Airport.

For our inflight catering business, we are currently constructing SICC 3, which will have a capacity of 45,000 meals per day. SICC 3 will replace one of our existing inflight catering centers, SICC 1, as the
land on which SICC 1 is located will be reclaimed by CAAS for the construction of a new passenger
terminal, Passenger Terminal 3, at Singapore Changi Airport. Although SICC 3’s capacity will equal
SICC 1’s existing capacity, the site on which SICC 3 is located has adjacent land which can be further
developed to expand its capacity by an additional 45,000 meals per day. Although we currently have no
specific plans to expand SICC 3 by this additional capacity, we may do so in the future to take advantage
of increased air passenger traffic through Singapore.

**Develop new joint ventures and acquire or invest in existing operators**

We expect that the global trend toward consolidation in the ground handling and inflight catering
industries will continue, following the trend toward consolidation and strategic alliances in the airline
industry. We believe that this trend will increase the competition we face outside Singapore. To meet this
challenge, we intend to continue expanding our operations to key international airports outside Singapore
through a combination of joint ventures and acquisitions. This will enable us to provide high quality and
seamless ground handling and inflight catering services to our existing airline clients over a greater number
of destinations. We believe this strategy will enhance our future growth and further strengthen our
relationships with our international airline clients.

We have earmarked S$300.0 million for new investments in ground handling and inflight catering
operations outside Singapore over the next five fiscal years. These investments may take the form of:

- establishment of new joint ventures and expansion of our existing joint ventures;
- acquisitions of existing ground handling and inflight catering operations; and
- investments in global operators as part of strategic alliances.

**Develop new joint ventures.** We established our first overseas joint venture over ten years ago. Since
then, we have substantially expanded our overseas operations through investments in nine more joint
ventures providing airport ground handling services and inflight catering services at nine international
airports located throughout the Asia-Pacific region.

Although we hold minority interests in each of our ten joint ventures, we are actively involved in the
day-to-day operations of five of these — particularly during the start-up and initial phases of their
operations. By stationing our Singapore-trained staff at our joint ventures, we aim to export our high
operational standards, such as fast baggage presentation and quick cargo delivery, and transfer such
expertise to the management personnel of these joint ventures.

We are actively exploring opportunities to enter into new joint ventures at key international airports
where we currently do not have operations. In addition, given the growth of our joint ventures in recent
years and expected passenger and air freight traffic growth at the international airports where they operate,
we may also expand their operations if appropriate.

**Acquire or invest in existing operators.** As a key component of our overseas growth strategy, we
intend to acquire or invest in companies and assets that we believe will enhance our revenue growth,
operations and profitability if suitable opportunities arise. We believe that, as airlines increasingly focus on
their core business of operating passenger and freight flights, they will divest their ground handling and
inflight catering subsidiaries. We intend to actively explore opportunities to acquire or invest in these
businesses if suitable for our long-term growth plans.

We are also looking into opportunities to enter into strategic alliances with major international ground
handling and inflight catering operators. Over the past few years, the ground handling and inflight catering
services markets in the United States and Europe have experienced significant consolidation and
concentration. As a result, there are relatively few large ground handling and inflight catering providers
that operate globally. We believe that entering into strategic alliances with one or more of these global
operators would assist us in our overseas expansion, particularly in the United States and Europe, by
providing opportunities to establish operations jointly in new markets.

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Our services

We offer a comprehensive range of services to our clients, including ground handling services, inflight catering services, airline laundry services and aviation security services. In the following table, we have set forth our revenue by operating division for each of the fiscal years in the five fiscal year period ended March 31, 1999 and in the six-month periods ended September 30, 1998 and 1999:

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended March 31,</th>
<th>Six Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ground handling division</td>
<td>S$258.0</td>
<td>S$292.5</td>
</tr>
<tr>
<td>Inflight catering division</td>
<td>266.9</td>
<td>291.9</td>
</tr>
<tr>
<td>Aviation security division</td>
<td>24.5</td>
<td>28.1</td>
</tr>
<tr>
<td>Airline laundry division</td>
<td>6.1</td>
<td>6.7</td>
</tr>
<tr>
<td>Other</td>
<td>9.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Total revenue</td>
<td>S$564.5</td>
<td>S$630.2</td>
</tr>
</tbody>
</table>

In the table above, “Other” comprises primarily rental income from leases of office space to Singapore Airlines and third parties, such as airlines and cargo agents, operating at our air freight terminals.

Our ground handling services division

We are the leading provider of ground handling services at Singapore Changi Airport, serving more than 19.9 million passengers with an estimated 19.0 million pieces of baggage in the fiscal year ended March 31, 1999. In the six-month period ended September 30, 1999, we served more than 10.5 million passengers with an estimated 10.0 million pieces of baggage. Through our joint ventures, we also provide air freight handling services at international airports in Beijing, Ho Chi Minh City, and Hong Kong. Our joint venture in Beijing also provides a full range of ground handling services at Beijing Capital International Airport.

The ground handling services we provide are:

- air freight handling services for passenger and freighter airlines and their shippers and consignees;
- passenger services;
- baggage handling services; and
- apron services.

Our ground handling services accounted for 45.7% of our total revenue, or S$174.7 million (US$102.8 million) in the six-month period ended September 30, 1999 and 46.6% of our total revenue, or S$347.5 million (US$204.4 million), in the fiscal year ended March 31, 1999. Our ground handling revenue has grown at a compound annual rate of 7.7% from the fiscal year ended March 31, 1995 to the fiscal year ended March 31, 1999.

As of September 30, 1999, our largest client for ground handling services was Singapore Airlines (including SilkAir). Our revenue from Singapore Airlines accounted for 54.6% of our total ground handling services revenue during the six-month period ended September 30, 1999 and 53.7% of our total ground handling services revenue during the fiscal year ended March 31, 1999. After Singapore Airlines
(including SilkAir), our next ten largest ground handling clients (listed in alphabetical order) are set forth in the following table:

**Our Ten Largest Non-Affiliated Ground Handling Clients**

| Air India | Japan Airlines |
| British Airways | Korean Air |
| Cathay Pacific Airways | Malaysia Airlines |
| Emirates | Qantas Airways |
| EVA Airways | Thai Airways International |

**Our air freight handling services.** We provide air freight handling services at Singapore Changi Airport for:

- export of air freight from Singapore;
- import of air freight into Singapore; and
- transhipment of air freight at Singapore Changi Airport — which involves:
  - accepting air freight unloaded from flights arriving into Singapore Changi Airport;
  - storing that air freight at our air freight terminals;
  - if required, re-packaging and consolidating that air freight; and
  - preparing that air freight for delivery to flights departing from Singapore Changi Airport.

We also provide these services at the international airports in Beijing, Ho Chi Minh City and Hong Kong through our three ground handling joint ventures.

Our air freight services cover both passenger aircraft carrying air freight and dedicated freighter aircraft. Upon delivery of air freight to our air freight terminals by our apron services division, our air freight handling division unloads the cargo pallets, containers and trolleys. We store the cargo at our terminals and, depending on the destination of the cargo, either arrange for pickup of the cargo by the consignee at our terminals for import cargo or sort and load export cargo into containers and onto pallets and trolleys in preparation for delivery by our apron services division to the aircraft for shipment.

**Our air freight throughput.** The throughput of air freight at our air freight terminals at Singapore Changi Airport has increased substantially in the last ten years, growing at a compound annual growth rate of 11.0% from 381,772 tonnes in the fiscal year ended March 31, 1989 to 1,082,868 tonnes in the fiscal year ended March 31, 1999. In the following table we have set forth the total throughput of air freight at our air freight terminals at Singapore Changi Airport, broken down into export, import and transhipment air freight, for each of the fiscal years in the five fiscal year period ended March 31, 1999 and in the six-month periods ended September 30, 1998 and 1999:

<table>
<thead>
<tr>
<th>Air Freight Throughput Handled by SATS</th>
<th>Fiscal Year Ended March 31</th>
<th>Six Months Ended September 30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export air freight</td>
<td>243,697</td>
<td>275,698</td>
</tr>
<tr>
<td>Import air freight</td>
<td>276,723</td>
<td>322,154</td>
</tr>
<tr>
<td>Transhipment air freight</td>
<td>293,304</td>
<td>325,706</td>
</tr>
<tr>
<td>Total</td>
<td>813,724</td>
<td>923,558</td>
</tr>
</tbody>
</table>

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In the following graph, we have presented the growth of our air freight throughput from the fiscal year ended March 31, 1995 to the fiscal year ended March 31, 1999 and in the six-month periods ended September 30, 1998 and 1999:

The air freight throughput handled by us has grown steadily at an average of 11% over the past five years, except for the fiscal year ended March 31, 1999 when the air freight throughput handled by us declined by 3% due to the economic downturn in the region. As Singapore and Asia recover from the recent economic downturn, we anticipate strong growth in air freight throughput. We have already experienced an increase in air freight throughput handled by us — in the six-month period ended September 30, 1999, the air freight throughput handled by us increased 14.6% compared to the six-month period ended September 30, 1998.

Since Singapore Changi Airport is a transhipment hub for air freight throughout Asia, transhipment air freight throughput has increased more than import or export air freight throughput since 1997. For example, in the fiscal year ended March 31, 1999, transhipment air freight throughput handled by us increased by 6.4% while import air freight throughput decreased by 13.1% and export air freight throughput decreased 2.6%. We expect this trend to continue because Singapore Changi Airport is geographically well placed to be a transhipment hub for air freight in Asia, principally Southeast Asia. In addition, it is located in a free trade zone and it experiences high flight frequency to multiple destinations in Asia.

**Types of air freight we handle at Singapore Changi Airport.** We provide air freight handling services for a wide range of cargo, including:

- general cargo, such as computer equipment and electrical components;
- time-sensitive air freight — which is air freight delivered one hour before the scheduled flight departure or released to the consignee one hour after the flight arrival;
- perishable cargo, including fresh and frozen foods;
- international mail to and from Singapore Post;
- live animals;
- arms and explosives;
- radioactive materials; and
- precious cargo, such as gold and currency.
Our air freight handling of passenger and freighter flights. As of September 30, 1999 and as of March 31, 1999, we provided air freight handling services to 44 of the 59 passenger and freighter airlines operating at Singapore Changi Airport.

During the six-month period ended September 30, 1999, we handled an average of 390 passenger and freighter flight arrivals and departures each day at Singapore Changi Airport of the total average number of 454 flight arrivals and departures each day during this period. Of this total average number of daily arrivals and departures during this period, an average of 177 flights each day were Singapore Airlines passenger and freighter flights.

In the following table, we have set forth the number of passenger and freighter flight arrivals and departures for which we provided air freight handling services at Singapore Changi Airport for each of the fiscal years in the five fiscal year periods ended March 31, 1999 and in the six-month periods ended September 30, 1998 and 1999.

### Air Freight Throughput by Passenger and Freighter Flights\(^{(1)}\)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended March 31,</th>
<th>Six Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in total number of flights)</td>
<td></td>
</tr>
<tr>
<td>Passenger flights</td>
<td>116,848</td>
<td>126,118</td>
</tr>
<tr>
<td>Freighter flights</td>
<td>5,466</td>
<td>7,624</td>
</tr>
<tr>
<td>Total flights</td>
<td>122,314</td>
<td>133,742</td>
</tr>
</tbody>
</table>

(1) Includes both arrivals and departures of the same aircraft.

Our air freight terminals and express courier centers at Singapore Changi Airport. We currently operate five air freight terminals and one express courier center at Singapore Changi Airport. Our air freight terminals are computerized and use fully automated material handling systems, including automated stacker systems, overhead transfer systems, electronic weigh-bridges and freezers.

Our capacity to handle air freight has increased from 450,000 tonnes per year in 1981 to our current total capacity of 1,290,000 tonnes per year. Our air freight terminals currently have a total warehouse space of 84,600 square meters. Upon commencement of operations of AFT 6 and ECC 2, we expect that our total air freight handling capacity will increase to 2,270,000 tonnes per year and our total warehouse space will increase to 163,600 square meters. In the table below, we have set forth a description of our existing and planned air freight terminals and courier centers at Singapore Changi Airport as of the date of this offering memorandum:

### SATS Air Freight Handling Terminals and Express Courier Centers

<table>
<thead>
<tr>
<th>Facility</th>
<th>Year of Operation</th>
<th>Handling Capacity (in tonnes per year)</th>
<th>Warehouse Area (in square meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Air Freight Terminals:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Freight Terminals 2 and 3</td>
<td>1981</td>
<td>450,000</td>
<td>28,400</td>
</tr>
<tr>
<td>Air Freight Terminals 1 and 4</td>
<td>1989</td>
<td>250,000</td>
<td>14,500</td>
</tr>
<tr>
<td>Air Freight Terminal 5</td>
<td>1995</td>
<td>550,000</td>
<td>33,000</td>
</tr>
<tr>
<td>Existing total</td>
<td></td>
<td>1,250,000</td>
<td>75,900</td>
</tr>
<tr>
<td><strong>Air Freight Terminal 6</strong></td>
<td>First quarter of 2001 (estimated)</td>
<td>800,000</td>
<td>65,000</td>
</tr>
<tr>
<td><strong>Expected total</strong></td>
<td></td>
<td>2,050,000</td>
<td>140,900</td>
</tr>
</tbody>
</table>
Facility | Year of Operation | Handling Capacity (in tonnes per year) | Warehouse Area (in square meters)
--- | --- | --- | ---
Express Courier Centers:  
Express Courier Center 1 | 1992 | 40,000 | 8,700
Express Courier Center 2  
(construction expected to begin in second quarter of 2000) | Third quarter of 2001 (estimated) | 180,000 | 14,000
Expected total | | 220,000 | 22,700
Expected total of Air Freight Terminals and Express Courier Centers | | 2,270,000 | 163,600

You should note that the amounts of air freight handling capacity we present in this offering memorandum for our existing and planned air freight terminals and express courier centers are not based solely upon capacity amounts guaranteed by our handling equipment suppliers or building contractors. Rather, we estimate the capacity of our air freight terminals and express courier centers based upon the maximum amount of air freight that we can handle during one hour of service during peak times taking into consideration a number of factors, including: the amount of total floor space and storage space in our air freight terminals and express courier centers; the layout of our material handling systems and other machinery and equipment contained in our air freight terminals and express courier centers; the average length of time air freight is stored at our air freight terminals and express courier centers; and the level of productivity of our air freight handling personnel. Because these factors vary among air freight handling operators at different air freight terminals, our air freight handling capacity amounts may not be comparable to the capacity amounts of other air freight handling operators.

Our air freight terminals are located in the free trade zone of Singapore Changi Airport, adjacent to one of the two aircraft runways, and have been built by us on land we lease from CAAS. The location of our air freight terminals in the free trade zone of Singapore Changi Airport enhances our ability to process import air freight shipments quickly and efficiently, since we are not required to pass this air freight through Singapore customs. Upon release of an import shipment to the consignee, the consignee handles all matters related to the passage of that shipment through Singapore customs to the ultimate recipient, including the payment of any duty payable and the processing of customs documentation.
In the following diagram, we have shown the layout of our air freight terminals and express courier centers at Singapore Changi Airport:

**Layout of SATS Air Freight Terminals and Express Courier Centers at Singapore Changi Airport**

Currently, we use Air Freight Terminal 5 to handle air freight exclusively for Singapore Airlines flights while we use Air Freight Terminals 1, 2, 3 and 4 to handle air freight for other passenger and freighter airlines. We provide express air freight and international air courier handling services for time-sensitive shipments to DHL International and TNT Express Worldwide at Express Courier Center 1.

We are currently building our sixth air freight terminal, AFT 6, on land we lease from CAAS under a long-term lease. We expect that the total construction cost of AFT 6 will be S$270.0 million and that it will commence operations in the first quarter of 2001. We intend to use AFT 6 to handle import cargo unloaded from arriving Singapore Airlines flights. After AFT 6 commences operations, we intend to use AFT 5 to process export cargo to be loaded onto departing Singapore Airlines flights.

We expect to begin constructing ECC 2 in the second quarter of 2000 on land we lease from CAAS under a long-term lease. We expect that construction of ECC 2 will cost S$30.0 million. We anticipate that ECC 2 will begin operations in the third quarter of 2001. The Singapore subsidiary of DHL International, or DHL, has contracted to lease part of ECC 2 upon completion from us in place of the facilities at ECC 1 that DHL currently leases from us and we will provide express air freight and international air courier handling services to DHL at ECC 2.

Our air freight terminals in Singapore have been certified by the International Standards Organization, or ISO, to meet ISO 9002 standards. ISO 9002 standards set forth the requirements of various quality standards for products and services. Our air freight terminals in Singapore have also been certified to meet ISO 14001 standards. ISO 14001 standards set forth international environmental standards in the use of precious resources and the management of waste materials. The ISO certification process involves periodically subjecting our production processes and quality management systems to stringent third-party review and verification. Our clients often look to an ISO certification as a benchmark of our quality control standards.

**Our air freight handling joint ventures.** Through our joint ventures, we also provide air freight handling services at international airports in Beijing, Ho Chi Minh City and Hong Kong. Our joint venture in Beijing also provides a full range of ground handling services at Beijing International Airport. In the
following table we have set forth details of our ground handling joint ventures as of the date of this offering memorandum:

**SATS Ground Handling Joint Ventures**

<table>
<thead>
<tr>
<th>Joint Venture</th>
<th>Location</th>
<th>Date of Commencement of Operations</th>
<th>SATS Interest</th>
<th>Services Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing Aviation Ground Services Co., Ltd</td>
<td>Beijing, People's Republic of China</td>
<td>March 1995</td>
<td>40.0%</td>
<td>• Air freight handling (total capacity of 160,000 tonnes per year)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Ticketing and passenger services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Baggage handling and apron services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Aircraft interior cleaning</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Aircraft line maintenance</td>
</tr>
<tr>
<td>Beijing Aviation Ground Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tan Son Nhat Cargo Services Limited</td>
<td>Ho Chi Minh City, Vietnam</td>
<td>November 1996</td>
<td>30.0%</td>
<td>• Air freight handling (total capacity of 100,000 tonnes per year)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia Airfreight Terminal Company Limited</td>
<td>Hong Kong, S.A.R., People's Republic of China</td>
<td>July 1998</td>
<td>24.5%</td>
<td>• Air freight handling (total capacity of 450,000 tonnes per year)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Beijing Aviation Ground Services.** In March 1995, we entered into a joint venture with Beijing Capital International Airport Company Limited, the airport authority, to provide air freight handling services, passenger services, baggage handling services, apron services and aircraft line maintenance (aircraft turnaround maintenance and service and aircraft waste disposal) at Beijing Capital International Airport. Beijing Aviation Ground Services operates an air freight terminal with a handling capacity of 160,000 tonnes. It handled 41,570 tonnes of air freight in the fiscal year ended March 31, 1999 and 21,981 tonnes in the six-month period ended September 30, 1999. Beijing Aviation Ground Services is one of two operators licensed to provide air freight handling at Beijing Capital International Airport. We have appointed the current Deputy General Manager and other key management personnel of Beijing Aviation Ground Services from members of our staff.

**Tan Son Nhat Cargo Services.** We operate Tan Son Nhat Cargo Services as a joint venture with our partners, Vietnam Airlines and the Ho Chi Minh City airport authority. Tan Son Nhat Cargo Services is the only air freight handler at Ho Chi Minh City's Tan Son Nhat International Airport. It handled 55,391 tonnes of air freight in the fiscal year ended March 31, 1999 and 32,077 tonnes in the six-month period ended September 30, 1999. We have appointed the General Director of Tan Son Nhat Cargo Services from a member of our staff.

**Asia Airfreight Terminal Company.** In July 1998, we entered into a joint venture, Asia Airfreight Terminal Company, with Changi International Airport Services Private Limited, Eastern Option Limited, Torres Investment Limited, Keppel Telecommunications & Transportation Limited and Federal Express Corporation. Asia Airfreight Terminal is one of the two operators licensed to provide air freight handling at Hong Kong's Chek Lap Kok International Airport. It operates an air freight terminal with a handling capacity of 450,000 tonnes. From commencement of operations in July 1998 until March 31, 1999, Asia Airfreight Terminal Company handled 214,412 tonnes of air freight and it handled 173,271 tonnes in the six-month period ended September 30, 1999. We have appointed the Chief Executive Officer of Asia Airfreight Terminal Company from a member of our staff.

Since we own minority stakes in each of our ground handling joint ventures, we do not consolidate their results of operations in our consolidated financial statements, but rather we account for their results of operations under the equity method of accounting. Our share of their net income (loss) is included in our income statements as other income (expense).
We intend to continue to actively pursue business opportunities for ground handling and inflight catering joint ventures or acquisitions at leading airports throughout the Asia-Pacific region. We are also exploring similar business opportunities at leading airports outside the Asia-Pacific region.

Historically, we have established joint ventures at major international airports at which Singapore Airlines has a presence. We followed this policy to:

• capture the baseload business of Singapore Airlines;
• take advantage of the opportunity to compete and provide improved service at that airport; and
• expand the scope of our operations and sources of income.

In the future, given the potential for growth at a number of leading international airports, we intend to broaden our investment policy to consider business opportunities beyond airports where Singapore Airlines operates.

As with our existing joint ventures, we intend to enter into new joint ventures with partners who are either national airlines, airlines with substantial operations at the relevant airport, airport authorities or other local partners who we feel can contribute to the joint venture. Our joint ventures must be of sufficient scale, generate adequate income and have long-term growth prospects. Apart from developing new joint venture operations, we intend to actively seek to acquire or take strategic stakes in existing ground handling and inflight catering companies if suitable opportunities arise. For more information regarding our business strategy to continue to expand our operations outside Singapore through joint ventures, see “—Our business strategy.”

Our passenger services. Customer service is the most important aspect of our passenger services business. We train our Customer Service Agents to provide prompt and courteous service to the passengers of our airline clients.

Our passenger check-in services. Our main passenger service involves checking in passengers for flights, as well as boarding passengers on departure and guiding disembarking passengers on arrival. We staff and operate check-in counters. As part of our check-in services, we tag and weigh checked-in baggage, assign seats and issue boarding passes. At our check-in counters, we use multi-function card readers which scan passenger passport details and frequent flyer card numbers to reduce check-in processing time. We also operate counters for payment of excess baggage charges.

Our check-in counters are either dedicated check-in counters for a specific airline or common row check-in counters which check-in passengers for a number of flights on different airlines. We provide express check-in services for a number of airlines. We also provide check-in services at transfer counters.

Because Singapore Airlines utilizes Singapore Changi Airport as its hub airport, we provide special types of check-in services to Singapore Airlines, such as:

• early check-in;
• phone, facsimile and Internet check-in;
• auto check-in through the use of dedicated self-service computer terminals located near the check-in counters;
• check-in at Singapore Airlines first class reception lounge located in the check-in area of Passenger Terminal 2 of Singapore Changi Airport;
• check-in services for passengers at Singapore Airline’s first and business class lounges located in the departure concourse of Passenger Terminal 2 of Singapore Changi Airport; and
• check-in counters at two ticketing offices in downtown Singapore (located in the central business district and the main shopping district) to provide more convenient early check-in facilities for their passengers.
In addition, we operate a central operations control center for Singapore Airlines at Passenger Terminal 2 of Singapore Changi Airport which coordinates all of Singapore Airlines’ airport operations in Singapore, including passenger services.

Our other passenger services. As part of our passenger services, we provide information and assistance to passengers who are transferring to connecting flights or transiting through Singapore Changi Airport and, when required, provide special assistance to passengers who have missed connecting flights or whose connecting flights have been delayed or canceled. As part of this assistance, we arrange alternative connecting flights, night-stop accommodation and transfers and meals for passengers affected by transit delays or canceled or missed flights.

As part of our passenger services at Singapore Changi Airport, we also:

- operate SATS Premier Lounges in the departure concourse of the passenger terminals for first class and business class passengers of our airline clients without dedicated lounges;
- provide staff to operate the Sakura Lounge for Japan Airlines in the departure concourse of the passenger terminal;
- provide special services, such as personal escorts, wheelchairs and motorized transport, for passengers with special needs within the passenger terminals and to and from the boarding gates;
- operate lounges in the departure concourse of the passenger terminals for passengers with special needs, such as invalid passengers, elderly passengers, disabled passengers and unaccompanied minors; and
- operate airline service counters in the check-in area of the passenger terminals.

Our passenger handling by flights. As of September 30, 1999 and as of March 31, 1999, we provided passenger services to 40 of the 53 passenger airlines operating at Singapore Changi Airport. For the six-month period ended September 30, 1999, we provided passenger services to an average of 160 passenger flights per day and, in the fiscal year ended March 31, 1999, we provided passenger services to an average of 159 passenger flights per day at Singapore Changi Airport. For the six-month period ended September 30, 1999, we provided baggage handling services to approximately 88% of all passenger flights arriving at, departing from and transiting through Singapore Changi Airport. In the fiscal year ended March 31, 1999, this figure was approximately 89%.

Number of passengers we have handled at Singapore Changi Airport. The number of passengers we provided services to at Singapore Changi Airport has grown significantly in the last five years. We provided passenger services to more than 10.5 million passengers arriving at, departing from and transiting through Singapore Changi Airport in the six-month period ended September 30, 1999. For the fiscal year ended March 31, 1999, this figure was more than 19.9 million passengers. The number of passengers has grown at a compound annual rate of 6.5% from the fiscal year ended March 31, 1995 to the fiscal year ended March 31, 1999.
In the following table, we have set forth the number of passengers we handled at Singapore Changi Airport for each of the fiscal years in the five fiscal year period ended March 31, 1999 and in the six-month periods ended September 30, 1998 and 1999 (classified as arriving passengers, departing passengers and transit passengers):

<table>
<thead>
<tr>
<th>Number of Airline Passengers Handled by SATS</th>
<th>Fiscal Year Ended March 31,</th>
<th>Six Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arrival passengers</td>
<td>7.8</td>
<td>8.5</td>
</tr>
<tr>
<td>Departure passengers</td>
<td>7.8</td>
<td>8.8</td>
</tr>
<tr>
<td>Transit passengers</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Total</td>
<td>16.3</td>
<td>18.0</td>
</tr>
<tr>
<td>Total number of passengers using</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore Changi Airport</td>
<td>21.9</td>
<td>23.5</td>
</tr>
<tr>
<td>Percentage of total number of passengers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>using Singapore Changi Airport handled by us</td>
<td>74%</td>
<td>77%</td>
</tr>
</tbody>
</table>

For the six-month period ended September 30, 1999, we provided passenger services to an average of 57,499 passengers per day and, in the fiscal year ended March 31, 1999, we provided passenger services to an average of 54,470 passengers per day at Singapore Changi Airport. In the six-month period ended September 30, 1999, we provided passenger services to approximately 81% of the passengers traveling through Singapore Changi Airport. In the fiscal year ended March 31, 1999, this figure was approximately 81%.

**Our service standards for passenger services.** We aim to continually improve our check-in services and reduce waiting times for passenger check-in. We are permitted to provide passenger handling services at Singapore Changi Airport through one of our licensing agreements with CAAS. This agreement requires us to meet certain performance standards for passenger services, including a maximum number of incidents of delay in aircraft departures per 1,000 flight departures, a maximum average check-in service time (per passenger in minutes) and a maximum average wait time for check-in (per passenger in minutes). We have generally met the performance standards set by CAAS. Our own internal performance standards are to:

- reduce delays attributable to us to less than 3.06 per 1,000 flight departures;
- reduce average check-in service time to less than 2.6 minutes per passenger; and
- reduce average wait time for check-in to less than 1.4 minutes per passenger.

**Our baggage handling services.** We provide comprehensive baggage handling services to our airline clients at Singapore Changi Airport. Our baggage handling personnel sort and load departure and transfer baggage into baggage containers and trolleys and deliver them to aircraft awaiting departure. Upon delivery of baggage containers and trolleys from the arriving aircraft by our apron services division, our baggage handling division unloads and sorts the baggage from these baggage containers and trolleys onto the baggage arrival belts. We also sort the baggage of transfer passengers and re-direct that baggage to the appropriate aircraft. At Passenger Terminal 2 in Singapore Changi Airport, we operate the automated baggage handling system which is owned by CAAS. This system includes baggage racetracks, baggage conveyor belts and automatic transfer facilities. We also provide a facility for storage of early check-in baggage and provide lost-and-found baggage services.
We load passenger baggage according to the requirements of our airline clients. For example, for Singapore Airlines, we load each container only with baggage for the same destination and do not “mix” the loading of baggage for different destinations into one baggage container. This loading method reduces baggage handling time as the passengers’ luggage will not need to be sorted upon arrival at each destination of the flight.

We also provide special baggage handling services to Singapore Airlines, such as bar-coding of baggage and electronic identification of the baggage of each checked-in passenger through our electronic baggage reconciliation system. This service enables us to quickly unload baggage from the baggage containers loaded on our airline client’s flight where the passenger owning that baggage has failed to board the flight. This reduces flight delays due to retrieval of baggage belonging to passengers failing to board a flight.

*Estimated baggage we have handled at Singapore Changi Airport.* In the following table, we have set forth the amount of baggage we estimate that we have handled at Singapore Changi Airport for each of the fiscal years in the five fiscal year period ended March 31, 1999 and in the six-month periods ended September 30, 1998 and 1999 broken down by arriving baggage and departing baggage. The amount of transferring baggage is included in the arriving and departing baggage estimates:

<table>
<thead>
<tr>
<th>Estimated Baggage Handled by SATS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Fiscal Year Ended March 31,</strong></td>
</tr>
<tr>
<td><strong>Six Months Ended September 30,</strong></td>
</tr>
<tr>
<td>(in millions of pieces)</td>
</tr>
<tr>
<td>Arrival baggage&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Departure baggage&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total baggage</td>
</tr>
<tr>
<td>Total estimated number of bags handled at Singapore Changi Airport</td>
</tr>
<tr>
<td>Percentage of total estimated number of bags at Singapore Changi Airport handled by us</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Includes transfer passenger baggage but excludes passenger baggage from airlines which self-handle their own passengers.

We do not count the actual pieces of baggage handled by us. Rather, we estimate this amount by estimating the average number of pieces of baggage checked in by each passenger and multiplying that number by the total number of passengers we have handled for the period. We have also applied this average number to the total number of passengers using Singapore Changi Airport for the periods indicated to determine the total estimated number of pieces of baggage handled at Singapore Changi Airport. In the four fiscal years ended March 31, 1998, we estimated that each passenger checked in 1.5 bags. However, beginning with the fiscal year ended March 31, 1999, we now estimate that each passenger checks in one bag. Therefore, although the total number of passengers handled by us in the fiscal year ended March 31, 1999 increased from that in previous periods, our estimated total number of pieces of baggage decreased. We revised our estimates of baggage handled by us based upon our surveys of our airline clients’ passengers. We believe that, in recent years, airline passengers have checked in less baggage than in prior years.

*Our baggage handling by passenger flights.* As of September 30, 1999 and as of March 31, 1999, we provided baggage handling services to 41 of the 53 passenger airlines operating at Singapore Changi Airport. For the six-month period ended September 30, 1999, we provided baggage handling services to an average of 184 passenger flights per day and, in the fiscal year ended March 31, 1999, we provided baggage handling services to an average of 184 passenger flights per day. For the six-month period ended
September 30, 1999, we provided baggage handling services to approximately 88% of all of the passenger flights which arrived at or departed from Singapore Changi Airport. For the fiscal year ended March 31, 1999, this figure was approximately 89%.

**Our service standards for baggage handling.** We aim to continually improve our baggage handling services for our airline clients and reduce waiting times for their passengers. We present baggage within the minimum times required by our airline clients. In baggage handling, we closely monitor first and last bag presentation times for every arriving flight to ensure prompt and efficient baggage handling service. Under our passenger handling license agreement with CAAS, we are required to meet certain performance standards for baggage handling services, including minimum first bag presentation times, maximum last bag presentation times and maximum number of baggage mishandling incidents per 10,000 bags handled. We have consistently met these performance standards set by CAAS. Our own internal performance standards are to:

- deliver the first bag on the baggage carousel within 12 minutes after aircraft arrival; and
- present the last bag within 25 minutes after aircraft arrival (for small aircraft with up to six baggage containers) and 29 minutes (for large aircraft with more than six baggage containers).

**Our apron services.** Our apron services include:

- planning aircraft load weights and balance specifications;
- providing and operating aircraft ground support equipment — such as container/pallet loaders, transporters and tractors — to unload, load and transfer baggage, air freight and mail from and to aircraft;
- for arriving aircraft, delivering baggage to the passenger terminals, inbound cargo to the air freight terminals and inbound mail to the Airmail Transit Center at Singapore Changi Airport;
- for departing aircraft, transporting outbound cargo from the air freight terminals and outbound mail from the Airmail Transit Center at Singapore Changi Airport;
- operating aero-bridges and providing and operating mobile passenger steps to embark and disembark aircraft passengers and crew; and
- transporting passengers and crew by bus to and from aircraft.

Our apron services staff are specially trained to load air freight and baggage containers onto departing aircraft and unload air freight and baggage containers from arriving aircraft efficiently to reduce ground time for flights operating at Singapore Changi Airport.

Our apron services operations were certified by the Singapore Productivity and Standards Board in March 2000 to meet ISO 9002 standards.

**Our apron services by passenger and freighter flights.** As of September 30, 1999 and March 31, 1999, we provided apron services to 46 of the 59 passenger and freighter airlines operating at Singapore Changi Airport. We provide apron services to some of the passenger airlines for whom we do not provide passenger services, such as Malaysia Airlines and Cathay Pacific Airways. These airlines self-handle their passengers at Singapore Changi Airport.

For the six-month period ended September 30, 1999, we provided apron services to an average of 195 passenger and freighter flights per day and, in the fiscal year ended March 31, 1999, we provided apron services to an average of 197 passenger and freighter flights per day at Singapore Changi Airport. For the six-month period ended September 30, 1999, we provided apron services to approximately 86% of all of the passenger and freighter flights arriving at, departing from and transiting through Singapore Changi Airport. For the fiscal year ended March 31, 1999, we provided apron services to approximately 88% of all of the passenger and freighter flights arriving at, departing from and transiting through Singapore Changi Airport.
In the following table, we have set forth the number of passenger and freighter flights for which we provided apron services in each of the fiscal years in the five fiscal year period ended March 31, 1999 and in the six-month periods ended September 30, 1998 and 1999:

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended March 31,</th>
<th>Six Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger flights</td>
<td>59,198</td>
<td>62,979</td>
</tr>
<tr>
<td>Freighter flights</td>
<td>2,949</td>
<td>3,912</td>
</tr>
<tr>
<td>Total flights</td>
<td>62,147</td>
<td>66,891</td>
</tr>
</tbody>
</table>

Our apron services equipment. As of September 30, 1999, our apron services division owned and operated more than 3,000 pieces of specialized aircraft ground support equipment, including:

- more than 680 pieces of motorized equipment, such as vans, airfield buses, mobile passenger steps, transporters, tractors, container pallet loaders, forklifts and skylifters; and
- more than 2,320 pieces of non-motorized equipment, such pallet dollies, container trailers and baggage trolleys.

Our apron services equipment can service all aircraft types, from smaller aircraft — such as the Fokker F28 — to the largest aircraft — such as the Boeing B747-400. We actively maintain and replace our equipment to ensure that we can continually improve our productivity through the implementation of new technology. We have a comprehensive equipment maintenance program to ensure minimum disruptions to our operations. We also operate a dedicated Maintenance Center, SMC 2, to service and maintain our equipment on a 24-hour basis. SMC 2 was certified to meet ISO 14001 standards in July 1998. SMC 2 replaced our original SATS Maintenance Center, SMC 1, since we are using the land on which SMC 1 is located for the construction of ECC 2. We intend to rename SMC 2 as SMC 1.

Our inflight catering division

We are the leading provider of inflight catering services at Singapore Changi Airport. Through our joint ventures, we also currently operate seven inflight catering centers at or near the international airports in Taipei, Beijing, Osaka, Chennai (Madras), Manila, Macau, and Male.

The inflight catering services we provide include inflight meals, aircraft cabin handling services and aircraft interior cleaning services such as:

- designing and planning menus jointly with our airline clients;
- purchasing raw materials, dry stores, amenities and other items;
- preparing and assembling inflight meals conforming to our airline clients’ specifications;
- loading meal carts, dry stores, liquor, other beverages, amenities and other items from our inflight catering centers onto the aircraft;
- unloading and cleaning dishware, cutlery and other accessories from aircraft on which meals have been served;
- providing inventory management and storing airline-owned equipment, which includes:
  - dining equipment — such as plates, cutlery, crockery, trays, glasses and carts;
  - various other equipment — such as headsets; and
• amenities — such as newspapers, magazines, soap, tissues, toothbrushes, toothpaste, mouthwash, hand lotion, perfume and cologne;

• general cleaning of the aircraft cabin, cockpit, crew bunks, galleys and toilet compartments; and

• replenishment of inflight magazines, blankets, other airline items and amenities.

Inflight catering services accounted for 47.4% of our total revenue, or S$181.3 million (US$106.6 million), in the six-month period ended September 30, 1999 and 46.4% of our total revenue, or S$346.4 million (US$203.8 million), in the fiscal year ended March 31, 1999. Our inflight catering revenue grew at a compound annual rate of 6.7% from the fiscal year ended March 31, 1995 to the fiscal year ended March 31, 1999.

Our inflight catering by passenger flights. As of September 30, 1999 and as of March 31, 1999, we provided inflight catering services to 38 of the 53 passenger airlines and 3 of the 6 freighter airlines operating at Singapore Changi Airport. In the six-month period ended September 30, 1999 and in the fiscal year ended March 31, 1999, our inflight catering division provided meals to approximately 77% of the passenger flights departing from Singapore Changi Airport. We also supply inflight meals to aircraft operating at Seletar Airport (which is a small commuter aircraft airport in Singapore) and supply food and beverages to various passenger airline lounges in the passenger terminals at Singapore Changi Airport.

As of September 30, 1999, our largest client for inflight catering was Singapore Airlines (including SilkAir), which accounted for 62.1% of our total inflight catering revenue for the six-month period ended September 30, 1999 and 61.1% of our total inflight catering revenue for the fiscal year ended March 31, 1999. Our next ten largest inflight catering clients (listed in alphabetical order) are set forth in the following table:

<table>
<thead>
<tr>
<th>Our Ten Largest Non-Affiliated Inflight Catering Clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air India</td>
</tr>
<tr>
<td>Air New Zealand</td>
</tr>
<tr>
<td>All Nippon Airways</td>
</tr>
<tr>
<td>British Airways</td>
</tr>
<tr>
<td>Cathay Pacific Airways</td>
</tr>
</tbody>
</table>

Our types of inflight meals. We cater for all meal types, including breakfast, lunch, dinner, supper, refreshments, light meals and snacks. We also cater for special meals, such as:

• meals meeting religious, dietary or medical requirements;

• vegetarian meals; and

• meals specially designed for children.

Our inflight catering centers at Singapore Changi Airport prepare more than 800 different menus per week. We develop our menus in close cooperation and consultation with our airline clients. We can provide our airline clients with a menu featuring a wide variety of cuisine, including Continental (including Italian), Indian, Indonesian, Japanese, Oriental and Thai.

At our inflight catering division we employ two executive chefs, 10 executive sous chefs, 77 sous chefs and chefs de partie (who oversee food preparation) and 219 cooks. We employ chefs from India, Indonesia, Italy, Japan, Switzerland and Thailand so that we can provide authentic cuisine.

We provide gourmet meals when requested by our airline clients. For example, we cater meals for Singapore Airlines’ World Gourmet Cuisine for passengers of all classes. We also cater gourmet meals for Singapore Airlines’ Book The Cook meal service which allows Singapore Airlines’ first and business class passengers departing from selected cities, including Singapore, to pre-order their main course from a menu of Western and Asian dishes, as well as World Gourmet Cuisine. We also provide special gourmet meals.
to Qantas Airways' Rockpool and United Airlines' Ritz Carlton meal services. Our gourmet meals generally provide us with higher margins than our standard in-flight meals.

International airlines operating in Asia generally request a high level of meal quality and a wide range of meal variety from their in-flight caterers to satisfy the demands of their passengers. We believe that our high in-flight catering quality standards enable us to meet the needs of airline clients in providing gourmet meal programs to their passengers traveling out of Singapore Changi Airport. We also believe that our expertise in preparing specialized gourmet meals and the high quality of our in-flight meals are our main competitive advantages over other in-flight caterers operating in Asia.

**Our in-flight meal production in Singapore.** During the six-month period ended September 30, 1999, we produced an average of 55,423 in-flight meals per day. In the fiscal year ended March 31, 1999, this figure was 53,002 in-flight meals per day. In the following table we set forth the number of actual meals we produced over each of the fiscal years in the five fiscal year period ended March 31, 1999 and in the six-month periods ended September 30, 1998 and 1999 broken down by type of meal and by class of passengers:

<table>
<thead>
<tr>
<th>Number of In-flight Meals Prepared by SATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>(in total number of actual meals, except for percentages)</td>
</tr>
</tbody>
</table>

- **Breakfast** 3,840,142 4,090,631 4,058,864 4,188,499 4,281,679 22.1% 2,102,588 2,102,068 20.7%
- **Lunch and dinner** 7,410,874 8,067,158 8,776,577 8,564,159 9,074,130 46.9% 4,435,814 4,516,046 44.5%
- **Refreshments** 1,838,410 2,423,644 2,962,767 3,157,241 4,158,690 21.5% 1,916,705 2,289,926 22.6%
- **Light meals** 2,260,755 2,225,756 2,261,660 2,424,057 1,831,068 9.5% 852,061 1,234,342 12.2%
- **Total** 15,350,181 16,807,189 18,059,868 18,333,956 19,345,567 100.0% 9,307,168 10,142,382 100.0%

- **First class meals** 516,407 591,800 729,881 765,429 664,915 3.5% 330,842 349,928 3.4%
- **Business class meals** 2,545,018 2,775,834 2,928,849 2,950,522 2,791,586 14.4% 1,351,457 1,466,537 14.5%
- **Economy class meals** 12,288,756 13,439,555 14,401,138 14,618,005 15,889,066 82.1% 7,624,869 8,325,917 82.1%
- **Total** 15,350,181 16,807,189 18,059,868 18,333,956 19,345,567 100.0% 9,307,168 10,142,382 100.0%

**Our in-flight catering centers in Singapore.** We currently operate two in-flight catering centers at Singapore Changi Airport: SATS Inflight Catering Center 1, or SICC 1, and SATS Inflight Catering Center 2, or SICC 2. We are currently replacing our in-flight catering facilities at SICC 1 with the construction of SATS Inflight Catering Center 3, or SICC 3.

In the table below, we have set forth a description of our existing and planned in-flight catering centers at Singapore Changi Airport as of the date of this offering memorandum:

<table>
<thead>
<tr>
<th>SATS Inflight Catering Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility</td>
</tr>
<tr>
<td>--------------------------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>SATS Inflight Catering Center 1</td>
</tr>
<tr>
<td>SATS Inflight Catering Center 2</td>
</tr>
<tr>
<td>SATS Inflight Catering Center 3 (under construction)</td>
</tr>
</tbody>
</table>

We currently use the facilities at SICC 1 to produce in-flight meals exclusively for Singapore Airlines (including SilkAir). SICC 1 was built by us on land we lease from CAAS. We expect to permanently close SICC 1 in mid-2000 after we commence operations at SICC 3.

We currently use the facilities at SICC 2 to produce in-flight meals for our airline clients other than Singapore Airlines and SilkAir. SICC 2 was built by us on land we lease from the Jurong Town
Corporation. SICC 2 is equipped with state-of-the-art equipment, including a fully automated storage system for dry goods, an automated meal cart transport system, an automated bin transport system and a vacuum waste disposal system. We believe that SICC 2 was the world’s first inflight kitchen to have quick chill chambers to chill preset meal carts to 5°C within 20 minutes. These quick chill chambers substantially reduce the time required to chill meals and therefore enable meal production time to be completed closer to flight departure.

SICC 3 will replace SICC 1 as the land on which SICC 1 is located will be reclaimed by CAAS for the construction of a new passenger terminal, Passenger Terminal 3, at Singapore Changi Airport. When SICC 3 commences operations, we intend to close SICC 1 permanently and to rename SICC 3 as “SATS Inflight Catering Center 1.” We are constructing SICC 3 on land we lease from CAAS. We expect that SICC 3 will cost S$215.0 million to build and equip. Construction was largely completed in the first quarter of 2000 and we expect that the facility will commence operations in mid-2000. Upon completion, we expect SICC 3 will have a total meal production capacity of 45,000 meals per day.

We are installing state-of-the-art equipment in SICC 3, including a fully automated storage system for dry goods, a fully automated storage system for frozen goods, an automated meal cart transport system that runs on a monorail system, an automated bin and pallet transport system, a vacuum waste disposal system, and a tray conveyor system that transfers hot, bulk-cooked food directly to a spiral blast chiller which chills this food to 5°C in a short period of time.

We have sufficient land at the SICC 3 site to expand that facility in the future by another 45,000 meals per day to an aggregate meal production capacity of 90,000 meals per day. However, as of the date of this offering memorandum, we do not have specific plans to expand this facility.

Our quality assurance program at our inflight catering centers in Singapore. We are committed to maintaining a high level of quality control in meal production at our inflight catering centers. We have a quality assurance department which has implemented a stringent quality assurance program to ensure the highest standards of food hygiene and food safety. Our quality assurance program is implemented according to the Hazard Analysis of Critical Control Points (HACCP). This HACCP system focuses on critical points in our food production process that could contribute to the risk of health and food safety hazards if not monitored and controlled according to stringent food hygiene standards and quality assurance procedures.

Our inflight catering centers have modern laboratories equipped with advanced analytical equipment to conduct daily microbiological and chemical tests on food prepared at our inflight catering centers. The raw materials we purchase from our suppliers are checked upon delivery to our inflight catering centers to confirm conformity to our quality and hygiene specifications. Our quality assurance procedures are regularly reviewed and updated. Our catering centers have been twice awarded with a certificate of commendation by the Singapore Ministry of Environment for “Grade A” status in food hygiene, sanitation and food processing. In addition, our premises at our inflight catering centers are also regularly audited by our major airline clients.

Our catering centers in Singapore have been certified by the Singapore Productivity and Standards Board in June 1993 (for SICC 1) and September 1996 (for SICC 2) to meet ISO 9002 standards. In May 1998 our two inflight catering centers were certified to meet ISO 14001 standards. The ISO certification process involves stringent third-party review and verification, conducted periodically, of our operations procedures and quality and environment management systems.

We comply with all applicable health and hygiene standards imposed by Singapore law and also voluntarily comply with various international standards, such as the Association of European Airlines Hygiene Guidelines, the United States Food and Drug Administration Food Code 1995, the International Commission on Microbiology Specifications for Food and World Health Organization Food Hygiene Guidelines.

Our inflight catering joint ventures. Through our joint ventures, we also currently operate seven inflight catering centers at or near the international airports in Taipei, Beijing, Osaka, Chennai (Madras),
Manila, Macau and Male. In the following table we have set forth details of each of our inflight catering joint ventures:

**SATS inflight catering joint ventures**

<table>
<thead>
<tr>
<th>Joint Venture</th>
<th>Location</th>
<th>Date of Commencement of Operations</th>
<th>SATS Interest</th>
<th>Services Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maldives Inflight Catering Private Limited</td>
<td>Male, Maldives</td>
<td>March 1989</td>
<td>40.0%</td>
<td>• Inflight catering (total capacity of 2,000 meals per day)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Cabin handling</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Aircraft interior cleaning</td>
</tr>
<tr>
<td>Beijng Airport Inflight Kitchen Ltd</td>
<td>Beijing, People’s Republic of China</td>
<td>March 1994</td>
<td>40.0%</td>
<td>• Inflight catering (total capacity of 15,000 meals per day)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Cabin handling</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Inflight catering (total capacity of 15,000 meals per day)</td>
</tr>
<tr>
<td>Royal International Air-Catering Co., Ltd</td>
<td>Osaka, Japan</td>
<td>September 1994</td>
<td>8.5%</td>
<td>• Cabin handling</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Inflight catering (total capacity of 15,000 meals per day)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Aircraft interior cleaning</td>
</tr>
<tr>
<td>Macau Catering Services, Co.</td>
<td>Macau S.A.R., People’s Republic of China</td>
<td>November 1995</td>
<td>16.7%</td>
<td>• Inflight catering (total capacity of 3,000 meals per day)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Cabin handling</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Aircraft interior cleaning</td>
</tr>
<tr>
<td>Evergreen Sky Catering Corporation</td>
<td>Taipei, Taiwan</td>
<td>February 1997</td>
<td>15.0%</td>
<td>• Inflight catering (total capacity of 30,000 meals per day)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Cabin handling</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Inflight catering (total capacity of 3,000 meals per day)</td>
</tr>
<tr>
<td>MacroAsia-Eurest Catering Services, Inc</td>
<td>Manila, Philippines</td>
<td>August 1998</td>
<td>20.0%</td>
<td>• Inflight catering (total capacity of 5,500 meals per day)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Cabin handling</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Inflight catering (total capacity of 5,500 meals per day)</td>
</tr>
<tr>
<td>Taj Madras Flight Kitchen Limited</td>
<td>Chennai (Madras), India</td>
<td>July 1999</td>
<td>30.0%</td>
<td>• Inflight catering (total capacity of 12,000 meals per day)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Cabin handling</td>
</tr>
</tbody>
</table>

**Maldives Inflight Catering.** In March 1989, we entered into a joint venture, Maldives Inflight Catering, with the Maldives Airports Authority, the civil aviation authority of the Maldives. Since Maldives Inflight Catering is the only inflight caterer operating at Male International Airport, it supplies inflight meals to all of the airlines operating at Male International Airport. It operates an inflight catering center with a meal production capacity of 2,000 meals per day. For the six-month period ended September 30, 1999, Maldives Inflight Catering Company catered an average of 1,179 inflight meals per day to its airline clients. For the fiscal year ended March 31, 1999, this figure was 1,339 meals. We have appointed the General Manager of Maldives Inflight Catering from a member of our staff. The joint
venture is developing a 4-star hotel with 88 rooms at Male International Airport. We expect the hotel to be completed in June 2000 at a cost of US$13.1 million. We have recently agreed to transfer 10% of our existing equity interest in Maldives Inflight Catering to the Maldives Airports Authority in consideration of a 15-year extension of the lease granted to Maldives Inflight Catering by the Maldives Airports Authority for the land and buildings at Male International Airport for its inflight kitchen. The term of the lease was originally due to expire in 2004.

**Beijing Airport Inflight Kitchen.** We operate Beijing Airport Inflight Kitchen as a joint venture with the Beijing Capital International Airport authority. Beijing Airport Inflight Kitchen operates an inflight catering center with a meal production capacity of 15,000 meals per day. It competes against another inflight caterer operating at Beijing Capital International Airport. As of September 30, 1999, it supplied inflight meals to 9 of the 38 international passenger airlines and 29 of the 43 Chinese domestic passenger airlines operating at Beijing Capital International Airport. For the six-month period ended September 30, 1999, Beijing Airport Inflight Kitchen catered an average of 2,870 inflight meals per day to its airline clients. For the fiscal year ended March 31, 1999, this figure was 2,765 meals. We have appointed the current Deputy General Manager of Beijing Airport Inflight Kitchen from a member of our staff.

**Royal International Air-Catering.** In September 1994, we entered into a joint venture, Royal International Air-Catering, with our partners, Royal Company Ltd., Fukuoka Jisho Co. Ltd., Cathay Pacific Airways, Itochu Corporation and Japan Cooking Center K.K. Royal International Air-Catering is one of three inflight caterers operating at Osaka’s Kansai International Airport. It operates an inflight catering center with a meal production capacity of 15,000 meals per day. As of September 30, 1999, it supplied inflight meals to 10 of the 35 passenger airlines operating at Kansai International Airport. For the six-month period ended September 30, 1999, Royal International Air-Catering catered an average of 2,325 inflight meals per day to its airline clients. For the fiscal year ended March 31, 1999, this figure was 2,385 meals.

**Macau Catering Services.** We hold our interest in Macau Catering Services through a joint venture with Servair, the catering subsidiary of Air France. Macau Catering Services is a joint venture among Servair, S.T.D.M., Wu’s Group and Nolasco. It operates an inflight catering center with a meal production capacity of 3,000 meals per day. Since Macau Catering Services is the only inflight caterer in Macau, it supplies inflight meals to all of the airlines operating at Macau International Airport. For the six-month period ended September 30, 1999, Macau Catering Services catered an average of 2,915 inflight meals per day to its airline clients. For the fiscal year ended March 31, 1999, this figure was 2,590 meals.

**Evergreen Sky Catering.** In February 1997, we entered into a joint venture, Evergreen Sky Catering Corporation, with EVA Airways, Evergreen International Corporation and MAS Catering. Evergreen Sky Catering operates an inflight catering center with a meal production capacity of 30,000 meals per day. It competes against two other inflight caterers operating at Chiang Kai Shek International Airport. As of September 30, 1999, Evergreen Sky Catering supplied inflight meals to 11 of the 25 passenger airlines operating at Chiang Kai Shek International Airport. For the six-month period ended September 30, 1999, Evergreen Sky Catering catered an average of 10,434 inflight meals per day to its airline clients. For the fiscal year ended March 31, 1999, this figure was 9,855 meals.

**MacroAsia-Eurest Catering Services.** We operate MacroAsia-Eurest Catering Services as a joint venture with our partners, MacroAsia Corporation and Eurest International B.V. It started operations in August 1998. MacroAsia-Eurest Catering Services operates an inflight catering center with a meal production capacity of 5,500 meals per day. It is one of four inflight caterers licensed to operate at Ninoy Aquino International Airport. As of September 30, 1999, MacroAsia-Eurest Catering Services supplied inflight meals to 11 of the 23 passenger airlines operating at Ninoy Aquino International Airport. For the six-month period ended September 30, 1999, MacroAsia-Eurest Catering Services catered an average of 3,984 inflight meals per day to its airline clients. For the fiscal year ended March 31, 1999, this figure was 2,869 meals. In 1999, MacroAsia-Eurest Catering Services was awarded the *Hygiene Award* by Cathay Pacific Airways and the *Silver Quality Award* by Lufthansa German Airlines.
**Taj Madras Flight Kitchen.** Taj Madras Flight Kitchen is our most recent inflight catering joint venture and our first joint venture in India. Our partners in Taj Madras Flight Kitchen are Indian Hotels Company (which operate the Taj Hotels in India), Oriental Hotels Ltd and Malaysia Airlines. Taj Madras Flight Kitchen operates an inflight catering center with a meal production capacity of 12,000 meals per day. It started operations in July 1999. From its commencement of operations until September 30, 1999, Taj Madras Flight Kitchen catered an average of 1,305 inflight meals per day to its airline clients. As of September 30, 1999, Taj Madras Flight Kitchen supplied inflight meals to 2 of the 13 passenger airlines operating at Meenambarkkam Airport and was the only inflight caterer at that airport. Other airlines cater meals from three hotel caterers.

Since we own minority stakes in each of our inflight catering joint ventures, we do not consolidate their results of operations in our consolidated financial statements. Rather, for those joint ventures where we own less than 50% but more than 20% of their equity interests, we account for their results of operations under the equity method of accounting. For those joint ventures where we own less than 20% of their equity interests, we recognize income from those joint ventures only when we receive dividends from them. The net income (loss) from our joint ventures is included in our income statements as other income (expense).

**Our non-inflight catering operations.** In 1998, we commenced non-inflight catering operations in Singapore in order to utilize our excess production capacity during the economic downturn in Asia. Our non-inflight catering operations in Singapore involve primarily the production of processed food. We sell this processed food to fast food outlets and to supermarkets through frozen food suppliers. We conduct these non-inflight catering activities from SICC 2.

**Our aircraft interior cleaning services.** As of September 30, 1999 and as of March 31, 1999, we provided aircraft interior cleaning services to 42 of the 53 passenger airlines and 3 of the 6 freighter airlines operating at Singapore Changi Airport. Out of our 42 passenger airline clients for aircraft interior cleaning services, we do not cater inflight meals for four of these airlines: namely, Malaysia Airlines, Saudi Arabian Airlines, Royal Air Cambodge and Air China. For the six-month period ended September 30, 1999 and for the fiscal year ended March 31, 1999, we provided aircraft interior cleaning services to an average of 187 passenger flights per day.

**Our aviation security services**

We provide a wide range of security services to our airline clients at Singapore Changi Airport which support our ground handling services. Our security services include:

- Security screening of passengers, baggage, air freight, courier parcels and mail bags;
- Passenger boarding pass checks and travel document checks (other than immigration);
- Monitoring the embarkation of passengers onto departing aircraft and disembarkation of passengers from arriving aircraft at the boarding gates;
- Security strapping of baggage;
- Safeguarding of aircraft, baggage and air freight;
- Guarding of aircraft at the boarding gate and on the airport apron;
- Crowd control at passenger check-in areas; and
- Armed escort services.

These services are performed by our trained Auxiliary Police Force. Our Auxiliary Police Force also provides general security services for our air freight terminals and inflight catering centers and for premises owned by Singapore Airlines and SIA Engineering, such as airport lounges, the Singapore Airlines Building, the Singapore Airlines training center, the SIA Engineering supplies center and the Singapore Airlines hangar. We also provide security services for non-airline clients, such as for aerospace exhibitions.
held at Singapore Changi Airport, diplomatic mail and courier escort and 24-hour armed response services for cargo agents’ premises at the Singapore Changi Airport free trade zone. Additionally, we provide security training for airlines and airports on aviation security matters, general security training for business organizations and general security consultancy services.

Our security services accounted for 4.4% of our total revenue, or S$16.7 million (US$9.8 million), in the six-month period ended September 30, 1999 and 4.4% of our total revenue, or S$32.5 million (US$19.1 million), in the fiscal year ended March 31, 1999.

Our laundry services

We provide laundry services for airlines operating at Singapore Changi Airport, including the washing, dry-cleaning, ironing, folding and delivery of blankets and linen — such as napkins, tablecloths and towels. Our laundry services accounted for 1.2% of our total revenue, or S$4.4 million (US$2.6 million), in the six-month period ended September 30, 1999 and 1.2% of our total revenue, or S$8.7 million (US$5.1 million), in the fiscal year ended March 31, 1999.

Our information technology systems and developments

Our information technology systems are an essential component of our business. We intend to implement new information technology systems in the following areas of our operations:

- in our general operations, to establish an integrated operations center for the services provided by our divisions;
- in our air freight handling operations, to leverage state-of-the-art technology by replacing our existing mainframe computer system with a PC client/server system; and
- in our in-flight catering operations, to introduce a new enterprise resource planning system to integrate the functions for the entire food production, material inventory control and invoicing processes.

Our control center

The control centers and staff deployment centers of each of our divisions have access to the flight information display system which provides up-to-date aircraft arrival and departure times and other flight status information, including the boarding gate and baggage belts.

As we anticipate that air traffic through Singapore Changi Airport will increase in the future, we recognize that our operations will increasingly require better overall coordination. We intend to address this need by establishing a new SATS integrated operations central command and control center which we expect will:

- link the staff deployment centers of each of our divisions and will coordinate all of our aircraft handling activities which we anticipate will eliminate duplication of work as each of our divisions currently monitors its own aircraft handling activities;
- allow us to anticipate problems and take prompt corrective or remedial action as necessary;
- allow real time tracking and monitoring of our aircraft handling activities;
- improve communication among our various divisions, streamline our operations and reduce duplication of activities; and
- include an information database and allow centralized administration and billing.

We have commenced preparation of the specifications for the first phase of the project for our apron services division and we expect to implement this project in phases with the first phase to be completed by the second quarter of 2001.
This project will also involve computerized staff and equipment deployment in our apron services division.

**Air freight handling**

Our air freight terminals currently use a mainframe computer system for warehousing, documentation and tracking of cargo. We plan to replace our existing system with a new warehouse system which will involve the use of personal computers. Through this project we intend to use information technology to allow us to reduce the development time necessary to meet our operational requirements and to reduce the cost of our operations through information and communications technology in the future. The new system will cover our existing air freight warehouse functions as well as involve the use of bar-coding and radio identification tags to track the location and movement of cargo in the air freight terminals and will provide additional functions such as warehouse accounting, customized documents, flight monitoring and improved customer support. We have commenced preparation of the functional specifications of this project and we expect this project to be completed in the first quarter of 2001.

We also intend to implement an interface between the cargo warehousing system and the material handling inventory system at our new AFT 6 by December 2000. These changes will further improve tracking of cargo in the air freight terminals.

**Passenger services**

In our passengers services division, we currently use information technology to streamline our operations. For example, we use an electronic baggage reconciliation system to provide special baggage handling services to Singapore Airlines. As part of our efforts to improve staff productivity and operational efficiency through computerization and automation, we have developed our own front-end software on PCs to access mainframe systems. This is a user friendly system called KRISCHECK™ which we use for check-in and boarding gate operations for Singapore Airlines. For other airlines, we have developed a common language facility called SATS Multi-Interactive Language Environment, or SMILE, which allows our staff to access more than ten departure control systems used by our different airline clients. We have licensed the software to our joint venture in Beijing and are marketing it to other airlines and ground handling companies.

We plan to introduce a computerised multi-lingual gate boarding announcement system which would enable gate announcements at Passenger Terminal 2 in Singapore Changi Airport to be made in approximately 20 languages. We expect that this will be a local area network-based system which will enable our boarding gate staff to activate pre-recorded boarding announcements at the individual boarding gates. We anticipate that this system will assist non-English speaking passengers by providing announcements in their native language, will remove the problem of inconsistent announcements and will provide flexibility to change the text of an announcement in the event of flight changes. We plan to implement this system by the end of the second quarter of 2000.

We have recently introduced a multi-language notification system which allows notices to passengers to be printed in different languages in cases of flight delays and changes in flight information. Notices will be produced from the KRISCHECK™ system.

We are currently evaluating the potential use of wireless technology such as hand-held computers for our staff stationed in the passenger terminals at Singapore Changi Airport. We anticipate that we could use this technology in our operations to:

- reduce check-in time and improve efficiency in handling delayed departures for transfer passengers and late passengers as check-in could be done anywhere within the passenger terminals; and
- improve response time for passenger inquiries on mishandled baggage as these inquiries could be investigated by our staff at the baggage arrival belts in the passenger terminals.

We plan to implement this system by the end of June 2000.
**Inflight catering**

In our inflight catering division, we use information technology to assist us in our operations. For example, SICC 2 is equipped with a digital food image cataloguing system which contains a pictorial database of our airline clients’ inflight menus. This system assists our staff in ensuring that the inflight meals we produce correspond to our airline clients’ requirements and presentation standards. SICC 3 will also be equipped with this system.

Our inflight catering centers currently use mainframe computer systems consisting of a purchasing and inventory management system and a food production and billing system. We plan to replace our existing systems with an enterprise resource planning system using a PC client/server system. We are evaluating an enterprise resource planning software from SAP R/3™ for our new catering information system. The new software will have the following functions:

- marketing functions (including menu costing and menu quotations);
- purchasing functions (including sourcing vendors, requesting quotations and generating purchase orders);
- interfacing with our existing warehouse operations control system (including receiving orders and storage requests);
- production planning and interfacing with our existing material handling system for the storage of cooked food;
- interfacing with our computerized airline billing system to generate invoices to our airline clients; and
- interfacing with the Singapore Airlines’ inflight menu planning and departure control systems.

International airline caterers, particularly in the United States and Europe, are increasingly using frozen food in the preparation of economy class inflight meals as a lower cost alternative to freshly prepared meals. In our inflight catering operations, we have begun to conduct trials on the use of frozen food in the preparation of our inflight meals. We expect that a few of our airline clients may request that frozen food be used in the preparation of their inflight meals given the lower preparation costs. We expect that our new catering center, SICC 3, will have dedicated facilities to prepare, store and test frozen food.

**Our sales and marketing**

As of September 30, 1999, we provided:

- air freight handling services to 44 of the 59 passenger and freighter airlines operating at Singapore Changi Airport;
- apron services to 46 of these passenger and freighter airlines;
- passenger services to 40 of the 53 passenger airlines operating at Singapore Changi Airport;
- baggage handling services to 41 of these passenger airlines; and
- inflight catering services to 38 of these passenger airlines.

Our main airline client for each of our ground handling and inflight catering services is Singapore Airlines (including SilkAir). Our revenue received from Singapore Airlines (including SilkAir) represented 58.5% of our total revenue in the six-month period ended September 30, 1999 and 57.5% of our total revenue in the fiscal year ended March 31, 1999.
In the following table we have set forth our clients which accounted for 5% or more of our total revenue for each of the fiscal years in the three fiscal year period ended March 31, 1999 and in the six-month periods ended September 30, 1998 and 1999:

Our Major Clients

<table>
<thead>
<tr>
<th>Our Major Clients</th>
<th>Fiscal Year Ended March 31,</th>
<th>Six Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in millions, except for percentages)</td>
<td></td>
</tr>
<tr>
<td>Singapore Airlines (including SilkAir) . . .</td>
<td>S$387.0</td>
<td>56.6%</td>
</tr>
<tr>
<td>Qantas Airways . . .</td>
<td>45.5</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

We can provide our current and potential clients with a comprehensive package of services, which includes aircraft line maintenance and technical ground handling services provided by SIA Engineering, due to our relationship with Singapore Airlines and SIA Engineering. For more information regarding our comprehensive agreements with our clients, please see “— Our service fee arrangements” and “— Our relationship with Singapore Airlines.”

A significant number of airlines have become our clients because these airlines provide ground handling and inflight catering services to Singapore Airlines at other international airports through reciprocal agreements. For more information regarding reciprocal agreements, please see “— Our relationship with Singapore Airlines.”

We take an active approach towards marketing our services to our existing and potential airline clients. We are committed to providing a high quality of service to our airline clients and to continually improving our service standards for our airline clients in order to maintain our large client base. We work closely with our airline clients to meet their particular service standards and assist them in improving their operations by developing new value-added services and by tailoring our existing services to their specific needs. Our marketing staff remain in close contact with our airline clients to ensure that our ground handling and inflight catering personnel are responding to the service requirements of those clients. Furthermore, as our existing clients expand their flights to and from Singapore, we are able to increase the volume of services we provide to them.

We also actively market the full range of our ground handling and inflight catering services to airlines which are new operators at Singapore Changi Airport and, through our joint ventures, at the international airports at which our joint ventures operate. We closely monitor the granting of new landing rights by CAAS to international airlines at Singapore Changi Airport and by the relevant airport authorities at the international airports at which our joint ventures operate. When we learn that an airline will be granted landing rights at these airports, our marketing personnel contact that airline to introduce it to the full range of ground handling and inflight catering services we or our joint venture can provide at that airport.

Our staff training programs

Our staff are our primary asset and a crucial element in our ability to succeed in our business. To improve the quality and performance standards of our staff, we are committed to providing a high level of comprehensive training for all grades of our staff and emphasize development of our human resources in our operations. We believe our active training of our staff is one of the key reasons for the high quality of our service and the success of our business to date. Each staff member received an average of 29.5 hours of training and career development in the fiscal year ended March 31, 1999 and 17.5 hours of training and career development in the six-month period ended September 30, 1999.

We have established a training center, the SATS Training Center, to provide seminars, workshops and development courses. The SATS Training Center's primary objective is to ensure that our staff are equipped with the necessary technical and functional skills to perform their jobs effectively and efficiently.
and to provide quality service to our airline clients and their passengers and air freight consignees. Our training focuses on four main areas:

- development of technical and functional skills to prepare our newly-recruited staff to function effectively in their jobs and upgrading our existing staff to adapt to technical advancement and the changing needs and demands of our airline clients and their passengers;
- service quality training to instill the importance of high quality service in our staff;
- personal interaction skills training to train our staff in leadership and supervisory skills; and
- development training to prepare staff for further professional self-enhancement.

To effectively address the service needs of our airline clients, we must be proactive in anticipating the needs of our airline clients. We continuously adapt our training programs to remain abreast of changes in the needs of our airline clients and to provide up-to-date training of services requested by our airline clients. As part of our training program, we also conduct annual performance and other periodic reviews and assessments of each staff member, regardless of grade level.

We devote a significant amount of resources to training our staff. In the six-month period ended September 30, 1999, we expended S$3.3 million (US$1.9 million) for staff training programs. In the fiscal year ended March 31, 1999, this figure was S$4.5 million (US$2.6 million).

**Our service fee arrangements**

We bill all of our clients on a monthly basis and usually provide a 30 to 45-day credit period for our clients to pay. The following is a description of the fee arrangements for our various services.

**Ground handling services**

We currently charge the majority of our airline clients for our ground handling services on a comprehensive fee basis. The comprehensive fee covers the complete package of services required by the airline client, including:

- air freight handling services;
- baggage handling services;
- apron services;
- passenger services;
- aircraft interior cleaning; and
- cabin handling services.

For some airline clients, these comprehensive fees also cover aircraft line maintenance and technical ground handling services for their aircraft provided by SIA Engineering.

Our fees vary from airline to airline depending on the scope and nature of the services we provide to that client. For each client, the comprehensive rate charged for each type of flight handled is based on a standard rate for a unit service flight. We define a unit service flight as a Boeing 747 passenger flight in transit. The actual comprehensive rate for a flight will vary from the unit flight rate depending on:

- the type of aircraft;
- whether the flight is a passenger or freighter flight;
- the seat and cargo capacity and configuration of the aircraft;
- the range of services provided to the aircraft; and
• the nature of the flight — such as whether it is a turnaround flight (where there is a complete change of passenger, baggage and cargo loads) or a transit flight (where there is a partial change of passenger, baggage and cargo loads).

Historically, we charged only a small number of airlines for air freight handling services on a fee per tonne basis. As a result, the growth of our ground handling revenues have not been directly correlated to the growth in the tonnage amount of air freight throughput we handle. We have entered into new ground handling services agreements with our primary clients, Singapore Airlines and Silk Air, which alter the basis of our air freight charges from a comprehensive fee to a fee per tonne with effect from April 1, 2000. See “— Our relationship with Singapore Airlines — Ground handling and inflight catering agreements.” In addition, we intend to revise our billing arrangements, to the extent that we are able, to charge our airline clients for air freight handling services on a fee per tonne basis. Therefore, we expect that our ground handling revenues for air freight handling services in future periods will be more closely correlated to the air freight throughput we handle during those periods.

We charge additional fees for provision of individual passenger services, such as provision of apron transportation for crew and passengers, use of our airport lounges or provision of special assistance to passengers. We also charge additional fees for provision of extra air freight services, such as extended storage of air freight.

Inflight catering services

We charge our airline clients for inflight meals based on the cost of meals selected by the airline plus a margin. The price for a meal will vary depending on:

• whether the meal is prepared for first class, business class or economy class passengers;
• the type of meal — breakfast, lunch, dinner, supper, snack, refreshment or special meal;
• the airline’s specifications for the ingredients to be included in the meal and the size of the serving; and
• the labor required to produce the meal.

We supply dry items, liquor and beverages (including coffee, tea, and soft drinks) to airlines as required at cost plus a service fee. We also charge airlines to store their dining equipment, other equipment (such as headsets), amenities and dry stores.

Security services

Some of our comprehensive fee arrangements for our ground handling services include the provision of airline security services. Otherwise we charge an airline client for security services specifically requested by it separately.

Laundry services

Our inflight catering agreements include the provision of airline laundry services. Airline clients are charged separately for laundry services and the charge, which is on a per piece basis, varies depending on the items laundered.

Our purchasing policies and suppliers

Our main purchases are for food and raw materials for our inflight catering services. We also make purchases of machinery and equipment for our ground handling operations on a planned basis. In our inflight catering operations, we purchase a wide variety of foods — including fruit, vegetables, grains, dairy products, meat, fish and other seafood — and beverages — including bottled water, fruit juice, coffee, tea, soft drinks, beer and liquor. Generally, our main raw material purchases are dry items and confectionery, followed by seafood and meat.
We follow an open tender procedure for all of our purchases exceeding S$100,000 per year. We purchase items from a wide range of suppliers in Singapore, as well as directly from overseas suppliers. Currently, we are able to purchase each of our major items from various suppliers, except for one item — dry ice — which is only available from one supplier.

In the following table we have set forth the supplier that accounted for 5% or more of our food and raw material purchases for each of the fiscal years in the three fiscal year period ended March 31, 1999 and the six-month periods ended September 30, 1998 and 1999:

<table>
<thead>
<tr>
<th>Our Major Suppliers</th>
<th>Fiscal Year Ended March 31,</th>
<th>Six Months Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions, except for percentages)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sea Fresh Public Company Limited . . . .</td>
<td>S$5.6</td>
<td>S$6.0</td>
</tr>
</tbody>
</table>

During the periods set forth in the table above, Sea Fresh Public Company Limited, or Sea Fresh, supplied us with seafood. As of the date of this offering memorandum, we no longer purchase supplies from Sea Fresh.

Our competition

**Competition from within Singapore**

_Changi International Airport Services (CIAS)._ In Singapore, we compete with Changi International Airport Services Private Limited, or CIAS. CIAS holds the only other license granted by CAAS to provide ground handling services and inflight catering services at Singapore Changi Airport. At Singapore Changi Airport, CIAS operates one air freight terminal with an announced combined capacity of 450,000 tonnes and one inflight catering center with an announced meal production capacity of 16,000 meals per day. The total revenue of CIAS was S$142.9 million in the fiscal year ended December 31, 1998.

CIAS is a subsidiary of PSA Corporation Limited (previously known as the Port of Singapore Authority) which held, directly and indirectly, a total of 78.4% of the issued shares of CIAS as of December 31, 1998. PSA Corporation is a subsidiary of Temasek, our indirect controlling shareholder. The other shareholders of CIAS are Lufthansa German Airlines (held through its ground handling subsidiary, GlobeGround GmbH), Air France, China Airlines, KLM Royal Dutch Airlines and Garuda Indonesia Airlines.

CIAS provides ground handling and air freight handling services to most, but not all, of the passenger and freighter airlines that do not obtain ground handling and air freight handling services from us. CIAS provides inflight catering services to the 15 passenger airlines that do not purchase inflight catering services from us. Its largest inflight catering clients are its airline shareholders.

**Self-handling of passenger services by airlines.** Some individual airlines — such as Lufthansa German Airlines, Malaysia Airlines and Cathay Pacific Airways — self-handle their own passengers at Singapore Changi Airport. However, self-handling by these airlines tends to be limited to passenger services such as check-in services and is only feasible where an airline has sufficient flight and passenger volume through Singapore Changi Airport. These airlines tend to contract other passenger services and baggage handling to either us or CIAS.

Our revenue would be adversely affected if our larger passenger airline clients decide to self-handle their own passengers. However, we believe this is unlikely to be a serious competitive threat as few airlines are likely to undertake self-handling of their passengers given its relatively high costs.

**Competition from outside Singapore**

Our future business prospects are significantly dependent upon the continued success of Singapore Changi Airport as a regional and international hub and transit point in Southeast Asia. For more
information about Singapore Changi Airport, see “Annex C — Singapore Changi Airport” in this offering memorandum.

We expect that our business will continue to grow to the extent that the frequency of flights and the number of passengers arriving at, departing from and transiting through Singapore Changi Airport continues to increase. To the extent that airlines use other international airports in Asia as an alternative to using Singapore Changi Airport for passenger and air freight flights, our revenue and results of operations may be adversely affected.

**Competition for air freight handling services.** We face competition from air freight handlers at other leading international airports in Asia, particularly at Hong Kong International Airport and Bangkok International Airport, if these other Asian airports become transhipment hubs for air freight in competition to Singapore.

Singapore Changi Airport is a transhipment hub for air freight because it is located in a free trade zone and it experiences high flight frequency to multiple destinations, particularly in Asia. Transhipment of air freight comprises a significant proportion of our total air freight handling. For example, during the six-month period ended September 30, 1999, transhipment of air freight comprised 39% of our total air freight handling services.

**Competition for inflight catering.** We also face limited competition from inflight caterers at other airports because passenger airlines can “double up-lift” inflight meals for transit and short-haul flights. The “double up-lifting” of inflight meals involves the purchase of inflight meals by a passenger airline for two flight sectors — the flight to Singapore and the flight from Singapore — from another airport without needing to purchase any inflight meals from us at Singapore Changi Airport. The ability of passenger airlines to double up-lift from other international airports in Southeast Asia poses significant competition for our inflight catering operations. The viability of double up-lifting depends on a number of factors including:

- the length of the flights involved (with relatively short flights posing the most competition);
- the transit time of the passenger flight in Singapore;
- the quality and cost of inflight catering at other airports relative to Singapore Changi Airport;
- the quality standards of the airline; and
- the storage space for meals and beverages on the aircraft.

**Competition to our international expansion and joint ventures**

One of the key components of our business strategy is the expansion of our operations overseas through joint ventures and acquisitions. When expanding our operations internationally, we face competition from major international ground handling operators, such as GlobeGround GmbH — which is a subsidiary of Lufthansa German Airlines — and Swissport International AG — which is a subsidiary of the Swissair group, and inflight catering operators, such as LSG Sky Chefs — which is a subsidiary of Lufthansa German Airlines — and Gate Gourmet International AG — which is a subsidiary of the Swissair group. Over the past few years, the ground handling and inflight catering services markets in the United States and Europe has experienced significant consolidation and concentration. The international airlines have tended to focus on their core business and have sold many of their ground handling and inflight catering operators to the main international operators. In addition, some of the independent and medium-sized ground handling and inflight catering operators, such as Dobbs International Services, Inc., Dyn Air Services, Inc. and Hudson General LLC, have been acquired by their leading competitors. As a result of this recent consolidation and concentration in the international ground handling and inflight catering markets, there are currently relatively few large ground handling and inflight catering providers that operate internationally. These operators have greater financial resources than us and could present significant competition to our existing and potential joint ventures or acquisitions. The level of competition that the large international operators pose to our existing or future joint ventures or acquired companies
will depend on a variety of factors, including the local characteristics of the markets in which those joint ventures and acquired companies operate.

**Our relationship with Singapore Airlines**

Singapore Airlines (including SilkAir) is our largest airline client. As Singapore Changi Airport is the operating hub for Singapore Airlines and SilkAir, we provide specialized services to these two clients that we do not provide to our other airline clients. Since Singapore Airlines is our largest client, we continually seek to ensure that we are addressing the ground handling and inflight catering needs of Singapore Airlines. We are committed to providing a high quality of service to Singapore Airlines. We work closely with Singapore Airlines representatives to meet and address their particular service standards and assist them in improving their operations by developing new value-added services and by tailoring our existing services to their specific needs.

Following the offerings, Singapore Airlines will continue to control the majority of our issued ordinary shares. We expect that Singapore Airlines will continue to obtain services from us and will continue to be our largest airline client.

**Ground handling and inflight catering agreements**

We have comprehensive agreements with each of Singapore Airlines and SilkAir for the provision of ground handling, inflight catering, laundry and security services.

**Singapore Airlines**

**Ground handling agreement.** We are parties to an agreement, based on the 1998 International Air Transport Association, or IATA, standard ground handling agreement, with Singapore Airlines for the provision of ground handling services. This agreement is effective for an initial period of ten years from October 1, 1999 and, after the initial ten-year term, will continue in effect unless terminated by either party upon giving six months prior written notice. The agreement may also be terminated by either party upon the occurrence of specified events, such as termination of Singapore Airline’s authorization to conduct air transportation services, termination of our authorization to provide ground handling services or insolvency, bankruptcy or liquidation of either party or if a party breaches the agreement and such breach is not remedied within six months.

The services we provide and the rates we charge for these services under this ground handling agreement are specified in annexes to the agreement. We have agreed to provide Singapore Airlines with the following ground handling services:

- air freight handling services;
- apron services;
- passenger services;
- baggage services;
- dedicated Singapore Airlines services including management of Singapore Airlines’ control center at Singapore Changi Airport, special types of check-in services and staffing of service counters;
- security services; and
- ancillary services.

The agreement provides that we will provide ground handling services to Singapore Airlines’ scheduled flights at Singapore Changi Airport and to their unscheduled flights, provided that reasonable prior notice of the flight is given to us. We agree to take all reasonable steps to ensure that Singapore Airlines receives treatment no less favorable than we provide to other airlines. This agreement also provides that we will provide all reasonable special assistance to safeguard the property and interests of
Singapore Airlines in the case of emergency situations and Singapore Airlines will reimburse us for the costs incurred by us in providing special assistance.

The agreement provides that we will bill Singapore Airlines on a monthly basis and they must pay each invoice within 45 days from the month of invoicing. The agreement provides for specified rates for apron services, passenger services, security services and dedicated Singapore Airlines services which will be effective until March 31, 2000 when the rates will be adjusted upwards on a pre-determined market based formula. We charge Singapore Airlines for air freight handling services on a per tonne basis with effect from April 1, 2000. The agreement includes a rate adjustment clause which provides for annual rate increases in accordance with specified formulas taking into account rate increases in our ground handling fees for our ten largest non-affiliated airline clients (less a volume discount). The agreement provides that Singapore Airlines’ service standards and performance targets will form part of the agreement with effect from April 1, 2000. We do not expect that the revenue we earn from Singapore Airlines under the new agreement will be significantly different in the initial fiscal period beginning April 1, 2000 from our prior agreement.

The agreement provides that we are not liable for any loss or damage suffered by Singapore Airlines unless caused by our willful misconduct. The agreement also provides that we are not liable for any loss or damage suffered by any third party unless caused by our willful misconduct and Singapore Airlines agrees to indemnify us against all such claims and losses.

**Inflight catering services agreement.** We are parties to an agreement with Singapore Airlines for the provision of inflight catering services. This agreement is effective for an initial period of ten years from October 1, 1999 and, after the initial ten-year term, will continue in effect unless terminated by either party upon giving 60 days prior notice. The agreement may also be terminated upon the occurrence of specified events, such as termination of Singapore Airline’s authorization to conduct air transportation services, termination of our authorization to provide inflight catering services or insolvency, bankruptcy or liquidation of either party or if a party breaches the agreement and such breach is not remedied within six months.

The services we provide and the rates we charge for these services under this inflight catering agreement are specified in annexes to the agreement. We have agreed to provide Singapore Airlines with the following inflight catering services:

- inflight meals;
- supply of special stores and dry stores;
- replenishment of Singapore Airlines’ bar carts, magazines, drystores and amenities;
- cabin handling services;
- aircraft interior cleaning services;
- purchasing of supplies on behalf of Singapore Airlines; and
- ancillary services.

The agreement provides that we will bill Singapore Airlines on a monthly basis and they must pay each invoice within 45 days from the month of invoicing. The agreement provides for specified rates for cabin handling charges, aircraft interior cleaning charges and catering charges which will be effective until March 31, 2001 when the rates will be adjusted on a pre-determined market based formula. These specified rates are not materially different from the rates we charged Singapore Airlines for these services under our prior agreement with Singapore Airlines which was replaced on October 1, 1999. The agreement includes a rate adjustment clause which provides for annual rate increases in accordance with specified formulas. The agreement includes a rate adjustment clause which provides for annual rate increases in accordance with specified formulas taking into account rate increases in our fees for our ten largest non-affiliated airline clients (less a volume discount). The agreement provides that cabin handling charges and
catering charges will be reduced for a flight where flight delays are caused by inflight catering delays attributable to us or our inflight meals do not meet required standards.

We are also party to an agreement with Singapore Airlines for the provision of meals and dry stores to the Silver Kris Lounge in Singapore Changi Airport. This agreement is effective from October 1, 1999 and may be terminated by either party upon giving three month’s prior written notice. This agreement specifies catering charges until September 30, 2009.

**Laundry services agreement.** Singapore Airlines is also a party to an agreement with Aero Laundry and Linen Services for the provision of airline laundry services which is effective for an initial period of ten years from October 1, 1999 and, after the initial ten-year term, will continue in effect unless terminated by either party upon giving 60 days prior written notice. The agreement may also be terminated upon the occurrence of specified events, such as termination of Singapore Airlines’ authorization to conduct air transportation services, termination of Aero Linen and Laundry Services’ authorization to provide laundry services or insolvency, bankruptcy or liquidation of either party or if either party breaches the agreement and such breach is not remedied within three months.

For more information regarding our relationship with Singapore Airlines, you should see “Our Relationship with Singapore Airlines and Its Affiliates.”

**SilkAir**

In February 2000, we entered into a new comprehensive ground handling and inflight catering agreement, based on the 1998 IATA standard ground handling agreement, with SilkAir. The rates we charge for these services are specified in annexes to the agreement, which are reviewed annually. The latest agreed annex provides that the agreement is effective for an initial period of ten years from April 1, 2000 and, after the initial ten-year term, will continue in effect unless terminated by either party upon giving six months prior written notice. This agreement may also be terminated upon the occurrence of specified events, such as termination of the airline’s authorization to conduct air transportation services or termination of our authorization to provide airport terminal services, insolvency, bankruptcy or liquidation of either party or if a party breaches the agreement and such breach is not remedied within six months.

We have an agreement to provide SilkAir with the following services:

- air freight handling services;
- apron services;
- passenger services;
- baggage services;
- inflight catering meals and services;
- security services; and
- ancillary services.

The agreement provides that we bill SilkAir on a monthly basis and they must pay each invoice within 30 days of receipt of the invoice. The agreement provides for specified rates for a package of services, including apron services, passenger services, cabin handling charges, aircraft interior cleaning charges, catering charges, and security services, depending on aircraft type used for each flight. We charge SilkAir for air freight handling services on a per tonne basis. The agreement includes a rate adjustment clause which provides for annual rate increases in accordance with specified formulas taking into account rate increases in our fees for our ten largest non-affiliated airline clients (less a volume discount). The agreement provides that SilkAir’s service standards and performance targets will form part of the agreement with effect from April 1, 2000.

For more information regarding relationship with SilkAir, you should see the section of this offering memorandum entitled “Our Relationship with Singapore Airlines and Its Affiliates.”
Reciprocal arrangements with other airlines

Our relationship with Singapore Airlines has a significant impact on our business. Since we have been a wholly-owned subsidiary of Singapore Airlines prior to the offerings, Singapore Airlines’ relationships with other airlines and, in particular, their controlled ground handling and inflight catering services providers at international airports outside Singapore, has influenced the framework through which we have negotiated our ground handling and inflight catering services agreements with some of these airlines. Reciprocal arrangements arise where Singapore Airlines reaches agreement with another airline for the provision of ground handling and inflight catering services by that airline to Singapore Airlines at an international airport where the other airline (through its affiliated service providers) sells these services — usually that airline’s main hub — and, in return, the other airline enters into ground handling and inflight catering agreements with us to provide services to that airline’s flights arriving at, departing from or transiting through Singapore Changi Airport. Reciprocal arrangements usually also involve the provision of aircraft line maintenance and technical ground handling services by SIA Engineering. We believe reciprocity is a standard practice in the airline industry.

Our revenue earned through reciprocal arrangements accounted for 29.2% of our total revenue in the six-month period ended September 30, 1999 and 30.0% of our total revenue in the fiscal year ended March 31, 1999.

When we negotiate reciprocal arrangements, we typically negotiate jointly with representatives of Singapore Airlines and SIA Engineering to develop a comprehensive package of ground handling, inflight catering, aircraft line maintenance and technical ground handling services and the rates and terms of these services for each airline client. The reciprocal arrangements with us cover an overall package of services, which vary from airline to airline. Reciprocal arrangements take into account cost factors affecting each of Singapore Airlines, SIA Engineering and us. Although, in some cases, our agreement to participate in the reciprocal arrangement process has resulted in somewhat lower service fees than we may have been able to provide for in our service contracts if we had negotiated these service contracts on our own, we believe that these reciprocal arrangements have benefited us overall by giving rise to new business opportunities and clients and assisting us in retaining existing clients in response to competition.

Our reciprocal arrangements will remain in effect following completion of the offerings and we expect that, in the future, reciprocal arrangements will continue to account for a significant proportion of our total revenue. Further, since we will continue to be controlled by Singapore Airlines after the offerings, we expect to continue to retain these existing reciprocal agreements and enter into new reciprocal arrangements in the future.

Our existing reciprocal arrangements may affect our business strategy in the future. Our ability to expand our joint venture operations or enter into new joint ventures or acquire operators at other international airports may be limited if Singapore Airlines has a reciprocal agreement with the primary airline operating at that airport for the provision of ground handling and inflight catering services at that airport.

Our other material contracts

CAAS license agreements

We are parties to four license agreements with CAAS. These license agreements entitle us to provide passenger services, apron services, inflight catering services, aircraft interior cleaning and air freight handling services, on a non-exclusive basis, at Singapore Changi Airport. Each license agreement covers a three-year period from July 1, 1999 to June 30, 2002.

Under our license agreements with CAAS, we are required to pay CAAS license fees equal to a percentage of the gross revenue we earn from providing each of these services, except that we pay CAAS a fixed annual license fee for passenger services. In the six-month period ended September 30, 1999, we paid CAAS license fees totaling S$27.7 million (US$16.3 million) and, in the fiscal year ended March 31, 1999, we paid CAAS license fees totaling S$53.2 million (US$31.3 million). As a percentage of our
CAAS has the right to terminate our licenses if we breach the terms of these licenses and these breaches are not remedied within specified time periods. Further, CAAS may terminate each of these agreements upon giving us three months prior notice if they determine that our breaches cannot be remedied. These agreements require us to indemnify CAAS for any losses or damage to CAAS arising from our provision of services.

The license agreements provide that we are required to pay CAAS liquidated damages if we do not meet performance standards for the provision of services specified by CAAS. We are in compliance with the CAAS performance standards and have never been required to pay any liquidated damages to CAAS for failure to comply with the specified performance standards.

We are currently negotiating with CAAS to extend the terms of our license agreements for periods longer than three years.

We believe that our relationship with CAAS is good.

Lease agreements

We lease land at Singapore Changi Airport from CAAS and the Singapore government for all of our air freight terminals and inflight catering centers with the exception of the land on which SICC 2 is located which we lease from Jurong Town Corporation, which is a Singapore government-owned corporate entity. Our land leases with CAAS and the Singapore government have terms ranging from 46 to 60 years and include provisions for the revision of rental amounts every ten years. However, these increases are subject to a maximum increase of 50% of the annual rental payable for the preceding ten year period. Our land lease from Jurong Town Corporation has a 30 year term and may be renewed by us for a further 30 years. We also lease facilities and fixtures in Passenger Terminals 1 and 2 at Singapore Changi Airport — such as check-in counters and check-in computer systems, office space and lounge space — from CAAS.

We have granted licenses to DHL and TNT Express Worldwide to use the facilities at ECC 1 for the handling of express and courier air freight. These licenses continue indefinitely until terminated by either party upon giving four months written notice. DHL’s license to use ECC 1 will be terminated when DHL is licensed to use ECC 2 upon its completion.

Ground handling and inflight catering agreements

We are parties to various ground handling agreements with each of our airline clients. These agreements are usually in standard form — either based on an IATA standard ground handling agreement or, where our airline client is not a member of IATA, based on our own standard ground handling agreement or the airline’s own agreement. Generally, these agreements have an indefinite term but may be terminated by either party upon giving 60 days prior notice or upon the occurrence of specified events, such as termination of the airline’s authorization to conduct air transportation services, termination of our authorization to provide ground handling and inflight catering services or insolvency, bankruptcy or liquidation of either party. These agreements also typically provide for a comprehensive rate covering the provision of apron services, passenger and baggage handling and air freight handling services and separate rates covering the provision of inflight catering services, cabin handling services, aircraft interior cleaning, security services and laundry services (to the extent requested by the airline client). Under some of these agreements, Singapore Airlines has entered into the contract directly with the airline client and has delegated the service provision responsibilities to us.

The services we provide and the rates we charge for these services under these ground handling and inflight catering agreements are specified in annexes to these agreements. These annexes are updated and amended from time to time by mutual agreement between us and our airline client. These ground handling and inflight catering agreements may cover all the services we provide to the client or we may have
separate agreements with the client for each of the specific services we provide, such as inflight catering or security. These agreements may also encompass services provided by Singapore Airlines or SIA Engineering. The rates we charge for these services are revised either:

- in accordance with the terms of the agreement if the agreement specifies a procedure for rate revisions; or
- if the terms of the agreement do not specify a procedure for rate revisions, annually if we consider that market conditions and prevailing costs warrant an adjustment of the rates or if requested by our airline client.

Our employees

We employ full-time employees and part-time employees and engage contract workers. Since we run our operations at Singapore Changi Airport twenty-four hours each day, most of our employees work in shifts.

As of September 30, 1999, we had 8,668 full-time employees, of which:

- 5,082 were engaged in our ground handling operations;
- 2,710 were engaged in our inflight catering operations;
- 112 were engaged in our laundry services; and
- 764 were engaged in our security services.

As of September 30, 1999, we had approximately 180 part-time employees.

As of September 30, 1999, we also engaged approximately 998 contract workers, of which:

- 191 were engaged in our ground handling operations;
- 767 were engaged in our inflight catering operations; and
- 40 were engaged in our laundry services.

The number of contract workers we employ tends to fluctuate according to seasonal demands. December to January and June to July are peak periods for passenger airline travel and air freight movement.

Apart from our staff in the Auxiliary Police Force, our operational staff are members of the Singapore Airport Terminal Services Workers' Union, or SATSWU, and our administrative staff are members of the Air-Transport Executive Staff Union, or AESU. As of September 30, 1999, 7,741, or approximately 87%, of our staff were represented by SATSWU and 166, or approximately 2%, of our staff were represented by AESU.

We are party to a Collective Agreement, dated February 11, 1998, with SATSWU which governs the salary, terms and conditions of employment for our operational staff for a three-year period from July 1, 1997 to June 30, 2000. We are also party to a Collective Agreement with AESU dated January 5, 2000 which governs the salary, terms and conditions of employment for our administrative staff for the three-year period from November 1, 1999 to October 31, 2002.

We have entered into profit sharing agreements with SATSWU and AESU covering the payment of annual service increments for the fiscal years from 1998 to 2000 (for SATSWU) and the fiscal years from 1999 to 2001 (for AESU), and profit sharing bonuses for the fiscal years from 1999 to 2001 (for SATSWU and AESU). These agreements provide for an annual service increment based on a fixed amount plus productivity improvements of the Singapore Airlines group and a bonus based on profit after tax and return on shareholders' equity for the group as a whole. We have extended the terms of these profit sharing agreements to our managerial staff even though they are not members of SATSWU or AESU. Upon renewal of this profit sharing agreement, we anticipate that the annual service increment will be based on our productivity improvements only and the bonus will be based on our profit after tax and
return on shareholders’ equity only. For each of the fiscal years ended March 31, 1997, March 31, 1998 and March 31, 1999, our aggregate payments under these profit sharing arrangements generally amounted to approximately three months’ salary for each of our employees.

We provide a number of other benefits to our employees, including staff loans, subsidized insurance and medical and dental treatment.

One of the main fringe benefits we provide to our employees is subsidized travel on Singapore Airlines. Our employees are entitled to travel on Singapore Airlines free of cost to any destination once a year either on a firm booking basis or subject to seat availability, depending on the employee’s date of employment. Depending on the employee’s date of employment, our employees are also entitled to travel on Singapore Airlines on a concessional basis, subject to seat availability. Our employees’ spouses and dependent children are also entitled to travel on Singapore Airlines on a concessional basis in certain circumstances, subject to seat availability. For the six-month period ended September 30, 1999, we paid Singapore Airlines S$5.5 million for airline travel benefits used by our employees and, in the fiscal year ended March 31, 1999, we paid Singapore Airlines S$8.1 million for airline travel benefits used by our employees.

As required by Singapore law, we make contributions on behalf of our employees to the Central Provident Fund, a public retirement fund operated by the Singapore government. Singapore Airlines operates its own provident fund. If 10% of an employee’s basic salary exceeds our contribution to the CPF, the employee is entitled to become a member of the Singapore Airlines provident fund. Once an employee has become a member, we will contribute the difference between the CPF contribution and 10% of the employee’s basic salary to the Singapore Airlines provident fund for the benefit of the employee. Due cognizance has been taken of the recent CPF cut and our contribution to the Singapore Airlines provident fund has been adjusted accordingly. We do not provide any other pension or retirement allowance or plan.

We have not experienced any strikes or labor disruptions and we consider our relations with our employees to be good.

Our insurance

We are insured under the umbrella insurance policies of Singapore Airlines, which include the following coverage:

- aircraft hull all risk and comprehensive liability coverage of up to US$2.0 billion for any one occurrence but limited to US$2.0 billion in the aggregate for product liability;
- comprehensive liability covering non-aviation property up to S$1.3 billion and liability arising from non-aviation operations up to S$200 million;
- personal accident coverage;
- workmen’s compensation coverage of up to S$20 million;
- directors’ and officers’ liability coverage of up to S$50 million; and
- motor collision and liability coverage.

The portion of the premiums or the insurance coverage listed above paid by us and each of the other affiliates of Singapore Airlines is determined annually under a formula which takes into account each company’s revenue during the prior fiscal year in comparison to the revenue of Singapore Airlines and its other affiliated companies. We believe that these coverages are adequate to insure against the various liability risks of our business.

Environmental matters

Our air freight operations, inflight catering operations and ground handling operations raise environmental considerations. Our air freight terminals and inflight catering centers at Singapore Changi
Airport are certified to comply with ISO 14001 standards which set forth international standards in the use of precious resources and the management of waste materials.

We are subject to various applicable environmental laws in Singapore, which include the:

- Environmental Public Health Act — which imposes stringent health and cleanliness requirements for our buildings;
- Environmental Pollution Control Act — which imposes stringent requirements in relation to the control of noise and hazardous substances;
- Sale of Food Act — which imposes certain standards for the preparation and sale of our inflight meals; and
- Factories Act — which requires us to ensure the health, safety and welfare of persons employed at our facilities.

Representatives of the Singapore Ministry of Environment visit our facilities from time to time to confirm adherence to applicable environmental standards. We believe we are in material compliance with all applicable Singapore environmental rules and regulations. However, it is possible that the Singapore Ministry of Environment will impose additional regulations which would require us to expend additional funds on environmental matters.

**Licensing and trademarks**

We require, and have obtained, a number of licenses relating to our business, the most important of which have been granted by CAAS. These licenses are granted for periods of three years and may be renewed. See “— Our other material contracts.”

We use a number of trademarks in our business, all of which are owned by Singapore Airlines and have been registered with the Singapore Registry of Trademarks and Patents by them. We are a party to a right of use agreement dated March 24, 2000 with Singapore Airlines under which Singapore Airlines has granted us a non-exclusive license to use the Singapore Airlines logo and name for an initial period of ten years from the date of the agreement and, after the initial ten-year term, will continue in effect unless Singapore Airlines terminates the agreement upon giving six months prior written notice, at any time when it holds 50% or less of the issued shares of SATS. We will pay a nominal amount to Singapore Airlines under the right of use agreement for use of this logo and name.

**Litigation**

We are not a party to any material legal proceedings.
Our Board of Directors

Our Board of Directors is responsible for the management of SATS and our subsidiaries. Our Articles of Association provide that our Board of Directors will consist of not less than two and not more than twelve directors. The current members of our Board of Directors are as follows:

<table>
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<tr>
<th>Name</th>
<th>Age</th>
<th>Address</th>
<th>Position</th>
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<tr>
<td>Dr. Cheong Choong Kong</td>
<td>58</td>
<td>10 Maryland Drive</td>
<td>Chairman</td>
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<td></td>
<td>Singapore 277506</td>
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<tr>
<td>Mr. Tan Jiak Ngee, Michael</td>
<td>58</td>
<td>44 MacKerrow Road</td>
<td>Deputy Chairman</td>
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<td></td>
<td>Singapore 358627</td>
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<tr>
<td>Mr. Chew Choon Seng</td>
<td>53</td>
<td>45 Sian Tuan Avenue</td>
<td>Director</td>
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<td></td>
<td>Singapore 588319</td>
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<tr>
<td>Mr. Barry Desker</td>
<td>53</td>
<td>357C Holland Road</td>
<td>Director</td>
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<td></td>
<td>Singapore 278633</td>
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<tr>
<td>Mr. Richard Charles Helfer</td>
<td>49</td>
<td>77 Emerald Hill Road</td>
<td>Director</td>
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<td>Singapore 229353</td>
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<td>Dr. Hong Hai</td>
<td>56</td>
<td>18 Oriole Crescent</td>
<td>Director</td>
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<td></td>
<td>Singapore 288611</td>
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<tr>
<td>Mr. Ng Kee Choe</td>
<td>55</td>
<td>9 Wiltshire Road</td>
<td>Director</td>
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<td>Singapore 466385</td>
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Biographical information

**Dr. Cheong Choong Kong** joined Singapore Airlines in 1974 and served in Personnel, Marketing, Planning and Information Technology before becoming Managing Director in 1984, and Deputy Chairman and Chief Executive Officer of Singapore Airlines in August 1996. Dr. Cheong studied in Australia as a Colombo Plan scholar and earned a Bachelor of Science (First Class Honors in Mathematics) from the University of Adelaide and a Master of Science degree and a Ph.D. in Statistics from the Australian National University in Canberra. He was an Associate Professor at the University of Malaya (1968 to 1974), and was Chairman of the Singapore Broadcasting Corporation, and its successor, the Singapore International Media, from July 1989 to September 1995. Dr. Cheong is on the Board of Governors of the Singapore International Foundation. He is Vice Chairman of the Singapore-United States Business Council and a member of the Advisory Council of the Asia-Australia Institute. In addition, Dr. Cheong is the Chairman of SATS, SIA Engineering Company and ABACUS International Pte Ltd. Dr. Cheong is also a director of Singapore Press Holdings Limited and Oversea-Chinese Banking Corporation Limited.

**Mr. Tan Jiak Ngee, Michael** joined Malayan Airways Ltd, the predecessor of Singapore Airlines, in 1960 and served as Country Manager in the Philippines, Hong Kong, Malaysia, Japan, Taiwan and Thailand. On his return to Singapore in 1971, he was in charge of Commercial Planning and in 1973 was appointed the system-wide Passenger Sales Manager. He was promoted to Assistant Director of Marketing in 1976, Director of Marketing in 1978, Commercial Director in July 1983 and Deputy Managing Director (Commercial) in 1988. He is responsible for Singapore Airlines’ passenger and cargo marketing and cabin crew. Mr. Tan was re-titled Executive Vice President Commercial in July 1998. Mr. Tan is the Deputy Chairman of SATS and the Chairman of SATS Airport Services.

**Mr. Chew Choon Seng** graduated with a degree in Mechanical Engineering from the University of Singapore and holds a Master’s Degree in Management Studies from Imperial College, University of London. He joined Singapore Airlines as Assistant Manager Japan, based in Tokyo, in 1972 and was posted to Rome as Manager Italy in 1973. He returned to Singapore as Market Planning Manager in 1975. In 1978, he was posted to Sydney as Regional Director South West Pacific. In 1980, Mr. Chew assumed the post of Assistant Director of Marketing in Singapore. He was promoted to Director of Planning and concurrently held the post of Regional Director North Asia from 1981 to 1983. He became
Director of Marketing in 1983 and was subsequently posted to Los Angeles and London before returning to Singapore to serve as Director of Finance and Administration. He was promoted to Deputy Managing Director (Administration), Head Office (concurrent with Director of Finance and Administration) in April 1996. Mr. Chew was re-titled Executive Vice President Administration in July 1998. Mr. Chew is the Chairman of SilkAir, SATS Catering, Singapore MRT Ltd, Singapore LRT Ltd and International Development & Consultancy Corporation Pte Ltd.

Mr. Barry Desker, a President’s Scholar, graduated from the University of Singapore with a Bachelor of Arts (First Class Honors in History) degree and obtained his Master’s Degree from the University of London. He joined the Singapore Administrative Service and served as Counsellor at the Singapore Embassy in Jakarta, Singapore’s Deputy Permanent Representative to the United Nations in New York and Director of the Policy Planning and Analysis Division of the Ministry of Foreign Affairs. He was Singapore’s Ambassador to Indonesia from November 1986 to December 1993. Mr. Desker is currently the Chief Executive Officer of the Trade Development Board, having been appointed to the position in January 1994. Mr. Desker is the Chairman of TDB Holdings (Pte) Ltd and Singapore Network Services Pte Ltd.

Mr. Richard Charles Helfer graduated with a Bachelor of Arts (Honors) degree in Hotel and Restaurant Management from the Michigan State University and started his career with Westin Hotels & Resorts. In 1989 he joined the DBS Land Group where he was responsible for the overall management of the Hotel Division. Among the major projects he spearheaded was the conceptualization and redevelopment of Raffles Hotel. He also led the successful listing of Raffles Holdings Limited. Mr. Helfer currently leads the development and management of the Raffles Holdings’ hotels and resorts marketed under the Raffles brand of luxury hotels and resorts and the Merchant Court brand of modern business hotels. Mr. Helfer is involved in service to the community and serves as a director of the Preservation of Monuments Board, Singapore Hotel Association, Singapore Trade Development Board’s Franchise and Brand Committee, and as Chairman of the Advisory Council of the Institute of Productivity Studies.

Dr. Hong Hai graduated with a First Class Honors degree in Engineering from the University of Canterbury. He obtained a Masters degree in Public Administration from Harvard University and a Ph.D. in Economics from the Carnegie-Mellon University. Dr. Hong’s past appointments include Chairman of Pidemco Land (1989 to 1996), Director of Singapore Telecommunications (1986 to 1999), Group General Manager of Wearne Brothers (1981 to 1986), Managing Director of Applied Research Corporation (1979 to 1981) and Member of Parliament. He also served as Chairman on government parliamentary committees and as a member of various statutory boards. Dr. Hong serves as Deputy Chairman of the Singapore-Sichuan Trade and Investment Committee and Chairman of the Economics Committee of the Singapore Chinese Chamber of Commerce and Industry. Dr. Hong is currently the President & Chief Executive Officer of Haw Par Corporation Limited, having served in this appointment since 1990. His other current appointments include President & Chief Executive Officer of Haw Par Healthcare Limited and director of IDT Holdings (Singapore) Limited.

Mr. Ng Kee Choe graduated with a Bachelor of Science (Honors) degree from the University of Singapore. He joined the Singapore Administrative Service in 1967 and the Development Bank of Singapore in 1970. Mr. Ng is on the Board of Governors of the Singapore International Foundation and the Vice Chairman of the Institute of Banking and Finance. Mr. Ng is currently the President and Chief Operating Officer of the Development Bank of Singapore Ltd. He is also the Chairman of the Insurance Corporation of Singapore Ltd and is a director of various companies including DBS Group Holdings Ltd, the Development Bank of Singapore Ltd, Asean Finance Corporation Limited, Singapore Technologies Engineering Ltd, Singapore-Bintan Resort Holdings Pte Ltd and Southern Africa Investments Pte Ltd.
Audit Committee

Our Board of Directors has established an Audit Committee comprised of Mr. Ng Kee Choe (Chairman), Dr. Hong Hai and Mr. Tan Jiak Ngee, Michael. Our Audit Committee is responsible for reviewing:

- our financial and operating results and accounting policies;
- our financial statements and the consolidated financial statements of our subsidiaries before their submission to the full Board of Directors and the external auditors’ report on those financial statements;
- the cooperation given by our management to our internal and external auditors;
- our external audit plans and the results of our external auditors’ examination and evaluation of our internal accounting control system;
- the scope and objectives of our internal audit procedures;
- the re-appointment of our external auditors; and
- transactions with parties related to us, including companies controlled by Singapore Airlines.

Our executive officers

Our day-to-day operations are entrusted to a team of executive officers. Our executive officers are:

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<th>Name</th>
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<th>Position</th>
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<tbody>
<tr>
<td>Mr. Prushuathamun Nadaisan</td>
<td>49</td>
<td>32 Jansen Road Singapore 548435</td>
<td>Chief Executive Officer — Singapore Airport Terminal Services Limited</td>
</tr>
<tr>
<td>Mr. Karmjit Singh</td>
<td>52</td>
<td>56 Watten Heights Singapore 287483</td>
<td>Chief Executive — SATS Airport Services Pte Ltd</td>
</tr>
<tr>
<td>Mr. Chew Khiam Soon, Joseph</td>
<td>56</td>
<td>17 Mount Echo Park Singapore 248781</td>
<td>Chief Executive — SATS Catering Pte Ltd</td>
</tr>
<tr>
<td>Mr. Tan Wah Liang, Paul</td>
<td>46</td>
<td>123 Kew Crescent Singapore 466163</td>
<td>Senior Vice President (Apron/Passenger Services)</td>
</tr>
<tr>
<td>Mr. Leong Kok Hong</td>
<td>49</td>
<td>18 Kew Avenue Singapore 466297</td>
<td>Senior Vice President (Cargo)</td>
</tr>
<tr>
<td>Mr. Tan Chuan Lye</td>
<td>50</td>
<td>Block 2A #03-05 Boon Tiong Road Singapore 164002</td>
<td>Senior Vice President (Catering)</td>
</tr>
<tr>
<td>Mr. Lim Kei Hin</td>
<td>42</td>
<td>Block 153A #18-1163 Lorong 1 Toa Payoh Singapore 311153</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Mr. Lee Kwee Seng</td>
<td>56</td>
<td>3 First Avenue Singapore 268737</td>
<td>Vice President (Administration and Production — SATS Inflight Catering Center 1)</td>
</tr>
<tr>
<td>Mr. Leo Eng Sai, David</td>
<td>51</td>
<td>4 Frankel Street Singapore 458045</td>
<td>Vice President (Terminal 1)</td>
</tr>
<tr>
<td>Mr. Yeo Yoon Choo</td>
<td>47</td>
<td>32 Bedok Lane Singapore 469787</td>
<td>Vice President (Business Planning and Development)</td>
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<tr>
<td>Mr. Richard Gomez</td>
<td>60</td>
<td>43 Windsor Park Road Singapore 574147</td>
<td>Vice President (Personnel)</td>
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<tr>
<td>Name</td>
<td>Age</td>
<td>Address</td>
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<tr>
<td>Mr. Tan Kok Lang</td>
<td>58</td>
<td>21 Thomson Hill</td>
<td>Vice President (Production — SATS Inflight Catering Center 2)</td>
</tr>
<tr>
<td>Mr. Teo Chong Tee</td>
<td>57</td>
<td>25 Pasir Ris Heights</td>
<td>Vice President (Cargo)</td>
</tr>
<tr>
<td>Mr. Ee Tiang Hwee</td>
<td>44</td>
<td>Block 133, Nouvelle Park #04-03 Poh Huat Road West Singapore 546685</td>
<td>Vice President (Terminal 2)</td>
</tr>
<tr>
<td>Mr. Silva Kandiah</td>
<td>49</td>
<td>Block 10R #03-80 Braddel Hill</td>
<td>General Manager (SATS Security Services)</td>
</tr>
<tr>
<td>Mr. Wong See Heng</td>
<td>44</td>
<td>1 Youngberg Terrace #07-06 Avon Park #03-80 Braddel Hill Singapore 579735</td>
<td>General Manager (Aero Laundry and Linen Services)</td>
</tr>
</tbody>
</table>

**Biographical information**

**Mr. Prushuathamun Nadaisan** graduated from the University of Singapore with a Bachelor of Science (Honors) degree. Mr. Nadaisan, who joined SATS in 1976, has served as Assistant General Manager Computer Systems and Planning of SATS and as Assistant Director of Personnel of Singapore Airlines. He is the Chief Executive Officer of Singapore Airport Terminal Services Limited.

**Mr. Karmjit Singh** graduated from the University of Singapore with a Bachelor of Arts (Honors) degree, majoring in Geography. Mr. Singh joined Singapore Airlines in June 1974 and was transferred to SATS in July 1998. He is the Chief Executive of SATS Airport Services. Mr. Singh is the Deputy Chairman of Asia Airfreight Terminal and is a director of Asia-Pacific Star Pte Ltd and SATS Airport Services.

**Mr. Chew Khiam Soon, Joseph** graduated from the University of Singapore with a Bachelor of Arts (Honors) degree, majoring in Economics. Mr. Chew joined Singapore Airlines as Marketing Administration Superintendent in July 1970 and was promoted to executive grade in 1991. In February 2000, he was transferred to SATS Catering as its Chief Executive. Mr. Chew is a director of SATS Catering, Asia-Pacific Star Pte Ltd, Evergreen Sky Catering and Royal International Air-Catering and is the Vice Chairman of Beijing Airport Inflight Kitchen.

**Mr. Tan Wah Liang, Paul** graduated from the University of Singapore with a degree in Business Administration. Mr. Tan joined Singapore Airlines in May 1981 and was promoted to the managerial grade in 1992. In July 1997, he was appointed General Manager — United Kingdom and Ireland. In February 2000, Mr. Tan was transferred to SATS as its Senior Vice President (Apron/Passenger Services). Mr. Tan is a director of Tradewinds Tours & Travel Private Limited.

**Mr. Leong Kok Hong** graduated from the University of Singapore with a Bachelor of Science (Honors) degree, majoring in Physics. Mr. Leong joined SATS in July 1976 and was promoted to managerial grade in 1982. He was appointed General Manager (Cargo) in 1994 and Senior Vice President (Cargo) in February 2000. Mr. Leong is the Vice Chairman of Tan Son Nhat Cargo Services and Beijing Aviation Ground Services and is an alternate director of Asia Airfreight Terminal.

**Mr. Tan Chuan Lye** graduated from the University of Singapore with a Bachelor of Social Science degree, majoring in Economics. He joined SATS in May 1976 and was appointed Assistant General Manager of Terminal 2 in 1990. In 1994, he moved to SATS Catering to head the administration department and became Senior Vice President (Catering) in February 2000. Mr. Tan is the Deputy Chairman of SERVAIR-SATS Holding Company and a director of Taj Madras Flight Kitchen and Macau Catering Services.
Mr. Lim Kei Hin graduated from the London School of Economics & Political Science with a Bachelor of Science (Honors) degree in Accounting and Finance. He joined Singapore Airlines in June 1982 and was the Senior Manager, Corporate Accounts and Budgets from July 1998 before his transfer to SATS as Chief Financial Officer in March 2000. Mr. Lim is a director of Sing-Bi Funds Private Limited.

Mr. Lee Kwee Seng graduated from the University of Singapore with a Bachelor of Science (Honors) degree, majoring in Chemistry. He joined Singapore Airlines as a management trainee in August 1970. He was transferred to SATS in November 1998 and is currently our Vice President (Administration and Production — SATS Inflight Catering Center 1). Mr. Lee is a director of Taj Madras Flight Kitchen and Maldives Inflight Catering.

Mr. Leo Eng Sai, David graduated from the University of Singapore with a Bachelor of Arts (Honors) degree, majoring in English. He joined SATS as an administrative officer in October 1975 and became Vice President (Apron and Baggage Services) in 1992. Mr. Leo was appointed Vice President (Terminal 1) in April 2000.

Mr. Yeo Yoon Choo graduated from the University of Singapore with an Honors degree in Mechanical Engineering. Mr. Yeo joined SATS in November 1978 as an engineer and was promoted to managerial grade in 1985. He was transferred to Singapore Airlines as Manager of Ground Procedures and Contracts in 1990. He returned to SATS in 1992 and became Vice President (Business Planning and Development) in July 1993. Mr. Yeo is the Vice Chairman of MacroAsia-Eurest Catering Services.

Mr. Richard Gomez graduated from the University of Malaya in Singapore with a Bachelor's degree. He joined Singapore Airlines in November 1964. While in Singapore Airlines, he was stationed in Sri Lanka, Germany, Switzerland, the Netherlands and the United States. Mr. Gomez transferred to SATS as Vice President (Personnel) in April 1992. Mr. Gomez is a director of SATS Security Services.

Mr. Tan Kok Lang joined SATS in September 1969 as Catering Supervisor and was promoted to managerial grade in 1977. Mr. Tan is the Vice President (Production — SATS Inflight Catering Center 2). He is a director of Beijing Airport Inflight Kitchen.

Mr. Teo Chong Tee joined SATS in July 1962 and was promoted to managerial grade in 1977. In 1981, he became a member of the Singapore Parliament and returned to SATS as Vice President (Terminal 1) in 1986. Mr. Teo was appointed Vice President (Cargo) in May 2000.

Mr. Ee Tiang Hwee graduated from the University of Singapore with a degree in Business Administration. Mr. Ee joined SATS in September 1980 and was seconded to Singapore Airlines in 1992. He returned to SATS as the Vice President (Passenger Terminal 2) in 1994. He is a director of Beijing Aviation Ground Services.

Mr. Silva Kandiah graduated from the University of Singapore with a Bachelor of Arts (Honors) degree, majoring in English. He joined Singapore Airlines in February 1976 and was transferred to SATS Security Services as General Manager in April 1992. He is a director of SIA Properties (Pte) Ltd.

Mr. Wong See Heng graduated from the National University of Singapore with a Bachelor of Engineering degree. He joined Aero Laundry and Linen Services in May 1989 as Laundry Manager and was appointed General Manager in April 1995.

Term of Office

Our current directors serve for a term extending until the close of the next annual general meeting of shareholders.

Compensation

Our directors and executive officers earn compensation commensurate with industry standards. Additionally, some of them may from time to time receive other benefits, including housing, transportation and medical benefits. For the fiscal year ended March 31, 1999, the aggregate compensation of all of our directors and executive officers paid by us was approximately S$3.3 million (US$1.9 million).
Internal controls

Our internal control and systems are designed to provide reasonable assurance as to the integrity and reliability of our financial information and to safeguard and maintain accountability of our assets. We have procedures in place designed to identify major business risks and to evaluate potential financial effects, as well as to authorize service agreements, capital expenditures, investments in joint ventures and acquisitions.

Employee share option plan

We view share options as a key financial incentive to attract, motivate and retain our employees. In February 2000, the selling shareholder approved our existing share option plan providing for the issuance of up to 15% of our issued share capital from time to time. Our share option plan consists of two tiers of options — a general employee share option scheme and a senior executive share option scheme. First, all of our full-time employees who have attained the age of 21 years and who have worked with us for at least four years are eligible to receive grants of options under our employee share option scheme. Second, all of our full-time senior executives who have attained the age of 21 years and who have worked with us for at least two years are eligible to receive grants of options under our senior executive share option scheme unless they are also one of our substantial shareholders.

Under the plan, all options to be issued will have a term no longer than 10 years from the date of grant. The exercise price of the options will be the average of the closing prices of our ordinary shares on the SGX-ST for the five market days immediately preceding the date of grant. If options are granted in conjunction with the offerings, the exercise price of these options will be the price of our ordinary shares offered to the public in the offerings.

Under the employee share option scheme, options will vest two years after the date of grant. Under the senior executive share option scheme, options will vest:

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

Our share option plan is administered by our Senior Officers Remuneration Committee, consisting of three of our directors. At least two of these directors are not executive directors. Our Senior Officers Remuneration Committee has discretion over the granting of options, and the number of options granted to individual employees will be determined based on a number of factors, including rank and performance.

If there is a variation in the share capital of our company, we may adjust the exercise price, par value and number of ordinary shares that may be granted under our share option plan. However, we are not required to vary the terms of our share option plan, or the exercise price, par value or number of ordinary shares that may be granted under our share option plan, in the event of a private placement of our ordinary shares, the issue of new ordinary shares in connection with an acquisition of any assets, the issue of new ordinary shares on the exercise of options or the conversion of any convertible securities.

As of April 15, 2000, options representing the right to purchase approximately 19,124,800 of our ordinary shares had been granted under the employee share option plans.
OUR RELATIONSHIP WITH SINGAPORE AIRLINES AND ITS AFFILIATES

Financial support provided to us by Singapore Airlines

Singapore Airlines currently provides us with short-term and long-term financing. Singapore Airlines has also provided loans to us in the past. Neither Singapore Airlines nor any of its subsidiaries has guaranteed any of our obligations.

In December 1990, we borrowed S$100 million from Singapore Airlines for the purpose of investing in listed debt and equity securities through three independent fund managers. Under the terms of that loan, accrued interest amounts were capitalized into principal. On November 1998, we repaid the outstanding principal amount and accrued interest on this loan in the amount of S$157.5 million.

In September 1994, Singapore Airlines loaned us S$35.8 million which we used to purchase a participation in the loan to August Skyfreighter. Under the terms of that loan, a portion of the interest payable by us is capitalized into principal in July of each year and the remaining portion of the interest is payable by us to Singapore Airlines in January of each year. The interest rate applicable to this loan is LIBOR for six-month U.S. dollar deposits plus a margin of 0.35% per annum. As of September 30, 1999, we owed Singapore Airlines S$45.3 million (US$26.6 million) under that loan. For more information on our loan to August Skyfreighter, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Our liquidity and capital resources — Net cash used in our investing activities — Our loans to third parties.”

In December 1999, we entered into an unsecured S$160 million line of credit facility with Singapore Airlines. We may draw down amounts under this facility at any time until March 31, 2001 — subject to our extension for a further six months upon written notice to Singapore Airlines. We are not restricted in how we use these funds. As of December 31, 1999, we had drawn down S$20.0 million under this facility. We used this amount to finance a part of our capital expenditures. On March 28, 2000, we drew down the remainder of S$140 million available under this facility to fund a portion of our special dividend payment and our capital adjustment payment to Singapore Airlines. We are required to repay amounts borrowed upon a mutually agreed date, and all of the amounts we owe must be repaid before the expiry of the facility. We are able to choose the interest rate applicable to amounts we borrow based on either the one month, three month or six month swap offer rates of The Development Bank of Singapore Ltd. As of December 31, 1999, the monthly average interest rate was 2.47% per annum. We intend to repay all amounts drawn down under this facility by March 31, 2001 through internal cash flows and, if necessary, external financing from commercial banks. Under the terms of this facility, we are entitled to prepay any drawn amounts, subject to 14 days’ prior written notice to Singapore Airlines, and the payment of a prepayment fee of 0.125% of the amount prepaid.

The amount of interest expense payable by us to Singapore Airlines was S$6.8 million in Fiscal Year 1997, S$9.2 million in Fiscal Year 1998, S$7.7 million in Fiscal Year 1999, S$6.6 million in the First Half Fiscal 1999 and nil in the First Half Fiscal 2000. As of September 30, 1999, S$45.3 million (US$26.6 million) of our total long-term debt of S$49.1 million (US$28.9 million) was provided by Singapore Airlines. As of December 31, 1999, this figure was S$65.3 million of total debt of S$69.9 million.

While Singapore Airlines has historically provided credit and other financial support to us, Singapore Airlines has no obligation to continue doing so and the availability and amount of their financial support to us will depend on various factors, including our ability to raise funds without that support and the expenses relating to such fundraising.

Corporate services provided to us by Singapore Airlines

On March 24, 2000, we entered into a new services agreement with Singapore Airlines. The services agreement replaces a number of separate agreements and informal arrangements under which Singapore Airlines provided general corporate services to us. Under the services agreement, Singapore Airlines
provides us with services and support which are tangible as well as intangible in nature. The services provided by Singapore Airlines include insurance, information technology services and corporate general and administrative functions, such as treasury services and the provision of certain staff benefits. Singapore Airlines has also agreed to provide us with internal audit and legal services on an ad-hoc basis when we request them. Under the master services agreement, Singapore Airlines charges us a fee per service on a cost plus basis for most services and a flat fee for other services. In addition, we reimburse Singapore Airlines for the third-party costs and expenses it incurs on our behalf.

Our master services agreement with Singapore Airlines is effective for an initial period of ten years from the date of the agreement and, after the initial ten-year term, will continue in effect unless terminated by either party upon given 6 months prior notice. It may also be terminated upon the occurrence of specified events, such as insolvency, bankruptcy or liquidation of either party or disposal of all of the assets or business of either party or if a party breaches the agreement and such breach is not remedied within one month.


In the event that our master services agreement with Singapore Airlines is terminated, we would be required to provide the corporate services previously provided by Singapore Airlines either internally or obtain them from third parties and the cost to us could be greater than that charged by Singapore Airlines.

**Other transactions with Singapore Airlines and its subsidiaries**

We transact business with Singapore Airlines and its subsidiaries in the normal course of our business. Those transactions are generally entered into on normal commercial terms.

Singapore Airlines (including SilkAir) is our largest client. Our revenues from Singapore Airlines (including SilkAir) and its subsidiaries were S$387.0 million in Fiscal Year 1997, S$407.2 million in Fiscal Year 1998, S$429.4 million (US$252.6 million) in Fiscal Year 1999, S$210.3 million in the First Half Fiscal 1999 and S$223.8 million (US$131.7 million) in the First Half Fiscal 2000.

In addition to the ground handling, inflight catering, aviation security and laundry services we provide to Singapore Airlines and SilkAir, we also provide Singapore Airlines and SIA Engineering with miscellaneous services, such as staff transport for Singapore Airlines. Those services typically amount to less than S$0.1 million per fiscal year.

We license all of the trademarks we use in our business from Singapore Airlines under a right of use agreement dated March 24, 2000. We have not paid any amounts to Singapore Airlines for use of these trademarks to date. However, we will pay nominal amounts to Singapore Airlines under this right of use agreement in future periods.

We have leased space in our office buildings to Singapore Airlines, SilkAir and SIA Properties Pte Ltd for use as their office space. Our rental income from these affiliated parties was S$1.6 million in Fiscal Year 1997, S$1.7 million in Fiscal Year 1998, S$1.7 million (US$1.0 million) in Fiscal Year 1999, S$0.9 million in the First Half Fiscal 1999 and S$1.0 million (US$0.6 million) in the First Half Fiscal 2000.

We obtain insurance coverage under various umbrella insurance policies which are negotiated and maintained by Singapore Airlines. This enables us to benefit from the group rates negotiated by Singapore Airlines. See “Business — Insurance” for a more detailed discussion of our insurance arrangements. We paid insurance premiums to Singapore Airlines, its wholly-owned subsidiary, Singapore Aviation & General Insurance Co. (Pte) Ltd., of S$1.3 million in Fiscal Year 1997, S$1.2 million in Fiscal Year 1998, S$1.2 million (US$0.7 million) in Fiscal Year 1999, S$0.6 million in the First Half Fiscal 1999 and S$0.8 million (US$0.5 million) in the First Half Fiscal 2000.
Transactions with affiliates other than Singapore Airlines and its subsidiaries

As of April 28, 2000, Temasek Holdings (Private) Limited, or Temasek, the private investment arm of the Singapore government, owned 57.2% of the ordinary shares of Singapore Airlines.

We are parties to four license agreements with CAAS, an agency of the Singapore government. These license agreements entitle us to provide passenger services, apron services, inflight catering services, aircraft interior cleaning and air freight handling services, on a non-exclusive basis, at Passenger Terminals 1 and 2 of Singapore Changi Airport. We are required to pay CAAS license fees under these agreements. Under these agreements, we paid license fees to CAAS of S$48.4 million in Fiscal Year 1997, S$51.3 million in Fiscal Year 1998, S$53.2 million (US$31.3 million) in Fiscal Year 1999 and S$27.7 million (US$16.3 million) in the First Half Fiscal 2000. For more information about these license agreements, see “Business — Our other material contracts — CAAS license agreements.”

We lease land at Singapore Changi Airport from CAAS and Jurong Town Corporation, a Singapore government-owned corporate entity, for all of our air freight terminals and inflight catering centers. Under these lease agreements, we paid rents to CAAS and Jurong Town Corporation of S$14.4 million in Fiscal Year 1997, S$14.8 million in Fiscal Year 1998, S$13.6 million (US$8.0 million) in Fiscal Year 1999 and S$6.0 million (US$3.5 million) in the First Half Fiscal 2000. For more information about these lease license agreements, see “Business — Our other material contracts — Lease agreements.”

Procedures undertaken to ensure that transactions are carried out on an arm’s length basis

As a company listed on the SGX-ST, we are required to comply with the rules of the SGX-ST, including the rules applying to interested person transactions. Chapter 9A of the Listing Manual of the SGX-ST provides that where a listed company or any member of its group proposes to enter into a transaction with interested persons (which include the listed company’s directors, chief executive officers, or substantial shareholders and associates of these persons), the listed company must obtain the approval of its shareholders and/or make an immediate announcement in the circumstances described below.

Shareholders’ approval is required where:

• the value of the transaction equals or exceeds 5% of the listed company’s latest audited net tangible assets value; or

• the value of the transaction:
  • equals or exceeds 3% of the listed company’s latest audited net tangible assets value and is less than 5% of the listed company’s latest audited net tangible assets value; but
  • when aggregated with the values of all other transactions previously entered into with the same interested person in the current financial year of the listed company, equals or exceeds 5% of the listed company’s latest audited net tangible assets value.

An immediate announcement is required where:

• the value of the transaction equals or exceeds 3% of the listed company’s latest audited net tangible assets value; or

• the value of the transaction when aggregated with the values of all other transactions previously entered into with the same interested person in the current financial year of the listed company, equals or exceeds 3% of the listed company’s latest audited net tangible assets value.

Chapter 9A of the Listing Manual of the SGX-ST allows a listed company to obtain a mandate from its shareholders to enter into recurrent interested person transactions which are of a revenue or trading nature or which are necessary for its day-to-day operations, excluding transactions for the purchase or sale of assets, undertakings or businesses.

Singapore Airlines provides us with services, including financial support, management and support services and technical and information technology services. We provide Singapore Airlines and SilkAir
with ground handling, inflight catering, aviation security and laundry services. We also lease land at Singapore Changi Airport from CAAS and JTC.

We anticipate that we would, in the ordinary course of our business, continue to enter into transactions with these and other interested persons. We expect that these transactions may occur with some degree of frequency and could arise at any time and from time to time.

Due to the time-sensitive nature of commercial transactions, a general shareholder’s mandate enables us, in our normal course of business, to enter into transactions with interested persons if these transactions are made at arm’s length and on normal commercial terms and which are not prejudicial to our shareholders. We obtained a general mandate from the selling shareholder on March 24, 2000.

Under the terms of the mandate, we need not convene separate general meetings to seek our shareholders’ approval on each occasion a potential transaction with interested persons arises. Thus, we would save the administrative time, inconvenience and expenses associated with convening of these meetings without compromising our corporate objectives and adversely affecting the business opportunities available to us.

The mandate will apply to interested person transactions which are carried out with Temasek and its associates (which would include our parent, Singapore Airlines). An associate of Temasek includes its subsidiary or parent or a subsidiary of its parent or a company in which it and/or they have, taken together (directly or indirectly) an interest of 25% or more.

Transactions with interested persons which do not fall within the ambit of the mandate are subject to the relevant provisions of Chapter 9A of the Listing Manual of the SGX-ST. The mandate does not apply to interested person transactions with our chief executive officer, our directors and their respective associates. We intend to obtain our shareholders’ approval if we expect to enter into interested party transactions with them.

The mandate took effect from the date of the passing of the resolution by the selling shareholder on March 24, 2000 and will remain effective until our next annual general meeting. We intend to seek approval at each of our subsequent annual general meetings for a renewal of the mandate.

The transactions which have the benefit of the mandate include the general transactions relating to the provision of products and services to or by interested persons in our normal course of business including:

- air freight and ground handling services, inflight meal and food catering services, laundry and linen services and security services;
- management, support and other related services;
- technical and information technology services;
- rental of space, both as lessor and lessee, and the provision of building maintenance services; and
- provision of insurances and underwriting of risks.

To ensure that our interested person transactions are undertaken at arms’ length and on normal commercial terms and will not prejudice our shareholders, the mandate includes the following review procedures:

- the terms of each proposed transaction with an interested person should be no less favorable to us or to the relevant member of our group than the terms which could be obtained by or from unrelated parties, giving due consideration to all circumstances of the transaction;
- all interested person transactions equal to or exceeding S$100,000 but less than S$3.0 million in value require the approval of a senior member of our management designated for this purpose by our Chief Executive Officer;
• all interested person transactions equal to or exceeding S$3.0 million but less than S$30.0 million in value require the approval of our Chief Executive Officer;

• all interested person transactions equal to or exceeding S$30.0 million in value require the approval of our Board of Directors and our Audit Committee;

• if the aggregate value of all transactions with the same interested person in the current financial year equals or exceeds S$3.0 million in value, the latest and all future transactions equal to or exceeding S$100,000 but less than S$3.0 million require the approval of our Chief Executive Officer;

• if the aggregate value of all transactions with the same interested person in the current financial year equals or exceeds S$30.0 million in value, the latest and all future transactions equal to or exceeding S$3.0 million require the approval of our Board of Directors and our Audit Committee; and

• each interested person transaction should be properly documented and submitted to our Audit Committee for review on a half-yearly basis.

We plan to disclose in our annual report for subsequent financial years the aggregate value of interested person transactions entered into using the mandate.

We have established an Audit Committee, the majority of which is comprised of independent Directors. We are subject to relevant mandatory provisions in the Singapore Companies Act and the rules prescribed in the Listing Manual of the SGX-ST with respect to the role and function of the Audit Committee. Any member of the Audit Committee who is interested in any interested person transaction would be required to abstain from reviewing that particular transaction.

The role of our Audit Committee includes approving the internal control procedures and arrangements for all future interested person transactions to ensure that they are carried out on an arm’s length basis and on normal commercial terms and will not be prejudicial to us or to our shareholders.

Our Audit Committee has reviewed the terms of the mandate and is satisfied that the review procedures for interested person transactions, as well as the reviews to be made periodically by our Audit Committee (with internal audit assistance), are sufficient to ensure that any interested person transactions with the selling shareholder and its affiliates will be at arm’s length and on normal commercial terms and not prejudicial to shareholders.
SELLING SHAREHOLDER

Prior to the offerings, Singapore Airlines owned and controlled all of our issued and outstanding ordinary shares. Following the offerings, Singapore Airlines will continue to control approximately 89.0% (87.0% if the initial purchasers exercise their over-allotment option) of our issued and outstanding ordinary shares and will retain the power to elect all of the directors of, and otherwise control, our company. For information regarding our relationship with Singapore Airlines, see “Our Relationship with Singapore Airlines and Its Affiliates.”

Singapore Airlines

Singapore Airlines provides commercial airline services throughout Asia, Australasia, North America, Europe and Africa. For the fiscal year ended March 31, 1999, passengers carried totaled 12.8 million, resulting in passenger revenue of S$5,180.4 million (US$3,047.3 million) and carried 768.5 million kilograms of air freight, resulting in air freight revenue of S$1,605.4 million (US$944.4 million). Net income for the Singapore Airlines group for the fiscal year ended March 31, 1999 was S$1,033.2 million (US$607.8 million). During the three years ended March 31, 1999, Singapore Airlines’ overall capacity increased at a compound annual rate of 5.1%, from 13,501.1 million capacity tonne-kilometers to 15,651.8 million capacity tonne-kilometers, while its traffic, in terms of overall load carried, increased at a compound annual rate of 4.2%, from 9,512.0 million load tonne-kilometers to 10,765.5 million load tonne-kilometers. Singapore Airlines’ airline operations are fully integrated with its airline-related businesses, including flight training, aircraft maintenance, airport ground handling and air catering operations.

Singapore Airlines operates an extensive international route network, which as of March 31, 1999, included 110 cities in 42 countries. At March 31, 1999, Singapore Airlines operated an average of 572 weekly passenger flights out of Singapore Changi Airport. Singapore Airlines’ route network includes scheduled services to New York, Los Angeles, San Francisco, Vancouver, London, Frankfurt, Paris, Rome, Zurich, Tokyo, Beijing, Shanghai, Hong Kong, Jakarta, Bangkok and Sydney as well as 94 other destinations. This included destinations served through codeshare services with alliance partners and regional cities served by SilkAir, a wholly-owned subsidiary of Singapore Airlines.

On December 20, 1999, Singapore Airlines announced that it had agreed to purchase a 49% stake in the parent company of Virgin Atlantic Airways, for £551.3 million (US$876.6 million) and make a capital injection of £49.0 million (US$77.9 million).

On April 25, 2000, Singapore Airlines announced that it had purchased a 16.7% interest in Air New Zealand Limited from Brierley Investments Limited for NZ$285.0 million (US$141.2 million). Together with Singapore Airlines’ initial purchase of an 8.3% interest in Air New Zealand for NZ$141.3 million (US$70.4 million) announced on April 11, 2000, Singapore Airlines holds a 25.0% interest in Air New Zealand as of the date of this offering memorandum.

At March 31, 1999, Singapore Airlines operated a fleet of 89 aircraft, consisting of 37 Boeing 747-400s, 14 Boeing 777s, 14 Airbus A340-300s, 17 Airbus A310-300s, and seven Boeing 747-400 freighters. The average age of Singapore Airlines’ aircraft at fiscal year end 1999 was approximately 4.8 years.

Singapore Airlines was formed in October 1972 following the division of Malaysia-Singapore Airlines into Malaysian Airline system (now Malaysia Airlines) and Singapore Airlines. As of March 1, 2000, Temasek held directly and indirectly approximately 54.6% of the total share capital of Singapore Airlines. Temasek is controlled by the Singapore government.
DESCRIPTION OF ORDINARY SHARES

The discussion below provides information about our share capital, the main provisions of our Articles of Association and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Articles of Association.

Ordinary shares

Our authorized capital is S$200,000,000 consisting of 2,000,000,000 ordinary shares of par value S$0.10 each. We have only one class of shares, namely, the ordinary shares, which have identical rights in all respects and rank equally with one another. Our Articles of Association provide that we may issue shares of a different class with preferential, deferred, qualified or other special rights, privileges or conditions as our Board of Directors may determine and may issue preference shares which are, or at our option are, subject to redemption, subject to certain limitations. Our directors may issue shares at a premium. If shares are issued at a premium, a sum equal to the aggregate amount or value of the premium will, subject to certain exceptions, be transferred to a share premium account.

In the first quarter of 2000, we adjusted our capital structure by:

- capitalizing S$100.0 million (US$58.8 million) of our retained earnings which resulted in the transfer of that amount from our retained earnings to our share capital account;
- issuing 100,000,000 new ordinary shares to Singapore Airlines; and
- reducing our share capital account by canceling 100,000,000 ordinary shares.

Our resulting issued share capital was S$100.0 million consisting of 100,000,000 ordinary shares of S$1.00 each, all of which are owned by Singapore Airlines. In conjunction with our capital adjustments, we distributed S$100.0 million (US$58.8 million) — the amount of share capital attributable to the canceled shares — to Singapore Airlines on March 28, 2000.

On March 20, 2000, we split our ordinary shares, resulting in a total authorized capital of 2,000,000,000 ordinary shares with a par value of S$0.10 each and issued capital of 1,000,000,000 ordinary shares, all of which are owned by Singapore Airlines.

All of our ordinary shares are in registered form. We may, subject to the provisions of the Singapore Companies Act and the rules of the SGX-ST, purchase our own ordinary shares. However, we may not, except in circumstances permitted by the Singapore Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our own ordinary shares.

New ordinary shares

New ordinary shares may only be issued with the prior approval in a general meeting of our shareholders. The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or on the expiration of the period within which the next annual general meeting after that date is required by law to be held, whichever is the earlier. However, any approval may be revoked or varied by our shareholders in general meeting.

Subject to any direction to the contrary that may be given by our shareholders in general meeting, we are required, before issue, to offer all new shares to persons who as the date of the offer are entitled to receive notices from us of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. We are required to make the offer by notice specifying the number of shares offered, and limiting a time within which the offer may be accepted and, if not accepted will be deemed to be declined. After the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, our directors may dispose of those shares in such manner as they think most beneficial to us. Our directors may likewise dispose of any new shares which (by reason of the ratio which the new shares bear to shares
held by persons entitled to an offer of new shares) cannot, in the opinion of our directors, be conveniently offered in accordance with our Articles of Association.

Subject to the Singapore Companies Act and subject to the SGX-ST waiving the requirement to convene a general meeting, we may notwithstanding the provisions of the paragraph immediately above, issue new shares without first offering them to our shareholders in proportion to the existing shares to which they are entitled, where the aggregate of the shares in any one financial year (other than by way of bonus or rights issues) does not exceed 20% of our prevailing share capital. Our shareholders have given us general authority to issue any remaining approved but unissued ordinary shares prior to our next annual general meeting.

Notwithstanding the above, we may not, unless approved by our Board of Directors, issue or transfer our ordinary shares to any person or a related group of persons if, in the opinion of our Board of Directors, that person or the related group of persons would, as a result, have an interest, directly or indirectly, in more than 5% of our outstanding issued ordinary share capital. However, Temasek and Singapore Airlines and/or any person or persons approved by our Board of Directors may have an interest in more than 5% of our issued ordinary share capital on terms and conditions as our Board of Directors may think fit. Subject to the foregoing, the provisions of the Singapore Companies Act and any special rights attached to any class of shares currently issued, all new ordinary shares are under the control of our Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit. Our shareholders are not entitled to pre-emptive rights under our Articles of Association or Singapore law.

Shareholders

Only persons who are registered in our register of shareholders and, in cases in which the person so registered is The Central Depository (Pte) Limited, or the CDP, the persons named as the depositors in the depository register maintained by the CDP for our ordinary shares, are recognized as shareholders.

For the purpose of determining the number of votes which a shareholder who is an account-holder directly with the CDP or a depository agent, or his proxy, may cast at any general meeting on a poll, the reference to shares held or represented shall, in relation to shares of that shareholder, be the number of shares entered against his name in the register maintained with CDP as at 48 hours before the time of the relevant general meeting as supplied by CDP to us.

We will not, except as required by law, recognize any equitable, contingent, future or partial interest in any ordinary share or other rights for any ordinary share other than the absolute right thereto of the registered holder of the ordinary share or of the person whose name is entered in the depository register for that ordinary share. We may close the register of shareholders for any time or times if we provide the Registrar of Companies and Business of Singapore at least 14 days’ notice. However, the register may not be closed for more than 30 days in aggregate in any calendar year. We typically close the register to determine shareholders’ entitlement to receive dividends and other distributions for no more than 10 days a year.

Transfer of ordinary shares

Our Board of Directors may decline to register any transfer of ordinary shares which are not fully paid shares or ordinary shares on which we have a lien. Ordinary shares may be transferred by a duly signed instrument of transfer in any form acceptable to our Board of Directors. The instrument of transfer will include a declaration by the transferee stating whether the transfer will result in the transferee holding, directly or indirectly, more than 5% of our issued share capital. If our Board of Directors are of the opinion that a person or a related group of persons have an interest, directly or indirectly, in more than 5% of our issued share capital without their prior approval, our directors may require that person or the related group of persons to transfer the number of shares exceeding 5% of our issued share capital. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for ordinary shares if we are
properly notified and if the applicant pays a fee which will not exceed S$2 and furnishes any evidence and indemnity that our Board of Directors may require.

General meetings of shareholders

We are required to hold an annual general meeting every year and not more than 15 months after the preceding annual general meeting. Our Board of Directors may convene an extraordinary general meeting whenever it thinks fit and must do so if shareholders representing not less than 10% of the total voting rights of all shareholders request in writing that such a meeting be held. In addition, two or more shareholders holding not less than 10% of our issued share capital may call a meeting. Unless otherwise required by law or by our Articles of Association, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including the voluntary winding up of the company, amendments to our Memorandum and Articles of Association, a change of our corporate name and a reduction in our share capital, share premium account or capital redemption reserve fund. We must give at least 21 days’ notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days’ notice in writing. The notice must be given to every shareholder holding shares conferring the right to attend and vote at the meeting and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting rights

A shareholder is entitled to attend, speak and vote at any general meeting, in person or by proxy. A proxy need not be a shareholder. A person who holds ordinary shares through the CDP book-entry clearance system will only be entitled to vote at a general meeting as a shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting.

Except as otherwise provided in our Articles of Association, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles of Association, on a show of hands, every shareholder present in person and each proxy shall have one vote, and on a poll, every shareholder present in person or by proxy shall have one vote for each ordinary share held. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote.

Dividends

We may, by ordinary resolution, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. All dividends we declare must be paid out of our profits, which would generally comprise retained earnings, or pursuant to Section 69(2)(c) of the Singapore Companies Act, which permits the application of the share premium attributable to our issued shares to the payment of dividends in the form of shares. Our Board of Directors may also declare an interim dividend without the approval of our shareholders. All dividends are paid pro rata among the shareholders in proportion to the amount paid up on each shareholder’s ordinary shares, unless the rights attaching to an issue of any ordinary share provides otherwise.

Bonus and rights issue

Our Board of Directors may, with the approval of our shareholders at a general meeting, capitalize any reserves or profits (including profit or monies carried and standing to any reserve or to the share premium account) and distribute the same as bonus shares credited as paid-up to the shareholders in proportion to their shareholdings. Our Board of Directors may also issue rights to take up additional
ordinary shares to shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue.

Takeovers

The Singapore Companies Act and the Singapore Code on Takeovers and Mergers regulate the acquisition of ordinary shares of public companies and contain certain provisions that may delay, deter or prevent a future takeover or change in control of our company. Any person acquiring an interest — either singly or acting in concert with others — in 25% or more of our voting shares must extend a takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Code on Takeovers and Mergers.

“Parties acting in concert” include a company and its related and associated companies, a company and its directors (including their relatives), a company and its pension funds, a person and any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, and a financial advisor and its client in respect of shares held by the financial advisor and shares in the client held by funds managed by the financial advisor on a discretionary basis. An offer for consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the preceding 12 months. A mandatory takeover offer is also required to be made if a person holding (either singly or acting in concert with others) between 25% and 50% of the voting shares acquires additional voting shares representing more than 3% of the voting shares in any 12 month period.

Liquidation or other return of capital

If our company liquidates or in the event of any other return of capital, holders of ordinary shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares then existing.

Indemnity

As permitted by Singapore law, our Articles of Association provide that, subject to the Singapore Companies Act, we will indemnify our Board of Directors and officers against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgment is given in his favor or if the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part or in which he is acquitted or in connection with any application under any statute for relief is granted to him by the court. We may not indemnify directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to our company.

Limitations on rights to hold or vote ordinary shares

Except as described in “— Voting Rights” and “— Takeovers” above, there are no limitations imposed by Singapore law or by our Articles of Association on the rights of non-resident shareholders to hold or vote ordinary shares.

Minority rights

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Singapore Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of our company, as they think fit to remedy any of the following situations:

- our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our shareholders; or
we take an action, or threaten to take an action, or the shareholders pass a resolution, or threaten to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our shareholders, including the applicant.

Singapore courts have wide discretion as to the relief they may grant and that relief is in no way limited to the relief specified in the Singapore Companies Act. Without prejudice to the foregoing, Singapore courts may among other things:

• direct or prohibit any act or cancel or vary any transaction or resolution;
• regulate our affairs in the future;
• authorize civil proceedings to be brought in the name of, or on behalf of, the company by a person or persons and on such terms as the court may direct;
• provide for the purchase of a minority shareholder’s shares by our other shareholders or by our company and, in the case of a purchase of shares by us, a corresponding reduction of our share capital; or
• provide that our company be wound up.
TAXATION

The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of our ordinary shares. Prospective purchasers of our ordinary shares should consult their own tax advisors concerning the tax consequences of their particular situations. This description is based on laws, regulations and interpretations as now in effect and available as of the date of this offering memorandum. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of the ordinary shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

Singapore taxation

The following discussion describes the material Singapore income tax, stamp duty and estate duty consequences of the purchase, ownership and disposal of our ordinary shares. This discussion, insofar as it relates to matters of Singapore tax law other than stamp duty and estate duty, constitutes the opinion of Ernst & Young, our Singapore tax advisor.

Income tax

General. Singapore resident taxpayers are subject to Singapore income tax on:

- income accruing in or derived from Singapore; and
- foreign income received in Singapore.

A corporate taxpayer is regarded as resident in Singapore if the company’s business is controlled and managed in Singapore (for example, if the board of directors meets and conducts the company’s business in Singapore). An individual is regarded as resident in Singapore if the individual is physically present in Singapore or exercises an employment in Singapore (other than as a director of a company) for 183 days or more in a calendar year, or if the individual resides in Singapore.

Non-Singapore resident corporate taxpayers, subject to certain exceptions, are subject to Singapore income tax only on:

- income that is accrued in or derived from Singapore; and
- foreign income received in Singapore, where such income is effectively connected to any business operated in or from Singapore.

Non-Singapore resident individuals, subject to certain exceptions, are subject to Singapore income tax only on income accruing in or derived from Singapore.

On February 25, 2000, the Singapore Minister for Finance announced that the corporate tax rate in Singapore would be reduced from 26% to 25.5%. The same rate applies to non-Singapore resident taxpayers. The new corporate tax rate applies to SATS’s business income derived from April 1, 1999 and other income such as interest and dividends received from January 1, 2000.

Subject to any applicable tax treaty, non-Singapore resident taxpayers are subject to a withholding tax of 25.5% on certain categories of income derived from Singapore from 2000 or generally at 15% on interest, royalty and rental of movable property received from Singapore.

Dividend distributions. Under Singapore’s current taxation system, the income tax paid by SATS on its taxable income at the prevailing corporate tax rate of 25.5% rate is deemed to be paid by its shareholders. Where these profits are distributed as dividends to shareholders, the dividends received by the shareholders are net of the corporate income tax paid by SATS. Shareholders are taxed on the gross amount of dividends (that is, the amount of net dividends received plus an amount which SATS has deducted from the gross dividends and paid as corporate income tax). The income tax paid by SATS
effectively becomes available to our shareholders as a tax credit to offset their Singapore income tax liability on the gross amount of dividends paid by SATS.

Singapore does not currently impose withholding tax on dividends paid to non-Singapore resident shareholders. As the income tax paid by SATS at the prevailing corporate tax rate is deemed to be paid by its shareholders, no further Singapore income tax liability is imposed on the gross amount of dividends received by such non-resident shareholders who are taxed at the same corporate tax rate. Accordingly, non-resident shareholders will not receive any refund of income tax from the Inland Revenue Authority of Singapore.

Singapore resident shareholders are taxed on the amount of gross dividends received from SATS at the income tax rates applicable to such resident shareholders. Where their income tax rates are lower (or, as the case may be, higher) than the corporate tax rate applicable to SATS, such resident shareholders may receive an income tax refund from (or, as the case may be, pay additional income tax to) the Inland Revenue Authority of Singapore.

Where dividends are distributed by SATS on its ordinary shares out of tax-exempt dividend income received, if any, from its subsidiaries, SATS Airport Services and SATS Catering, which were granted investment allowances, the dividends received by its shareholders are exempted from Singapore income tax in their hands, irrespective of whether they are resident taxpayers or non-resident taxpayers.

**Gains on disposal of our ordinary shares.** Singapore does not currently impose tax on capital gains. However, such gains may be construed to be of an income nature and subject to income tax if:

- they are derived from activities of a trade or business carried on in Singapore; or
- they are short-term gains derived from the sale of real property and ordinary shares in unlisted companies with substantial real property or real property related assets in Singapore.

Profits arising from the disposal of our ordinary shares are not taxable in Singapore unless the seller is dealing or trading in shares in Singapore, in which case, the disposal profits would be taxable as trading profits and not treated as capital gains.

**Stamp duty**

Stamp duty is payable on the instrument of transfer of our ordinary shares at the rate of S$2.00 for every S$1,000 of the market value of the ordinary shares. The purchaser is liable for stamp duty, unless otherwise agreed. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore. The above stamp duty is not applicable to electronic transfers of the ordinary shares through the CDP system.

Further, stamp duty is payable at a rate of S$0.50 for every S$1,000 or any part thereof of the transaction value on the contract note for the sale or purchase of our ordinary shares in Singapore unless certain conditions are met. The Singapore Minister for Finance has suspended the stamp duty on contract notes for the sale or purchase of any stocks or ordinary shares made between June 30, 1998 to June 29, 2000 and will abolish the stamp duty on contract notes from June 30, 2000.

**Estate duty**

Singapore estate duty is imposed on the value of most movable and immovable property situated in Singapore owned by individuals who are not domiciled in Singapore.

Singapore estate duty is imposed on the value of most immovable property situated in Singapore and on most movable property wherever it may be, owned by individuals who are domiciled in Singapore.

Our ordinary shares held by an individual are subject to Singapore estate duty upon the individual’s death, whether or not the individual is domiciled in Singapore. Singapore estate duty is payable to the extent that the value of our ordinary shares aggregated with any other assets subject to Singapore estate
duty exceeds S$600,000. Unless other exemptions apply to the other assets, for example, the separate exemption limit for residential properties, any excess beyond S$600,000 will be taxed at 5% on the first S$12,000,000 of the individual’s Singapore chargeable assets and thereafter at 10%. Individuals should consult their own tax advisors regarding the Singapore estate duty consequences of their ownership of our ordinary shares.

**United States federal taxation**

The following is a description of the principal U.S. federal income tax consequences relating to the ownership and disposition of the ordinary shares. This description is based on:

- the Internal Revenue Code of 1986, as amended, or the Code,
- income tax regulations issued under the Code and
- administrative and judicial interpretations of the Code and regulations,

each as in effect and available on the date of this offering memorandum. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

This description deals only with the U.S. federal income tax considerations of holders that purchase ordinary shares through the offerings and that will hold ordinary shares as capital assets. We do not, however, address all of the tax consequences that may be relevant to a holder of ordinary shares.

For purposes of this description, a “U.S. Holder” is a beneficial owner of ordinary shares who, for U.S. federal income tax purposes, is:

- a citizen or resident of the United States;
- a partnership or corporation created or organized in or under the laws of the United States or any state thereof, including the District of Columbia;
- an estate if its income is subject to U.S. federal income taxation regardless of its source; or
- a trust if such trust validly has elected to be treated as a United States person for U.S. federal income tax purposes or if (1) a U.S. court can exercise primary supervision over its administration, and (2) one or more United States persons have the authority to control all of its substantial decisions.

A “Non-U.S. Holder” is a beneficial owner of ordinary shares other than a U.S. Holder.

We also do not address, except as stated below, any of the tax consequences to:

- holders of ordinary shares that may be subject to special tax treatment such as financial institutions, real estate investment trusts, tax-exempt organizations, regulated investment companies, insurance companies, and brokers and dealers or traders in securities or currencies;
- persons who acquired ordinary shares pursuant to an exercise of employee stock options or rights or otherwise as compensation;
- persons whose functional currency is not the U.S. dollar;
- persons that hold or will hold ordinary shares as part of a position in a straddle or as part of a hedging or conversion transaction for U.S. federal income tax purposes; and
- holders of ordinary shares that own, or are deemed to own, 10% or more, by voting power or value, of the outstanding stock of SATS.

If a partnership holds our ordinary shares, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our ordinary shares, you should consult your tax advisor.
Further, we do not address any state, local or foreign tax consequences relating to the ownership and disposition of our ordinary shares. Moreover, this summary does not address the U.S. federal estate or gift or alternative minimum tax consequences of the acquisition, ownership and disposition of ordinary shares.

Prospective investors are advised to consult with their own tax advisors regarding the U.S. federal income tax consequences relating to the ownership and disposition of the ordinary shares as well as the effect of any state, local or foreign tax laws.

**U.S. Holders**

**Distributions.** Subject to the discussion below under “Passive foreign investment company considerations,” if you are a U.S. Holder, the gross amount of any distribution to you by SATS of cash or property (other than certain distributions, if any, of ordinary shares distributed pro rata to all shareholders of SATS) with respect to ordinary shares will be includable in your income as dividend income to the extent such distribution is paid out of the current or accumulated earnings and profits of SATS as determined under U.S. federal income tax principles. Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. To the extent, if any, that the amount of any distribution by SATS exceeds its current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated first as a tax-free return of your adjusted tax basis in the ordinary shares and thereafter as capital gain. We do not maintain calculations of its earnings and profits under U.S. federal income tax principles. Any such dividend paid in Singapore dollars will be included in the gross income of a U.S. Holder in an amount equal to the U.S. dollar value of the Singapore dollar on the date of receipt. Any gain or loss you realize if you subsequently sell or otherwise dispose of the Singapore dollars will be ordinary income or loss from sources within the United States for U.S. foreign tax credit limitation purposes. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

**Taxes withheld on dividends.** Dividends received by a U.S. Holder with respect to ordinary shares will be treated as foreign source income, which may be relevant in calculating your U.S. foreign tax credit limitation. For U.S. foreign tax credit purposes, dividends by SATS generally will constitute passive income or, in the case of some U.S. Holders, financial services income.

A U.S. Holder will not be eligible for a foreign tax credit against its U.S. federal income tax liability for Singapore taxes paid by the company and deemed under Singapore law to have been paid by the shareholders of the company.

**Sale or exchange of ordinary shares.** Subject to the discussion below under “Passive foreign investment company considerations,” if you are a U.S. Holder, generally you will recognize gain or loss on the sale or exchange of ordinary shares equal to the difference between the amount realized on such sale or exchange and your adjusted tax basis in the ordinary shares. Your adjusted tax basis in the ordinary shares will equal the amount you paid for the ordinary shares reduced by the amount of any distributions you received on such ordinary shares that are treated as a tax-free return of your basis. Such gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, generally the maximum marginal U.S. federal income tax rate applicable to such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if your holding period for such ordinary shares exceeds one year. Any gain or loss recognized by a U.S. Holder generally will be treated as U.S. source income or loss, as the case may be, for U.S. foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

Any Singapore stamp tax that you pay will not be creditable foreign tax for U.S. federal income tax purposes, but you may be able to deduct such taxes, subject to certain limitations under the Code.

**Passive foreign investment company considerations.** A non-U.S. corporation will be classified as a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75% of its gross income is passive income, or (2) on average at least 50% of the gross value of its assets is attributable to assets that produce
passive income or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

Based on its estimated gross income, the estimated value of its gross assets and the nature of its business, SATS believes that it will not be classified as a PFIC for its current taxable year. SATS' status in future years will depend on its assets and activities in those years. SATS has no reason to believe that its assets or activities (and those of its subsidiaries and certain affiliates) will change in a manner that would cause it to be classified as a PFIC. If SATS were a PFIC, a U.S. Holder of ordinary shares generally would be subject to imputed interest charges and other disadvantageous tax treatment with respect to any gain from the sale or exchange of, and certain distributions with respect to, the ordinary shares.

If SATS were a PFIC, a U.S. Holder of ordinary shares could make a variety of elections that may alleviate the tax consequences referred to above, and one of these elections may be made retroactively. However, it is expected that the conditions necessary for making certain of such elections will not apply in the case of the ordinary shares. U.S. Holders should consult with their own tax advisors regarding the tax consequences that would arise if SATS were treated as a PFIC.

Non-U.S. Holders

Distributions. Subject to the discussion below under “— Backup withholding tax and information reporting requirements,” if you are a Non-U.S. Holder of ordinary shares, generally you will not be subject to U.S. federal income or withholding tax on distributions received on ordinary shares, unless such income is effectively connected with the conduct by you of a trade or business in the United States.

Sale or exchange of ordinary shares. Subject to the discussion below under “— Backup withholding tax and information reporting requirements,” if you are a Non-U.S. Holder of ordinary shares, generally you will not be subject to U.S. federal income or withholding tax on any gain realized on the sale or exchange of such shares unless (1) such gain is effectively connected with the conduct by you of a trade or business in the United States or (2) in the case of any gain realized by an individual, you are present in the United States for 183 days or more in the taxable year of such sale or exchange and some other conditions are met.

Backup withholding tax and information reporting requirements. U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders of stock. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, ordinary shares by a payor or middleman within the United States to a holder of ordinary shares other than an exempt recipient. Exempt recipients include corporations, payees that are not United States persons and that provide an appropriate certification and certain other persons. A payor or middleman within the United States will be required to withhold 31% of any payments of the proceeds from the sale or redemption of ordinary shares within the United States to you, unless you are an exempt recipient, if you fail to furnish your correct taxpayer identification number or otherwise fail to comply with such backup withholding tax requirements.

United States income tax regulations issued on October 6, 1997, and amendments to such income tax regulations issued on December 29, 1999, would modify some of the rules discussed above generally with respect to payments on ordinary shares made after December 31, 2000. In particular, a payor or middleman within the United States will be required to withhold 31% of any payments of dividends on, or proceeds from the sale of, ordinary shares within the United States to you, unless you are an exempt recipient such as a corporation or payee that is not a United States person and that provides an appropriate certification, if you fail to furnish your correct taxpayer identification number or otherwise fail to comply with, or establish an exemption from, such backup withholding tax requirements. In the case of such payments by a payor or middleman within the United States to a foreign partnership, other than payments to a foreign partnership that qualifies as a withholding foreign partnership within the meaning of such United States income tax regulations and payments to a foreign partnership that are effectively connected with the conduct of a trade or business in the United States, the partners of such partnership
will be required to provide the certification discussed above in order to establish an exemption from backup withholding tax and information reporting requirements. Moreover, a payor or middleman may rely on a certification provided by a Non-U.S. Holder only if such payor or middleman does not have actual knowledge or a reason to know that any information or certification stated in such certificate is unreliable.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership and disposition of our ordinary shares. We urge you to consult with your own tax advisors regarding the application of the U.S. federal income tax laws to your particular situation, as well as any tax consequences that may arise under the laws of any foreign, state, local or other taxing jurisdiction.
PLAN OF DISTRIBUTION

The selling shareholder intends to offer the ordinary shares through the initial purchasers. Merrill Lynch (Singapore) Pte Ltd, or Merrill Lynch, and The Development Bank of Singapore Ltd, or DBS, are acting as representatives of the initial purchasers named below. Subject to the terms and conditions set forth in a purchase agreement dated the date of this offering memorandum, the selling shareholder has agreed to sell and the initial purchasers listed below have severally and not jointly agreed to purchase or procure the purchase of the number of shares set forth opposite their respective names below.

<table>
<thead>
<tr>
<th>Initial Purchaser</th>
<th>Number of Ordinary Shares</th>
</tr>
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<tbody>
<tr>
<td>Merrill Lynch (Singapore) Pte. Ltd.</td>
<td>24,111,780</td>
</tr>
<tr>
<td>The Development Bank of Singapore Ltd</td>
<td>24,111,780</td>
</tr>
<tr>
<td>Credit Lyonnais Securities (Asia) Limited</td>
<td>7,306,600</td>
</tr>
<tr>
<td>Jardine Fleming Securities Limited</td>
<td>7,306,600</td>
</tr>
<tr>
<td>UBS AG acting through its financial services group UBS Warburg</td>
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<td>ABN Amro Rothschild</td>
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<td>Credit Suisse First Boston (Singapore) Limited</td>
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</tr>
<tr>
<td>Deutsche Bank AG, Hong Kong Branch</td>
<td>730,660</td>
</tr>
<tr>
<td>Nomura Singapore Limited</td>
<td>730,660</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73,066,000</strong></td>
</tr>
</tbody>
</table>

We have also entered into a management and underwriting agreement with the selling shareholder and the initial purchasers dated the date of this offering memorandum providing for the offer and sale of our ordinary shares by the selling shareholder in a public offer in Singapore. The initial offering price in the Singapore public offer will be identical to the offer price for our ordinary shares to be offered and sold under this offering memorandum. The closing under the purchase agreement and the closing under the management and underwriting agreement are conditional on one another. After the initial offering of the ordinary shares, the offering price and other selling terms of the shares may from time to time be varied by the initial purchasers.

The several initial purchasers have agreed, subject to the terms and conditions of the purchase agreement, to purchase all of the ordinary shares being sold, if any are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated. The initial purchasers have advised us and the selling shareholder that they propose initially to offer the ordinary shares at the price listed on the cover page of this offering memorandum.

We and the selling shareholder have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The ordinary shares are being offered by the several initial purchasers, subject to prior sale, when, as and if sold to and accepted by them, subject to the approval of legal matters by counsel for the initial purchasers and other conditions contained in the purchase agreement, such as the receipt of officer’s certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part.

Commissions and discounts

The representatives of the initial purchasers have advised us and the selling shareholder that the initial purchasers have agreed to purchase or procure the purchase of the ordinary shares at a purchase price equal to the offering price set forth on the cover page of this offering memorandum less a discount of S$0.05 per share. The aggregate expenses of the offerings, not including the initial purchasers' discount, are estimated at S$3.0 million and are payable by the selling shareholder.
Over-allotment option

The selling shareholder has granted an option to the initial purchasers to purchase or procure the purchase of up to an aggregate of 20,000,000 additional ordinary shares at the offering price set forth on the cover page of this offering memorandum, less the underwriting discount. The initial purchasers may exercise this option for 30 days from the date of this offering memorandum solely to cover over-allotments, if any, made on the sale of our ordinary shares offered by this offering memorandum. If the initial purchasers exercise this option, each initial purchaser will be obligated, subject to conditions contained in the purchase agreement, to purchase or procure the purchase of a number of additional ordinary shares proportionate to the initial purchaser’s initial amount reflected in the table above. The stabilizing manager (as defined under Singapore law), Merrill Lynch, may take such stabilizing action as permitted under Singapore law to stabilize or maintain the market price of the ordinary shares and may cease such action at any time.

Ordinary shares not registered in the United States

The ordinary shares have not been registered under the U.S. Securities Act or any United States state securities laws and will be subject to restrictions on resale. The initial purchasers propose to offer, directly or through their affiliates or agents, the ordinary shares for resale in transactions not requiring registration under the U.S. Securities Act or applicable state securities laws, including sales pursuant to Rule 144A. The initial purchasers, and their affiliates and agents, will not offer to sell the ordinary shares except:

(1) to persons they reasonably believe to be qualified institutional buyers in reliance on Rule 144A; or

(2) pursuant to offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act.

Ordinary shares sold pursuant to Regulation S under the U.S. Securities Act may not be offered or resold in the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from the registration requirements of the U.S. Securities Act or pursuant to a registration statement declared effective under the U.S. Securities Act.

Each purchaser of the ordinary shares offered hereby in making its purchase will be deemed to have made certain acknowledgments, representations and agreements as detailed under “Notice to Investors.” In addition, until 40 days after the commencement of the offerings, an offer or sale of our ordinary shares in the United States by any dealer (whether or not participating in the offerings) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made other than in accordance with Rule 144A under the U.S. Securities Act.

No sale of ordinary shares or similar securities

We and the selling shareholder have agreed, with exceptions, not to sell or transfer any ordinary shares for 180 days after the date of this offering memorandum without first obtaining the written consent of Merrill Lynch and DBS. Specifically, we and the selling shareholder have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any ordinary shares;
- sell any option or contract to purchase any ordinary shares;
- purchase any option or contract to sell any ordinary shares;
- grant any option, right or warrant for the sale of any ordinary shares;
- lend or otherwise dispose of or transfer any ordinary shares;
- in the case of the selling shareholder, request or demand that we file a registration statement related to the ordinary shares; and
• enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any ordinary shares whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup applies to ordinary shares and to securities convertible or exchangeable or exercisable for or repayable with ordinary shares. It also applies to ordinary shares owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

**SGX-ST listing**

We have received approval-in-principle for the listing and quotation of our ordinary shares on the Main Board of the SGX-ST.

Prior to the offerings, there has been no active market for our ordinary shares. The initial purchasers have indicated to us that they intend to make a market in our ordinary shares, but they are under no obligation to do so and such market-making could be discontinued at any time without notice, at their sole discretion.

We expect that the initial purchasers will pay the selling shareholder for and the selling shareholder will sell the ordinary shares offered by this offering memorandum to the initial purchasers on or about May 10, 2000. We expect that our ordinary shares will commence trading on the SGX-ST on or about May 12, 2000.

In addition, the selling shareholder has undertaken not to transfer or dispose of any ordinary shares it currently holds within a period of six months from the date of our first listing on the SGX-ST and not to reduce its shareholding below 50% for a further six months following the initial six month period.

**Price stabilization, short positions, penalty bids**

In connection with the offerings, certain persons participating in the offerings may engage in transactions that stabilize, maintain or otherwise affect the price of the ordinary shares during and after the offerings. Specifically, Merrill Lynch may bid for and purchase the ordinary shares in the open market to stabilize the price of the ordinary shares. The initial purchasers may also over-allot the offerings, creating a syndicate short position, and may bid for and purchase the ordinary shares in the open market to cover the syndicate short position. In addition, the initial purchasers may bid for and purchase the ordinary shares in market making transactions and impose penalty bids. Penalty bids permit Merrill Lynch on behalf of the initial purchasers to reclaim selling concessions from syndicate members when ordinary shares originally sold by such syndicate members are purchased in syndicate-covering transactions or syndicate-market-making transactions. These activities may stabilize or maintain the market price of the ordinary shares above market levels that may otherwise prevail. Such transactions may be effected principally on the SGX-ST or otherwise in Singapore to the extent permitted, under applicable laws and regulations in Singapore. Neither we nor the selling shareholder or the initial purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the ordinary shares. In addition, neither we nor the selling shareholder nor any of the initial purchasers makes any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Selling restrictions**

Each initial purchaser has represented and agreed that:

(1) it has not offered or sold and will not offer or sell any ordinary shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which do not constitute an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
(2) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the ordinary shares in, from or otherwise involving the United Kingdom;

(3) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the sale of the ordinary shares to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 as amended by the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1997 or is a person to whom such document may otherwise lawfully be issued or passed on;

(4) it has not offered or sold, directly or indirectly, any ordinary shares in Singapore or to a resident of Singapore except as permitted by applicable Singapore law;

(5) it has not offered or sold and will not offer or sell in the Special Administrative Region of Hong Kong, People's Republic of China, or Hong Kong, by means of any document, any ordinary shares other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agents, or otherwise in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong;

(6) it has not issued and will not issue any invitation or advertisement relating to the ordinary shares in Hong Kong, except if permitted to do so under the securities laws of Hong Kong, other than will respect to the ordinary shares intended to be disposed of outside Hong Kong, or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposed or holding of securities, whether as principal or as agent; and

(7) except (x) under an exemption from the registration requirements of the Securities and Exchange Law of Japan and (y) in compliance with applicable requirements of Japanese law:

(a) the ordinary shares have not been and will not be registered under the Securities and Exchange Law of Japan; and

(b) it has not and will not offer or sell, directly or indirectly, any ordinary shares in Japan or to or for the account of any resident of Japan.

Other relationships

Some of the initial purchasers and their affiliates engage in transactions with, and perform services for, us and the selling shareholder in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and investment banking transactions with us and the selling shareholder, for which they have received customary compensation.

Reserved shares

At our request, the initial purchasers have reserved 14,934,000 of our ordinary shares for sale at the initial offering price to our directors, employees, business associates and others who have contributed to our success and to the success of our subsidiaries and associated companies. The number of our ordinary shares available for sale to the general public will be reduced to the extent these individuals purchase these reserved shares. Any reserved shares not so purchased will be released for sale by the initial purchasers to the general public no later than the closing date of the offerings on the same terms as our other ordinary shares offered by this offering memorandum. Reserved shares purchased by these individuals will, except as restricted by applicable securities laws, be available for resale following the offerings.
NOTICE TO INVESTORS

Because of the following restrictions, purchasers are advised to consult legal counsel before making any offer, resale, pledge or transfer of ordinary shares.

No actions have been taken to register or qualify the ordinary shares offered by this offering memorandum or otherwise to permit a public offer of the ordinary shares in any jurisdiction outside Singapore. The ordinary shares have not been and will not be registered under the U.S. Securities Act or any other applicable securities laws outside of Singapore, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the U.S. Securities Act and such other laws. Accordingly, the ordinary shares are being offered and sold in the United States only to persons reasonably believed to be “qualified institutional buyers,” or QIBs, as defined in Rule 144A under the U.S. Securities Act in reliance on the exemptions from the registration requirements of the U.S. Securities Act provided hereby. The international offering and the Singapore offering are being made outside the United States pursuant to Regulation S under the U.S. Securities Act.

International offering in the United States

Each purchaser of the ordinary shares in the United States will be deemed to have acknowledged and represented to and agreed that:

(1) It is

(a) a QIB as defined in Rule 144A under the U.S. Securities Act,
(b) aware the seller of the ordinary shares may be relying on an exemption from registration under the U.S. Securities Act provided by Rule 144A, and
(c) purchasing the ordinary shares for its own account or the accounts of others (which others also must be QIBs) with respect to which it exercises sole investment discretion; and

(2) It understands that the ordinary shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may be offered, sold, pledged or otherwise transferred only

(i) outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act,
(ii) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (if available),
(iii) to a person whom it reasonably believes is a QIB that is purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act, in each case in accordance with any applicable laws of any state of the United States or any other jurisdictions; and

(3) Ordinary shares sold in the international offering will constitute “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act, and, for so long as they remain “restricted securities,” such ordinary shares may not be transferred except as described in paragraph (2) above.

International offering outside the United States and Singapore

Each purchaser of ordinary shares outside the United States and Singapore will be deemed to have represented and agreed that:

(1) It is a non-U.S. person purchasing the ordinary shares outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act; and
(2) Such purchaser will not, prior to the expiration of 40 days after the closing date of the offerings (the “restricted period”), offer, sell, pledge or otherwise transfer any ordinary shares, except

(a) outside the United States to persons other than U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act or

(b) within the United States to persons reasonably believed to be QIBs in accordance with the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A, in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Each purchaser of an ordinary share offered pursuant to Regulation S will be required, or deemed by its purchase, to confirm that the purchaser is aware of the restrictions on the offer and sale of ordinary shares offered pursuant to Regulation S described in this offering memorandum.

Upon the expiration of the restricted period, the ordinary shares offered in the international offering made in reliance on Regulation S shall no longer be subject to the restrictions set out above, if, at the time of such expiration, the offer or sale of such ordinary shares in the United States would not be restricted under the securities laws of the United States or any state of the United States or any other jurisdiction.
CLEARANCE AND SETTLEMENT

Upon listing and quotation on the SGX-ST, the ordinary shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the ordinary shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended from time to time.

The ordinary shares will be registered in the name of the CDP or its nominee and held by the CDP for and on behalf of persons who maintain, either directly or through depositary agents, securities accounts with the CDP. Persons named as direct securities account holders and depositary agents in the depositary register maintained by the CDP, rather than the CDP, will be treated, under our Articles of Association and the Singapore Companies Act, as members of SATS in respect of the number of the ordinary shares credited to their respective securities accounts.

Persons holding the ordinary shares in securities account with the CDP may withdraw the number of the ordinary shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of S$10.00 for each withdrawal of 1,000 ordinary shares or less and a fee of S$25.00 for each withdrawal of more than 1,000 ordinary shares is payable upon withdrawing the ordinary shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S$2.00 is payable to the share registrar for each share certificate issued and a stamp duty of S$10.00 is also payable where the ordinary shares are withdrawn in the name of the person withdrawing the ordinary shares or S$0.20 per S$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with the CDP their share certificates together with the duly executed and stamped instruments of transfer in favor of the CDP, and have their respective securities accounts credited with the number of the ordinary shares deposited before they can effect the desired trades. A fee of S$20.00 is payable upon the deposit of each instrument of transfer with the CDP.

Transactions in the ordinary shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of the ordinary shares sold and the buyer's securities account being credited with the number of the ordinary shares acquired. No transfer stamp duty is currently payable for the ordinary shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in the ordinary shares on the SGX-ST is payable at the rate of 0.05% of the transaction value subject to a maximum of S$100.00 per contract. The clearing fee, instrument of transfer deposit fee and ordinary share withdrawal fee may be subject to Singapore Goods and Services Tax of 3%.

A contract note stamp duty at S$0.50 per S$1,000 or part thereof of the transaction value is also payable to the Stamp Duty Branch of the Inland Revenue Authority of Singapore for trades of the ordinary shares on the SGX-ST. With effect from June 30, 1998 until June 29, 2000, the Singapore government has suspended stamp duty on contract notes for ordinary share transactions and from June 30, 2000, the Singapore Minister of Finance has announced that this stamp duty will be abolished.

Dealings of the ordinary shares will be carried out in Singapore dollars and will be effected for settlement on the CDP on a scripless basis. Settlement of trades on a normal “ready” basis on the SGX-ST generally takes place on the third business day following the transaction date, and payment for the securities is generally settled on the following business day. The CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with the CDP or a sub-account with the CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.
LEGAL MATTERS

White & Case LLP, Singapore and New York, New York, will deliver for us an opinion on limited matters of New York law. Simpson Thacher & Bartlett will deliver for the initial purchasers an opinion on limited matters of New York law. Wong Partnership will deliver for us and the initial purchasers an opinion on limited matters of Singapore law. In giving their opinions, White & Case LLP and Simpson Thacher & Bartlett may rely on the opinion of Wong Partnership. The validity of the ordinary shares offered by this offering memorandum will be passed upon by Wong Partnership.

INDEPENDENT PUBLIC ACCOUNTANTS

Our consolidated financial statements as of September 30, 1999 and March 31, 1997, 1998 and 1999 and for the six-month period ended September 30, 1999 and the fiscal years ended March 31, 1997, 1998 and 1999 have been audited by Ernst & Young, our independent public accountants.
PRINCIPAL DIFFERENCES BETWEEN
INTERNATIONAL ACCOUNTING STANDARDS AND U.S. GAAP

Our consolidated financial statements included in this offering memorandum have been prepared in accordance with IAS, which differ in certain significant respects from U.S. GAAP. Certain significant differences between IAS and U.S. GAAP relevant to the determination of our consolidated net income and total consolidated shareholder’s equity are summarized below. This summary does not address all disclosures, presentation and classification differences between IAS and U.S. GAAP and should not be construed to be exhaustive. In addition, we have made no attempt to identify future differences between IAS and U.S. GAAP as a result of prescribed changes in accounting standards that may affect our consolidated financial statements. Regulatory bodies that promulgate IAS and U.S. GAAP have significant projects ongoing that could affect future comparisons of IAS and U.S. GAAP. We have made no attempt to identify all future differences between IAS and U.S. GAAP that may affect our consolidated financial statements as a result of transactions or events that may occur in the future.

Deferred income tax

Under IAS, deferred taxes are recorded for the effects of all temporary timing differences, except if it is probable that the related liability will not reverse in the foreseeable future or if there is a less than reasonable expectation that the related assets will be realized. Further, potential tax savings related to a tax loss carryforward is only recognized if there is assurance beyond a reasonable doubt that future taxable income will be sufficient to allow the benefit to be realized or offset by a deferred tax liability. The amounts not provided for are disclosed in the notes to the financial statements.

Under U.S. GAAP, deferred tax is accounted for on all temporary differences. Accordingly, all deferred tax assets and liabilities are recorded. A valuation allowance with respect to deferred tax assets is recognized to reduce the total deferred tax assets to an amount which is “more likely than not” to be realized.

Goodwill and negative goodwill arising on consolidation

Under IAS, goodwill and negative goodwill arising on consolidation are required to be capitalized and amortized to income over five years or longer, subject to a maximum of 20 years. The reasons justifying that the goodwill has an useful life of more than five years have to be disclosed in the financial statements in relation to the acquisition of subsidiary companies and associated companies.

Under U.S. GAAP, goodwill arising on consolidation is required to be capitalized and amortized to income over the estimated useful life of the goodwill, subject to a maximum of 40 years.

Impairment of long-lived assets

While both U.S. GAAP and IAS require periodic review of long-lived assets for impairment in value, U.S. GAAP is more prescriptive in the measurement method for these reviews.

Interest capitalization

U.S. GAAP requires that interest incurred by an enterprise during the period of constructing long-lived assets be capitalized into the cost of such assets. While IAS permits such accounting treatment, it is preferred that all interest incurred be charged to operations in the period incurred.

Unconsolidated company-only financial statements

U.S. GAAP requires that unconsolidated company-only financial statements account for investments in subsidiary entities using the equity method. IAS permits the use of cost for accounting for subsidiaries, if such presentation is required or permitted by the accounting principles of the jurisdiction of the reporting entity.
**Segment information**

U.S. GAAP requires that public business enterprises report certain information about operating segments in financial statements that are issued to shareholders. It also requires that such enterprises report certain information about their products and services, and geographic areas in which they operate and their major customers. Further, the definition of an entity’s business segments is based on that used by management for purposes of making decisions about the business results of operations and how to invest the enterprise’s resources.

IAS requires reporting of certain financial information by industry and geographical segments. The accounting policies and disclosures of such information differ in certain aspects from U.S. GAAP. Of greatest substance among these differences is that IAS uses an industry-driven definition of reportable segments compared to the management-driven definition of U.S. GAAP.

**Dividends**

Under U.S. GAAP, dividends are given effect only in the period in which the dividends are formally declared. As permitted under IAS, dividends are provided for in the year in respect of which they are declared or proposed.

**Investments**

Under U.S. GAAP, equity investments that have a readily determinable fair value are classified based on intent. Equity securities that are bought and held for the purpose of selling them in the near term are classified as “trading securities” and reported at fair value, with unrealized gains and losses included in operations. Equity securities not classified as “trading securities” are classified as “available-for-sale securities” and reported at fair value, with unrealized gains and losses excluded from operations and reported as a separate component of shareholder’s equity.

As permitted under IAS in effect for the periods presented, quoted equity investments held on a long-term basis are stated at cost. Listed and unlisted equity investments held as current assets are stated at the lower of cost and market value or underlying net asset value with declines in value below the original costs charged to operations.

**Cash flow statement**

Under IAS, interest paid may be classified as operating or financing cash flow. In addition, dividends and interest received may be classified as cash flows from operating or investing activities. U.S. GAAP requires interest paid and dividends and interest received to be classified as operating cash flows.

In addition, under IAS, cash overdrafts are netted with positive cash balances for purposes in determining cash for the cash flow statement. Under U.S. GAAP, cash overdrafts are treated as a liability.
# CONSOLIDATED FINANCIAL STATEMENTS OF
SINGAPORE AIRPORT TERMINAL SERVICES LIMITED AND SUBSIDIARIES

## Contents

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<td>F-4</td>
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<td>F-8</td>
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<td>Notes to Consolidated Financial Statements</td>
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</table>
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors
Singapore Airport Terminal Services Limited
Airline House
25 Airline Road
Singapore 819829

We have audited the accompanying consolidated financial statements of Singapore Airport Terminal Services Limited (the “Company”) and its subsidiary companies (collectively, the “Group”), comprising the Group’s consolidated balance sheets as at March 31, 1997, 1998 and 1999 and September 30, 1999, its consolidated statements of income, changes in shareholder’s equity and cash flows for the fiscal years ended March 31, 1997, 1998 and 1999 and the six-month period ended September 30, 1999. These consolidated financial statements of the Group are the responsibility of the Company’s directors. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the abovementioned consolidated financial statements of the Group, expressed in Singapore dollars, give a true and fair view of the consolidated financial position of the Group as at March 31, 1997, 1998, 1999 and September 30, 1999, and of the Group’s consolidated results of operations and its consolidated changes in shareholder’s equity and cash flows for each of the fiscal years ended March 31, 1997, 1998 and 1999 and for the six-month period ended September 30, 1999, in accordance with International Accounting Standards.

ERNST & YOUNG
Certified Public Accountants

Singapore
May 4, 2000

(in thousands of Singapore dollars and thousands of U.S. dollars, except per share data)

<table>
<thead>
<tr>
<th>Notes</th>
<th>Fiscal Year Ended March 31,</th>
<th>Six-Month Period Ended September 30,</th>
</tr>
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<tr>
<td>3, 30</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>-</td>
<td>(524,730)</td>
</tr>
<tr>
<td>5</td>
<td>-</td>
<td>158,766</td>
</tr>
<tr>
<td>6</td>
<td>-</td>
<td>(7,024)</td>
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<tr>
<td>7</td>
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<td>11,221</td>
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<tr>
<td>8</td>
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<td>—</td>
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<td>9</td>
<td>—</td>
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<td>—</td>
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<td>—</td>
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<td>(31,618)</td>
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<td>—</td>
<td>—</td>
<td>84,295</td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>8.43</td>
</tr>
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</table>

The accompanying notes form an integral part of the financial statements.
## SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

**Consolidated Balance Sheets as at March 31, 1997, 1998 and 1999 and September 30, 1999**

(in thousands of Singapore dollars and thousands of U.S. dollars)

<table>
<thead>
<tr>
<th>Note</th>
<th>As at March 31,</th>
<th>As at September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets:</td>
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<td></td>
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<tr>
<td>Cash and bank balances</td>
<td>11,185</td>
<td>42,353</td>
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<td>Time deposits</td>
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<td>47,413</td>
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<td>Accounts receivable</td>
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<td>45,734</td>
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<tr>
<td>Other receivables</td>
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<td>20,686</td>
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<tr>
<td>Loans to third parties</td>
<td>15</td>
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</tr>
<tr>
<td>Due from related companies</td>
<td>17</td>
<td>176,352</td>
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<tr>
<td>Due from associated companies</td>
<td>18</td>
<td>10,333</td>
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<tr>
<td>Inventories and raw materials</td>
<td>19</td>
<td>195,714</td>
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<tr>
<td>Short-term investments</td>
<td>21</td>
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<td>Other investments</td>
<td>22</td>
<td>518,280</td>
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<tr>
<td>Total current assets</td>
<td>500,787</td>
<td>462,004</td>
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<td>Other assets:</td>
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<tr>
<td>Associated companies</td>
<td>18</td>
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</tr>
<tr>
<td>Loans to third parties — net of current maturities</td>
<td>15</td>
<td>38,066</td>
</tr>
<tr>
<td>Other investments</td>
<td>21</td>
<td>7,886</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>22</td>
<td>518,280</td>
</tr>
<tr>
<td>Total other assets</td>
<td>597,447</td>
<td>658,215</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,098,234</td>
<td>1,120,219</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 100,528 | 77,244 | 71,560 | 42,094 | 86,740 | 51,024 |
| Accrued expenses and other payables | 23 | 57,154 | 54,920 | 32,780 | 19,282 | 36,883 |
| Due to related companies | 17 | — | — | — | — | 214 |
| Income tax payable | 23,255 | 34,011 | 43,690 | 25,700 | 43,801 | 25,765 |
| Proposed dividend | 32,560 | 32,560 | 48,840 | 28,730 | 42,205 | 24,826 |
| Total current liabilities | 213,497 | 198,735 | 196,870 | 115,806 | 209,843 | 123,437 |
| Long-term liabilities: | | | | | | |
| Capitalized lease obligations — net of current maturities | 24 | 1,581 | 1,336 | 968 | 569 | 569 |
| Term loan — net of current maturities | 25 | 4,583 | 3,963 | 3,343 | 1,967 | 2,851 |
| Loans from parent company — net of current maturities | 26 | 175,479 | 187,842 | 44,794 | 26,349 | 45,327 |
| Deferred income tax | 27 | 58,289 | 62,120 | 69,915 | 41,127 | 79,090 |
| Total long-term liabilities | 239,932 | 255,261 | 119,020 | 70,012 | 128,236 | 75,433 |
| Total liabilities | 453,429 | 453,996 | 315,890 | 185,818 | 338,079 | 198,870 |
| Shareholder's equity: | | | | | | |
| Share capital | 28 | 100,000 | 100,000 | 100,000 | 58,824 | 100,000 |
| Retained earnings | 545,110 | 563,910 | 592,405 | 348,473 | 639,070 | 375,924 |
| Foreign currency translation adjustment | 305 | 2,313 | 7,906 | 4,651 | 7,292 | 4,289 |
| Statutory reserve | — | — | 225 | 132 | 79,090 | 46,524 |
| Total shareholder's equity | 644,805 | 666,223 | 700,536 | 412,080 | 746,820 | 439,306 |
| Total liabilities and shareholder’s equity | 1,098,234 | 1,120,219 | 1,016,426 | 597,898 | 1,084,899 | 638,176 |

The accompanying notes form an integral part of the financial statements.
SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

(in thousands of Singapore dollars)

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital</th>
<th>Retained earnings</th>
<th>Statutory reserve*</th>
<th>Foreign currency translation adjustment</th>
<th>Total shareholder's equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>1</td>
<td>100,000</td>
<td>525,935</td>
<td>—</td>
<td>(282)</td>
<td>625,653</td>
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<td>11</td>
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<td></td>
<td>(23)</td>
<td></td>
<td></td>
<td>(23)</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>(65,120)</td>
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<td>(23)</td>
<td>(65,120)</td>
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<tr>
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<td>100,000</td>
<td>545,110</td>
<td>—</td>
<td>(305)</td>
<td>644,805</td>
</tr>
<tr>
<td>11</td>
<td>—</td>
<td>83,920</td>
<td>—</td>
<td>2,618</td>
<td>83,920</td>
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<td>(65,120)</td>
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<td>100,000</td>
<td>563,910</td>
<td>—</td>
<td>2,313</td>
<td>666,223</td>
</tr>
<tr>
<td>11</td>
<td>—</td>
<td>41,087</td>
<td>—</td>
<td>—</td>
<td>41,087</td>
</tr>
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<td>41,087</td>
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<tr>
<td>11</td>
<td>100,000</td>
<td>604,997</td>
<td>—</td>
<td>2,313</td>
<td>707,310</td>
</tr>
<tr>
<td>11</td>
<td>—</td>
<td>69,033</td>
<td>—</td>
<td>5,593</td>
<td>69,033</td>
</tr>
<tr>
<td>11</td>
<td>(225)</td>
<td>225</td>
<td></td>
<td></td>
<td>(225)</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>5,593</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>11</td>
<td>(81,400)</td>
<td></td>
<td>—</td>
<td>(81,400)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>592,405</td>
<td>225</td>
<td>7,906</td>
<td>700,356</td>
</tr>
<tr>
<td>11</td>
<td>—</td>
<td>233</td>
<td>233</td>
<td>(614)</td>
<td>(614)</td>
</tr>
<tr>
<td></td>
<td>89,103</td>
<td></td>
<td></td>
<td></td>
<td>89,103</td>
</tr>
<tr>
<td>11</td>
<td>(42,205)</td>
<td></td>
<td>—</td>
<td>(42,205)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>639,070</td>
<td>458</td>
<td>7,292</td>
<td>746,820</td>
</tr>
</tbody>
</table>

* Certain countries in which certain of the Group’s associated companies are incorporated legally require statutory reserves to be set aside. The laws of these countries restrict the distribution and use of these statutory reserves.
## SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

and for the Six-Month Periods Ended September 30, 1998 and 1999
(in thousands of Singapore dollars and thousands of U.S. dollars)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended March 31,</th>
<th>Six-Month Period Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income tax</td>
<td>115,913</td>
<td>115,972</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income from investments and deposits</td>
<td>(9,621)</td>
<td>(13,177)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>7,024</td>
<td>9,623</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>38,612</td>
<td>48,109</td>
</tr>
<tr>
<td>Gain on sales of property, plant and equipment</td>
<td>(653)</td>
<td>(321)</td>
</tr>
<tr>
<td>(Gain) loss on sales of short-term investments</td>
<td>(5,831)</td>
<td>18,336</td>
</tr>
<tr>
<td>Loss on disposal of long-term investment</td>
<td>473</td>
<td>—</td>
</tr>
<tr>
<td>Provision for diminution in value of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>— associated companies</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>— short-term investments</td>
<td>—</td>
<td>450</td>
</tr>
<tr>
<td>Share of income of associated companies</td>
<td>(1,404)</td>
<td>(6,173)</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>(1,404)</td>
<td>(6,173)</td>
</tr>
<tr>
<td>Other</td>
<td>(22)</td>
<td>—</td>
</tr>
<tr>
<td>Cash generated from operations before reinvestment in working capital</td>
<td>144,491</td>
<td>172,819</td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable and other receivables</td>
<td>(305)</td>
<td>4,332</td>
</tr>
<tr>
<td>Decrease (increase) in inventories and raw materials</td>
<td>(831)</td>
<td>(643)</td>
</tr>
<tr>
<td>Increase in amounts due from related companies</td>
<td>(3,853)</td>
<td>(1,761)</td>
</tr>
<tr>
<td>(Decrease) increase in accounts payable and other payables</td>
<td>26,438</td>
<td>(10,011)</td>
</tr>
<tr>
<td>Decrease (increase) in amounts due from associated companies</td>
<td>(1,746)</td>
<td>4,123</td>
</tr>
<tr>
<td>Interest paid to third parties</td>
<td>(190)</td>
<td>(430)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(31,294)</td>
<td>(22,411)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>132,710</td>
<td>146,018</td>
</tr>
</tbody>
</table>

and for the Six-Month Periods Ended September 30, 1998 and 1999

(in thousands of Singapore dollars and thousands of U.S. dollars) (cont’d)

<table>
<thead>
<tr>
<th>Note</th>
<th>Fiscal Year Ended March 31,</th>
<th>Six-Month Period Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SS</td>
<td>SS</td>
</tr>
<tr>
<td></td>
<td>(unaudited)</td>
<td></td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales (purchases)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of short-term investments</td>
<td>(2,153)</td>
<td>38,546</td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(57,934)</td>
<td>(103,584)</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>2,061</td>
<td>368</td>
</tr>
<tr>
<td>Proceeds from sales of long-term investments</td>
<td>4,735</td>
<td>—</td>
</tr>
<tr>
<td>Investments in associated companies</td>
<td>(11,757)</td>
<td>(7,004)</td>
</tr>
<tr>
<td>Loans to third parties and associated companies</td>
<td>(1,360)</td>
<td>(4,941)</td>
</tr>
<tr>
<td>Dividends from associated companies</td>
<td>957</td>
<td>2,833</td>
</tr>
<tr>
<td>Interest received</td>
<td>6,438</td>
<td>10,758</td>
</tr>
<tr>
<td>Interest paid to parent company</td>
<td>(6,810)</td>
<td>(9,193)</td>
</tr>
<tr>
<td>Dividends received from investments</td>
<td>3,066</td>
<td>2,368</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(62,757)</td>
<td>(69,849)</td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from (repayment of) long-term debt</td>
<td>4,887</td>
<td>(620)</td>
</tr>
<tr>
<td>Proceeds from loan from parent company</td>
<td>7,680</td>
<td>12,364</td>
</tr>
<tr>
<td>Repayment of loan from parent company</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Repayment of capitalized lease obligations</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Dividends paid to parent company</td>
<td>(63,640)</td>
<td>(65,120)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(62,757)</td>
<td>(69,849)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>18,235</td>
<td>22,111</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of fiscal year or period</td>
<td>29</td>
<td>137,760</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of fiscal year or period</td>
<td>29</td>
<td>155,995</td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of the financial statements.
## SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

Unconsolidated Balance Sheet of the Company as at September 30, 1999
(in thousands of Singapore dollars and thousands of U.S. dollars)

<table>
<thead>
<tr>
<th>Note</th>
<th>SS</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>527</td>
<td>310</td>
</tr>
<tr>
<td>Time deposits</td>
<td>13,332</td>
<td>7,842</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>13</td>
<td>292</td>
</tr>
<tr>
<td>Other receivables</td>
<td>14</td>
<td>39,621</td>
</tr>
<tr>
<td>Loans to third parties</td>
<td>15</td>
<td>588</td>
</tr>
<tr>
<td>Due from related companies</td>
<td>17</td>
<td>41,210</td>
</tr>
<tr>
<td>Due from associated companies</td>
<td>18</td>
<td>170</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>95,740</td>
<td>56,317</td>
</tr>
<tr>
<td><strong>Other assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in subsidiary companies — at cost</td>
<td>16</td>
<td>42,015</td>
</tr>
<tr>
<td>Investments in associated companies — at cost</td>
<td>18</td>
<td>44,812</td>
</tr>
<tr>
<td>Loans to third parties — net of current maturities</td>
<td>15</td>
<td>45,327</td>
</tr>
<tr>
<td>Other investments</td>
<td>21</td>
<td>7,886</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>22</td>
<td>552,390</td>
</tr>
<tr>
<td><strong>Total other assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>692,430</td>
<td>407,312</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>788,170</td>
<td>463,629</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>SS</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDER’S EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities:</strong></td>
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<tr>
<td>Accounts payable</td>
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<td>7,137</td>
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<td>Other payables</td>
<td>23</td>
<td>29,020</td>
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<tr>
<td>Due to related companies</td>
<td>17</td>
<td>131,902</td>
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<tr>
<td>Income tax payable</td>
<td>1,262</td>
<td>742</td>
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<tr>
<td>Proposed dividend</td>
<td>42,205</td>
<td>24,827</td>
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<td><strong>Total current liabilities</strong></td>
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<td></td>
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<tr>
<td></td>
<td>204,827</td>
<td>120,486</td>
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<td><strong>Long-term liabilities:</strong></td>
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<td></td>
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<tr>
<td>Loan from parent company — net of current maturities</td>
<td>26</td>
<td>45,327</td>
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<tr>
<td>Deferred income tax</td>
<td>27</td>
<td>47,000</td>
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<td><strong>Total long-term liabilities</strong></td>
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<td></td>
<td>92,327</td>
<td>54,310</td>
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<tr>
<td><strong>Total liabilities</strong></td>
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<td>297,154</td>
<td>174,796</td>
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<td><strong>Shareholder’s equity:</strong></td>
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<td></td>
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<tr>
<td>Share capital</td>
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<td>100,000</td>
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<td>Retained earnings</td>
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<td>230,009</td>
</tr>
<tr>
<td><strong>Total shareholder’s equity</strong></td>
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<tr>
<td></td>
<td>491,016</td>
<td>288,833</td>
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<tr>
<td><strong>Total liabilities and shareholder’s equity</strong></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>788,170</td>
<td>463,629</td>
</tr>
</tbody>
</table>
SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

Notes to Consolidated Financial Statements

1. General

Singapore Airport Terminal Services Limited, which was incorporated in Singapore, is a subsidiary of Singapore Airlines Limited, a company incorporated in Singapore. Singapore Airlines is a subsidiary of Temasek Holdings (Private) Limited, a company incorporated in Singapore and controlled by the Government of the Republic of Singapore.

Related companies in these financial statements refer to members of the group of companies owned or controlled by Singapore Airlines.

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

- Ground handling services, including
  - air freight handling services;
  - passenger services;
  - baggage handling services; and
  - apron services;
- Inflight catering services, including aircraft interior cleaning and cabin handling;
- Aviation security services; and
- Laundry services.

There have been no significant changes in the nature of these activities during the fiscal years and periods presented in these financial statements.

The Group depends on its parent and its related companies for a substantial portion of its business. The Company’s sales to its parent company and related companies accounted for 57.5% of its revenue for the fiscal year ended March 31, 1999 and 58.5% of its revenue for the six-month period ended September 30, 1999.

Ernst & Young has been the auditor of the Company and its subsidiary companies since the first financial period ended from the date of incorporation of the Company. No audited financial statements of the Group or the Company have been prepared for any fiscal period subsequent to September 30, 1999.

2. Significant Accounting Policies

(a) Basis of accounting

The financial statements of the Company and of the Group are prepared under the historical cost convention and in accordance with International Accounting Standards.

The accounting policies have been consistently applied by the Company and the Group. The financial statements are expressed in Singapore dollars.

For the convenience of the reader, the Group’s consolidated balance sheets as at March 31, 1999 and September 30, 1999, the Group’s consolidated statements of income and cash flows for the fiscal year ended March 31, 1999 and six-month period ended September 30, 1999 and the Company’s unconsolidated balance sheet as at September 30, 1999 (with the exception of such data included in the notes) have been translated into United States dollars from Singapore dollars using the exchange rate of S$1.70 to US$1.00, which was the noon buying rate in The City of New York for cable transfers in Singapore dollars as certified for customs purposes by the Federal Reserve Bank of New York as of
SINGAPORE AIRPORT TERMINAL SERVICES LIMITED
Notes to Consolidated Financial Statements (Continued)

September 30, 1999. Such translation should not be construed as a representation that the Singapore dollar amounts have been or could have been converted into U.S. dollars at this or any other rates.

The Group’s unaudited consolidated statements of income and cash flows for the six-month period ended September 30, 1998 have been presented for comparative purposes. The financial statements for this period have not been audited in accordance with the International Standards on Auditing.

The unaudited consolidated balance sheet of the Company as at September 30, 1999 has been presented herein as required by the Singapore Companies Act, Cap. 50.

(b) Basis of consolidation

The accounting year of the Company and all its subsidiary companies ends on March 31, and the consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary companies. Material intercompany balances and transactions are eliminated upon consolidation. The results of subsidiary companies acquired or disposed of during the fiscal period are included in or excluded from the respective dates of acquisition or disposal, as applicable.

On acquisition of a subsidiary company, fair values are attributed to the net assets acquired. Goodwill arising on consolidation arises where the price paid for a business exceeds the fair value so attributed. Goodwill is amortized over its useful life of 5 fiscal years.

(c) Property, plant and equipment

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

(d) Other investments

Other investments held on a long-term basis are stated at cost and provisions are made for any diminution in value that is considered to be permanent.

(e) Listed investments

Listed investments are stated at the lower of cost and net realizable value.

(f) Dividends and interest income from listed investments

Dividends from listed equity investments are recognized when the shareholders’ right to receive the payment is established. Interest income from listed debt investments and fixed deposits is accrued on a day-to-day basis.

(g) Subsidiary and associated companies

For purposes of the Company’s unconsolidated balance sheet only, shares in its subsidiary and associated companies are stated at cost. Provision is made for any permanent diminution in value.

Subsidiary companies are those companies in which the Company, directly or indirectly, holds more than 50% of the issued share capital and over which the Group exercises management control.
An associated company is defined as a company, not being a subsidiary, in which the Group has a long-term interest of not less than 20% (or more than 50%) of the issued share capital and in whose financial and operating policy decisions the Group exercises significant influence.

The Group’s share of the income (loss) of associated companies is included in the Group’s consolidated net income and the Group’s share of the post-acquisition changes in shareholders’ equity is added to the value of investments in associated companies shown in the Group’s consolidated balance sheet. These amounts are taken from the latest audited financial statements of the associated company concerned, adjusted as appropriate, to the end of the fiscal year or period. The excess of the cost of acquisition over the Group’s share of the fair values of the net identifiable assets of the associated company is classified as goodwill arising on consolidation. Such goodwill is amortized to the income statement over five fiscal years.

(h) **Doubtful accounts receivable**

Specific provision for doubtful accounts receivable is made for debts that are assessed by the Company’s management to be uncollectable or where the debtor has been placed in liquidation and legal action has been instigated to recover the outstanding debts.

(i) **Inventories and raw materials**

Inventories and raw materials, which consist mainly of equipment spare parts and food supplies, are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis.

(j) **Deferred income tax**

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences and are measured at the tax rates that are expected to apply to the period when the liability is settled, based on tax rates that have been enacted or subsequently enacted at the balance sheet date. Deferred income tax benefits are not recognized unless there is a reasonable expectation of their realization.

(k) **Cash and cash equivalents**

Cash and cash equivalents include bank balances and time and demand deposits held with the Company’s parent company and independent fund managers.

(l) **Depreciation of property, plant and equipment**

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the cost of the assets over their estimated useful lives. The estimated useful lives are as follows:

- **Leasehold land rights and buildings** — over the term of the lease or 30 fiscal years, whichever is shorter
- **Office fittings and fixtures** — 5 fiscal years
- **Fixed and mobile ground equipment and motor vehicles** — 1 to 10 fiscal years

No depreciation is provided for construction in progress.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.
(m) **Currency conversion**

Each foreign currency transaction is converted into the operating entity’s functional currency at exchange rates closely approximating those prevailing on the transaction dates. Foreign currency monetary assets and liabilities are converted into the functional currency at period-end exchange rates. All foreign exchange differences arising from conversion are included in the income statement.

For the purposes of consolidation, the net assets of the associated companies incorporated or established in foreign jurisdictions are translated into Singapore dollars at the exchange rates prevailing on the balance sheet date. The resultant gain or loss on conversion of the foreign exchange are included in shareholder’s equity as a foreign currency translation adjustment.

(n) **Revenue recognition**

Revenue from ground handling, inflight catering, airline laundry and aviation security services are recognized upon the services being rendered.

(o) **Income recognition**

Interest income is accrued on a day-to-day basis unless collectibility is in doubt.

3. **Revenue**

Revenue represents invoiced ground handling, inflight catering, airline laundry and aviation security services rendered by the Group and rental income. It excludes dividends, interest income and intra-group transactions. Revenue is analyzed as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>Ground handling services</td>
<td>318,398 348,704 347,457</td>
<td>174,792 174,714</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflight catering services</td>
<td>316,052 326,381 346,393</td>
<td>167,358 181,294</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>49,046 51,457 52,297</td>
<td>26,144 26,537</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>683,496 726,542 746,147</td>
<td>368,294 382,545</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Cost of revenue

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>(unaudited)</td>
<td>S$</td>
</tr>
<tr>
<td><strong>(in thousands)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of revenue consists of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor</td>
<td>316,540</td>
<td>325,450</td>
<td>316,370</td>
<td>161,905</td>
<td>153,198</td>
</tr>
<tr>
<td>Depreciation</td>
<td>37,748</td>
<td>41,970</td>
<td>41,132</td>
<td>21,331</td>
<td>18,739</td>
</tr>
<tr>
<td>Licensing fees</td>
<td>48,375</td>
<td>51,333</td>
<td>53,231</td>
<td>26,173</td>
<td>27,655</td>
</tr>
<tr>
<td>Raw materials, spare parts, fuel oil and others</td>
<td>122,067</td>
<td>122,460</td>
<td>120,935</td>
<td>61,427</td>
<td>62,881</td>
</tr>
<tr>
<td></td>
<td>524,730</td>
<td>541,213</td>
<td>531,668</td>
<td>270,836</td>
<td>262,473</td>
</tr>
</tbody>
</table>

5. Operating expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>(unaudited)</td>
<td>S$</td>
</tr>
<tr>
<td><strong>(in thousands)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>864</td>
<td>885</td>
<td>1,126</td>
<td>504</td>
<td>575</td>
</tr>
<tr>
<td>Accelerated depreciation due to change in use of SATS Maintenance Center</td>
<td>—</td>
<td>5,254</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Indirect labor</td>
<td>13,019</td>
<td>12,178</td>
<td>11,467</td>
<td>5,939</td>
<td>5,531</td>
</tr>
<tr>
<td>Directors’ emoluments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Directors of the Company</td>
<td>49</td>
<td>41</td>
<td>41</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>— Other directors of subsidiary companies</td>
<td>1,345</td>
<td>1,287</td>
<td>880</td>
<td>430</td>
<td>470</td>
</tr>
<tr>
<td>Loss (gain) on foreign exchange</td>
<td>385</td>
<td>(1,585)</td>
<td>(625)</td>
<td>(321)</td>
<td>(536)</td>
</tr>
<tr>
<td>Gain on disposal of property, plant and equipment</td>
<td>(653)</td>
<td>(321)</td>
<td>(27)</td>
<td>—</td>
<td>(18)</td>
</tr>
<tr>
<td>Provision for doubtful accounts receivable</td>
<td>202</td>
<td>1,639</td>
<td>(1,317)</td>
<td>—</td>
<td>(1,097)</td>
</tr>
<tr>
<td>Others</td>
<td>36,467</td>
<td>41,446</td>
<td>40,801</td>
<td>18,126</td>
<td>18,312</td>
</tr>
<tr>
<td></td>
<td>51,678</td>
<td>60,824</td>
<td>54,980</td>
<td>24,698</td>
<td>23,257</td>
</tr>
</tbody>
</table>
### 6. Interest income

<table>
<thead>
<tr>
<th>The Group</th>
<th>Fiscal Year Ended March 31,</th>
<th>Six-Month Period Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest income from:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term deposits placed with the parent company</td>
<td>3,041</td>
<td>4,583</td>
</tr>
<tr>
<td>Short-term and long-term loans to third parties</td>
<td>377</td>
<td>480</td>
</tr>
<tr>
<td>Short-term loans to associated companies</td>
<td>279</td>
<td>202</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,697</td>
<td>5,265</td>
</tr>
</tbody>
</table>

### 7. Interest and financing charges

<table>
<thead>
<tr>
<th>The Group</th>
<th>Fiscal Year Ended March 31,</th>
<th>Six-Month Period Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest expense on:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans from parent company</td>
<td>6,810</td>
<td>9,193</td>
</tr>
<tr>
<td>Loans from third parties</td>
<td>214</td>
<td>430</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,024</td>
<td>9,623</td>
</tr>
</tbody>
</table>

### 8. Gain (loss) on and diminution in value of short-term investments

<table>
<thead>
<tr>
<th>The Group</th>
<th>Fiscal Year Ended March 31,</th>
<th>Six-Month Period Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross dividends from listed equity investments</strong></td>
<td>2,974</td>
<td>2,478</td>
</tr>
<tr>
<td><strong>Interest income from listed debt investments</strong></td>
<td>2,949</td>
<td>5,433</td>
</tr>
<tr>
<td><strong>Gain (loss) on sales of listed investments</strong></td>
<td>5,831</td>
<td>(18,336)</td>
</tr>
<tr>
<td><strong>Provision for diminution in value of short-term investments</strong></td>
<td>—</td>
<td>(450)</td>
</tr>
<tr>
<td><strong>Gain (loss) on foreign exchange</strong></td>
<td>(533)</td>
<td>527</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,221</td>
<td>(10,348)</td>
</tr>
</tbody>
</table>
9. Loss on long-term investments

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal Year Ended March 31,</td>
<td>Six-Month Period Ended September 30,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on disposal of long-term investment in partnership</td>
<td>(473)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Provision for diminution in value of long-term investment in associated company</td>
<td>—</td>
<td>—</td>
<td>(2,313)</td>
</tr>
<tr>
<td></td>
<td>(473)</td>
<td>—</td>
<td>(2,313)</td>
</tr>
</tbody>
</table>

10. Income tax payable

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal Year Ended March 31,</td>
<td>Six-Month Period Ended September 30,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax payable in respect of income before income tax payable for the fiscal year or period:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>24,886</td>
<td>27,231</td>
<td>19,332</td>
</tr>
<tr>
<td>Deferred</td>
<td>6,608</td>
<td>3,831</td>
<td>7,795</td>
</tr>
<tr>
<td>Associated companies</td>
<td>124</td>
<td>990</td>
<td>1,266</td>
</tr>
<tr>
<td></td>
<td>31,618</td>
<td>32,052</td>
<td>28,393</td>
</tr>
</tbody>
</table>

A reconciliation of the statutory tax rate to the Company’s effective tax rate applicable to income before income tax for the fiscal years ended March 31, 1997, 1998, 1999 and the six-month periods ended September 30, 1998 and 1999 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal Year Ended March 31,</td>
<td>Six-Month Period Ended September 30,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(in percentages)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore statutory tax rate</td>
<td>26.0</td>
<td>26.0</td>
<td>26.0</td>
</tr>
<tr>
<td>Investment allowances claimed</td>
<td>(2.0)</td>
<td>(0.4)</td>
<td>—</td>
</tr>
<tr>
<td>Lower effective tax rates of other countries</td>
<td>(0.2)</td>
<td>(0.5)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>10% tax rebate granted by Government</td>
<td>—</td>
<td>—</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Others — net</td>
<td>3.5</td>
<td>2.5</td>
<td>(2.8)</td>
</tr>
<tr>
<td></td>
<td>27.3</td>
<td>27.6</td>
<td>20.5</td>
</tr>
</tbody>
</table>

Included in the six-month period ended September 30, 1999 for “Others — net” is an adjustment for resolution of tax uncertainties.
11. Dividends — net of tax

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>Six-Month Period Ended September 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fiscal Year Ended March 31,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim dividend — net of tax</td>
<td>32,560</td>
<td>32,560</td>
</tr>
<tr>
<td>Final dividend — net of tax</td>
<td>32,560</td>
<td>32,560</td>
</tr>
<tr>
<td></td>
<td>65,120</td>
<td>65,120</td>
</tr>
</tbody>
</table>

The Company’s interim gross dividends in the fiscal years ended March 31, 1997, 1998 and 1999 comprised 38.6%, 38.8% and 29.6%, respectively, of the Group’s consolidated net income in each of those fiscal years. The Company’s interim gross dividend in the six-month period ended September 30, 1999 comprised 47.4% of the Group’s consolidated net income in that period.

The Company’s final gross dividends in the fiscal years ended March 31, 1997 and 1998 comprised 38.6% and 38.8%, respectively, of the Group’s consolidated net income in each of those fiscal years. The Company’s final gross dividend in the fiscal year ended March 31, 1999 comprised 44.3% of the Group’s consolidated net income in that fiscal year.

12. Net income per share

Net income per share is calculated by dividing the net income for the fiscal period attributable to ordinary shareholders by the Company’s outstanding share capital during each fiscal period of 1,000,000,000 shares of S$0.10 each, which is after giving effect to a share split in March 2000 (see note 35).

13. Accounts receivable

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31,</td>
<td>As at September 30,</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>1998</td>
</tr>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Accounts receivable are stated after deducting provision for doubtful accounts of: | 3,689 | 5,324 | 4,853 | 3,751 | 30

Analysis of the movements in provision for doubtful accounts:

Balance at beginning of fiscal year or period | 3,492 | 3,689 | 5,324 | 4,853 | 32

Charge (write-back) to income | 197 | 1,635 | 1,154 | (1,102) | (2)

Amounts written off against accounts receivable | — | — | (1,625) | — | —

Balance at end of fiscal year or period | 3,689 | 5,324 | 4,853 | 3,751 | 30

Bad debts written off directly to income | 5 | 4 | 163 | 5 | 1
For information regarding the Group’s policy on doubtful accounts, see note 2(h).

14. Other receivables

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31,</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>1998</td>
</tr>
<tr>
<td>Staff loans</td>
<td>5,818</td>
<td>5,004</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>1,612</td>
<td>1,429</td>
</tr>
<tr>
<td>Sundry receivables</td>
<td>8,457</td>
<td>4,327</td>
</tr>
<tr>
<td>Taxes recoverable</td>
<td>4,799</td>
<td>10,950</td>
</tr>
<tr>
<td></td>
<td>20,686</td>
<td>21,710</td>
</tr>
</tbody>
</table>

15. Loans to third parties

<table>
<thead>
<tr>
<th>Note</th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31,</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td>Loan to August Skyfreighter 1994 Trust</td>
<td>26</td>
<td>36,621</td>
</tr>
<tr>
<td>Loan to Vietnam Airlines</td>
<td>1,445</td>
<td>1,615</td>
</tr>
<tr>
<td>Repayable within one year</td>
<td>38,066</td>
<td>43,007</td>
</tr>
<tr>
<td></td>
<td>(539)</td>
<td>(588)</td>
</tr>
<tr>
<td></td>
<td>38,066</td>
<td>42,468</td>
</tr>
</tbody>
</table>

The loan to August Skyfreighter 1994 Trust is unsecured and bears interest for the fiscal years ended March 31, 1997, 1998 and 1999 of between 5.82% and 6.26%, 5.84% and 6.19% and 5.48% and 6.15% per annum, respectively, and for the six-month period ended September 30, 1999 of between 5.48% and 5.97% per annum. The loan is repayable March 28, 2007.

The loan to Vietnam Airlines is unsecured and interest-free. The loan is repayable within three years from the year Tan Son Nhat Cargo Services Ltd becomes profitable or from the fourth year after December 15, 1994 in three yearly installments of not less than US$333,333 per year.
16. Subsidiary companies

The Company

As at
September 30, 1999
S$ (in thousands)

Unquoted shares — at cost ......................................................... 42,015

The details of the Group’s subsidiary companies are as follows:

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Date and country of incorporation</th>
<th>Issued and fully paid up share capital (in thousands)</th>
<th>Effective interest of the Group (in percentages)</th>
<th>Principal activities (Place of business)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SATS Apron Services Pte Ltd</td>
<td>March 9, 1985 (Singapore)</td>
<td>S$ 6,000</td>
<td>100.0 100.0 100.0 100.0</td>
<td>Under voluntary liquidation (Singapore)</td>
</tr>
<tr>
<td>SATS Airport Services Pte Ltd</td>
<td>March 9, 1985 (Singapore)</td>
<td>S$16,500</td>
<td>100.0 100.0 100.0 100.0</td>
<td>Airport ground handling services (Singapore)</td>
</tr>
<tr>
<td>SATS Catering Pte Ltd</td>
<td>March 9, 1985 (Singapore)</td>
<td>S$14,000</td>
<td>100.0 100.0 100.0 100.0</td>
<td>Inflight catering services (Singapore)</td>
</tr>
<tr>
<td>SATS Security Services Pte Ltd</td>
<td>November 17, 1989 (Singapore)</td>
<td>S$ 3,000</td>
<td>100.0 100.0 100.0 100.0</td>
<td>Aviation security services (Singapore)</td>
</tr>
<tr>
<td>Aero Laundry and Linen Services Pte Ltd</td>
<td>February 25, 1989 (Singapore)</td>
<td>S$ 2,515</td>
<td>100.0 100.0 100.0 100.0</td>
<td>Providing and selling laundry and linen services (Singapore)</td>
</tr>
<tr>
<td>Asia-Pacific Star Pte Ltd</td>
<td>August 7, 1997 (Singapore)</td>
<td>(1)</td>
<td>100.0 100.0</td>
<td>Dormant (Singapore)</td>
</tr>
</tbody>
</table>

(1) Amount less than S$1,000.

17. Due from (to) related companies

<table>
<thead>
<tr>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at March 31, 1997</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>Cash pool deposits with the parent company ..........</td>
<td>113,030</td>
</tr>
<tr>
<td>Deposits placed by subsidiary companies ..............</td>
<td>—</td>
</tr>
<tr>
<td>Amount owed from parent company — trade ............</td>
<td>59,116</td>
</tr>
<tr>
<td>Amounts owed from (to) other related companies — trade</td>
<td>4,206</td>
</tr>
<tr>
<td>Amounts owed (to) subsidiary companies — trade ......</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>176,352</td>
</tr>
</tbody>
</table>
Deposits placed with the parent company are available on demand and bore interest for the fiscal years ended March 31, 1997, 1998 and 1999 at interest rates ranging from 0.81% to 3.43%, 1.44% to 7.40% and 1.26% to 6.34% per annum, respectively, and for the six-month period ended September 30, 1999 at interest rates ranging from 1.29% to 1.99% per annum.

18. Associated companies

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td></td>
<td>$S$</td>
<td>$S$</td>
</tr>
<tr>
<td>Unquoted shares, at cost</td>
<td>33,668</td>
<td>45,389</td>
</tr>
<tr>
<td>Provision for diminution in value</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Shares of accumulated income (loss) of associated companies</td>
<td>(1,848)</td>
<td>180</td>
</tr>
<tr>
<td>Accumulated amortization of goodwill</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Shares of statutory reserves of associated companies</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Foreign currency adjustments</td>
<td>—</td>
<td>2,619</td>
</tr>
<tr>
<td>Amounts receivable (payable) on current account</td>
<td>4,286</td>
<td>163</td>
</tr>
<tr>
<td>Loans due from associated companies</td>
<td>6,112</td>
<td>1,395</td>
</tr>
<tr>
<td>Receivable within one year</td>
<td>42,218</td>
<td>49,746</td>
</tr>
<tr>
<td></td>
<td>(9,003)</td>
<td>(512)</td>
</tr>
<tr>
<td></td>
<td>33,215</td>
<td>49,234</td>
</tr>
</tbody>
</table>

Cost includes an excess over the fair value of the equity interest in the underlying net assets of the associated companies.

The amounts receivable (payable) on current account are unsecured, interest-free and have no fixed terms of repayment.

Loans to associated companies are as follows:

(i) Loan of US$3.3 million to Beijing Airport Inflight Kitchen Ltd was capitalized as registered capital of Beijing Airport Inflight Kitchen Ltd during the fiscal year ended March 31, 1998.

(ii) Loan of US$1.0 million to Beijing Aviation Ground Services Co. Ltd is unsecured, bears interest of 6% per annum and is repayable in three equal annual installments commencing during the fiscal year ended March 31, 1998.

(iii) Loan of 30 million Philippine Pesos, which was advanced to MacroAsia-Eurest Catering Services Inc. during the fiscal year ended March 31, 1999, is unsecured, bears interest of 18.08% per annum for the fiscal year ended March 31, 1999 and for the six-month period ended September 30, 1999, and is repayable on December 31, 2000.
The details of the Group’s associated companies are as follows:

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Date and country of incorporation</th>
<th>Issued and fully paid up share capital (in thousands)</th>
<th>Effective interests of the Group As at March 31, 1997 (in percentages)</th>
<th>Principal activities (Place of business)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maldives Inflight Catering Private Limited</td>
<td>April 2, 1988 (Republic of Maldives)</td>
<td>MR$3,080</td>
<td>40.0 40.0 40.0 40.0</td>
<td>Inflight catering services (Republic of Maldives)</td>
</tr>
<tr>
<td>Beijing Airport Inflight Kitchen Ltd</td>
<td>April 27, 1993 (People’s Republic of China)</td>
<td>Rmb193,511</td>
<td>40.0 40.0 40.0 40.0</td>
<td>Inflight catering services (People’s Republic of China)</td>
</tr>
<tr>
<td>Beijing Aviation Ground Services Co., Ltd</td>
<td>August 18, 1994 (People’s Republic of China)</td>
<td>Rmb83,312</td>
<td>40.0 40.0 40.0 40.0</td>
<td>Airport ground handling services (People’s Republic of China)</td>
</tr>
<tr>
<td>AVISERV Ltd</td>
<td>January 16, 1991 (Republic of Ireland)</td>
<td>US$4,550</td>
<td>49.0 49.0 49.0 49.0</td>
<td>Inflight catering services (Pakistan)</td>
</tr>
<tr>
<td>Tan Son Nhat Cargo Services Limited</td>
<td>December 15, 1994 (Vietnam)</td>
<td>US$4,500</td>
<td>30.0 30.0 30.0 30.0</td>
<td>Airport ground handling services (Vietnam)</td>
</tr>
<tr>
<td>Asia Airfreight Terminal Company Limited</td>
<td>October 14, 1993 (Hong Kong)</td>
<td>HK$360,000</td>
<td>24.5 24.5 24.5 24.5</td>
<td>Airport ground handling services (Hong Kong)</td>
</tr>
<tr>
<td>SERVAIR-SATS Holding Company Pte Ltd</td>
<td>September 20, 1996 (Singapore)</td>
<td>S$1,040</td>
<td>49.0 49.0 49.0 49.0</td>
<td>Investment holding (Singapore)</td>
</tr>
<tr>
<td>MacroAsia-Eurest Catering Services, Inc</td>
<td>November 12, 1996 (Philippines)</td>
<td>PHP125,000</td>
<td>— 20.0 20.0 20.0</td>
<td>Inflight catering services (Philippines)</td>
</tr>
<tr>
<td>Taj Madras Flight Kitchen Limited</td>
<td>March 29, 1995 (India)</td>
<td>Rs159,000</td>
<td>30.0 30.0 30.0 30.0</td>
<td>Inflight catering services (India)</td>
</tr>
<tr>
<td>Macau Catering Services, Co.</td>
<td>April 28, 1995 (Macau)</td>
<td>MOP 16,000</td>
<td>16.7 16.7 16.7 16.7</td>
<td>Inflight catering services (Macau)</td>
</tr>
<tr>
<td>Singapore Airport Duty-Free Emporium (Pte) Ltd</td>
<td>October 25, 1974 (Singapore)</td>
<td>S$6,500</td>
<td>24.0 24.0 24.0 24.0</td>
<td>Dormant (Singapore)</td>
</tr>
</tbody>
</table>
SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

Notes to Consolidated Financial Statements (Continued)

(1) Audited by Ernst & Young, Maldives, since the fiscal year ended March 31, 1999. Thornton Panditharatna & Co. were the company’s auditors for the fiscal years ended March 31, 1990 and 1991. Saneswaran, Jayawickreme, Manthiri & Co. were the company’s auditors for the fiscal years ended March 31, 1992 to March 31, 1998.

(2) Each audited by Arthur Anderson, Hua Qiang, since the fiscal year ended December 31, 1998. Beijing Certified Public Accountants were the auditors of Beijing Airport Inflight Kitchen Ltd and Beijing Aviation Ground Services Co. Ltd for all periods prior to December 31, 1998.

(3) Audited by Riaz Ahmad, Chartered Accountants since the date of incorporation.

(4) Audited by Ernst & Young, Ho Chi Minh City, since the fiscal year ended March 31, 1998. Coopers and Lybrand, Ho Chi Minh City, were auditors of Tan Son Nhat Cargo Services Ltd for the fiscal years ended March 31, 1995 to 1997.

(5) Audited by PricewaterhouseCoopers since the date of incorporation.

(6) Audited by Deloitte Touche Tohmatsu since the date of incorporation.

(7) Audited by SGV. & Co. since the date of incorporation.

(8) Audited by S.B. Billimoria & Co. since the date of incorporation.

(9) Audited by Deloitte Touche Tohmatsu since the date of incorporation.

(10) Audited by Ernst & Young, Singapore, since the date of incorporation.

* A 34% associated company held through SERVAIR-SATS Holding Company Pte. Ltd.

19. Inventories and raw materials

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31,</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>1998</td>
</tr>
<tr>
<td>Food supplies and dry stores</td>
<td>5,789</td>
<td>5,690</td>
</tr>
<tr>
<td>Equipment spare parts</td>
<td>4,095</td>
<td>4,923</td>
</tr>
<tr>
<td>Stationery and office supplies</td>
<td>75</td>
<td>64</td>
</tr>
<tr>
<td>Uniforms</td>
<td>286</td>
<td>248</td>
</tr>
<tr>
<td>Fuel and oil</td>
<td>88</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10,333</strong></td>
<td><strong>10,976</strong></td>
</tr>
</tbody>
</table>

20. Short-term investments

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31,</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>1998</td>
</tr>
<tr>
<td>Quoted, at cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity investments</td>
<td>145,857</td>
<td>98,664</td>
</tr>
<tr>
<td>Non-equity investments</td>
<td>49,857</td>
<td>40,168</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>195,714</strong></td>
<td><strong>138,832</strong></td>
</tr>
<tr>
<td>Provision for diminution in value</td>
<td>—</td>
<td>(450)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>195,714</strong></td>
<td><strong>138,382</strong></td>
</tr>
</tbody>
</table>

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SINGAPORE AIRPORT TERMINAL SERVICES LIMITED
Notes to Consolidated Financial Statements (Continued)

The Group

<table>
<thead>
<tr>
<th>As at March 31,</th>
<th>As at September 30, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>1998</td>
</tr>
<tr>
<td>Market value of quoted investments</td>
<td></td>
</tr>
<tr>
<td>Non-equity investments</td>
<td>51,384</td>
</tr>
<tr>
<td>Total</td>
<td>214,378</td>
</tr>
</tbody>
</table>

On November 1, 1998, the Group disposed of all its short-term investments to Sing-Bi Funds Private Limited, a new subsidiary of the parent company, at their market values. The proceeds received by the Group from the sale of these short-term investments were substantially used to repay an outstanding loan from the parent company.

21. Other investments

<table>
<thead>
<tr>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at March 31,</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td>1997</td>
<td>1998</td>
</tr>
<tr>
<td>Unquoted equity investments, at cost</td>
<td>12,738</td>
</tr>
<tr>
<td>Total</td>
<td>7,886</td>
</tr>
</tbody>
</table>

Unquoted equity investments are investments in which the Group has less than 20% effective equity interest.

The details of the Group’s other investments are as follows:

<table>
<thead>
<tr>
<th>Name of company</th>
<th>Country of incorporation</th>
<th>Issued and fully paid up share capital (in thousands)</th>
<th>Effective interest of the Group (in percentages)</th>
<th>As at March 31, 1997</th>
<th>As at September 30, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royal International Air Catering</td>
<td>Japan</td>
<td>¥4,000,000</td>
<td>8.5</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td>Evergreen Sky Catering Corporation</td>
<td>Republic of China (Taiwan)</td>
<td>NT$1,000,000</td>
<td>15.0</td>
<td>15.0</td>
<td>15.0</td>
</tr>
</tbody>
</table>

Principal activities (Place of business): Inflight catering services (Japan) and Inflight catering services (Taiwan)
### SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

**Notes to Consolidated Financial Statements (Continued)**

#### 22. Property, plant and equipment

**The Group**

<table>
<thead>
<tr>
<th>Leasehold land and buildings</th>
<th>Fixed ground support equipment</th>
<th>Mobile ground support equipment</th>
<th>Office and commercial equipment (in thousands)</th>
<th>Office fittings and fixtures</th>
<th>Motor vehicles</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year Ended March 31, 1997:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of fiscal year</td>
<td>325,389</td>
<td>139,338</td>
<td>52,877</td>
<td>19,624</td>
<td>15,733</td>
<td>26,335</td>
<td>155,523</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>127,213</td>
<td>27,767</td>
<td>—</td>
<td>11</td>
<td>203</td>
<td>—</td>
<td>(155,194)</td>
</tr>
<tr>
<td>Additions</td>
<td>35,036</td>
<td>20,801</td>
<td>5,615</td>
<td>8,169</td>
<td>1,049</td>
<td>3,088</td>
<td>3,187</td>
</tr>
<tr>
<td>Disposals</td>
<td>(79)</td>
<td>(2,219)</td>
<td>(2,467)</td>
<td>(1,623)</td>
<td>(23)</td>
<td>(3,625)</td>
<td>—</td>
</tr>
<tr>
<td>Balance at end of fiscal year</td>
<td>487,559</td>
<td>185,687</td>
<td>56,025</td>
<td>26,181</td>
<td>16,962</td>
<td>25,798</td>
<td>734,819</td>
</tr>
<tr>
<td>Accumulated depreciation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of fiscal year</td>
<td>81,687</td>
<td>82,094</td>
<td>40,084</td>
<td>17,476</td>
<td>13,293</td>
<td>18,830</td>
<td>253,464</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(11)</td>
<td>—</td>
<td>—</td>
<td>11</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Charge for the fiscal year</td>
<td>15,113</td>
<td>12,432</td>
<td>4,847</td>
<td>1,919</td>
<td>1,296</td>
<td>3,005</td>
<td>19,636</td>
</tr>
<tr>
<td>Disposals</td>
<td>(79)</td>
<td>(2,219)</td>
<td>(2,467)</td>
<td>(1,577)</td>
<td>(23)</td>
<td>(2,263)</td>
<td>—</td>
</tr>
<tr>
<td>Balance at end of fiscal year</td>
<td>96,710</td>
<td>92,307</td>
<td>42,464</td>
<td>17,829</td>
<td>14,566</td>
<td>19,572</td>
<td>283,448</td>
</tr>
<tr>
<td>Net book value:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of fiscal year</td>
<td>390,849</td>
<td>93,380</td>
<td>13,561</td>
<td>8,352</td>
<td>2,396</td>
<td>6,226</td>
<td>3,516</td>
</tr>
</tbody>
</table>

#### Fiscal Year Ended March 31, 1998:

<table>
<thead>
<tr>
<th>Leasehold land and buildings</th>
<th>Fixed ground support equipment</th>
<th>Mobile ground support equipment</th>
<th>Office and commercial equipment (in thousands)</th>
<th>Office fittings and fixtures</th>
<th>Motor vehicles</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year Ended March 31, 1998:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of fiscal year</td>
<td>487,559</td>
<td>185,687</td>
<td>56,025</td>
<td>26,181</td>
<td>16,962</td>
<td>25,798</td>
<td>801,728</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>—</td>
<td>74</td>
<td>—</td>
<td>(71)</td>
<td>901</td>
<td>—</td>
<td>(904)</td>
</tr>
<tr>
<td>Additions</td>
<td>488</td>
<td>807</td>
<td>4,275</td>
<td>2,256</td>
<td>488</td>
<td>1,801</td>
<td>88,503</td>
</tr>
<tr>
<td>Disposals</td>
<td>(3)</td>
<td>(818)</td>
<td>(2,636)</td>
<td>(2,997)</td>
<td>(535)</td>
<td>(467)</td>
<td>(7,456)</td>
</tr>
<tr>
<td>Balance at end of fiscal year</td>
<td>488,044</td>
<td>185,750</td>
<td>57,664</td>
<td>25,369</td>
<td>17,816</td>
<td>27,132</td>
<td>518,280</td>
</tr>
<tr>
<td>Accumulated depreciation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of fiscal year</td>
<td>96,710</td>
<td>92,307</td>
<td>42,464</td>
<td>17,829</td>
<td>14,566</td>
<td>19,572</td>
<td>283,448</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(1)</td>
<td>73</td>
<td>—</td>
<td>(72)</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Charge for the fiscal year</td>
<td>17,218</td>
<td>13,894</td>
<td>5,680</td>
<td>1,833</td>
<td>1,339</td>
<td>2,891</td>
<td>42,855</td>
</tr>
<tr>
<td>Accelerated depreciation due to change in use of SATS Maintenance Center</td>
<td>5,254</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,254</td>
</tr>
<tr>
<td>Disposals</td>
<td>(3)</td>
<td>(812)</td>
<td>(2,604)</td>
<td>(2,990)</td>
<td>(533)</td>
<td>(467)</td>
<td>(7,409)</td>
</tr>
<tr>
<td>Balance at end of fiscal year</td>
<td>119,178</td>
<td>105,462</td>
<td>45,540</td>
<td>16,600</td>
<td>15,372</td>
<td>21,996</td>
<td>324,148</td>
</tr>
<tr>
<td>Net book value:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of fiscal year</td>
<td>368,866</td>
<td>80,288</td>
<td>12,124</td>
<td>8,769</td>
<td>2,444</td>
<td>5,136</td>
<td>558,627</td>
</tr>
</tbody>
</table>

F-23
## Leasehold land rights and buildings

<table>
<thead>
<tr>
<th></th>
<th>Fixed ground support equipment</th>
<th>Mobile ground support equipment</th>
<th>Office and commercial equipment</th>
<th>Office fittings and fixtures</th>
<th>Motor vehicles</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$ (in thousands)</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>Fiscal Year Ended March 31, 1999:</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Cost:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of fiscal year</td>
<td>488,044</td>
<td>185,750</td>
<td>57,664</td>
<td>25,369</td>
<td>17,816</td>
<td>27,132</td>
<td>81,000</td>
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<td>Reclassifications</td>
<td>485</td>
<td>1,331</td>
<td>2,687</td>
<td>2,222</td>
<td>1,612</td>
<td>1,320</td>
<td>104,871</td>
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<tr>
<td>Additions</td>
<td>(10,199)</td>
<td>(1,102)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(11,301)</td>
</tr>
<tr>
<td>Prior year over accruals</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Disposals</td>
<td>—</td>
<td>—</td>
<td>(3,377)</td>
<td>(393)</td>
<td>(266)</td>
<td>(1,723)</td>
<td>—</td>
</tr>
<tr>
<td>Balance at end of fiscal year</td>
<td>478,330</td>
<td>186,265</td>
<td>56,974</td>
<td>27,479</td>
<td>20,206</td>
<td>26,729</td>
<td>184,194</td>
</tr>
</tbody>
</table>

Accumulated depreciation:

<table>
<thead>
<tr>
<th></th>
<th>Fixed ground support equipment</th>
<th>Mobile ground support equipment</th>
<th>Office and commercial equipment</th>
<th>Office fittings and fixtures</th>
<th>Motor vehicles</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$ (in thousands)</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
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<tr>
<td>Fiscal Year Ended March 31, 1999:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of fiscal year</td>
<td>119,178</td>
<td>105,462</td>
<td>45,540</td>
<td>16,600</td>
<td>15,372</td>
<td>21,996</td>
<td>—</td>
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<td>17,339</td>
<td>13,035</td>
<td>5,337</td>
<td>2,872</td>
<td>1,473</td>
<td>2,202</td>
<td>—</td>
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<tr>
<td>Disposals</td>
<td>—</td>
<td>—</td>
<td>(66)</td>
<td>(3,377)</td>
<td>(393)</td>
<td>(253)</td>
<td>(1,723)</td>
</tr>
<tr>
<td>Balance at end of fiscal year</td>
<td>136,517</td>
<td>118,431</td>
<td>47,500</td>
<td>19,079</td>
<td>16,592</td>
<td>22,475</td>
<td>—</td>
</tr>
</tbody>
</table>

Net book value:

<table>
<thead>
<tr>
<th></th>
<th>Fixed ground support equipment</th>
<th>Mobile ground support equipment</th>
<th>Office and commercial equipment</th>
<th>Office fittings and fixtures</th>
<th>Motor vehicles</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$ (in thousands)</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>Fiscal Year Ended March 31, 1999:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of fiscal year</td>
<td>341,813</td>
<td>67,834</td>
<td>9,474</td>
<td>8,400</td>
<td>3,614</td>
<td>4,254</td>
<td>184,194</td>
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</table>

Six-Month Period Ended September 30, 1999:

<table>
<thead>
<tr>
<th></th>
<th>Fixed ground support equipment</th>
<th>Mobile ground support equipment</th>
<th>Office and commercial equipment</th>
<th>Office fittings and fixtures</th>
<th>Motor vehicles</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$ (in thousands)</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>Fiscal Year Ended March 31, 1999:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of fiscal period</td>
<td>478,330</td>
<td>186,265</td>
<td>56,974</td>
<td>27,479</td>
<td>20,206</td>
<td>26,729</td>
<td>184,194</td>
</tr>
<tr>
<td>Additions</td>
<td>36</td>
<td>389</td>
<td>236</td>
<td>1,518</td>
<td>30</td>
<td>468</td>
<td>93,339</td>
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<tr>
<td>Disposals</td>
<td>(3)</td>
<td>(2,451)</td>
<td>(1,096)</td>
<td>(1,689)</td>
<td>(110)</td>
<td>(390)</td>
<td>—</td>
</tr>
<tr>
<td>Balance at end of fiscal period</td>
<td>478,363</td>
<td>184,203</td>
<td>56,114</td>
<td>27,308</td>
<td>20,126</td>
<td>26,807</td>
<td>277,533</td>
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Accumulated depreciation:

<table>
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<tr>
<th></th>
<th>Fixed ground support equipment</th>
<th>Mobile ground support equipment</th>
<th>Office and commercial equipment</th>
<th>Office fittings and fixtures</th>
<th>Motor vehicles</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$ (in thousands)</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>Fiscal Year Ended March 31, 1999:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of fiscal period</td>
<td>136,517</td>
<td>118,431</td>
<td>47,500</td>
<td>19,079</td>
<td>16,592</td>
<td>22,475</td>
<td>—</td>
</tr>
<tr>
<td>Charge for the fiscal period</td>
<td>8,193</td>
<td>5,678</td>
<td>2,349</td>
<td>1,522</td>
<td>683</td>
<td>889</td>
<td>—</td>
</tr>
<tr>
<td>Disposals</td>
<td>(3)</td>
<td>(2,451)</td>
<td>(1,096)</td>
<td>(1,669)</td>
<td>(110)</td>
<td>(388)</td>
<td>—</td>
</tr>
<tr>
<td>Balance at end of fiscal period</td>
<td>144,707</td>
<td>121,658</td>
<td>48,753</td>
<td>18,932</td>
<td>17,165</td>
<td>22,976</td>
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</table>

Net book value:

<table>
<thead>
<tr>
<th></th>
<th>Fixed ground support equipment</th>
<th>Mobile ground support equipment</th>
<th>Office and commercial equipment</th>
<th>Office fittings and fixtures</th>
<th>Motor vehicles</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$ (in thousands)</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>Fiscal Year Ended March 31, 1999:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of fiscal period</td>
<td>333,656</td>
<td>62,545</td>
<td>7,361</td>
<td>8,376</td>
<td>2,961</td>
<td>3,831</td>
<td>277,533</td>
</tr>
</tbody>
</table>

As at March 31, 1997, 1998 and 1999, the net book values of the Group’s property, plant and equipment under capitalized leases amounted to S$2,482,000, S$1,973,000 and S$1,788,000, respectively. As at September 30, 1999, the amount was S$1,534,000.
The Company

<table>
<thead>
<tr>
<th>Description</th>
<th>Leasehold land rights and buildings</th>
<th>Fixed ground support equipment</th>
<th>Mobile ground support equipment</th>
<th>Office and commercial equipment</th>
<th>Motor vehicles</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$S$</td>
<td>$S$</td>
<td>$S$</td>
<td>$S$</td>
<td>$S$</td>
<td>$S$</td>
<td>$S$</td>
</tr>
<tr>
<td>Six-Month Period Ended September 30, 1999:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of fiscal period</td>
<td>473,208</td>
<td>7,430</td>
<td>15,825</td>
<td>51</td>
<td>5,547</td>
<td>152,810</td>
<td>654,871</td>
</tr>
<tr>
<td>Additions</td>
<td>35</td>
<td>—</td>
<td>—</td>
<td>11</td>
<td>—</td>
<td>—</td>
<td>70,448</td>
</tr>
<tr>
<td>Disposals</td>
<td>(3)</td>
<td>—</td>
<td>(377)</td>
<td>(3)</td>
<td>—</td>
<td>—</td>
<td>(383)</td>
</tr>
<tr>
<td>Balance at end of fiscal period</td>
<td>473,240</td>
<td>7,430</td>
<td>15,448</td>
<td>59</td>
<td>5,547</td>
<td>223,258</td>
<td>724,982</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at beginning of fiscal period</td>
<td>136,017</td>
<td>7,430</td>
<td>15,825</td>
<td>46</td>
<td>5,547</td>
<td>—</td>
<td>164,865</td>
</tr>
<tr>
<td>Charge for the period</td>
<td>8,108</td>
<td>—</td>
<td>—</td>
<td>2</td>
<td>—</td>
<td>—</td>
<td>8,110</td>
</tr>
<tr>
<td>Disposals</td>
<td>(3)</td>
<td>—</td>
<td>(377)</td>
<td>(3)</td>
<td>—</td>
<td>—</td>
<td>(383)</td>
</tr>
<tr>
<td>Balance at end of fiscal period</td>
<td>144,122</td>
<td>7,430</td>
<td>15,448</td>
<td>45</td>
<td>5,547</td>
<td>—</td>
<td>172,592</td>
</tr>
<tr>
<td>Net book value:</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at end of fiscal period</td>
<td>329,118</td>
<td>—</td>
<td>—</td>
<td>14</td>
<td>—</td>
<td>—</td>
<td>223,258</td>
</tr>
</tbody>
</table>

The Group

Details of land and buildings of the Group under lease are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Land area</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inflight Catering Centers:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflight Catering Center 1</td>
<td>48,018 square meters</td>
<td>60-year leasehold commencing May 1, 1978</td>
</tr>
<tr>
<td>55 Airport Boulevard Singapore (a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflight Catering Center 2</td>
<td>40,000 square meters</td>
<td>30-year leasehold commencing August 1, 1991</td>
</tr>
<tr>
<td>30 Changi North Crescent Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflight Catering Center 2</td>
<td>20,099 square meters</td>
<td>30-year leasehold commencing December 16, 1997</td>
</tr>
<tr>
<td>30 Changi North Crescent Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Maintenance Centers:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SATS Maintenance Center 1</td>
<td>12,783 square meters</td>
<td>30-year leasehold commencing May 1, 1978</td>
</tr>
<tr>
<td>75 Airport Cargo Road Singapore (b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SATS Maintenance Center 2</td>
<td>32,264 square meters</td>
<td>30-year leasehold commencing November 1, 1992</td>
</tr>
<tr>
<td>34 Changi North Crescent Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plot of land adjacent to SATS Maintenance Center 2</td>
<td>10,693 square meters</td>
<td>30-year leasehold commencing November 1, 1992</td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Air Freight Terminals:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Freight Terminals 1 and 4</td>
<td>17,176 square meters</td>
<td>51-year leasehold commencing May 1, 1987</td>
</tr>
<tr>
<td>85 &amp; 107 Airport Cargo Road Singapore</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

F-25
SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

Notes to Consolidated Financial Statements (Continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>Land area</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Freight Terminals 2 and 3</td>
<td>36,475 square meters</td>
<td>60-year leasehold commencing May 1, 1978</td>
</tr>
<tr>
<td>25 &amp; 105 Airport Cargo Road</td>
<td></td>
<td>Singapore</td>
</tr>
<tr>
<td>Air Freight Terminal 5</td>
<td>27,841 square meters</td>
<td>46-year leasehold commencing August 24, 1992</td>
</tr>
<tr>
<td>30 Airline Road</td>
<td></td>
<td>Singapore</td>
</tr>
<tr>
<td>Air Freight Terminal 6</td>
<td>40,149 square meters</td>
<td>41-year leasehold commencing December 31, 1997</td>
</tr>
<tr>
<td>20 Airline Road</td>
<td></td>
<td>Singapore, (under construction)</td>
</tr>
<tr>
<td>Express Courier Centers:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Express Courier Center 1</td>
<td>6,511 square meters</td>
<td>49-year leasehold commencing July 1, 1990</td>
</tr>
<tr>
<td>51 Airport Cargo Road</td>
<td></td>
<td>Singapore</td>
</tr>
</tbody>
</table>

(a) The Group is required by the Civil Aviation Authority of Singapore to demolish Inflight Catering Center 1 to provide land for the construction of Singapore Changi Airport Terminal 3. In exchange, Civil Aviation Authority of Singapore has agreed to lease (on similar terms) to the Company another plot of land on which to develop Inflight Catering Center 3. Inflight Catering Center 3 is currently under construction and is expected to be completed in the early part of the fiscal year ended March 31, 2001.

(b) The Group plans to demolish SATS Maintenance Center 1 in the fiscal year ended March 31, 2000 to provide land necessary to build a second Express Courier Center.

23. Accrued expenses and other payables

<table>
<thead>
<tr>
<th>Note</th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31, 1997</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>Tender deposits by suppliers</td>
<td>1,159</td>
<td>1,107</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>13,334</td>
<td>26,551</td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>41,369</td>
<td>26,288</td>
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<tr>
<td>Current maturities of term loan</td>
<td>25</td>
<td>620</td>
</tr>
<tr>
<td>Current maturities of capitalized lease obligations</td>
<td>24</td>
<td>672</td>
</tr>
<tr>
<td>Total</td>
<td>57,154</td>
<td>54,920</td>
</tr>
</tbody>
</table>

F-26
24. Capitalized lease obligations

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th></th>
<th>The Company</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31, 1997</td>
<td>As at March 31, 1998</td>
<td>As at September 30, 1999</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td></td>
<td>$S$</td>
<td>$S$</td>
<td>$S$</td>
<td>$S$</td>
</tr>
<tr>
<td>Payable within twelve months . . .</td>
<td>672</td>
<td>354</td>
<td>368</td>
<td>368</td>
</tr>
<tr>
<td>Payable after twelve months . . .</td>
<td>1,581</td>
<td>1,336</td>
<td>968</td>
<td>968</td>
</tr>
<tr>
<td>Total</td>
<td>2,253</td>
<td>1,690</td>
<td>1,336</td>
<td>1,336</td>
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</table>

Future payments under capitalized leases are as follows:

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<th>The Group</th>
<th></th>
<th>The Company</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31, 1997</td>
<td>As at March 31, 1998</td>
<td>As at September 30, 1999</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td></td>
<td>$S$</td>
<td>$S$</td>
<td>$S$</td>
<td>$S$</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 1998</td>
<td>755</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 1999</td>
<td>386</td>
<td>408</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 2000</td>
<td>386</td>
<td>408</td>
<td>408</td>
<td>408</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 2001</td>
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<td>408</td>
<td>408</td>
<td>408</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 2002</td>
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<td>408</td>
<td>408</td>
<td>408</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 2003</td>
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<td>186</td>
<td>186</td>
<td>185</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 2004</td>
<td>—</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>2,462</td>
<td>1,827</td>
<td>1,419</td>
<td>1,418</td>
</tr>
</tbody>
</table>

Amounts representing the interest portion of capitalized leases . . .

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th></th>
<th>The Company</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31, 1997</td>
<td>As at March 31, 1998</td>
<td>As at September 30, 1999</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td></td>
<td>$S$</td>
<td>$S$</td>
<td>$S$</td>
<td>$S$</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 1998</td>
<td>(209)</td>
<td>(137)</td>
<td>(83)</td>
<td>(82)</td>
</tr>
<tr>
<td>Fiscal year ended March 31, 1999</td>
<td>2,253</td>
<td>1,690</td>
<td>1,336</td>
<td>1,336</td>
</tr>
</tbody>
</table>

25. Term loan

The term loan is from The Development Bank of Singapore and is repayable over 10 years commencing July 31, 1996. The loan bears interest at 0.25% per annum above the one month (Singapore) swap offer rate for the first five years and 0.375% per annum above the one month (Singapore) swap offer rate for the next five years. For the fiscal years ended March 31, 1997, 1998 and 1999, interest rates under this loan ranged from 2.50% to 3.75%, 4.27% to 22.50% and 1.69% to 7.82% per annum, respectively, and, for the six-month period ended September 30, 1999, interest rates under this loan ranged from 1.26% to 2.48% per annum.

26. Loans from parent company

In the fiscal year ended March 31, 1991, the parent company made a long-term loan to the Company. This loan was unsecured and bore interest for the fiscal years ended March 31, 1997 and 1998 of between 8.50% to 9.25% and 5.13% to 9.25% per annum, respectively. This loan was fully repaid by the Company during fiscal year ended March 31, 1999.

In the fiscal year ended March 31, 1995, the parent company made a long-term loan to the Company to finance the Company’s loan to August Skyfreighter 1994 Trust. This loan is unsecured and bore interest for the fiscal years ended March 31, 1997, 1998 and 1999 of between 4.56% and 5.13%, 5.13% and 9.25% and 5.48% and 9.25% per annum, respectively, and for the six-month period ended September 30, 1999 of between 5.48% and 5.97% per annum. This loan is scheduled to mature on March 28, 2007.
SINGAPORE AIRPORT TERMINAL SERVICES LIMITED
Notes to Consolidated Financial Statements (Continued)

27. Deferred income tax

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31,</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>1998</td>
</tr>
<tr>
<td>Balance at beginning of fiscal year or period</td>
<td>51,681</td>
<td>58,289</td>
</tr>
<tr>
<td>Expense for the fiscal year or period</td>
<td>6,608</td>
<td>3,831</td>
</tr>
<tr>
<td>Balance at end of fiscal year or period</td>
<td>58,289</td>
<td>62,120</td>
</tr>
</tbody>
</table>

The deferred income tax arises as a result of:
- Excess of net book value over tax basis of property, plant and equipment: 59,223 | 63,436 | 71,003 | 80,056 | 47,008 |
- Provision for doubtful accounts receivable: (934) | (1,316) | (1,088) | (966) | 8 |

28. Share capital

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31,</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>1998</td>
</tr>
<tr>
<td>Authorized and issued:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>100,000,000 issued ordinary shares of S$1.00 each, fully paid</td>
<td>100,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

For a description of a share split by the Company in March 2000, see note 35.

29. Cash and cash equivalents

Cash and cash equivalents included in the Group’s consolidated statements of cash flows comprise the following consolidated balance sheet amounts:

<table>
<thead>
<tr>
<th></th>
<th>The Group</th>
<th>The Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at March 31,</td>
<td>As at September 30, 1999</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>1998</td>
</tr>
<tr>
<td>Note</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>11,185</td>
<td>42,353</td>
</tr>
<tr>
<td>Time deposits</td>
<td>31,780</td>
<td>47,413</td>
</tr>
<tr>
<td>Cash pool deposits with the parent company</td>
<td>17</td>
<td>113,030</td>
</tr>
<tr>
<td></td>
<td>155,995</td>
<td>178,106</td>
</tr>
</tbody>
</table>
SINGAPORE AIRPORT TERMINAL SERVICES LIMITED  
Notes to Consolidated Financial Statements (Continued)

Cash pool deposits with the parent company refers to demand deposits placed with the parent company who managed the treasury function of its subsidiaries on a Group basis.

The deposit interest rates on the Group’s deposits placed with the parent company ranged from 0.81% to 3.43% in the fiscal year ended March 31, 1997, 1.44% to 7.40% in the fiscal year ended March 31, 1998 and 1.26% to 6.34% in the fiscal year ended March 31, 1999 and 1.29% to 1.99% in the six-month period ended September 30, 1999.

30. Significant related party transactions

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

<table>
<thead>
<tr>
<th>The Group</th>
<th>Fiscal year ended March 31,</th>
<th>Six-Month Period</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income from the parent company . . .</td>
<td>3,041</td>
<td>4,583</td>
<td>3,349</td>
</tr>
<tr>
<td>Interest income from associated companies . . .</td>
<td>279</td>
<td>202</td>
<td>168</td>
</tr>
<tr>
<td>Sales to the parent company . . . . . . . . .</td>
<td>364,710</td>
<td>384,609</td>
<td>409,182</td>
</tr>
<tr>
<td>Sales to related companies . . . . . . . . .</td>
<td>22,283</td>
<td>22,602</td>
<td>20,198</td>
</tr>
<tr>
<td>Expense:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services rendered by related companies . . . .</td>
<td>(1,782)</td>
<td>(2,340)</td>
<td>(2,182)</td>
</tr>
<tr>
<td>Interest paid to the parent company . . . . .</td>
<td>(6,810)</td>
<td>(9,193)</td>
<td>(7,705)</td>
</tr>
</tbody>
</table>

31. Segment reporting

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

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


Income and expenses from investments have not been allocated to any segment of the Group’s activities, since they are not specifically attributable to any one segment.
Fiscal Year Ended March 31, 1997:

Revenue

<table>
<thead>
<tr>
<th>Ground handling</th>
<th>Inflight catering</th>
<th>Other</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>S$</td>
<td>S$</td>
<td>S$ (in thousands)</td>
<td>S$</td>
<td></td>
</tr>
<tr>
<td>External revenue</td>
<td>318,398</td>
<td>316,052</td>
<td>49,046</td>
<td>683,496</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>93</td>
<td>—</td>
<td>31,017 (31,110)</td>
<td>—</td>
</tr>
<tr>
<td>Total revenue</td>
<td>318,491</td>
<td>316,052</td>
<td>80,063 (31,110)</td>
<td>683,496</td>
</tr>
<tr>
<td>Operating income</td>
<td>32,269</td>
<td>61,095</td>
<td>13,724</td>
<td>107,088</td>
</tr>
<tr>
<td>Interest income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>3,697</td>
</tr>
<tr>
<td>Interest expense</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(7,024)</td>
</tr>
<tr>
<td>Income on short-term investments</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>11,221</td>
</tr>
<tr>
<td>Share of associated companies' income (loss)</td>
<td>1,541 (138) 1</td>
<td>—</td>
<td>1,404</td>
<td></td>
</tr>
<tr>
<td>Loss on long-term investments</td>
<td>—</td>
<td>(473)</td>
<td>—</td>
<td>(473)</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>115,913</td>
</tr>
</tbody>
</table>

As at March 31, 1997:

<table>
<thead>
<tr>
<th>Segment assets</th>
<th>Associated companies</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>External revenue</td>
<td>392,648</td>
<td>305,471 357,897</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>24,519</td>
<td>17,562 137</td>
</tr>
<tr>
<td>Total assets</td>
<td>392,897</td>
<td>323,033</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>76,987</td>
<td>74,159 302,283</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>21,862</td>
<td>47,427 7,656</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>24,712</td>
<td>12,211 1,689</td>
</tr>
</tbody>
</table>

Fiscal year ended March 31, 1998:

Revenue

<table>
<thead>
<tr>
<th>Ground handling</th>
<th>Inflight catering</th>
<th>Other</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>S$</td>
<td>S$</td>
<td>S$ (in thousands)</td>
<td>S$</td>
<td></td>
</tr>
<tr>
<td>External revenue</td>
<td>348,704</td>
<td>326,381</td>
<td>51,457</td>
<td>726,542</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>96</td>
<td>—</td>
<td>34,337 (34,433)</td>
<td>—</td>
</tr>
<tr>
<td>Total revenue</td>
<td>348,800</td>
<td>326,381</td>
<td>85,794 (34,433)</td>
<td>726,542</td>
</tr>
<tr>
<td>Operating income</td>
<td>41,985</td>
<td>64,564</td>
<td>17,956</td>
<td>124,505</td>
</tr>
<tr>
<td>Interest income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>5,265</td>
</tr>
<tr>
<td>Interest expense</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(9,623)</td>
</tr>
<tr>
<td>Loss on short-term investments</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(10,348)</td>
</tr>
<tr>
<td>Share of associated companies' income</td>
<td>4,852</td>
<td>1,317 4</td>
<td>—</td>
<td>6,173</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>115,972</td>
</tr>
</tbody>
</table>

As at March 31, 1998:

<table>
<thead>
<tr>
<th>Segment assets</th>
<th>Associated companies</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>External revenue</td>
<td>437,721</td>
<td>301,567 331,924</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>27,260</td>
<td>21,590 157</td>
</tr>
<tr>
<td>Total assets</td>
<td>437,991</td>
<td>323,157</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>70,906</td>
<td>64,670 318,420</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>72,310</td>
<td>15,549 644</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>30,366</td>
<td>15,575 2,168</td>
</tr>
</tbody>
</table>
## Fiscal Year Ended March 31, 1999:

<table>
<thead>
<tr>
<th></th>
<th>Ground handling</th>
<th>Inflight catering</th>
<th>Other</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>(in thousands)</td>
<td>S$</td>
</tr>
<tr>
<td>External revenue</td>
<td>347,457</td>
<td>346,393</td>
<td>52,297</td>
<td>—</td>
<td>746,147</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>100</td>
<td>—</td>
<td>33,695</td>
<td>(33,795)</td>
<td>—</td>
</tr>
<tr>
<td>Total revenue</td>
<td>347,557</td>
<td>346,393</td>
<td>85,992</td>
<td>(33,795)</td>
<td>746,147</td>
</tr>
<tr>
<td>Operating income</td>
<td>58,010</td>
<td>82,170</td>
<td>19,319</td>
<td>—</td>
<td>159,499</td>
</tr>
<tr>
<td>Interest income</td>
<td>4,069</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(7,959)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on short-term investments</td>
<td>(23,894)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>(148)</td>
<td></td>
<td></td>
<td></td>
<td>(148)</td>
</tr>
<tr>
<td>Share of associated companies’ income</td>
<td>5,728</td>
<td>3,516</td>
<td>15</td>
<td>—</td>
<td>9,259</td>
</tr>
<tr>
<td>Loss on long-term investments</td>
<td>(2,313)</td>
<td></td>
<td></td>
<td></td>
<td>(2,313)</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>138,513</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## As at March 31, 1999:

<table>
<thead>
<tr>
<th></th>
<th>S$</th>
<th>S$</th>
<th>S$</th>
<th>S$</th>
<th>S$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment assets</td>
<td>492,376</td>
<td>359,285</td>
<td>101,912</td>
<td>—</td>
<td>953,573</td>
</tr>
<tr>
<td>Associated companies</td>
<td>35,102</td>
<td>27,570</td>
<td>181</td>
<td>—</td>
<td>62,853</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,016,426</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>73,535</td>
<td>70,469</td>
<td>171,886</td>
<td>—</td>
<td>315,890</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>59,753</td>
<td>41,768</td>
<td>1,706</td>
<td>—</td>
<td>103,227</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>25,897</td>
<td>14,914</td>
<td>1,447</td>
<td>—</td>
<td>42,258</td>
</tr>
</tbody>
</table>

## Six-Month Period Ended September 30, 1998

<table>
<thead>
<tr>
<th></th>
<th>S$</th>
<th>S$</th>
<th>S$</th>
<th>(in thousands)</th>
<th>S$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>(in thousands)</td>
<td>S$</td>
</tr>
<tr>
<td>External revenue</td>
<td>174,792</td>
<td>167,358</td>
<td>26,144</td>
<td>—</td>
<td>368,294</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>48</td>
<td>—</td>
<td>16,977</td>
<td>(17,025)</td>
<td>—</td>
</tr>
<tr>
<td>Total revenue</td>
<td>174,840</td>
<td>167,358</td>
<td>43,121</td>
<td>(17,025)</td>
<td>368,294</td>
</tr>
<tr>
<td>Operating income</td>
<td>27,997</td>
<td>34,813</td>
<td>9,950</td>
<td>—</td>
<td>72,760</td>
</tr>
<tr>
<td>Interest income</td>
<td>2,510</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(6,794)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on sale of short-term investments</td>
<td>(22,835)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>(74)</td>
<td></td>
<td></td>
<td></td>
<td>(74)</td>
</tr>
<tr>
<td>Share of associated companies’ income</td>
<td>1,819</td>
<td>2,167</td>
<td>7</td>
<td>—</td>
<td>3,993</td>
</tr>
<tr>
<td>Income before income tax</td>
<td>—</td>
<td>49,560</td>
<td>—</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

Notes to Consolidated Financial Statements (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Ground handling</th>
<th>Inflight catering</th>
<th>Other</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ground In…ight</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S$</td>
<td>16,346</td>
<td>(16,398)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Six-Month Period Ended September 30, 1999
| Revenue                  |                 |                   |       |              |       |
| External revenue         | 174,714         | 181,294           | 26,537| —            | 382,545|
| Inter-segment revenue    | 52              | —                 |       | (16,398)     | —     |
| Total revenue            | 174,766         | 181,294           | 42,883|(16,398)      | 382,545|
| Operating income         | 34,088          | 52,290            | 10,437| —            | 96,815 |
| Interest income          | 1,023           |                   |       |              |       |
| Interest expense         | (60)            |                   |       |              |       |
| Amortization of goodwill | —               | (74)              | —     | —            | (74)  |
| Share of associated companies’ income | 6,758 | 2,318 | 2 | — | 9,078 |
| Income before income tax |                 |                   |       |              | 106,782|

As at September 30, 1999:

|                          |                 |                   |       |              |       |
| Segment assets           | 531,725         | 426,879           | 60,898| —            | 1,019,502|
| Associated companies     | 36,835          | 28,379            | 183   | —            | 65,397 |
| Total assets             | 568,560         | 555,258           | 62,071| —            | 1,084,899|
| Total liabilities        | 95,634          | 106,566           | 135,879| —            | 338,079|
| Capital expenditures     | 37,376          | 58,229            | 411   | —            | 96,016 |
| Depreciation of property, plant and equipment | 11,224 | 7,440 | 650 | — | 19,314 |

Revenue, expenditures and certain information regarding geographical segments are not presented, since the Group operates principally within Singapore.

32. Capital commitments

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

<table>
<thead>
<tr>
<th></th>
<th>As at March 31, 1997</th>
<th>As at March 31, 1998</th>
<th>As at March 31, 1999</th>
<th>As at September 30, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
<td>S$</td>
</tr>
<tr>
<td>(in thousands)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized and contracted for</td>
<td>17,248</td>
<td>320,371</td>
<td>266,253</td>
<td>205,577</td>
</tr>
<tr>
<td>Authorized but not contracted for</td>
<td>488,959</td>
<td>180,378</td>
<td>141,926</td>
<td>121,502</td>
</tr>
<tr>
<td></td>
<td>506,207</td>
<td>500,749</td>
<td>408,179</td>
<td>327,079</td>
</tr>
<tr>
<td>(b) Outstanding foreign currency contracts</td>
<td>2,476</td>
<td>677</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(c) The Group leases a building and two pieces of land. The lease of the building expires on June 30, 2024 and the leases of the land expire on October 30, 2022 and July 30, 2021, respectively. The
leases contain provisions for rental adjustments and the future minimum lease payments are as follows:

<table>
<thead>
<tr>
<th>The Group</th>
<th>As at March 31,</th>
<th>As at September 30, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>Within one fiscal year</td>
<td>3,306</td>
<td>3,163</td>
</tr>
<tr>
<td>After one fiscal year but not more than five fiscal years</td>
<td>12,652</td>
<td>12,652</td>
</tr>
<tr>
<td>More than five fiscal years</td>
<td>62,907</td>
<td>59,744</td>
</tr>
<tr>
<td></td>
<td>78,865</td>
<td>75,559</td>
</tr>
</tbody>
</table>

33. Contingent liabilities

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

<table>
<thead>
<tr>
<th>The Group</th>
<th>As at March 31,</th>
<th>As at September 30, 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in thousands)</td>
<td></td>
</tr>
<tr>
<td>(a) Guarantees given to banks in connection with credit facilities granted to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associated company</td>
<td>—</td>
<td>22,470</td>
</tr>
<tr>
<td>Related party</td>
<td>—</td>
<td>6,000</td>
</tr>
<tr>
<td>(b) Counter guarantees given to an associated company to guarantee payment for banking facilities granted by banks to a joint venture company of the associated company</td>
<td>—</td>
<td>1,189</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>29,659</td>
</tr>
</tbody>
</table>

(a) The Company issued a corporate guarantee to banks to guarantee payment up to 24.5% of HK$440.0 million loans granted to Asia Airfreight Terminal Company Limited.

(b) The Company has issued two counter-guarantees to SERVAIR-SATS Holding Company Pte. Ltd. to guarantee payment up to 49.0% of corporate guarantees issued by SERVAIR-SATS Holding Company Pte. Ltd to secure banking facilities granted by banks to Macau Catering Services, Co.

34. Financial instruments

*Credit risk exposures and significant concentrations of credit risk*

The Group’s maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event counterparties fail to perform their obligations as of September 30, 1999 in relation to each class of recognized financial assets is the carrying amount of those assets as indicated in the balance sheet.
Concentrations of credit risk with respect to accounts receivable are limited due to the financial strength of its parent and related subsidiaries and the large number of entities comprising the Group’s customer base which are not related to it. The Group carefully assesses the financial strength of its customers and generally does not require any collateral. At September 30, 1999, the only trade receivable exceeding 10% of the Group’s account receivable was an amount of approximately S$76,989,000 due from its parent company, Singapore Airlines Limited.

**Interest rate risk**

The Group is exposed to market risk on changes in interest rates in respect of the Group’s loans to third parties and associated companies, deposits with the parent company, bank term loans and loans from parent company.

**Foreign currency risk**

The Group is exposed to foreign exchange movements on its net investment in foreign associated companies. The Group does not use any foreign currency instruments to hedge foreign currency exposures on such net investments.

### 35. Subsequent events

**(a) Capital adjustment**

In the first quarter of 2000, the Company carried out a capital adjustment as follows:

(i) it capitalized S$100 million of its retained earnings as share capital;

(ii) it issued 100,000,000 new ordinary shares to its parent company; and

(iii) it cancelled 100,000,000 ordinary shares.

In conjunction with the Company’s capital adjustment, on March 28, 2000 the Company distributed S$100.0 million to the parent company.

**(b) Special dividend payment**

On March 28, 2000 the Company paid a special dividend of S$106.5 million, net of tax, to the parent company.

**(c) Share split**

On March 20, 2000, the Company sub-divided each of its ordinary shares of S$1.00 each in its then existing authorized and issued and paid-up share capital into ten ordinary shares of S$0.10 each. The total authorized, issued and paid-up share capital of the Company after this share split was 1,000,000,000 ordinary shares of S$0.10 each.

**(d) Line of credit from parent company**

On December 7, 1999, the Company entered into a loan agreement with the parent company to obtain a line of credit facility of S$160,000,000.

**(e) Conversion to public company**

On March 20, 2000, the Company converted from a private company into a public company and changed its name to Singapore Airport Terminal Services Limited. This was done in contemplation of the offering of the Company’s shares on the Main Board of the Singapore Exchange Securities Trading Limited.
(f) Employee Share Option Plan

In February 2000, the Company adopted its Employee Share Option Plan (the “Plan”) providing for the issuance of up to 15% of its issued share capital from time to time. The Plan is administered by the Senior Officers Remuneration Committee. The Committee has discretion over the granting of options, and the number of options granted to individual employees will be determined based on a number of factors, including rank and performance.

The Plan consists of two tiers — a “General Employee Share Option Scheme” and a “Senior Executive Share Option Scheme.” Under the General Employee Share Option Scheme, options will vest two years after the date of the grant. Under the Senior Executive Share Option Scheme, options will vest in cumulative 25% increment over a four year period.

Under the Plan, all options to be issued will have a term no longer than 10 years from the date of the grant. The exercise price of the options will be the average of the closing prices of the ordinary shares on the Singapore Exchange for the five market days immediately preceding the date of the grant. If the options are granted in conjunction with a proposed initial public offering of the Company’s shares by the parent company, the exercise price shall be the price of the ordinary shares offered in the initial public offering.

On March 28, 2000, the Company granted its employees options representing the right to purchase approximately 19,124,800 of the Company’s ordinary shares under the Plan. These options are exercisable at a price equal to the price at which the ordinary shares are offered to the public pursuant to the initial public offering.
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THE REPUBLIC OF SINGAPORE

The information in this section has been extracted from published sources and has not been independently verified by us or the selling shareholder.

The Country

The Republic of Singapore is an island city-state in Southeast Asia, on the southern tip of the Malay Peninsula with a total land area of approximately 648.1 sq. km. Singapore’s population was 3,865,600 as at 1999, of which approximately 77.0% were Chinese, 14.0% were Malays, 7.6% were Indian and 1.4% were of other ethnicities. The official languages of Singapore are Malay, Mandarin, Tamil and English. The national language remains Malay, but English is the language of administration and the predominant language of commerce. The population has a literacy rate of approximately 93%.

Singapore was established as a trading station by Sir Thomas Stamford Raffles of the East India Company in 1819. In 1826, Singapore, along with Penang and Malacca, became a British Crown Colony under the name of “Straits Settlements.” Following World War II, Singapore became a separate Crown Colony while Penang and Malacca were incorporated into the Federation of Malaya. In June 1959, Singapore became a self-governing democracy within the British Commonwealth and in June 1963, joined the Federation of Malaya, Sarawak and North Borneo to form Malaysia. Singapore became a sovereign, independent nation on August 9, 1965 after separating from Malaysia.

Singapore is a republic with a parliamentary system of government. It maintains close ties with other Southeast Asian countries, through bilateral relationships and through its membership in the economic and political consortium known as the Association of Southeast Asian Nations, or ASEAN.

Singapore enjoys fundamentally sound relations with the United States, the People’s Republic of China, Japan and Western European nations. Through bilateral visits and participation in the British Commonwealth and other international forums, Singapore maintains ties with numerous developing nations. Closer relations between Singapore and Russia and other Eastern European countries are also being developed. Singapore is a member of the United Nations and other international organizations, including the International Monetary Fund, the International Bank for Reconstruction and Development, the Asian Development Bank, the Asia-Pacific Economic Cooperation, or APEC, and the British Commonwealth. Singapore is a signatory to the General Agreement on Tariffs and Trade and a member of the World Trade Organization.

The Economy

Singapore has an urban economy whose largest sectors are manufacturing, finance and trade. Its economy is heavily dependent on exports, which were the equivalent of approximately 130% of Gross Domestic Product, or GDP, at current market prices in 1998. Singapore does not have any significant natural resources, other than its deep water harbor. However, its strategic geographical location, together with a well-developed infrastructure and political stability, have made it an international business and financial center. With a 1998 per capita GDP of S$38,170, living standards in Singapore are among the highest in Asia.

In 1990, Singapore adopted a tight monetary policy. This caused slower growth and led to weaker external demand. As a result, GDP growth slowed and bottomed out in 1992 at 6.2%. Due to the growth in external trade, the US economic recovery and expansion in East Asia, Singapore’s GDP grew at a rate of 10.4% in 1993 and 10.5% in 1994 (at 1990 market prices). Growth in the manufacturing and financial and business service sectors spurred growth in 1993 and 1994. However, due to a decline in exports caused by a slowdown in the global electronics industry and the effects of the economic crisis in Southeast Asia beginning in the second half of 1997, Singapore’s growth rate declined to 6.9% in 1996 and 7.8% in 1997 (at 1990 market prices).
The currencies of several of Singapore’s neighboring countries in East and Southeast Asia experienced substantial depreciation and volatility in the second half of 1997. Economic growth rates slowed or contracted for many countries in the region. To date, the economic developments in the region have adversely affected the Singapore economy, although to a lesser extent than most other East and Southeast Asian countries. GDP growth continued to decline in 1998, declining to 1.5% (at 1990 market prices). The Government proposed new measures in its 1999 budget plan and undertook reforms to accelerate development of the financial sector in Singapore. GDP growth rate has accelerated to 5.4% in 1999.

The following table sets forth certain key economic indicators of the Singapore economy for the periods indicated.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP at 1990 market prices (S$m)</td>
<td>94,368</td>
<td>102,531</td>
<td>109,573</td>
<td>119,835</td>
<td>120,316</td>
</tr>
<tr>
<td>% change from prior year</td>
<td>10.5%</td>
<td>8.7%</td>
<td>6.9%</td>
<td>8.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>GDP at current prices (S$m)</td>
<td>188,217</td>
<td>120,704</td>
<td>130,775</td>
<td>140,466</td>
<td>138,529</td>
</tr>
<tr>
<td>% change from prior year</td>
<td>14.7%</td>
<td>11.5%</td>
<td>8.3%</td>
<td>9.1%</td>
<td>(1.4)%</td>
</tr>
<tr>
<td>Consumer price index (% change)</td>
<td>3.1%</td>
<td>1.7%</td>
<td>1.4%</td>
<td>2.0%</td>
<td>(0.3)%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>1.8%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Total demand (% change)</td>
<td>15.4%</td>
<td>12.7%</td>
<td>8.3%</td>
<td>7.6%</td>
<td>(5.3)%</td>
</tr>
<tr>
<td>Domestic demand (% change)</td>
<td>3.2%</td>
<td>8.8%</td>
<td>10.5%</td>
<td>10.2%</td>
<td>(7.3)%</td>
</tr>
<tr>
<td>External demand (% change)</td>
<td>20.9%</td>
<td>14.3%</td>
<td>7.5%</td>
<td>6.6%</td>
<td>(4.4)%</td>
</tr>
</tbody>
</table>

THE SECURITIES MARKET OF SINGAPORE

The information in this section has been extracted from published sources and has not been independently verified by us or the selling shareholder.

Singapore Exchange Securities Trading Limited, or SGX-ST

The Stock Exchange of Singapore Limited was incorporated on May 24, 1973. The government of Singapore demutualized the Stock Exchange of Singapore and merged it with the Singapore International Monetary Exchange effective December 1, 1999, following which the Stock Exchange of Singapore Limited was renamed the Singapore Exchange Securities Trading Limited, or the SGX-ST. The SGX-ST is the only securities exchange in Singapore and is the leading organized market for debt and equity securities of Singapore companies. The main trading facility of the SGX-ST is known as the SGX Main Board. The SGX-ST also operates the Stock Exchange of Singapore Dealing and Automated Quotation System, or SGX Sesdaq. Trading on the SGX-ST is effected on a computerized quotation system known as the Central Limit Order Book Trading System, or CLOB System. Trades on the SGX-ST are generally settled three calendar days after the transaction date.

As of January 1, 1999, the then Stock Exchange of Singapore Limited had a membership of 33 stockbroking firms, 26 of which are domestic member firms and seven of which are international members. The SGX-ST’s rules have been instituted with the approval of the Minister of Finance, and its policies and operations are subject to the Monetary Authority of Singapore supervision.

The following table sets forth, for the periods indicated, certain information with respect to the then Stock Exchange of Singapore Limited.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capitalization(^{(1)}) (S$ million)</td>
<td>256,124</td>
<td>282,551</td>
<td>255,862</td>
<td>329,268</td>
<td>263,168</td>
<td>447,433</td>
</tr>
<tr>
<td>Annual trading value(^{(2)}) (S$ million)</td>
<td>123,520</td>
<td>92,636</td>
<td>86,776</td>
<td>110,456</td>
<td>69,656</td>
<td>181,995</td>
</tr>
<tr>
<td>Annual trading volume (million shares)(^{(2)})</td>
<td>45,540</td>
<td>37,696</td>
<td>30,518</td>
<td>47,146</td>
<td>69,656</td>
<td>130,404</td>
</tr>
<tr>
<td>Number of listed companies (Main Board)</td>
<td>209</td>
<td>248</td>
<td>266</td>
<td>294</td>
<td>307</td>
<td>327</td>
</tr>
</tbody>
</table>

\(^{(1)}\) SGX Main Board.
\(^{(2)}\) Includes CLOB International, excludes SGX Sesdaq.

On March 31, 2000, there were 323 companies listed and quoted on the Main Board of the SGX-ST and the aggregate market capitalization of listed equity securities of these companies was approximately S$321.3 billion (US$189.0 billion).

Market Indices

There are many published indices which track the performances of securities listed on the Main Board. The most commonly used index is the Straits Times Index, or STI. The STI is a capitalization-weighted index of 55 companies comprising of 62 stocks of which 7 are foreign stocks traded on the SGX-ST. Another index used to measure the performance of the SGX Main Board is the All Singapore Equities Index. The All Singapore Equities Index is a capitalization-weighted index of all stocks traded on the SGX Main Board, and is designed to provide a measure of the overall price movement in the stock market. The index was developed with a base value of 100 as of January 2, 1975.
The following table set forth the high close, low close and year-end levels of the STI and the All Singapore Equities Index for each of the periods indicated.

<table>
<thead>
<tr>
<th>Year</th>
<th>STI High Close</th>
<th>STI Low Close</th>
<th>STI Period End</th>
<th>All Singapore Equities Index High Close</th>
<th>All Singapore Equities Index Low Close</th>
<th>All Singapore Equities Index Period End</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>2,137.99</td>
<td>1,659.76</td>
<td>1,853.98</td>
<td>641.61</td>
<td>506.84</td>
<td>533.57</td>
</tr>
<tr>
<td>1995</td>
<td>1,917.93</td>
<td>1,584.51</td>
<td>1,917.17</td>
<td>558.94</td>
<td>472.90</td>
<td>555.39</td>
</tr>
<tr>
<td>1996</td>
<td>2,163.11</td>
<td>1,790.94</td>
<td>1,991.68</td>
<td>610.37</td>
<td>503.78</td>
<td>536.12</td>
</tr>
<tr>
<td>1997</td>
<td>2,129.81</td>
<td>1,382.07</td>
<td>1,507.65</td>
<td>573.03</td>
<td>380.78</td>
<td>425.94</td>
</tr>
<tr>
<td>1998</td>
<td>1,553.75</td>
<td>805.04</td>
<td>1,392.73</td>
<td>437.98</td>
<td>253.20</td>
<td>328.51</td>
</tr>
<tr>
<td>1999</td>
<td>2,479.58</td>
<td>1,286.56</td>
<td>2,479.58</td>
<td>668.79</td>
<td>351.45</td>
<td>668.79</td>
</tr>
</tbody>
</table>

SINGAPORE CHANGI AIRPORT

The information in this section has been extracted from published sources and has not been independently verified by us or the selling shareholder.

General

Singapore Changi Airport, which was constructed in 1981, is one of the busiest airports in Southeast Asia, and ranks seventh in the world in terms of international passenger traffic and fourth in the world for international air freight movements. As of December 1, 1999, 63 airlines operated more than 1,500 weekly scheduled flights through Singapore to more than 125 cities in approximately 50 countries. In 1981, its first year of operation, Singapore Changi Airport handled 8.1 million passengers, 193,000 tonnes of air freight and 63,000 aircraft movements. Since then, Singapore Changi Airport has grown rapidly so that in 1999 it handled approximately 26 million passengers, 1.4 million tonnes of air freight and 180,000 aircraft movements. This growth represents compound annual growth rates of 6.7% for passengers, 11.6% for air freight movements and 6.0% for airline movements over the period from 1981 to 1999.

In 1999, Singapore Changi Airport was voted best international airport by Conde Nast Traveller (UK), Business Traveller (UK) (twelfth consecutive year), Business Traveller (Asia Pacific) (eighth consecutive year) and OAG Worldwide (ninth time in eleven years). In 1999, Singapore Changi Airport won a total of 15 world-class awards, including Best Air Cargo Terminal Operator by the Asian Freight Industry Awards for the thirteenth consecutive year.

Facilities

Singapore Changi Airport is composed of two passenger terminals, two principal runways, 68 aircraft parking bays and other ancillary facilities, with the capacity to handle about 44 million passengers and 1.7 million tonnes of air freight per year with an additional 800,000 tonnes of capacity expected by the end of the year 2000. Of Singapore Changi Airport's two principal terminals, Passenger Terminal 1 serves airlines other than Singapore Airlines, and Passenger Terminal 2 principally serves Singapore Airlines. Passenger Terminal 1 was constructed in 1981 and was refurbished in 1995 at a cost of S$170.0 million, bringing its annual passenger handling capacity to about 16 million. Passenger Terminal 1 is currently undergoing further expansion to increase its annual passenger handling capacity to about 21 million passengers, by extending two of the existing piers in Passenger Terminal 1 to provide 14 new aerobridge parking stands. The project is estimated to cost S$430.0 million and to be completed in 2000.

Passenger Terminal 2 was constructed in 1986 and was recently refurbished at a cost of S$330.0 million, bringing its annual passenger handling capacity to about 23 million passengers. Two new finger piers were constructed, which provide an additional 22 aerobridge parking stands.

Future Expansion

The Mass Rapid Transit (MRT) line, covering most of Singapore, will be extended to Singapore Changi Airport, with completion expected in 2001, to provide passengers, visitors and nearly 30,000 workers with inexpensive transportation to the airport.

In addition, the construction of a third airport terminal, Passenger Terminal 3, at an estimated cost of S$1.5 billion, is scheduled for completion in 2006. Passenger Terminal 3 will be designed for an annual handling capacity of 20 million passengers, thus bringing the total handling capacity of Singapore Changi Airport to more than 60 million passengers a year.
Preparations are also being made to ensure that Singapore Changi Airport can be further expanded when the current airport land area is fully developed. Land reclamation to the east of Singapore Changi Airport is currently underway. The reclaimed land will be reserved for the development of additional airport infrastructure, including Runway 3 and Passenger Terminal 4.
Offices of Singapore Airport Terminal Services Limited

Executive office
55 Airport Boulevard
Singapore Changi Airport
Singapore 819647

Registered office
Airline House
25 Airline Road
Singapore 819829

Executive and Registered Offices of Singapore Airlines Limited

8-D Airline House
25 Airline Road
Singapore 819829

Auditors

Ernst & Young
10 Collyer Quay #21-01
Ocean Building
Singapore 049315

Legal Advisors

To Singapore Airport Terminal Services Limited and Singapore Airlines Limited as to United States law

White & Case LLP
50 Raffles Place #30-00
Singapore Land Tower
Singapore 048623

Simpson Thacher & Bartlett
7 Temasek Boulevard, 33rd Floor
Suntec Tower One
Singapore 038987

To the initial purchasers as to United States law

Wong Partnership
80 Raffles Place #58-01
UOB Plaza 1
Singapore 048624

To the offerings as to Singapore law
110,000,000 Ordinary Shares

Singapore Airport Terminal Services Limited

Offering Memorandum

Joint Global Coordinators and Bookrunners

Merrill Lynch (Singapore) Pte. Ltd.  The Development Bank of Singapore Ltd

Co-lead Managers

CLSA Emerging Markets  Jardine Fleming Securities  UBS Warburg

Co-Managers

ABN Amro Rothschild  Credit Suisse First Boston
  Deutsche Bank  Nomura Singapore Limited

May 4, 2000
DIRECTORS’ REPORT

4 May 2000

The Shareholders
Singapore Airport Terminal Services Limited
25 Airline Road
Airline House
Singapore 819829

Dear Sirs,

This report has been prepared for inclusion in the Prospectus (the “Prospectus”) of Singapore Airport Terminal Services Limited (the “Company”) to be dated 4 May 2000 in connection with the Invitation in respect of 110,000,000 existing ordinary shares of par value S$0.10 each (“Shares”) in the capital of the Company by way of public offer and placement.

On behalf of our Directors, I report that, having made the inquiry in relation to the interval between 30 September 1999, the date to which the last audited accounts for the Company and its subsidiaries were made up, and the date hereof:

(a) the business of the Company and its subsidiaries have in the opinion of the Board of Directors been satisfactorily maintained;

(b) no circumstances have arisen which have adversely affected the trading or the value of the assets of the Company or any of its subsidiaries;

(c) the current assets of the Company and its subsidiaries appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) there are no contingent liabilities which have arisen by reason of any guarantees given by the Company or any of its subsidiaries; and

(e) since the last audited accounts of the Company, there have been no changes in the published reserves or any unusual factors affecting the profit of the Company and its subsidiaries.

Yours faithfully
For and on behalf of the Board of Directors

Dr. Cheong Choong Kong

Director
GENERAL AND STATUTORY INFORMATION

Information on Directors and Executive Officers

1. The names, ages, addresses and positions of all our Directors and Executive Officers are set out in “MANAGEMENT — Our Board of Directors” and “MANAGEMENT — Our Executive Officers” on pages 98 to 101 of this Prospectus, respectively.

   Our Independent Directors are Mr. Barry Desker, Mr. Richard Charles Helfer, Dr. Hong Hai and Mr. Ng Kee Choe.

   Our Audit Committee will comprise Mr. Ng Kee Choe (Chairman), Dr. Hong Hai and Mr. Tan Jiak Ngee, Michael.

2. The business and working experience of our Directors are set out in “MANAGEMENT — Our Board of Directors — Biographical Information” on pages 98 and 99 of this Prospectus.

3. The present and past directorships (held in the past five years) of our Directors in other companies are as follows:

   Dr. Cheong Choong Kong
   Present
   - Oversea-Chinese Banking Corporation Limited
   - Singapore Airlines Limited
   - SIA Engineering Company Limited
   - Singapore Press Holdings Limited
   - Singapore International Foundation
   - Abacus Distribution Systems Pte Ltd (in voluntary liquidation)
   - Abacus International Pte Ltd
   - Abacus International Holdings Ltd
   Past
   - Media Corporation of Singapore Pte Ltd

   Mr. Tan Jiak Ngee, Michael
   Present
   - SATS Airport Services Pte Ltd
   Past
   - SIA Engineering Company Limited

   Mr. Chew Choon Seng
   Present
   - SilkAir (Singapore) Private Limited
   - SATS Catering Pte Ltd
   - Singapore MRT Ltd
   - International Development & Consultancy Corporation Pte Ltd
   - Singapore LRT Ltd
   Past
   - SIA Engineering Company Limited
   - SIA Properties (Pte) Ltd
   - Tradewinds Tours & Travel Private Limited

   Mr. Barry Desker
   Present
   - Singapore Network Services Pte Ltd
   - Singapore Technologies Marine Ltd
   - TDB Holdings (Pte) Ltd
Mr. Richard Charles Helfer

Past
SembCorp Engineering Pte Ltd
Sime SembCorp Engineering Sdn Bhd

Present
Browns Hotel Ltd
Hotel “Vier Jahreszeiten” von Friedrich Haerlin GmbH
Hotels & Resorts (Australasia) Pty Limited
Hotels & Resorts (UK) Ltd
MCH Holdings (Shanghai) Pte Ltd
MCH Services (Sydney) Pte Ltd
Merchant Quay Private Limited
Raffles Centre (Private) Limited
Raffles City (Private) Limited
Raffles Corporation (Australasia) Pte Ltd
Raffles Corporation (Germany) Pte Ltd
Raffles Grand Hotel Pte Ltd
Raffles Holdings Limited
Raffles Hotel (1886) Ltd
Raffles International (Australasia) Pty Ltd
Raffles International Hotels & Resorts (Thailand) Co. Ltd
Raffles International Limited
Raffles Royal Hotel Pte Ltd
RC Hotels (Pte) Ltd
Resorts International (1997) Pte Ltd
Shanghai Merchant Court Hotel Co. Ltd
Stamford Hotels Pte Ltd
The Raffles Company (1997) Pte Ltd
Tower Apartments Pty Ltd
Vier Jahreszeiten Grundstücksbesellschaft GmbH
Galle Face Hotel — 1994 (Private) Limited
Hotel Reservations (S) Pte Ltd
Little India Arcade Pte Ltd
Palms International Pte Ltd
Sculpture Square Limited
SHATEC Services Pte Ltd

Past
Raffles City Treasury Ltd
Resorts International Limited
Clarke Quay Adventure Pte Ltd
Clarke Quay Pte Ltd
DBS Property Services Pte Ltd
Fusion Investments Pte Ltd
Singapore General Hospital Pte Ltd
Tanjong Pagar Heritage Pte Ltd
The Raffles Company Pte Ltd
Raffles Marina Ltd
Sogo Department Store (S) Pte Ltd
Dr. Hong Hai

Present

UOB Venture Investments Ltd
IDT Holdings (Singapore) Limited
Haw Par Corporation Limited
Asian Computer Services Pte Ltd
Camerlin Pte Ltd
Drug Houses of Australia (Asia) Pte Ltd
Haw Par Capital Pte Ltd
Haw Par Centre Pte Ltd
Haw Par Countertrade Pte Ltd
Haw Par Healthcare Limited
Haw Par Investment Holdings Pte Ltd
Haw Par Leisure Pte Ltd
Haw Par Equities Pte Ltd
Haw Par Properties (Singapore) Pte Ltd
Haw Par Securities (Private) Limited
Haw Par Trading Pte Ltd
Jubedan Pte Ltd
Macvilla Investments Pte Ltd
M&G Maritime Services Pte Ltd
Pickwick Securities Pte Ltd
Recreational Investment (1992) Pte Ltd
Regina Haw Par Pte Ltd
(Under Members' Voluntary Winding-Up)
Spa Development Pte Ltd
Sports Services Ltd
Setron Limited
Scott & English Limited
Straits Maritime Leasing Pte Ltd
South River Development Pte Ltd
U S E Enterprises Pte Ltd
Underwater World International Pte Ltd
Underwater World Singapore Pte Ltd
Haw Par Recreation (Malaysia) Sdn Bhd
Haw Par Land (Malaysia) Sdn Bhd
Tiger Balm (M) Sdn Bhd
Haw Par International Limited
Haw Par Brothers International (HK) Ltd
Haw Par Hong Kong Ltd
Haw Par Medicals (India) Private Limited
PT. Haw Par Healthcare Indonesia
Haw Par Tiger Balm (Thailand) Limited
Haw Par Tiger Balm (Philippines) Inc
PGF International Pty Ltd
Haw Par (Australia) Pty Ltd
Tiger Medicals (Taiwan) Limited
Xiamen Tiger Medicals Co Ltd
Mundo Submarino, S.A.,

Past

Century 21 Singapore Pte Ltd
DHP Aviation Pte Ltd
Haw Par Pro Kennex Pte Ltd (now known as Sports Products (Asia) Pte Ltd)
Kunnan International Holdings Ltd
Kunnan International Japan Ltd
Pidemco Land Ltd
Pro Kennex (Australia) Pty Ltd
Sea World Attraction Sdn Bhd
Shanghai Huanghe DHA Pharmaceuticals Co Ltd
Singapore Telecommunications Limited
Singapore Post Pte Ltd

Mr. Ng Kee Choe

Present

DBS Group Holdings Ltd
The Development Bank of Singapore Ltd
The Insurance Corporation of Singapore Ltd
Kwong On Bank Limited
DBS Thai Danu Bank Public Company Limited
PT Bank DBS Buana
Singapore Technologies Engineering Ltd
Singapore-Bintan Resort Holdings Pte Ltd
Singapore International Foundation
Southern Africa Investments Pte Ltd
Wing Lung Bank Ltd
PT Bintan Resort Corporation
Asean Finance Corporation Limited
The Institute of Banking & Finance
Dr Goh Keng Swee Scholarship Fund

Past

DBS Asia Ltd
DBS Asia Capital Ltd
DBS Asset Management Ltd
DBS Factors Pte Ltd
DBS Finance Ltd
DBS Pte Ltd
DBSF Investments Pte Ltd
DBS Finance Nominees Pte Ltd
DBSF Holdings Pte Ltd
DBS Securities Holding Pte Ltd
NDC Merchant Bank Ltd
Asfinco Singapore Ltd
PT DBS Buana Tat Lee Bank
Singapore Polymer Corporation Pte Ltd
Visiontech Investment Pte Ltd
Pharmbio Growth Fund Pte Ltd
Singapore Technologies Aerospace Ltd
ASEAN Fund Ltd
ASEAN Supreme Fund Ltd

4. The business and working experience of our Executive Officers are set out in “MANAGEMENT — Our Executive Officers — Biographical Information” on pages 101 and 102 of this Prospectus.
5. The present and past directorships (held in the past five years) of our Executive Officers in other companies are as follows:

**Mr. Prushuathamun Nadaisan**

*Present*
Singapore Airport Duty-Free Emporium (Private) Limited

*Past*
SIA Properties (Pte) Ltd
SIAEC Services Pte Ltd
Aviation Software Development Consultancy India Limited
Eagle Services Asia Private Limited (as alternate director)

**Mr. Karmjit Singh**

*Present*
SATS Airport Services Pte Ltd
Asia-Pacific Star Private Limited
Asia Airfreight Terminal Company Limited

*Past*
Taj Madras Flight Kitchen Limited

**Mr. Chew Khiam Soon, Joseph**

*Present*
SATS Catering Pte Ltd
Beijing Airport Inflight Kitchen Ltd
Asia-Pacific Star Pte Ltd
AVISERV Ltd
Evergreen Sky Catering Corporation
Royal International Air-Catering Co Ltd

*Past*
SIA (Mauritius) Ltd

**Mr. Tan Wah Liang, Paul**

*Present*
Tradewinds Tours & Travel Private Limited

*Past*
Nil

**Mr. Leong Kok Hong**

*Present*
Beijing Aviation Ground Services Co., Ltd
Tan Son Nhat Cargo Services Limited
Asia Airfreight Terminal Company Limited (as alternate director)
Evergreen Air Cargo Services Corporation

*Past*
Nil
Mr. Tan Chuan Lye

Present
SATS Apron Services Pte Ltd (in voluntary liquidation)
SERVAIR — SATS Holding Company Pte Ltd
Aviserv Ltd
Taj Madras Flight Kitchen Private Ltd
Macau Catering Services

Past
Aero Laundry and Linen Services Private Limited
SATS Security Services Private Limited

Mr. Lee Kwee Seng

Present
Maldives Inflight Catering Private Limited
Taj-Madras Flight Kitchen Limited

Past
SATS Catering Pte Ltd

Mr. Lim Kei Hin

Present
Sing-Bi Funds Private Limited

Past
Nil

Mr. Leo Eng Sai, David

Present
Nil

Past
SATS Security Services Private Limited

Mr. Yeo Yoon Choo

Present
MacroAsia-Eurest Catering Services, Inc

Past
SATS Catering Pte Ltd
Tan Son Nhat Cargo Services Limited

Mr. Richard Gomez

Present
SATS Security Services Private Limited

Past
Nil

Mr. Tan Kok Lang

Present
Beijing Airport Inflight Kitchen Ltd

Past
SATS Passenger Services Pte Ltd (liquidated)
On-Line Communications (S) Pte Ltd
Heng Yu Investment Holdings Pte Ltd
Mr. Teo Chong Tee  
*Present*
Nil
*Past*
Nil

Mr. Ee Tiang Hwee  
*Present*
Beijing Aviation Ground Services Co., Ltd
*Past*
Nil

Mr. Silva Kandiah  
*Present*
SIA Properties (Pte) Ltd
*Past*
Nil

Mr. Wong See Heng  
*Present*
Nil
*Past*
Nil

6. No Director or Executive Officer is or was involved in any of the following events:

(a) a petition under any bankruptcy laws filed in any jurisdiction against such person or any partnership in which he was a partner or any corporation of which he was a director or an executive officer; or

(b) a conviction of any offence, other than a traffic offence, or a judgment, including findings in relation to fraud, misrepresentation or dishonesty, given against him in any civil proceedings in Singapore or elsewhere and that there are no proceedings now pending which may lead to such a conviction or judgment and none of the Directors or Executive Officers is aware of any criminal investigation pending against him; or

(c) being the subject of any order, judgment or ruling of any court of competent jurisdiction, tribunal or government body, permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business activity.

7. The aggregate remuneration paid or distributed to our Directors for services rendered in all capacities rendered to our Group during the fiscal year ended 31 March 1999 was S$0.04 million. The aggregate amount estimated to be payable to our Directors, including proposed directors, for the current financial year is not expected to exceed S$0.1 million.

8. There is no existing or proposed service contract between any of our Directors and ourselves.

9. None of our Directors or Executive Officers has any family relationship with other Executive Officers or with any of our Directors or our Substantial Shareholder.

10. Save for our Employee Share Option Plan as disclosed in “Employee Share Option Plan” on page 103 and “Rules of the SATS Employee Share Option Plan” in Appendix 1 on pages S45 to S54 of this Prospectus, there are no option schemes to subscribe for our securities. There were no options granted to, or exercised by, any Director or Executive Officer during the financial year ended 31 March 1999.
11. No Director is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us. No Director or expert has any material interest in any subsisting contract or arrangement which is significant in relation to our businesses. None of our Directors, Executive Officers or Substantial Shareholders has any substantial interest, direct or indirect, in any company carrying on similar businesses as ourselves in Singapore.

12. There is no shareholding qualification for Directors.

13. The Directors do not hold any interest in our Shares. Reserved Shares may be issued to the Directors as part of the Invitation. The interest of our Substantial Shareholder in the Shares before the Invitation is as follows:

<table>
<thead>
<tr>
<th>Substantial Shareholder</th>
<th>Direct Interest</th>
<th>Indirect Interest</th>
<th>Total Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Shares</td>
<td>%</td>
<td>No. of Shares</td>
</tr>
<tr>
<td>Singapore Airlines Ltd.</td>
<td>1,000,000,000</td>
<td>100</td>
<td>1,000,000,000</td>
</tr>
</tbody>
</table>

The interest of our Substantial Shareholder after the Invitation is as follows (assuming that the over-allotment option is not exercised):

<table>
<thead>
<tr>
<th>Substantial Shareholder</th>
<th>Direct Interest</th>
<th>Indirect Interest</th>
<th>Total Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Shares</td>
<td>%</td>
<td>No. of Shares</td>
</tr>
<tr>
<td>Singapore Airlines Ltd.</td>
<td>890,000,000</td>
<td>89</td>
<td>890,000,000</td>
</tr>
</tbody>
</table>

14. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or to any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him, to the firm or corporation in connection with our promotion or our formation.

**Share Capital**

15. As at the date of this Prospectus, there is only one class of shares in our capital, namely the Shares. The rights and privileges attached to the Shares are stated in our Articles of Association. There are no founder, management or deferred shares in our capital.

16. On 17 January 2000, we increased our authorised share capital to S$200,000,000 divided into 200,000,000 ordinary shares of S$1.00 each. We also issued 100,000,000 shares of S$1.00 each by way of a bonus issue to our sole shareholder, Singapore Airlines Limited. We subsequently resolved (subject to confirmation by the High Court of Singapore) to reduce our share capital by S$100,000,000 by canceling 100,000,000 ordinary shares of S$1.00 each. On 2 February 2000, the High Court of Singapore confirmed the reduction of our share capital. On 20 March 2000, the 100,000,000 ordinary shares of S$1.00 in our capital were sub-divided into 1,000,000,000 ordinary shares of S$0.10 each. Save as aforesaid, there were no changes in our and our subsidiaries’ issued and paid-up share capital within the two years preceding the date of this Prospectus. As at the date of this Prospectus, our authorised share capital is S$200,000,000, and our issued share capital is S$100,000,000, comprising of 1,000,000,000 ordinary shares of S$0.10 each.

17. Save as disclosed in the cover page, in "Plan of Distribution" on page 121, in "Summary — The Offerings" on page 9 and in "Employee Share Option Plan" on page 103 of this Prospectus, no person has been, or is entitled to be granted an option, whether conditional or unconditional, to subscribe for our shares or debentures. The Vendor has granted the over-allotment option to the Initial Purchasers in consideration of their agreeing to purchase Shares pursuant to the Purchase Agreement referred to in “Plan of Distribution” on page 122 of this Prospectus. The names and addresses of the Initial
Purchasers are set out in “Plan of Distribution” on page 121 of this Prospectus. In February 2000, the Vendor approved our Employee Share Option Plan for the issuance of up to 15% of our issued share capital from time to time to our general employees and senior executives. Details of the share option scheme are contained in “Employee Share Option Plan” on page 103 of this Prospectus.

Articles of Association

18. The provisions of our Articles of Association relating to our Directors’ voting rights on proposals, arrangements or contracts in which they are interested, their borrowing powers, the restrictions on the transferability of the Shares, the voting rights of our shareholders and our Directors’ remuneration are as follows:

(a) Article 81(3) prohibits our Directors from voting in respect of any contract or proposed contract or arrangement or any other proposal whatsoever in which he has any personal material interest, directly or indirectly. Article 81(3) reads as follows:

“81(3) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has directly or indirectly a personal material interest and if he shall do so his vote shall not be counted.’’

(b) Article 94 sets out the borrowing powers exercisable by our Directors. Article 94 reads as follows:

“94. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability, or obligation of the Company or of any third party.’’

(c) Articles 31, 32 and 33 set out the restrictions on the transferability of the Shares. Articles 31, 32 and 33 read as follows:

“31. The Directors may decline to register any transfer of shares not being fully paid shares to a person not approved by them and may also decline to register any transfer of shares on which the Company has a lien.

32. The Directors may decline to accept any instrument of transfer unless:-

(a) such fee not exceeding $2.00 as the Directors may from time to time determine is paid to the Company in respect thereof;

(b) the instrument of transfer is duly stamped in accordance with any law for the time being in force relating to stamp duty;

(c) the instrument of transfer is deposited at the office or at such other place (if any) as the Directors may appoint accompanied by the certificates of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do;

(d) such fee not exceeding $1.00 as the Directors may from time to time determine is paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares; and

(e) the instrument of transfer has a declaration attached to it duly made by or on behalf of the transferee stating:-

(i) whether such transfer when registered would result in any person or related group of persons having an interest directly or indirectly in more than 5 per cent. of the issued share capital of the Company; and
(ii) (where the transferee is a nominee) such particulars of interest in the shares comprised in such instrument of transfer as would otherwise have to be given under sub-paragraph (i).

(f) (i) The Directors may:

(aa) if a declaration accompanying an instrument or transfer of shares contains any statement which is false in any material particular; or

(bb) if any person or related group of persons (the “relevant person”) have, in the opinion of the Directors, an interest directly or indirectly in more than 5 per cent. of the ordinary shares issued by the Company (“surplus shares”) for the time being without the approval of the Directors, or if any approval given by the Directors is subsequently revoked,

at any time serve a notice in writing on the member or the relevant person requiring the member of the relevant person to transfer the shares referred to in the instrument of transfer or the surplus shares (“Affected Shares”), as the case may be, or any part thereof.

(ii) If within 21 days after the giving of the notice referred to in the preceding sub-paragraph (or such shorter or longer period as in all the circumstances the Directors shall consider reasonable and shall specify in the notice of such extended time as in all the circumstances the Directors shall consider reasonable) such notice is not complied with to the satisfaction of the Directors, the Directors may arrange for the Company to sell the Affected Shares or any part thereof at the best price reasonably obtainable. For this purpose the Directors may authorise in writing any officer or employee of the Company to execute on behalf of the member or the relevant person a transfer or transfers of any of the Affected Shares to any purchaser or purchasers and may issue new share certificates to the purchaser or purchasers.

(iii) The net proceeds of the sale of the Affected Shares shall be received by the Company whose receipt shall be a good discharge for the purchase money and shall be paid over by the Company to the former member or the relevant person upon surrender of the certificates for the Affected Shares but such proceeds shall under no circumstances carry interest against the Company.

(g) The provision of Article 32(f) shall apply to the transfer of Deposited Securities, except that:

(i) the reference to a declaration accompanying an instrument of transfer shall refer to the declaration of status made by Depositor to CDP;

(ii) the reference to “member” shall be read as a reference to the Depositor;

(iii) for the purpose of the Article 32(f) “Affected Shares” shall mean the Deposited Securities standing to the credit of the Securities Account of the Depositor at the relevant time;

(iv) any notice required under Article 32(f) to be served by the Directors may be served by CDP; and

(v) subject to the consent of CDP, the net proceeds of the sale of the Affected Shares may be received by CDP, and the Directors shall not require the surrender of the certificates for the Affected Shares.
33(a) The Directors may refuse to register the transfer of any share if in their opinion:

(i) except as permitted under Article 4, such transfer when registered would result in any person or related group of persons having an interest directly or indirectly in more than 5 per cent. of the issued ordinary share capital of the Company; or

(ii) such transfer is made to an individual who, or to a corporation or to any other legal entity which, will hold the shares as a nominee.

In this present, the words “related group of persons” shall include such relationship as the Directors, in their opinion may determine from time to time.

(b) If the Directors shall refuse to register the transfer of any share they shall within one month of the date which the application for transfer was made serve on the transferor and transferee a notice in writing stating the reasons justifying the refusal and a notice of refusal as required by the Act.”

Article 4, which is referred to in Article 33, reads as follows:

“4. Subject to the prior approval of the Company in general meeting, shares in the Company may be issued by the Directors. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject to the Act, any such shares may be issued with such preferred, deferred, or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise, as the Directors, subject to any ordinary resolution of the Company may determine;

Provided always that:

(a) no shares shall be issued at a discount, except in accordance with the Act;

(b) unless with the prior approval of the Directors or except as permitted below, no ordinary shares shall be issued or transferred to any person or related group of persons if, in the opinion of the Directors, such person or related group of persons would, by reason of such issue or transfer have an interest directly or indirectly in more than 5 per cent. of the ordinary shares issued by the Company for the time being;

(c) no shares shall be issued to transfer a controlling interest in the Company without the prior approval of the Company in general meeting; and

(d) the total nominal value of issued preference shares shall not exceed the total nominal value of the issued ordinary shares at any time.

(e) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.

Notwithstanding any other provision of these presents, Temasek Holdings (Private) Limited, Singapore Airlines Limited and/or such other person or persons approved by the Directors shall be entitled to have an interest in more than 5 per cent. of the issued ordinary share capital of the Company on such terms and conditions as the Directors may think fit.”

(d) The following Articles set out the voting rights of our Members:

“64. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of the hands) demanded:

(a) by the Chairman;

(b) by at least three members present in person or by proxy;
(c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(d) by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll is so demanded a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. The demand for a poll may be withdrawn.

65. If a poll is duly demanded it shall be taken in such manner and either at once or after an interval or adjournment or otherwise as the Chairman directs, and the result of the poll shall be the resolution of the meeting at which the poll was demanded, but a poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith.

66. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.

67. Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney. On a show of hands every member who is present in person and each proxy shall have one vote Provided That if a member is represented by two proxies, only one of the proxies as determined by the Chairman shall vote. On a poll, every member who is present in person or by proxy shall have one vote for every share which he holds or represents.

68. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or (as the case may be) the Depository Register.

69. Any corporation which is a member may authorise any person to act as its representative to attend, speak and vote at any general meeting of the Company.

70. Every member shall be entitled to be present and to vote at any general meeting either personally or by proxy in respect of any shares upon which all calls due to the Company have been paid. For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any general meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant general meeting as supplied by the CDP to the Company.

71. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.

72(1). A member may appoint not more than two proxies to attend at the same general meeting, provided that the Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.
Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings to be represented by each proxy; if no proportion is specified, the Company shall be entitled to deem the appointment to be in the alternative.

(2) The instrument appointing a proxy or representative shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised and the signatures of an instrument of proxy need not be witnessed. Where the Depositor nominates proxies pursuant to Article 72(1) above, the instrument of proxy shall be under the hand of the Depositor or his attorney duly authorised in writing, or if the Depositor is a corporation, under its common seal or under the hand of its officer or attorney duly authorised in writing. A proxy or representative may but need not be a member of the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. The instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit.

I/We, Of being a member/members of SINGAPORE AIRPORT TERMINAL SERVICES LIMITED, hereby appoint of or failing him, of as my/our proxy to vote for me/us on my/our behalf at the annual/extraordinary general meeting of the Company, to be held on the day of , and at any adjournment thereof.

Signed this day of ,

This form is to be used *in favour of the resolution
Against

*Strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he thinks fit).

(3) If the person appointing a proxy is a Depositor, the instrument appointing the proxy shall not be rendered invalid by reason only of any discrepancy between the number of shares specified in the instrument of proxy and the number of shares credited to the Securities Account of such Depositor as at the Cut-off Time (as defined in Article 73(2)(a)).

73(1). The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company, or at such other place in Singapore as is specified for that purpose in the notice convening the meeting, not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

(2) The Company shall be entitled and bound:

(a) to reject any instrument of proxy lodged if the appointor, being the Depositor, is not shown, in the records of CDP as at a time not earlier than 48 hours prior to the time of the relevant general meeting (“Cut-off Time”) supplied by CDP to the Company, to have shares credited to his Securities Account; and
(b) on a poll to accept as validly cast by a Depositor or his duly appointed proxy or proxies, votes in respect of the number of shares corresponding to not more than the number of shares credited to his Securities Account, as shown in the records of CDP as at Cut-off Time supplied by the CDP to the Company, whether the number is greater or smaller than the proportion specified in Article 72(1).

74. A vote given in accordance with the terms of an instrument of proxy or attorney shall be valid notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument or of the authority under which the instrument was executed, or the transfer of the share in respect of which the instrument is given, if no intimation in writing of such death, unsoundness of mind, revocation, or transfer as aforesaid has been received by the Company at the registered office before the commencement of the meeting or adjourned meeting at which the instrument is used.”

(e) The following Articles set out the provisions relating to the remuneration of our Directors:

“78. The remuneration of the Directors shall from time to time be determined by the Company in general meeting. Such remuneration shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of a proposed increase shall have been given in the notice convening the meeting. Such remuneration shall be divided among the Directors in such proportions and in such manner as they may agree and in default of agreement equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled to rank in such division for the proportion of remuneration related to the period during which he has held office.

79. The Directors may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any Committee of the Directors or general meetings of the Company or in connection with the business of the Company.

80. Any Director who is appointed to any executive office or serves on any Committee or who otherwise performs or renders services, which in the opinion of the Directors, are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine but such remuneration shall not include a commission on or by a percentage of turnover. Fees payable to a non-executive Director shall be by fixed sum and not by a commission on or percentage of profits or turnover. No Director shall be remunerated by a commission on or percentage of turnover.

111. Any Director may appoint a person not being a Director or an alternate Director of the Company and approved by the majority of the other Directors to be an alternate Director in his place during such period as he thinks fit. A person shall not act as alternate Director to more than one Director at the same time. Any person while he so holds office as an alternate Director shall be entitled to notice of meetings of the Directors and to attend and vote thereat accordingly, and to exercise all the powers of the appointor in his place. An alternate Director shall not require any share qualification, and shall also ipso facto vacate office if the appointor vacates office as a Director or removes the appointee from office. Any appointment or removal under this Article shall be effected by notice in writing under the hand of the Director making the same. Any fee paid by the Company to the alternate Director shall be deducted from the remuneration payable to his appointor

113. The Chief Executive Officer shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, commission, or participation in profits, or partly in one way and partly in another) as the Directors may determine but he shall not be remunerated by a commission on or a percentage of turnover.”
Borrowings

19. Save as disclosed under “Consolidated Financial Statements” on pages F-1 to F-35, and “Material Contracts” at paragraphs 22(f) and 22(g) on page S26 of this Prospectus, we have no other borrowings or indebtedness in the nature of the borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

20. We will not receive any of the proceeds from the Invitation.

Working Capital

21. Our Directors are of the opinion that, after taking into account our present financing facilities, we will have adequate working capital for our present requirements.

Material Contracts

22. The following contracts, not being contracts entered into in our ordinary course of business, have been entered into by ourselves within the two years preceding the date of this Prospectus and are or may be material:

(a) Loan agreement dated 17 November 1998 between MacroAsia-Eurest Catering Services (“MECS”), Inc. and us, subsequent and ancillary to a Shareholders’ Agreement dated 23 August 1996, as amended by a supplemental agreement dated 10 February 1998 between MacroAsia Corporation, MECS, Eurest International B.V. and us, relating to the loan of PHP 30,000,000 from us to MECS.

(b) the Management and Underwriting Agreement, further particulars of which are set out in “Plan of Distribution” at page 121 and in “General and Statutory Information — Management, Underwriting and Purchase Arrangements” on page S27 of this Prospectus;

(c) the Purchase Agreement, further particulars of which are set out in “Plan of Distribution” at page 121 and in “General and Statutory Information — Management, Underwriting and Purchase Arrangements” on page S27 of this Prospectus;

(d) Receiving Bank Agreement dated 4 May 2000 as described in paragraph 34 below;

(e) Depository Agreement dated 4 May 2000 between the Company and CDP pursuant to which CDP agreed to act as the Company’s share depository;

(f) Agreement For Line of Credit Facility dated 7 December 1999 between Singapore Airlines Limited (“SIA”) and us pursuant to which SIA agreed to provide to us a line of credit facility of up to S$160,000,000.

(g) Facility letter for 1-Year Committed Specific Advance Facility for S$50,000,000 dated 13 March 2000 entered into between Oversea-Chinese Banking Corporation Limited (“OCBC”) and our Company on 23 March 2000, pursuant to which OCBC agreed to provide us with a line of credit facility of up to S$50,000,000.

Consents

23. Ernst & Young, the Auditors and Reporting Accountants, have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of, and of references to their name, and the Report of Independent Public Accountants, in the form and context in which they respectively appear in this Prospectus and to act in such capacity in relation to this Prospectus.

24. The Managers, our solicitors, the principal bankers and the Share Registrar have each given and have not withdrawn their respective written consents to the issue of this Prospectus with the inclusion herein of, and of references to, their respective names in the form and context in which they respectively appear in this Prospectus and to act in those capacities in relation to this Prospectus.
Litigation

25. We are not engaged in any litigation as plaintiff or defendant in respect of any claims or amounts which are material in the context of the Invitation and our Directors have no knowledge of any proceedings pending or threatened against ourselves or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position of our business.

Management, Underwriting and Purchase Arrangements

26. Pursuant to the Management and Underwriting Agreement dated 4 May 2000 made between us, the Vendor, DBS Bank and Merrill Lynch, the Vendor has appointed DBS Bank and Merrill Lynch, and DBS Bank and Merrill Lynch have agreed, (i) to manage the Invitation and (ii) to underwrite the Offer Shares. The Vendor has agreed to pay DBS Bank and Merrill Lynch a commission of 1.5 per cent. of the aggregate Offer Price for the Offer Shares (inclusive of brokerage payable to parties as described in paragraph 28 below).

27. Pursuant to the Purchase Agreement dated 4 May 2000 referred to in “Plan of Distribution” on page 121 of this Prospectus, the Vendor has agreed to sell to the Initial Purchasers, and the Initial Purchasers named therein have agreed, to purchase or procure purchasers for, the Placement Shares at the Placement Price less an aggregate commission at the rate of 2.0 per cent. of the aggregate Placement Price for the Placement Shares purchased.

28. The Vendor will pay brokerage on the Offer Shares (i) to members of the SGX-ST, members of the Association of Banks in Singapore and merchant banks in Singapore (including the Underwriters) in respect of successful application made on Application Forms bearing their respective stamps and (ii) to the Participating Banks in respect of successful Electronic Applications, in each case at the rate of one per cent. (1%) of the aggregate Offer Price for the Offer Shares.

29. The Management and Underwriting Agreement and the Purchase Agreement may be terminated by the Initial Purchasers and the Managers, respectively, at any time or prior to the date of the close of the Application List on the occurrence of certain events including, amongst other things, changes in political, financial or economic conditions in Singapore or abroad which result, amongst other things, in the stock market in Singapore being materially or adversely affected.

30. The Management and Underwriting Agreement is conditional on it not having been terminated or rescinded pursuant to the provisions of the Purchase Agreement.

Miscellaneous

31. The nature of our business is stated in “BUSINESS — Who we are” on page 56 of this Prospectus. As at the date of this Prospectus, the corporations which, by virtue of Section 6 of the Act, are deemed to be related to us are as follows:

(a) Temasek Holdings (Private) Limited and its subsidiaries (excluding SIA and its subsidiaries)

(b) SIA and its subsidiaries (excluding ourselves):

Abacus Travel Systems Pte Ltd
Auspice Limited
Aviation Software Development Consultancy India Ltd
Cargo Community Network Pte Ltd
SH Tours Ltd
SilkAir (Singapore) Private Limited
SIA Engineering Company Limited

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SIA Properties Pte Ltd
SIAEC Services Pte Ltd
Singapore Airlines (Mauritius) Ltd
Singapore Airport Duty-Free Emporium (Private) Limited
Singapore Aviation and General Insurance Company (Pte) Limited
Singapore Flying College Pte Ltd
Singapore Jamco Private Limited
Sing-Bi Funds Private Limited
Star Kingdom Investment Limited
Tradewinds Tours & Travel Private Limited

(c) Our subsidiaries:
   Aero Laundry & Linen Services Pte Ltd
   Asia-Pacific Star Private Limited
   SATS Airport Services Pte Ltd
   SATS Catering Pte Ltd
   SATS Security Services Pte Ltd
   SATS Apron Services Pte Ltd (under voluntary liquidation)

32. The time of the opening of the Application List is set out in “Details of the Invitation — Listing on the SGX-ST” on page S8 of this Prospectus.

33. The amount payable on application and allocation is S$2.50 for each Offer Share (other than the Reserved Shares), S$2.50 for each Placement Share and S$2.50 for each Reserved Share. There has been no previous issue of Shares by us or offer for subscription of our Shares to the public within the two years preceding the date of this Prospectus.

34. Application monies received by the Vendor in respect of successful applications (including successful balloted application which are subsequently rejected) will be placed in a separated non-interest bearing account with DBS Bank (the “Receiving Bank”). Pursuant to an agreement contained in a letter from the Receiving Bank to the Vendor and accepted by the Vendor on 4 May 2000, the Vendor and the Receiving Bank have agreed that the Vendor will not receive any revenue earned by the Receiving Bank from the deployment of such moneys. Any refund of all or part of the application monies to unsuccessful or partially successful applicants will be made without interest or any share of revenue or any other benefits arising therefrom.

35. Save as disclosed in this Prospectus, our financial condition and operations are not likely to be affected by any of the following:

   (i) known trends, demands, commitments, events or uncertainties that will or are reasonably likely to increase or decrease our liquidity in any material way;

   (ii) material commitments for capital expenditures;

   (iii) unusual or infrequent events or transactions or any significant economic changes that had materially affected the amount of reported income from operations; and

   (iv) known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues or operating income.
36. The estimated amount of the preliminary expenses, the expenses of the Invitation and all other incidental expenses in relation to the Invitation, is approximately S$8,000,000. All such expenses will be borne by the Vendor.

37. Save as disclosed in “General and Statutory Information — Management, Underwriting and Purchase Arrangements” on page S27 of this Prospectus, there are no commissions, discounts, brokerages or other special terms granted by us within the two years preceding the date of this Prospectus or is payable by us to any Director, promoter, expert or proposed Director or any other person for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any of our shares or debentures.

38. No amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the date of this Prospectus or is proposed or intended to be paid or given to any promoter at any time.

39. As disclosed in “Use of Proceeds” on page 25 of this Prospectus, we will not receive any of the proceeds of the Vendor Shares. No property has been purchased or acquired or is proposed to be purchased or acquired by us which is to be paid for wholly or partly out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of the issue of this Prospectus.

40. No Shares shall be allocated or allotted on the basis of this Prospectus later than six months after the date of this Prospectus.

41. Our Auditors are Ernst & Young, Certified Public Accountants, of 10 Collyer Quay, #21-01, Ocean Building, Singapore 049315. We currently have no intention of changing our auditors after we are listed on the SGX-ST. In compliance with Section 45(1)(g) of the Act, Ernst & Young has prepared the Report of the Independent Public Accountants in accordance with the Fifth Schedule of the Act for the purpose of incorporation in this Prospectus.

Directors’ and Vendor’s Responsibility Statement

42. This Prospectus has been seen and approved by our Directors and the Vendor and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no facts the omission of which would make any statements herein misleading and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and the Group.

Managers’ Statement

43. DBS Bank and Merrill Lynch acknowledge that, to the best of their knowledge and belief, based on information made available to them, this Prospectus constitutes a full and true disclosure of all material facts about the Invitation and ourselves and that they are not aware of any other facts the omission of which would make any statement herein misleading.

Documents for Inspection

44. Copies of the following documents are available for inspection at Airline House, 25 Airline Road, Singapore 819829 during normal business hours for a period of six (6) months from the date of this Prospectus:

(a) our Memorandum and Articles of Association;
(b) our Directors’ Report as set out on page S11 of this Prospectus;
(c) the Report of Independent Public Accountants as set out on pages F-1 to F-35 of this Prospectus;
(d) the letters of consent referred to under “Consents,” paragraphs 23 and 24 on page S26 of this Prospectus;
(e) the material contracts listed under “Material Contracts,” paragraph 22 on page S26 of this Prospectus; and

(f) our audited accounts for the last 3 fiscal years ended 31 March, 1997, 1998 and 1999.
APPLICATIONS are invited for the Vendor Shares at a price of S$2.50 for each Vendor Share subject to the following terms and conditions:

1. Applications for the Offer Shares (other than Reserved Shares) may be made by way of printed Offer Shares Application Forms or by way of Electronic Applications through ATMs of the Participating Banks. Applications for Placement Shares may only be made by way of printed Placement Shares Application Forms. Applications for Reserved Shares may only be made by way of printed Reserved Shares Application Forms. Applicants may use their CPF Funds (as defined below) to apply for the Offer Shares.

2. Only one application may be made for the benefit of one person for either the Offer Shares (other than Reserved Shares) or the Placement Shares in his own name. A person submitting an application for the Offer Shares (other than Reserved Shares) by way of a printed Application Form MAY NOT submit a separate application for Offer Shares by way of Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and shall be rejected.

A person, other than an approved nominee company, who is submitting an application in his own name should not submit any other applications, whether on a printed Application Form or through an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and shall be rejected.

An applicant who has agreed to purchase the Placement Shares shall not make any separate application for the Offer Shares (other than Reserved Shares) either through an Electronic Application or by way of a printed Application Form. Such separate applications shall be deemed to be multiple applications and shall be rejected.

Conversely, an applicant who has made an application for the Offer Shares (other than Reserved Shares) either through an Electronic Application or by way of a printed Application Form shall not make any separate application for the Placement Shares. Such separate applications shall be deemed to be multiple applications and shall be rejected.

Joint or multiple applications will be rejected. Persons submitting or procuring submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer and Placement Shares) may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities Industry Act, Chapter 289 of Singapore. Such applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications will be liable to be rejected at the discretion of the Vendor.

An applicant for the Reserved Shares may submit ONE separate application for Offer Shares (other than Reserved Shares) in his own name (either through an Electronic Application or by way of a printed Application Form) OR submit ONE separate application for Placement Shares, provided that he adheres to the terms of this Prospectus. Such separate applications will not be treated as multiple applications.

3. Applications will not be accepted from any person under the age of 21, undischarged bankrupts, sole proprietors, partnerships, chops or non-corporate bodies, joint Securities Account holders and applicants whose addresses (furnished in their printed Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks, as the case may be) bear post office box numbers.

4. The existence of a trust will not be recognised. Any application by a trustee or trustees must be made in his/her/their own name(s) and without qualification or, where the application is made by way of a printed Application Form, in the name(s) of a nominee or nominees after complying with paragraph 5 below.
5. **Only approved nominee companies may make nominee applications.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies will be rejected.

6. **For non-nominee applications, each applicant must maintain a Securities Account with CDP in his own name at the time of the application.** An applicant without an existing Securities Account in his own name at the time of application will have his application rejected (in the case of an application by way of an Application Form) or will not be able to complete his Electronic Application (in the case of an Electronic Application). An applicant with an existing Securities Account who fails to provide his Securities Account number or who provides an incorrect Securities Account number in section B of the Application Form or in his Electronic Application, as the case may be, is liable to have his application rejected. Subject to paragraph 7 below, an application may be rejected if the applicant’s particulars such as name, NRIC/ passport number, nationality and permanent residence status provided in his Application Form or contained in the records of the relevant Participating Bank at the time of his Electronic Application, as the case may be, differ from those particulars in his Securities Account as maintained by CDP. If the applicant possesses more than one individual direct Securities Account with CDP, his application will be rejected.

7. **If the address of an applicant stated on the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, the applicant must inform CDP of his updated address promptly, failing which the notification letter on successful allocation will be sent to his address last registered with CDP.**

8. The Vendor reserves the right to reject or accept, in whole or in part, or to scale down or ballot, any application without assigning any reason therefor, and no enquiry and/or correspondence on the decision of the Vendor will be entertained. This right applies to applications made by way of printed Application Forms and by way of Electronic Applications. In deciding the basis of allocation, at the discretion of the Vendor, due consideration will be given to the desirability of allocating the Vendor Shares to a reasonable number of successful applicants with a view to establishing an adequate market for the Shares.

9. The Vendor reserves the right to reject any application which does not conform strictly to the instructions set out in the Application Form and this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus. The Vendor also reserves the right to reject any application by way of printed Application Forms, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance. The Vendor further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the terms and conditions of this Prospectus or the instructions set out in the Application Forms or the instructions for Electronic Applications. In addition, the Vendor reserves the right to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

10. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to each successful applicant at his own risk, within 15 Market Days after the close of the Application List, a statement stating that his Securities Account has been credited with the number of Vendor Shares allocated to him. This will be the only acknowledgement of application moneys received and is not an acknowledgement by the Vendor.

11. Each applicant irrevocably authorises CDP to complete and sign on his behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the Vendor Shares allocated to the applicant. This authorisation applies for applications made by way of printed Application Forms and by way of Electronic Applications.
12. By completing and delivering an Application Form and, in the case of an Electronic Application, by pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM in accordance with the provisions herein, each applicant:

(a) irrevocably offers to purchase the number of Vendor Shares specified in his application (or such smaller number for which the application is accepted) at the Offer Price or, as the case may be, Placement Price and agrees that he will accept such Shares as may be allocated to him, in each case on the terms of, and subject to the conditions set out in, this Prospectus and the Memorandum and Articles of Association of the Company; and

(b) warrants the truth and accuracy of the information in his application.

13. Applications (other than applications for Reserved Shares) must be made in lots of 1,000 Shares or integral multiples thereof. Applications for any other number of Shares will be rejected.

14. No Shares will be allocated or allotted on the basis of this Prospectus later than six months after the date of this Prospectus.

15. In the event of an under-subscription for the Offer Shares (including the Reserved Shares) as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List. Any of the Reserved Shares not taken up will be made available to satisfy applications for the Offer Shares to the extent that there is an over-subscription for Offer Shares.

16. In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for the Offer Shares to the extent there is an over-subscription for the Offer Shares as at the close of the Application List.

17. In the event of an over-subscription for the Offer Shares as at the close of the Application List and the number of Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot, or otherwise as determined by the Directors and approved by the SGX-ST.

18. Acceptance of applications will be conditional upon the Vendor being satisfied that:

(a) permission has been granted by the SGX-ST to deal in, and for quotation of, all the existing Shares and the Vendor Shares on a “when issued” basis on the Official List of the SGX-ST, and

(b) the Purchase Agreement and the Management and Underwriting Agreement referred to on page S27 of this Prospectus have become unconditional and have not been terminated.

19. Each applicant irrevocably authorises CDP to disclose the outcome of his application, including the number of Vendor Shares allocated to the applicant pursuant to his application, to authorised operators.

20. Any reference to the “applicant” in this section shall include a person applying for the Vendor Shares by way of Electronic Application or by way of a printed Application Form and a person applying for the Placement Shares.

21. Additional terms and conditions for applications by way of printed Application Forms are set out on pages S34 to S37 of this Prospectus.

22. Additional terms and conditions for Electronic Applications are set out on pages S37 to S43 of this Prospectus.

23. Terms and conditions governing the use of CPF Funds are set out on page S44 of this Prospectus.

24. No application will be held in reserve.
ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING PRINTED APPLICATION FORMS

Applications by way of printed Application Forms shall be made on, and subject to, the terms and conditions of this Prospectus, including but not limited to the terms and conditions appearing below and those set out under the section on “Terms and Conditions and Procedures for Application” found on pages S31 to S33 of this Prospectus, as well as the Memorandum and Articles of Association of the Company.

1. Applications for the Offer Shares (other than Reserved Shares) must be made using the WHITE Application Forms and official envelopes “A” and “B” and applications for the Placement Shares must be made using the BLUE Application Forms accompanying and forming part of this Prospectus. Care must be taken to follow the instructions set out in the respective Application Forms and this Prospectus for the completion of the respective Application Forms. Applications which do not conform strictly to these instructions or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances may be rejected.

2. The Application Form must be completed in English. Please type or write clearly in ink using BLOCK LETTERS. All spaces in the Application Form except those under the heading “FOR OFFICIAL USE ONLY” must be completed and the words “NOT APPLICABLE” or “N.A.” should be written in any space that is not applicable.

3. Individuals, corporations, approved nominee companies and trustees must give their names in full. Applications must be made, in the case of individuals, in their full names as appearing in their identity cards (if applicants have such identification documents) or in their passports and, in the case of corporations, in their full names as registered with a competent authority. Applicants, other than individuals, completing the Application Form under the hand of an official must state the name and capacity in which that official signs. A corporation completing the Application Form is required to affix its Common Seal (if any) in accordance with its Memorandum and Articles of Association or the equivalent constitutive documents of the corporation. If an application by a corporate applicant is successful, a copy of its Memorandum and Articles of Association or its equivalent constitutive documents must be lodged with the Company’s Share Registrar. The Vendor reserves the right to require any applicant to produce documentary proof of identification for verification purposes.

4. (a) All applicants must complete Sections A and B and sign page 1 of the Application Form.

(b) All applicants using only cash or cash and CPF Funds to apply for the Vendor Shares are required to delete either paragraph 6(c) or 6(d) on page 1 of the Application Form. Where paragraph 6(c) is deleted, the applicant must also complete Section C of the Application Form with particulars of the beneficial owner(s).

(c) Applicants who apply for the Vendor Shares using cash or cash and CPF Funds and fail to make the required declaration in paragraph 6(c) or 6(d), as the case may be, on page 1 of the Application Form are liable to have their applications rejected.

5. Individual applicants will be required to declare whether they are citizens or permanent residents of Singapore or foreigners. Corporate applicants, whether incorporated or unincorporated and wherever incorporated or constituted, will be required to declare whether they are corporations in which citizens or permanent residents of Singapore or any body corporate constituted by any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporations. Approved nominee companies are required to declare whether the beneficial owner of the Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate constituted by any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.
6. Approval has been obtained from the Central Provident Fund Board (the “CPF Board”) for applicants to use the funds in their Central Provident Fund (“CPF”) accounts (“CPF Funds”) pursuant to the CPF (Investment Schemes) Regulations, as amended, for the purchase of the Vendor Shares. Applicants who wish to use CPF Funds to apply for the Vendor Shares do not need to instruct the CPF Board to transfer CPF Funds from their CPF Ordinary Accounts to their CPF Investment Accounts.

7. The Vendor Shares may be applied for in the following manner:

(a) **Cash** — Applicants may apply for the Vendor Shares using only cash. Each application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Vendor Shares applied for, in the form of a BANKER’S DRAFT, CASHIER’S ORDER or POSBANK CASHIER’S ORDER drawn on a bank in Singapore, made out in favour of “SATS SHARE ISSUE ACCOUNT” crossed “A/C PAYEE ONLY,” or in the form of a DBS AUTOBANK CASHIER’S ORDER EQUIVALENT, with the name and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. Remittances bearing “Not Transferable” or “Non Transferable” crossings will be rejected.

(b) **CPF Funds** — Applicants may apply for the Vendor Shares using only CPF Funds. Each application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Vendor Shares applied for, in the form of a CPF CASHIER’S ORDER (available for purchase at the CPF approved bank with which the applicant maintains his CPF Investment Account), made out in favour of “SATS SHARE ISSUE ACCOUNT” with the name and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. For the terms and conditions governing the use of CPF Funds, please refer to page S44 of this Prospectus.

(c) **Cash and CPF Funds** — Applicants may apply for the Vendor Shares using a combination of cash and CPF Funds, provided that the number of Vendor Shares applied for under each payment method is in lots of 1,000 Shares or higher multiples thereof. Such applications must comply with the requirements for applications by cash and by CPF Funds as set out in the preceding paragraphs. In the event that such applications are accepted in part only, the cash portion of the application moneys will be used in respect of the applications before the CPF Funds are used. An applicant applying for only 1,000 Vendor Shares can use either cash or CPF Funds, but not a combination of cash and CPF Funds.

No acknowledgement of receipt will be issued for applications or application moneys received.

8. It is expected that unsuccessful applications and those not successfully balloted or accepted will be returned to the applicants by ordinary post at the risk of the applicants within three Market Days after the close of the Application List without interest or any share of revenue or other benefit arising therefrom. Where an application is rejected or accepted in part only, the full amount or the balance of the application moneys, as the case may be, will be refunded to the applicant by ordinary post at his own risk (without interest or any share of revenue or other benefit arising therefrom) within 14 days after the close of the Application List. Unsuccessful applicants using DBS Autobank Cashier’s Order Equivalent will have the full amount of their application moneys (without interest or any share of revenue or other benefit arising therefrom) automatically credited to their accounts maintained with DBS Bank.

9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. In consideration of the Vendor having distributed the Application Form to the applicant and by completing and delivering the Application Form, each applicant agrees that:

(a) his application is irrevocable;

(b) his remittance will be honoured on first presentation and that any moneys returnable may be held pending clearance of his payment and he will not be entitled to any interest or any share of revenue or other benefit arising therefrom;

(c) in respect of the Vendor Shares for which his application has been received and not rejected, acceptance of his application shall be constituted by written notification by or on behalf of the Vendor and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of the Vendor;

(d) he will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of his application; and

(e) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that he irrevocably submits to the non-exclusive jurisdiction of the Singapore courts.

11. Applications for Offer Shares (other than Reserved Shares)

1. Applications for Offer Shares (other than Reserved Shares) must be made using the WHITE Offer Shares Application Forms and BLUE official envelopes “A” and “B.”

2. The applicant must:-

(a) enclose the Offer Shares Application Form, duly completed, together with his remittance in the envelope “A” which is provided;

(b) in the appropriate spaces on envelope “A:”-

(i) write his name and address;

(ii) state the number of Shares applied for;

(iii) tick the appropriate box(es) depending on whether cash payment is by Banker’s Draft/Cashier’s Order or DBS Autobank Cashier’s Order Equivalent and/or CPF Cashier’s Order; and

(iv) affix adequate Singapore postage;

(c) SEAL ENVELOPE “A;”

(d) write, in the special box provided on the larger envelope “B” addressed to DBS BANK, 6 SHENTON WAY, DBS BUILDING TOWER ONE, SINGAPORE 068809, the number of Shares for which the application is made; and

(e) insert envelope “A” into envelope “B.” The applicant must seal envelope “B,” affix adequate Singapore postage on envelope “B” (if despatching by ordinary post) and thereafter DESPATCH BY ORDINARY POST OR DELIVER BY HAND at his own risk to DBS BANK, 6 SHENTON WAY, DBS BUILDING TOWER ONE, SINGAPORE 068809, so as to arrive by 8.00 am on 10 May 2000. Local Urgent Mail or Registered Post must NOT be used.

Applications that are illegible, incomplete or incorrectly completed or accompanied by an improperly drawn remittance are liable to be rejected.

3. ONLY ONE APPLICATION should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.
12. Applications for Placement Shares

1. Applications for Placement Shares must be made using the BLUE Application Forms.

2. The completed Placement Shares Application Form and the applicant’s remittance for the full amount payable in respect of the Placement Shares applied for must be enclosed and sealed in an envelope to be provided by the applicant. The sealed envelope must be despatched by ORDINARY POST OR DELIVERED BY HAND at the applicant’s own risk to DBS BANK, 6 SHENTON WAY #28-00, DBS BUILDING TOWER ONE, SINGAPORE 068809, so as to arrive by 8.00 am on 10 May 2000. Local Urgent Mail or Registered Post must NOT be used.

3. ONLY ONE APPLICATION should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

4. Alternatively, the applicant may remit his application moneys by electronic transfer to the account of DBS Bank, Shenton Way Branch, Current Account No. 001-045648-2, in favour of “SATS Share Issue Account” for the number of Placement Shares applied for by 8.00 am on 10 May 2000. Applicants who remit their application moneys via electronic transfer should send a copy of the telegraphic transfer advice slip to DBS Bank, 6 Shenton Way, #28-00, DBS Building Tower One, Singapore 068809 for the attention of Capital Markets, to arrive by 8.00 am on 10 May 2000 or such later time or date as the Directors may, in their absolute discretion, decide.

13. Applications for Reserved Shares

1. Applications for Reserved Shares must be made using the PINK Application Forms.

2. The completed Reserved Shares Application Form and the applicant’s remittance for the full amount payable in respect of the number of Reserved Shares applied for must be enclosed and sealed in an envelope to be provided by the applicant. The sealed envelope must be despatched by ORDINARY POST OR DELIVERED BY HAND at the applicant’s own risk to the Company’s registered office, so as to arrive by 8.00 am on 10 May 2000. Local Urgent Mail or Registered Post must NOT be used.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens and the Internet banking (“IB”) website screens of the relevant Participating Banks (the “Steps”). Currently, DBS Bank is the only Participating Bank with the Internet Electronic Application service available. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of DBS Bank are set out in the “Steps for ATM Electronic Applications” and the “Steps for Internet Electronic Applications” appearing on page S43 of this Prospectus respectively. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below carefully before making an Electronic Application. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks.

An applicant must, in addition, maintain a CPF Investment Account with that Participating Bank before he can make an Electronic Application using CPF Funds at such ATM of that Participating Bank.

Any reference to the “Applicant” in these Terms and Conditions for Electronic Applications and the Steps shall mean the applicant who applies for the Offer Shares through an ATM of the Participating Banks or the IB website.

For an ATM Electronic Application, an Applicant must have an existing bank account with, and be an ATM cardholder of, one of the Participating Banks before he can make an ATM Electronic Application at the ATMs of that Participating Bank. For an Internet Electronic Application, the Applicant must have a bank account with and a User Identification (“User ID”) and a Personal Identification Number (“PIN”) given by DBS Bank. The Steps set out the actions that the Applicant must take at ATMs or the IB website of DBS Bank to complete an Electronic Application. The actions that the
Applicant must take at the ATMs of the other Participating Banks are set out on the ATM screens of the relevant Participating Banks. Upon completion of his ATM Electronic Application transaction, the Applicant will receive an ATM transaction slip ("Transaction Record"), confirming the details of his ATM Electronic Application. The Transaction Record is for the Applicant’s retention and should not be submitted with any printed Application Form. Upon completion of his Internet Electronic Application through the IB website of DBS Bank, there will be an on-screen confirmation ("Confirmation Screen") of the application which can be printed out by the Applicant for his record. This printed record should not be submitted with any printed Application Form.

An Applicant must ensure that he enters his own Securities Account Number when using the ATM card issued to him in his own name. Using his own Securities Account Number with an ATM card not issued to him in his own name will render his application liable to be rejected. An Applicant, including one who has a joint bank account with a Participating Bank, must use an ATM card issued to him in his own name and must enter his own Securities Account number. Using his own Securities Account number with an ATM card which is not issued to him in his own name will render his application liable to be rejected.

An Applicant making an Internet Electronic Application must ensure and declare that the application is made in Singapore otherwise his application is liable to be rejected.

An Electronic Application shall be made on, and subject to, the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on "Terms and Conditions and Procedures for Application" found on pages S31 to S33 of this Prospectus, as well as the Articles of Association of the Company.

1. In connection with his Electronic Application for the Offer Shares, the Applicant is required to confirm statements to the following effect in the course of activating the Electronic Application:-

   (a) that he has received a copy of this Prospectus and has read, understood and agreed to all the terms and conditions of application for the Offer Shares and this Prospectus prior to effecting the Electronic Application and agrees to be bound by the same;

   (b) that he consents to the disclosure of his name, NRIC or passport number, address, nationality and permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and share application amount (the "Relevant Particulars") from his account with that Participating Bank to the Share Registrars, SCCS, CDP, CPF, the Company, the Vendor and the Manager (the "Relevant Parties"); and

   (c) that this application is his only application for the Offer Shares and it is made in his name and at his own risk.

   His application will not be successfully completed and cannot be recorded as a completed transaction unless he presses the "Enter" or "OK" or "Confirm" or "Yes" key in the ATM or clicks "Confirm" on the Internet screen. By doing so, the Applicant shall be treated as signing his confirmation of each of the above statements. In respect of statement 1(b) above, his confirmation, shall signify and shall be treated as his written permission, given in accordance with the relevant laws of Singapore, including Section 47(4) of the Banking Act (Chapter 19) of Singapore, to the disclosure by that Participating Bank of the Relevant Particulars of his account(s) with that Participating Bank to the Relevant Parties.

2. An applicant may make an ATM Electronic Application at an ATM of any Participating Bank or an Internet Electronic Application at the DBS Bank website for the Offer Shares using cash only by authorising the relevant Participating Bank to deduct the full amount payable from his account with such Participating Bank.

3. The Applicant irrevocably agrees and undertakes to subscribe for and/or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or on the Confirmation Screen Offer Shares that may be allotted and/or allocated to him in respect of his Electronic Application. In the event that the Company and the Vendor decide to allot and/or allocate any lesser
number of such Offer Shares or not to allot or allocate any Offer Shares to the Applicant, the Applicant agrees to accept the decision as final. If the Applicant’s Electronic Application is successful, his confirmation (by his action of pressing the “Enter” or “OK” or “Confirm” or “Yes” key on the ATM or clicking “Confirm” on the Internet screen) of the number of Offer Shares applied for shall signify and shall be treated as his acceptance of the number of Offer Shares that may be allotted and/or allocated to him and his agreement to be bound by the Articles of Association of the Company.

4. The Applicant irrevocably requests and authorises the Company and the Vendor to:-

(a) register the Offer Shares allotted and/or allocated to him in the name of CDP for deposit into his Securities Account;

(b) send the relevant Share certificate(s) to CDP;

(c) return (without interest or any share of revenue or other benefit arising therefrom) the application moneys should his Electronic Application not be accepted, by automatically crediting the Applicant’s bank account with his Participating Bank with the relevant amount within three Market Days after the close of the Application List; and

(d) return (without interest or any share of revenue or other benefit arising therefrom) the balance of the application moneys should his Electronic Application be accepted in part only, by automatically crediting the Applicant’s bank account with his Participating Bank with the relevant amount within 14 days after the close of the Application List.

5. BY MAKING AN ELECTRONIC APPLICATION, THE APPLICANT CONFIRMS THAT HE IS NOT APPLYING FOR THE OFFER SHARES AS NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT HE MAKES IS THE ONLY APPLICATION MADE BY HIM AS BENEFICIAL OWNER.

THE APPLICANT SHALL MAKE ONLY ONE ELECTRONIC APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR THE INVITATION SHARES (OTHER THAN THE RESERVED SHARES), WHETHER AT THE ATMs OF ANY PARTICIPATING BANK OR THE IB WEBSITE OF DBS BANK OR ON THE PRESCRIBED PRINTED APPLICATION FORMS.

6. The Applicant irrevocably agrees and acknowledges that his Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, the Company, the Vendor and the Manager and if, in any such event, the Participating Banks and/or the Company and/or the Vendor and/or the Manager do not record or receive the Applicant’s Electronic Application, or data relating to the Applicant’s Electronic Application or the tape containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, the Applicant shall be deemed not to have made an Electronic Application and the Applicant shall have no claim whatsoever against the Participating Banks, the Company, the Vendor or the Manager for the Offer Shares applied for or for any compensation, loss or damage.

7. Approval has been obtained from the CPF Board for applicants to use their CPF Funds pursuant to the CPF (Investment Schemes) Regulations, as amended, for the purchase of the Offer Shares through Electronic Applications. Applicants who wish to use their CPF Funds to apply for the Offer Shares do not need to instruct the CPF Board to transfer CPF Funds from their CPF Ordinary Accounts to their CPF Investment Accounts.

8. The Offer Shares may be applied for in the following manner:

(a) Cash — Applicants may apply for the Offer Shares through any ATM or IB website of his Participating Bank using cash by authorising his Participating Bank to deduct the full amount payable from his bank account(s) with such Participating Bank.
(b) **CPF Funds** — Applicants may apply for the Offer Shares through any ATM of his Participating Bank using only CPF Funds by authorising his Participating Bank to deduct the full amount payable from his CPF Investment Account with such Participating Bank. For the terms and conditions governing the use of CPF Funds, please refer to page S44 of this Prospectus.

(c) **Cash and CPF Funds** — Applicants may also make an Electronic Application for the Offer Shares using a combination of cash and CPF Funds, through any ATM of his Participating Bank, provided that the number of Offer Shares applied for under each payment method is in lots of 1,000 Shares or higher multiples thereof. Such applications must comply with the requirements for applications by cash and by CPF Funds as set out in the preceding paragraphs. In the event that such applications are accepted in part only, the cash portion of the application moneys will be used in respect of the applications before the CPF Funds are used.

**An applicant applying for only 1,000 Offer Shares can use either cash or CPF Funds, but not a combination of cash and CPF Funds.**

9. Electronic Applications shall close at 8.00 am on 10 May 2000 or such other time as the Directors and the Vendor may in their absolute discretion decide. All Internet Electronic Applications must be received by 8.00 am on 10 May 2000. An Internet Electronic Application is deemed to be received when it enters the designated information system of DBS Bank.

10. All particulars of the Applicant in the records of his Participating Bank at the time he makes his Electronic Application shall be deemed to be true and correct and the relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in the particulars of the Applicant after the time of the making of his Electronic Application, the Applicant shall promptly notify his Participating Bank.

11. The Applicant must have sufficient funds in his bank account(s) with his Participating Bank at the time he makes his Electronic Application, failing which his Electronic Application will not be completed or accepted. Any Electronic Application made at ATMs or the IB website of DBS Bank which does not strictly conform to the instructions set out in this Prospectus will be rejected. Any Electronic Application made at the ATMs of the other Participating Banks which does not strictly conform to the instructions set out on the ATM screens of such Participating Banks will be rejected.

12. **No reserve applications will be kept.** Where an Electronic Application is not accepted, it is expected that the full amount of the application moneys will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to the Applicant by being automatically credited to the Applicant’s account with the relevant Participating Bank within three Market Days of the close of the Application List. **Trading on a “when issued” basis, if applicable, is expected to commence after such refund has been made.** Where an Electronic Application is accepted in part only, the balance of the application moneys will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) to the Applicant by being automatically credited to the Applicant’s account with his Participating Bank within 14 days after the close of the Application List.

If the Applicant’s ATM Electronic Application is made through the ATMs of KTB or UOB Group and is unsuccessful, it is expected that a computer-generated notice will be sent to the Applicant by the relevant Participating Bank (at the address of the Applicant as stated in the records of the relevant Participating Bank as at the date of his ATM Electronic Application) by ordinary post at the Applicant’s own risk within three Market Days after the close of the Application List. **If the applicant’s ATM Electronic Application is made through the ATMs of OCBC Group, OUB or DBS Bank (including its POSBank Services division) and is unsuccessful, no notification will be sent by the relevant Participating Bank.**

If the Applicant’s Internet Electronic Application made through the IB website of DBS Bank is unsuccessful, no notification will be sent by DBS Bank.
Applicants who make Electronic Applications through the ATMs of the following banks may check the provisional results of their Electronic Applications as follows:-

<table>
<thead>
<tr>
<th>Bank</th>
<th>Telephone</th>
<th>Available at ATM</th>
<th>Operating Hours</th>
<th>Service Expected From</th>
</tr>
</thead>
<tbody>
<tr>
<td>DBS Bank</td>
<td>1800-222 2222</td>
<td>Internet Banking or Internet Kiosk</td>
<td>24 hours a day</td>
<td>7.00 p.m. on the balloting day</td>
</tr>
<tr>
<td>KTB</td>
<td>222 8228</td>
<td>ATM</td>
<td>ATM-24 hours a day</td>
<td>ATM-Evening of the balloting day</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Phone Banking Mon-Fri 0800-2200 Sat 0800-1500</td>
<td>Phone Banking-8.00 a.m. on the day after the balloting day</td>
</tr>
<tr>
<td>OCBC</td>
<td>1800-363 3333</td>
<td>ATM</td>
<td>ATM-24 hours a day</td>
<td>Evening of the balloting day</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Phone Banking Mon-Fri 0800-2200 Sat 0800-1500</td>
<td></td>
</tr>
<tr>
<td>OUB</td>
<td>1800-534 0100</td>
<td>Not available</td>
<td>ATM-24 hours a day</td>
<td>Evening of the balloting day</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Phone Banking Mon-Fri 0800-2200 Sat 0800-1500</td>
<td></td>
</tr>
<tr>
<td>UOB</td>
<td>539 4419</td>
<td>Not available</td>
<td>Mon-Fri 0900-1800</td>
<td>10.30 a.m. on the day after the balloting day</td>
</tr>
<tr>
<td></td>
<td>539 3945</td>
<td></td>
<td>Sat 0900-1800</td>
<td></td>
</tr>
</tbody>
</table>

Applicants who make Internet Electronic Applications through DBS IB website may also check the result through the DBS IB website.

13. By making and completing an Electronic Application, the Applicant agrees that:-

(a) in consideration of the Company and the Vendor making available the Electronic Application facility, through the ATMs of the Participating Bank and at the IB website of DBS Bank:-

(i) his Electronic Application is irrevocable; and

(ii) his Electronic Application, the acceptance of his Electronic Application by the Company and the Vendor and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and he irrevocably submits to the non-exclusive jurisdiction of the Singapore courts.

(b) none of the Company, the Vendor, the Joint Lead Managers or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to his Electronic Application to the Company or CDP or the Vendor due to a breakdown or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 6 on page S39 of this Prospectus or to any cause beyond their respective controls;

(c) he will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of his application; and

(d) in respect of the Offer Shares for which his Electronic Application has been successfully completed and not rejected, acceptance of the Applicant’s Electronic Application shall be constituted by written notification by or on behalf of the Company and the Vendor and not otherwise, notwithstanding any payment received by or on behalf of the Company and the Vendor.

14. The Applicant should ensure that his personal particulars as recorded by both CDP and the relevant Participating Banks are correct and identical. Otherwise his Electronic Application may be rejected.

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The Applicant should promptly inform CDP of any change in his address, failing which the notification letter on successful allotment and/or allocation will be sent to his address last registered with CDP.

15. The existence of a trust will not be recognised. Any electronic application by a trustee or trustees must be made in his/their own name(s) and without qualification. The Company and the Vendor will reject any application by any person acting as nominee.

Steps for ATM Electronic Applications through ATMs of DBS Bank (including its POSBank Services division)

Instructions for ATM Electronic Applications will appear on the ATM screens of the Participating Bank. For illustrative purposes, the steps for making an ATM Electronic Application through a DBS Bank or POSBank ATM are shown below. Certain words appearing on the screen are in abbreviated form (“A/c,” “amt,” “appln,” “&,” “I/C” and “No.” refer to “Account,” “amount,” “application,” “and,” “NRIC” and “Number” respectively). Instructions for Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank) may differ slightly from those represented below.

Step 1: Insert your personal DBS or POSBank ATM Card.

2: Enter your Personal Identification Number

3: Select “CASHCARD & MORE SERVICES”

4: Select “ESA-IPO SHARE/BOND/RIGHTS”

5: Select “ELECTRONIC SECURITY APPLICATION (IPO-SHARE/BOND)” to “SATS”

6: Press the “ENTER” key to acknowledge:

• You have read, understood & agreed to all terms of the appln & the Prospectus

• You consent to disclose your name, I/C/Passport No., address, nationality, CDP Securities A/c No., CPF Investment A/c No. & share appln amount from your Bank Account(s) to share registrars, SCCS, CDP, CPF, issuer/vendor(s)

• For FIXED price share appln, this is your only appln and it is made in your own name and at your own risk

7: Select your nationality

8: Select the DBS Bank account (Autosave/Current/Savings/Savings Plus) or the POSBank account (current/savings) from which to debit your application moneys

9: Enter the number of securities you wish to apply for using cash

10: Enter your own 12-digit CDP Securities Account number. (Note: This step will be omitted automatically if your CDP Securities Account number has already been stored in the Bank’s records)

11: Check the details of your share application, CDP Securities Account number and number of securities on the screen and press the “ENTER” key to confirm application

12: Remove the Transaction Record for your reference and retention only
Steps for Internet Electronic Application through the IB website of DBS Bank

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB website is shown below. Certain words appearing on the screen are in abbreviated form (“A/C,” “&,” “I/C” and “No.” refer to “Account,” “and,” “NRIC” and “Number” respectively).

Step 1: Click on to DBS website (www.dbs.com.sg)

2: Login to Internet banking

3: Enter your User ID and PIN

4: Select “Electronic Security Application”

5: Declare whether you are in Singapore

6: Click on “SATS”

7: Click “Confirm” to confirm:

• You have read, understood & agreed to all terms of application and Prospectus

• You consent to disclose your name, IC/passport No., address, nationality, CDP Securities A/C No., CPF Investment A/C No. & share application amount from your DBS/POSBank Account(s) to share registrars, SCCS, CDP, CPF Board and issuer/vendor(s)

• This application is made in your own name and at your own risk

• For FIXED price share application, this is your only application. For TENDER price securities application, this is your only application at the selected tender price

8: Fill in details for share application and click “Submit”

9: Check details of your application, your IC/passport No. and no. of shares on the screen and click “OK” to confirm your application

10: Print Confirmation Screen (optional) for your reference & retention only
TERMS AND CONDITIONS FOR USE OF CPF FUNDS

1. An Applicant who is using CPF Funds to purchase the Vendor Shares must have a CPF Investment Account at the time of application. An Applicant applying for Vendor Shares through an Electronic Application must have an ATM card with the relevant Approved Bank at the time of Application before he can use the ATMs of that Approved Bank to subscribe for the Vendor Shares. The CPF Investment Account is governed by the CPF (Investment Schemes) Regulations, as amended.

2. CPF Funds may only be withdrawn for an application in lots of 1,000 Vendor Shares or higher integral multiples of 1,000 Vendor Shares.

3. An Applicant applying for the Vendor Shares using a printed Application Form and who is using CPF Funds to purchase the Vendor Shares must submit a CPF Cashier’s Order for the total amount payable for the number of Vendor Shares applied for using CPF Funds.

4. Before a CPF member applies for the Vendor Shares, he must first make sure that he has sufficient funds in his CPF Investment Account to pay for the Vendor Shares. If the balance in his CPF Investment Account is insufficient and he has some investible CPF Funds in his CPF Ordinary Account, the Approved Bank with which the Applicant maintains his CPF Investment Account will automatically transfer the balance of the required amount from his CPF Ordinary Account to his CPF Investment Account immediately for the Applicant to use these funds to buy a CPF Cashier’s Order from his Approved Bank in the case of an application by way of a printed Application Form or submit his share application in the case of an application by way of an Electronic Application. This automatic transfer facility is available until the close of the Application List, and the operating hours of the facility are between 8.00 am to 10.00 pm from Mondays to Saturdays and between 8.00 am and 5.00 pm on Sundays and public holidays.

5. Vendor Shares purchased with CPF Funds shall be registered in the name of CDP for deposit in the special (CPF) securities sub-account of the nominee company of the Applicant’s Approved Bank.

6. An applicant using CPF Funds cannot apply for the Vendor Shares as nominee for any other person.

7. All instructions or authorisations given by an Applicant in an Application Form or through an Electronic Application are irrevocable.

8. CPF Investment Accounts may be opened with any branch of the following Approved Banks:

   - DBS Bank
   - Keppel TatLee Bank Limited
   - Oversea-Chinese Banking Corporation Limited
   - Overseas Union Bank Limited
   - United Overseas Bank Limited

9. All information furnished by the CPF Board and the relevant Approved Bank on the authorisation of an Applicant will be relied on as being true and correct.
RULES OF THE SATS EMPLOYEE SHARE OPTION PLAN

1. NAME OF THE PLAN
The Plan shall be called the “SATS Employee Share Option Plan” (the “Plan”) and shall comprise a scheme for Senior Executives to be called the “Senior Executive Share Option Scheme” and a scheme for other employees to be called the “Employee Share Option Scheme.”

2. DEFINITIONS
2.1 In the Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Act” The Companies Act, Chapter 50 of Singapore
“Adoption Date” The date on which the Plan is adopted by the shareholders of the Company in a general meeting
“Aggregate Subscription Cost” The total amount payable for Ordinary Shares which may be acquired on the exercise of an Option
“Appendix A” The rules attached as Appendix A to the Rules of the Plan which are applicable to Senior Executives only
“Appendix B” The rules attached as Appendix B to the Rules of the Plan which are applicable to Employees only
“Auditors” The auditors of the Company for the time being
“CDP” The Central Depository (Pte) Limited
“CPF” Central Provident Fund
“Committee” The Senior Officers Remuneration Committee, a committee of Directors comprising three Directors duly authorised and appointed by the Directors to administer the Plan, of which at least two Directors shall not be Executive Directors
“Company” or “SATS” Singapore Airport Terminal Services Limited, a company incorporated in the Republic of Singapore
“Date of Grant” The relevant date on which an Option is granted pursuant to Rule 6
“Director” A director for the time being of the Company
“Employee” Any full-time or permanent part-time employee of the Group, other than a Senior Executive, selected by the Committee to participate in the Plan in accordance with paragraph 1 of Appendix B
“Employee Share Option Scheme” The share option scheme for Employees
“Executive Director” A Director who is a Senior Executive
“Exercise Period” The period for the exercise of an Option being a period commencing after the first anniversary of the Date of Grant and expiring on the tenth anniversary of such Date of Grant, subject to Rules 7 and 8
“Grantee” The person to whom an offer of an Option is made

“Group” The Company and the Subsidiaries

“IPO” The initial public offering of the Shares by the Company

“IPO Option” The right to subscribe for Shares granted pursuant to the Plan at Listing Date and for the time being subsisting, and in respect of which the Subscription Price is determined in accordance with Rule 5.2

“Listing Date” The date of admission of the Company to the Official List of the SGX-ST

“Market Day” A day on which the Stock Exchange is open for trading of securities

“Market Price Option” or “Non-IPO Option” The right to subscribe for Shares granted pursuant to the Plan after the Listing Date and in respect of which the Subscription Price is determined in accordance with Rule 5.1

“Offering Date” The Date on which the offer of the grant of an Option is made pursuant to Rule 6.1

“Option” A Market Price Option or an IPO Option, as the case may be

“Ordinary Shares” Ordinary shares of $0.10 each in the capital of the Company

“Participant” The holder of an Option

“Plan” The Singapore Airport Terminal Services Limited Share Option Plan, to be known as the “SATS Employee Share Option Plan” as modified or altered from time to time

“Plan Shares” Shares issued under the Plan

“Senior Executive” Any full-time employee of the Group of the rank of or equivalent to Deputy Manager and above, including Executive Directors, selected by the Committee to participate in the Plan in accordance with paragraph 1 of Appendix A

“Senior Executive Share Option Scheme” The share option scheme for Senior Executives

“Stock Exchange” or “SGX-ST” Singapore Exchange Securities Trading Limited

“Subscription Price” The price at which a Participant shall subscribe for each Ordinary Share upon the exercise of an Option which shall be the price as determined in accordance with Rule 5

“Subsidiaries” SAT’s wholly-owned subsidiaries as at the Adoption Date other than any subsidiary whose shares may be listed on a recognised stock exchange after the Adoption Date.

“$” Singapore dollar

2.2 Words importing the singular number shall, where applicable, include the plural number and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.

2.3 Any reference to a time of a day in the Plan is a reference to Singapore time.
2.4 Any reference in the Plan to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in the Plan shall have the meaning assigned to it under the Act.

3. ELIGIBILITY OF PARTICIPANTS

3.1 The eligibility criteria for Senior Executives are set out in Appendix A and the eligibility criteria for Employees are set out in Appendix B.

3.2 Participants in the Plan shall not, save with the prior approval of the Committee in its absolute discretion, be eligible to participate in other share option schemes implemented by the Company or the subsidiaries.

3.3 Senior Executives and Employees of a Subsidiary who are eligible and selected by the Committee to participate in the Plan shall cease to be eligible to participate in the Plan if the Subsidiary which employed them becomes a public listed company. Such Senior Executives and Employees shall be eligible to participate in any share option scheme that may be implemented by the listed Subsidiary.

4. MAXIMUM LIMITS ON OPTIONS

4.1 The number of Plan Shares to be offered to a Participant in accordance with the Plan shall be determined by the Committee at its absolute discretion after taking into account the Participant’s performance and such other general criteria as the Committee may consider appropriate, subject to the limits set out, in the case of Senior Executives, in Appendix A and in the case of Employees, in Appendix B, and to any adjustment which may be made under Rule 10.

4.2 The Committee may offer IPO Options in conjunction with the listing of the Company on the SGX-ST, provided that the aggregate number of shares which may be offered through IPO Options shall not exceed ten (10) per cent. of the total number of shares available under the Plan.

5. SUBSCRIPTION PRICE

5.1 Subject to any adjustment pursuant to Rule 10, the Subscription Price to be paid for each Ordinary Share on exercise of an Option shall be the price which is the average of the last dealt prices for the ordinary shares, as determined by reference to the daily official list or any other publication published by the Stock Exchange for the five (5) consecutive Market Days immediately preceding the Date of Grant of that option.

5.2 The Subscription Price for each Ordinary Share in respect of which an IPO Option is exercisable shall be fixed by the Committee at a price equal to the price at which the Ordinary Shares are offered to the public pursuant to the IPO (the “IPO price”).

5.3 The Subscription Price shall in no event be less than the nominal value of the Ordinary Share.

6. GRANT OF OPTIONS

6.1 The Committee may, subject as provided in Rule 11, grant options at any time, provided that IPO Options may be granted on or prior to the listing date and, provided further, that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, options may only be granted on or after the eighth Market Day from the date on which the aforesaid announcement is released.

6.2 The Letter of Offer to grant an Option shall be in or substantially in the form set out in Annexe Ia (in relation to an IPO Option) and in the form set out in Annexe Ib (in relation to a Market Price Option), subject to such modification as the Committee may from time to time determine.

6.3 An Option shall be personal to the person to whom it is offered and shall not be transferred (other than to a Participant’s personal representative on the death of that Participant), charged, assigned,
pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.

6.4 The grant of an Option shall be accepted by the Grantee within thirty (30) days from the Date of Grant of that Option and, in any event, not later than 5.00 p.m. on the thirtieth (30th) day from such Date of Grant by completing, signing and returning the Acceptance Form in or substantially in the form set out in Annexe IIa (in relation to an IPO Option) and in the form set out in Annexe IIb (in relation to a Market Price Option), subject to such modification as the Committee may from time to time determine, accompanied by payment of $1.00 as consideration.

6.5 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:-

(a) it is not accepted in the manner as provided in Rule 6.4; or
(b) the Grantee dies prior to his acceptance of the Option; or
(c) the Grantee is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option; or
(d) the Grantee ceases to be in the employment of the group for any reason whatsoever prior to his acceptance of the Option; or
(e) the Company is liquidated or wound-up prior to the Grantee’s acceptance of the Option.

7. EXERCISE OF OPTIONS, ALLOTMENT AND LISTING OF ORDINARY SHARES

7.1 Subject to Rule 8.1, an Option may be exercised, in whole or in part, by a Participant giving notice in writing to the Company in or substantially in the form set out in Annexe IIIa (in relation to an IPO Option) and in the form set out in Annexe IIIb (in relation to a Market Price Option), subject to such modification as the Committee may from time to time determine. Such notice must be accompanied by a remittance for the Aggregate Subscription Cost in respect of the Ordinary Shares for which that Option is exercised and any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the said notice, duly completed, and the Aggregate Subscription Cost.

7.2 All payments made pursuant to Rule 7.1 shall be made by cheque, cashiers’ order, banker’s draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.

7.3 Subject to such consents or other required actions of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to compliance with the terms of the Plan and the Memorandum and Articles of Association of the Company, the Company shall, within ten (10) Market Days after the exercise of an Option, allot the relevant Ordinary Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.

7.4 The Company shall, as soon as practicable after such allotment, apply to the Stock Exchange (and any other stock exchange on which the Ordinary Shares are quoted or listed) for permission to deal in and for quotation of such Ordinary Shares.

7.5 Ordinary Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account maintained with a Depository Agent or the CPF investment account maintained with a CPF Agent Bank.

7.6 Ordinary Shares allotted and issued on exercise of an Option shall:

(a) be subject to all the provisions of the Memorandum and Articles of Association of the Company;
(b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Ordinary Shares, the Record Date of these existing Ordinary Shares being the date on or after the date on which such an Option was exercised; and

(c) in all other respects rank pari passu with other existing Ordinary Shares then in issue.

“Record Date” means the date fixed by the Company on which at the close of business, shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions.

7.7 The Company shall keep available sufficient unissued Ordinary Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

8. EXERCISE PERIOD AND LAPSE OF RIGHTS TO EXERCISE OPTIONS

8.1 Options granted may be exercised in whole or in part during a period commencing on the first anniversary of the Date of Grant and expiring on the tenth anniversary of such Date of Grant subject to the vesting conditions/schedule set out, in the case of Senior Executives, in Appendix A and in the case of Employees, in Appendix B, and subject to any other conditions as may be introduced by the Committee from time to time.

8.2 In the event of an Option being exercised in part only, the balance of the Option not thereby exercised shall continue to be exercisable in accordance with the Plan until such time as it shall lapse in accordance with the Plan.

8.3 An Option, shall, to the extent unexercised, immediately lapse without any claim against the Company:-

(a) subject to Rules 8.4, and 8.5, upon the Participant ceasing to be in the employment of the Group for any reason whatsoever; or

(b) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option; or

(c) in the event of misconduct on the part of the Participant as determined by the Committee in its discretion.

8.4 If a Participant:-

(a) retires; or

(b) ceases to be employed by the Company or any of the Subsidiaries by reason of (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the committee) or death; (ii) redundancy; or (iii) any other reason approved in writing by the Committee, and at the date of his retirement or cessation of employment holds unexercised Options, such Options shall, continue to be exercisable by him up to the expiration of the applicable Exercise Period or the period of five (5) years from the date of his retirement or cessation of employment, as the case may be, whichever is earlier.

for the purpose of this Rule 8.4, if a Participant ceases to be employed by the Company or any of the Subsidiaries by reason of i) the Participant’s acceptance of any golden handshake or early release scheme or ii) in the case of an expatriate Employee who is employed on a fixed term contract, on the Participant’s attaining his retirement age and completion of the fixed term contract; he shall be deemed to have retired and may accordingly exercise unexercised options in accordance with this Rule 8.4.

8.5 If a Participant ceases to be employed by the Company or any of the Subsidiaries by reason of his completion of a fixed term contract (other than a final fixed term contract) and at the date of his cessation of employment holds unexercised options, such options shall immediately vest and be
exercisable by him from the date of his cessation of employment to the date falling one (1) year
from the date of cessation of his employment.

8.6 For the purpose of Rule 8, a Participant shall be deemed to have ceased to be employed by the
Group as of the last day of his employment with the Group.

9. TAKEOVER AND WINDING UP OF THE COMPANY

9.1 Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a takeover being made for the
ordinary shares, a Participant shall be entitled to exercise in full or in part any Option held by him
and as yet unexercised, in the period commencing on the date on which such offer is made or, if
such offer is conditional, the date on which such offer becomes or is declared unconditional, as the
case may be, and ending on the earlier of:-

(a) the expiry of six (6) months thereafter, unless prior to the expiry of such six-month period,
at the recommendation of the offeror and with the approvals of the Committee and the
Stock Exchange, such expiry date is extended to a later date (in either case, being a date
falling not later than the expiry of the Exercise Period relating thereto); or

(b) the date of expiry of the Exercise Period relating thereto,

whereupon the Option then remaining unexercised shall lapse.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of
compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice to
the Participants that it intends to exercise such rights on a specified date, the Option shall remain
exercisable by the Participant until the expiry of such specified date or the expiry of the Exercise
Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that
the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case
may be. If such rights or obligations have not been exercised or performed, the Option shall,
notwithstanding Rule 8, remain exercisable until the expiry of the Exercise Period relating thereto.

9.2 If under the Act, the Court sanctions a compromise or arrangement proposed for the purposes of, or
in connection with, a scheme for the reconstruction of the Company or its amalgamation with
another company or companies, each Participant shall be entitled, notwithstanding Rule 8 but subject
to Rule 9.5, to exercise any Option then held by him during the period commencing on the date
upon which the compromise or arrangement is sanctioned by the court and ending either on the
expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes
effective, whichever is later (but not after the expiry of the Exercise Period relating thereto),
whereupon the Option shall lapse and become null and void.

9.3 If an order is made for the winding up of the Company on the basis of its insolvency, all Options, to
the extent unexercised, shall lapse and become null and void.

9.4 In the event of a members’ solvent voluntary winding up (other than for amalgamation or
reconstruction), the Participant shall be entitled, within thirty (30) days of the passing of the
resolution of such winding up (but not after the expiry of the Exercise Period relating thereto), to
exercise any unexercised Option, after which such unexercised Options shall lapse and become null
and void.

9.5 If in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to
in Rule 9.2 or the winding up referred to in Rule 9.4, arrangements are made (which are confirmed
in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for
the compensation of Participants, whether by the continuation of their Options or the payment of
cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised,
may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in
this Rule 9.
9.6 To the extent that an Option is not exercised within the periods referred to in this Rule 9, it shall lapse and become null and void.

10. VARIATION OF CAPITAL

10.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution, or otherwise howsoever) shall take place, then the Committee may determine whether:-

(a) the Subscription Price for the Ordinary Shares, the nominal amount, or number of Ordinary Shares comprised in an Option to the extent unexercised; and/or

(b) the nominal amount, class and/or the maximum number of Ordinary Shares over which Options may be granted under the Plan in any one financial year,

shall be adjusted and, if so, the manner in which such adjustment should be made.

10.2 Notwithstanding the provisions of Rule 10.1:-

(a) no adjustment shall be made if, as a result, the Subscription Price shall fall below the nominal amount of an Ordinary Share;

(b) if adjustment would, but for paragraph (a) above, result in the Subscription Price being less than the nominal amount of an Ordinary Share, the Subscription Price payable shall be the nominal amount of an Ordinary Share; and

(c) any determination by the Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made, must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

10.3 The issue of securities as consideration for a private placement of Ordinary Shares or as consideration for or in connection with an acquisition of any assets or upon the exercise of any options or conversion of any loan stock or any other securities convertible into shares or subscription rights of any warrants will not be regarded as a circumstance requiring adjustment.

10.4 The cancellation of issued Ordinary Shares purchased by the Company shall not normally be regarded as a circumstance requiring adjustment to the Subscription Price for the Ordinary Shares, the nominal amount, or number of Ordinary Shares comprised in an Option granted. However, the Committee may adjust the number of Ordinary Shares to be allocated to any Participant if the Company’s issued share capital is reduced as a result of the cancellation of issued Ordinary Shares purchased by the Company, having regard to the purchases of Ordinary Shares undertaken by the Company from time to time.

10.5 When any adjustment has to be made pursuant to this Rule 10 resulting in a change to the Subscription Price for the Ordinary Shares, the nominal amount, or number of Ordinary Shares comprised in an Option granted, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the Subscription Price thereafter in effect and the nominal value or number of Ordinary Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

11. LIMITATION OF THE SIZE OF THE PLAN

The aggregate nominal amount of Ordinary Shares over which the Committee may grant Options on any date, when added to the nominal amount of Ordinary Shares issued and issuable in respect of all Options granted under the Plan, shall not exceed fifteen per cent. (15%) of the issued ordinary share capital of the Company on the day preceding that date.
12. ADMINISTRATION OF THE PLAN

12.1 The Plan shall be administered by the Committee. In accordance with the requirements of the SGX-ST Listing Rules, a member of the Committee who is a Participant shall not participate in any deliberation or decision in respect of Options to be granted to or held by him.

12.2 The terms of reference of the Committee are to, inter alia:-

(a) implement and administer the Plan;
(b) modify and/or amend the Plan from time to time provided that such modifications and amendments are effected in accordance with the provisions of the Plan;
(c) determine the eligibility of individuals for participation in the Plan;
(d) offer and grant options in accordance with the provisions of the Plan; and
(e) allot and issue shares as may be required to be issued pursuant to the exercise of options granted under the Plan in accordance with the Plan.

12.3 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan as they think fit.

12.4 Any decision of the Committee made pursuant to any provision of the Plan (other than a matter to be certified or confirmed by the Auditors) shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the Plan or any rule, regulation, procedure thereunder or as to any rights under the Plan).

13. NOTICES

13.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing.

13.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or the last known address of the Participant and if sent by post, shall be deemed to have been given on the day following the date of posting.

14. MODIFICATIONS OF THE PLAN

14.1 Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by resolution of the Committee, save that:-

(a) any modification or alteration which materially and adversely alters the rights attaching to any Option granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who would together hold not less than three-quarters (¾) in nominal amount of the Ordinary Shares which would fall to be allotted upon exercise in full of the Options held by all Participants who respond to the Company’s request for such consent within twenty-one (21) days of the Company’s despatch of the request; and

(b) any modification or alteration which would be to the advantage of the Participants under the Plan shall be subject to the prior approval of the Company’s shareholders in a general meeting.
For the purposes of Rule 14.1(a), the opinion of the Committee as to whether any modification or alteration would materially and adversely alter the rights attaching to any Option shall be final and conclusive.

14.2 Notwithstanding anything to the contrary contained in Rule 14.1, the Committee may at any time by resolution (and without other formality or approval of the Participants, save for the prior approval of the Stock Exchange) amend or alter the Plan in any way to the extent necessary to cause the Plan to comply with any statutory provision or the provision of the regulations of any regulatory or other relevant authority or body (including the Stock Exchange).

14.3 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Participants.

15. TERMS OF EMPLOYMENT UNAFFECTED
The terms of employment of a Participant shall not be affected by his participation in the Plan, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

16. DURATION OF THE PLAN
16.1 The Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the adoption date, provided always that the Plan may continue beyond the above stipulated period with the approval of the Company’s shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

16.2 The Plan may be terminated at any time by the Committee or, at the discretion of the Committee, by resolution of the Company in a general meeting, subject to all relevant approvals which may be required and if the Plan is so terminated, no further Options shall be offered by the Company hereunder.

16.3 The termination of the Plan shall not affect Options which have been granted and accepted as provided in Rule 6.4, whether such Options have been exercised (whether fully or partially) or not.

17. TAXES
All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Plan shall be borne by that Participant.

18. COSTS AND EXPENSES OF THE PLAN
18.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Ordinary Shares pursuant to the exercise of any Option in CDP’s name, the deposit of share certificate(s) with CDP, the Participant’s securities account with CDP, or the Participant’s securities sub-account with a CDP depository agent or CPF investment account with a CPF Agent Bank.

18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the Plan to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Plan including but not limited to the fees, costs and expenses relating to the allotment and issue of Ordinary Shares pursuant to the exercise of any Option shall be borne by the Company.

19. DISCLAIMER OF LIABILITY
Notwithstanding any provisions herein contained, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company’s delay in issuing the Ordinary Shares or applying for or procuring the listing of the ordinary shares on the Stock Exchange
in accordance with Rule 7.4 (and any other stock exchange on which the Ordinary Shares are quoted or listed).

20. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

21. GOVERNING LAW

The Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Plan, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.
THE SATS EMPLOYEE SHARE OPTION PLAN

LETTER OF OFFER
(IPO OPTION)

PRIVATE & CONFIDENTIAL

[ Date of Grant ]

To: Name
    Designation
    Address

Dear Sir/Madam

We have the pleasure of informing you that you are eligible to participate in the SATS Employee Share Option Plan (the "Plan").

Accordingly, an offer is hereby made to grant you an IPO Option, in consideration of the payment of a sum of $1.00, to subscribe for and be allotted ordinary shares of S$0.10 each in the capital of the Company at the price of $ per share (the "IPO Option"). The IPO Option shall be subject to the terms of this letter and of the Plan (as the same may be amended from time to time). The IPO Option may be exercised in accordance with the following vesting schedule:-

<table>
<thead>
<tr>
<th>No. of Shares (specifying numbers)</th>
<th>Exercisable On or After (specifying dates)</th>
</tr>
</thead>
</table>

The IPO Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of to any other person except as provided for in the Plan.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of $1.00 not later than (a.m./p.m.) on the day of 20 , failing which this offer will lapse.

Yours faithfully

for and on behalf of
the Board of Directors of
Singapore Airport Terminal Services Limited

enc:

Note: words and expressions used in this Letter of Offer shall, unless the context otherwise requires, have the same meanings assigned to them in the Rules of the SATS Employee Share Option Plan.
PRIVATE & CONFIDENTIAL

[ Date of Grant ]

To: Name
    Designation
    Address

Dear Sir/Madam

    We have the pleasure of informing you that you are eligible to participate in the SATS Employee Share Option Plan (the “Plan”).

    Accordingly, an offer is hereby made to grant you a Market Price Option, in consideration of the payment of a sum of $1.00, to subscribe for and be allotted ordinary shares of S$0.10 each in the capital of the Company at the price of $ per share (the “Market Price Option”). The Market Price Option shall be subject to the terms of this letter and of the Plan (as the same may be amended from time to time). The Market Price Option may be exercised in accordance with the following vesting schedule:

<table>
<thead>
<tr>
<th>No. of Shares</th>
<th>Exercisable On or After</th>
</tr>
</thead>
<tbody>
<tr>
<td>(specifying numbers)</td>
<td>(specifying dates)</td>
</tr>
</tbody>
</table>

    The Market Price Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of to any other person except as provided for in the Plan.

    If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of $1.00 not later than (a.m./p.m.) on the day of 20 , failing which this offer will lapse.

Yours faithfully

for and on behalf of
the Board of Directors of
Singapore Airport Terminal Services Limited

enc:

Note: Words and expressions used in this Letter of Offer shall, unless the context otherwise requires, have the same meanings assigned to them in the Rules of the SATS Employee Share Option Plan.
THE SATS EMPLOYEE SHARE OPTION PLAN

ACCEPTANCE FORM
(IPO OPTION)

PRIVATE & CONFIDENTIAL

Serial No: ____________

[ Date of Grant ]

To: The Company Secretary
Singapore Airport Terminal Services Limited
Airline House
25 Airline Road
Singapore 819829

Closing date for acceptance of offer: ________________________________
Number of shares offered: _______________________________________
Subscription Price per share: $ ____________________________
Total Amount Payable: $ _______________________________________

I have read your Letter of Offer dated (Date of Grant) and agree to be bound by the terms of the SATS Employee Share Option Plan and the Letter of Offer. I hereby accept the IPO Option to subscribe for _______ ordinary shares of $0.10 each in the share capital of Singapore Airport Terminal Services Limited at $ _______ per ordinary share and enclose *a cheque/cash for $1.00 in payment for the purchase of the IPO Option.

I understand that I am not obliged to exercise my IPO Option to subscribe for shares in the Company.

I confirm that as at the date hereof:-

(a) I am not less than 21 years old nor an undischarged bankrupt; and

(b) I am not a substantial shareholder of the Company (as defined under the provisions of the Companies Act (Chapter 50)).

I acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment to induce me to participate in the Plan or accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.
Please print in block letters

Name in full: ____________________________
Designation: __________________________
Address: _______________________________
Nationality: ___________________________
NRIC/Passport No.: ______________________
CDP Direct Securities Account No.: ________
Signature: ______________________________
Date: ___________________________________

* delete accordingly.

Note: Shares must be accepted in full or in multiples of 100.
THE SATS EMPLOYEE SHARE OPTION PLAN

ACCEPTANCE FORM
(MARKET PRICE OPTION)

PRIVATE & CONFIDENTIAL

[ Date of Grant ]

To: The Company Secretary
Singapore Airport Terminal Services Limited
Airline House
25 Airline Road
Singapore 819829

Closing date for acceptance of offer : ____________________________
Number of shares offered : ____________________________
Subscription Price per share : $ ____________________________
Total Amount Payable : $ ____________________________

I have read your Letter of Offer dated (Date of Grant) and agree to be bound by the terms of the SATS Employee Share Option Plan and the Letter of Offer. I hereby accept the Market Price Option to subscribe for ordinary shares of S$0.10 each in the share capital of Singapore Airport Terminal Services Limited at $ per ordinary share and enclose *a cheque/cash for $1.00 in payment for the purchase of the Market Price Option.

I understand that I am not obliged to exercise my Market Price Option to subscribe for shares in the Company.

I confirm that as at the date hereof:-
(a) I am not less than 21 years old nor an undischarged bankrupt; and
(b) I am not a substantial shareholder of the Company (as defined under the provisions of the Companies Act (Chapter 50)).

I acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment to induce me to participate in the Plan or accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.
Please print in block letters

Name in full : ____________________________________________
Designation : ____________________________________________
Address : ________________________________________________
Nationality : ____________________________________________
NRIC/Passport No. : ________________________________________
CDP Direct Securities Account No. : __________________________
Signature : _______________________________________________
Date : ___________________________________________________

* delete accordingly.

Note: shares must be accepted in full or in multiples of 100.
THE SATS EMPLOYEE SHARE OPTION PLAN

EXERCISE NOTICE
(IPO OPTION)

PRIVATE & CONFIDENTIAL

[ Date of Grant ]

To: The Company Secretary
Singapore Airport Terminal Services Limited
Airline House
25 Airline Road
Singapore 819829

Total number of shares of S$0.10 each offered at $ per ordinary share under the Plan on : ____________________________
Number of shares previously allotted and issued thereunder : ____________________________
Outstanding balance of shares to be allotted and issued thereunder : ____________________________
Number of shares now to be subscribed : ____________________________

1. Pursuant to the Company’s Letter of Offer dated (Date of Grant) and my acceptance thereof, I hereby exercise the option to subscribe for ordinary shares of S$0.10 each (in multiples of 100) in the capital of Singapore Airport Terminal Services Limited at $ per share.

2. Please choose either paragraph 2a or 2b and delete the other paragraph

*2a (in the case of a Participant who is not using CPF monies in payment for Plan Shares)

I wish to pay for the Aggregate Subscription Cost in respect of the Plan Shares by way of the enclosed *cheque/cashier’s order/bank draft/postal order no. /cash for $. I request the Company to instruct the Central Depository (Pte) Limited (“CDP”) to credit the same to my CDP Global Securities Account number .

or

*2b (in the case of a Participant who is using CPF monies in payment for the Plan Shares)

I wish to pay for the Aggregate Subscription Cost in respect of the Plan Shares by way of CPF monies standing to the credit of my CPF investment account specified below. In this connection, I enclose herewith a CPF withdrawal form. I also irrevocably and unconditionally authorise the Company to obtain or disclose all necessary information from or to the Agent Bank

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named below, to submit the abovementioned form to the Agent Bank and to request such Agent Bank to forward the cashier's order or cheque for an amount equal to the Aggregate Subscription Cost in payment of the Plan Shares of the Company. I agree that the Company shall not in any way be liable if for any reason whatsoever such cashier’s order or cheque is not issued or is not received by the Company. I request the Company to instruct CDP to credit the Plan Shares to the account of such nominee of the Agent Bank as shall have been notified by the Agent Bank to the Company.

Name of bank: ___________________________ (the “Agent Bank”)

CPF Investment Account Number: ___________________________

3. I request the Company to issue and register the share certificate(s) relating to the Plan Shares in the name of CDP. I also request the Company to despatch the share certificate(s) to CDP, by ordinary post and at my own risk.

4. I agree to subscribe for the said Plan Shares subject to the terms of the offer, the terms of the SATS Employee Share Option Plan (as the same may from time to time be amended pursuant to the terms thereof) and the Memorandum and Articles of Association of the Company.

5. I declare that I am subscribing for the said Plan Shares for myself and not as a nominee for any other person.

* delete accordingly.

Please print in block letters

Name in full : ____________________________________________
Designation : ____________________________________________
Address : _______________________________________________
Nationality : _____________________________________________
NRIC/Passport No. : _______________________________________
CDP Direct Securities Account No. : _______________________
Signature : _____________________________________________
Date : __________________________________________________
Signature : _____________________________________________
Date : __________________________________________________
THE SATS EMPLOYEE SHARE OPTION PLAN

EXERCISE NOTICE
(MARKET PRICE OPTION)

PRIVATE & CONFIDENTIAL

[ Date of Grant ]

To: The Company Secretary
Singapore Airport Terminal Services Limited
Airline House
25 Airline Road
Singapore 819829

| Total number of shares of S$0.10 each offered at $ per ordinary share under the Plan on: |
| Number of shares previously allotted and issued thereunder: |
| Outstanding balance of shares to be allotted and issued thereunder: |
| Number of shares now to be subscribed: |

3. Pursuant to the Company’s Letter of Offer dated (Date of Grant) and my acceptance thereof, I hereby exercise the option to subscribe for ordinary shares of S$0.10 each (in multiples of 100) in the capital of Singapore Airport Terminal Services Limited at $ per share.

4. Please choose either paragraph 2a or 2b and delete the other paragraph

   *2a (in the case of a Participant who is not using CPF monies in payment for Plan Shares)
   I wish to pay for the Aggregate Subscription Cost in respect of the Plan Shares by way of the enclosed *cheque/cashier’s order/bank draft/postal order no. /cash for $ . I request the Company to instruct the Central Depository (Pte) Limited (“CDP”) to credit the same to my CDP Global Securities Account number .

   or

   *2b (in the case of a Participant who is using CPF monies in payment for the Plan Shares)
   I wish to pay for the Aggregate Subscription Cost in respect of the Plan Shares by way of CPF monies standing to the credit of my CPF investment account specified below. In this connection, I enclose herewith a CPF withdrawal form. I also irrevocably and unconditionally
authorise the Company to obtain or disclose all necessary information from or to the Agent Bank named below, to submit the abovementioned form to the Agent Bank and to request such Agent Bank to forward the cashier’s order or cheque for an amount equal to the Aggregate Subscription Cost in payment of the Plan Shares of the Company. I agree that the Company shall not in any way be liable if for any reason whatsoever such cashier’s order or cheque is not issued or is not received by the Company. I request the Company to instruct CDP to credit the Plan Shares to the account of such nominee of the Agent Bank as shall have been notified by the Agent Bank to the Company.

Name of bank: ___________________________________________ (the “Agent Bank”)

CPF Investment Account Number: ____________________________

3. I request the Company to issue and register the share certificate(s) relating to the Plan Shares in the name of CDP. I also request the Company to despatch the share certificate(s) to CDP, by ordinary post and at my own risk.

4. I agree to subscribe for the said Plan Shares subject to the terms of the offer, the terms of the SATS Employee Share Option Plan (as the same may from time to time be amended pursuant to the terms thereof) and the Memorandum and Articles of Association of the Company.

5. I declare that I am subscribing for the said Plan Shares for myself and not as a nominee for any other person.

* delete accordingly.

Please print in block letters

Name in full : ____________________________________________

Designation : ___________________________________________

Address : ______________________________________________

Nationality : ____________________________________________

NRIC/Passport No. : _____________________________________

CDP Direct Securities Account No. : _________________________

Signature : _____________________________________________

Date : _________________________________________________
SENIOR EXECUTIVE SHARE OPTION PLAN

1. ELIGIBILITY

Full-time Senior Executives, unless they are also substantial shareholders of the Company (as defined in the Companies Act), who have attained the age of twenty-one (21), and who have been in the service of the Company and/or any of the Subsidiaries for at least two years prior to the Date of Grant shall be eligible to participate in the Senior Executive share option scheme at the absolute discretion of the Committee.

The Committee shall have the discretion to waive the eligibility criteria in any individual case as it deems appropriate.

2. MAXIMUM LIMITS ON OPTIONS

The number of Plan Shares to be offered to a Senior Executive is subject to the following limits for each financial year:-

<table>
<thead>
<tr>
<th>Grade</th>
<th>Maximum number of ordinary shares for each financial year*</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>272,000</td>
</tr>
<tr>
<td>II</td>
<td>116,000</td>
</tr>
<tr>
<td>III</td>
<td>78,000</td>
</tr>
<tr>
<td>IV</td>
<td>19,400</td>
</tr>
<tr>
<td>V</td>
<td>15,600</td>
</tr>
<tr>
<td>VI</td>
<td>7,800</td>
</tr>
</tbody>
</table>

* allocations are based on issued capital of $100 million of 1 billion shares at $0.10 par value.

3. VESTING

Options granted to Senior Executives are subject to the following vesting schedule:-

(a) 25% of the total amount of the grant on the first anniversary of the Date of Grant;
(b) 25% of the total amount of the grant on the second anniversary of the Date of Grant;
(c) 25% of the total amount of the grant on the third anniversary of the Date of Grant; and
(d) 25% of the total amount of the grant on the fourth anniversary of the Date of Grant.
EMPLOYEE SHARE OPTION PLAN

1. ELIGIBILITY

The following persons, unless they are also substantial shareholders of the Company (as defined in the Companies Act), shall be eligible to participate in the Employee Share Option Plan at the absolute discretion of the committee:-

(a) full-time or permanent part-time Employees, who have attained the age of twenty-one (21), and who have been in the service of the Company and/or any of the Subsidiaries for at least eight years; and

(b) full-time or permanent part-time Employees, who have attained the age of twenty-one (21), and who have been in the service of the Company and/or any of the Subsidiaries for at least four years and less than eight years prior to the Date of Grant shall be eligible to a pre-qualifying grant once only under the Employee Share Option Plan.

2. MAXIMUM LIMITS ON OPTIONS

The number of Plan Shares to be offered to an Employee is subject to the following limits for each financial year:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Maximum number of ordinary shares for each financial year*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative officers</td>
<td>4,800</td>
</tr>
<tr>
<td>Supervisors</td>
<td>3,200</td>
</tr>
<tr>
<td>Others</td>
<td>2,600</td>
</tr>
</tbody>
</table>

* allocations are based on issued capital of $100 million of 1 billion shares at $0.10 par value.

3. VESTING

All grants of options to Employees will vest on the second anniversary of the Date of Grant.
Awards

- **Best Air Cargo Terminal Operator Award** in the Asian Freight Industry Awards organized by Cargonews Asia (for seven of the last ten years);

- **Qantas Quality Supplier Assessment Award** by Qantas Airways in 1999;

- **Most Consistent Caterer Award** by Cathay Pacific Airways in 1999;

- **United Airlines International Catering Award** by United Airlines in 1999;

- **Partners in Excellence Award** (Bronze Plaque) by British Airways in 1998/99;

- **Catering Quality Assurance Award** by United Airlines in 1997 in the categories of On Time Performance Award Program (Gold Plaque) and International Quality Improvement Award Program (Silver Plaque);

- **Most Outstanding Staff Award** from Japan Airlines in 1996 and 1997 and **Most Improved Station in the Network Award** from Japan Airlines in 1996;

- **Service Excellence Award** by All Nippon Airways in 1997;

- **Most Outstanding Staff Award** by EVA Airways in 1996; and

- **Peter McCarthy Award** by British Airways in 1995 for achieving a “quantum leap” in catering and service standards.