SINGAPORE AIRLINES

Annual Report 03/04

Non-stop from Singapore to the USA

In February 2004, SIA made aviation history when it launched daily non-stop services between Singapore and Los Angeles and set a new record for the world's longest non-stop commercial flight. Operated by the newest addition to the SIA fleet, the Airbus A340-500, which SIA has dubbed the *A345LeaderShip*, the flight takes 16 hours from Singapore to Los Angeles and between $16\frac{1}{2}$ and $18\frac{1}{2}$ hours on the return journey. The record will be broken, in terms of distance, on 28 June 2004, when SIA launches daily non-stop services from Singapore to New York's Newark airport.

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Statistical Highlights

FINANCIAL STATISTICS [R1]

	2003-04	2002-03	% Change	
Group				
Financial Results ($ million)				
Total revenue	9,761.9	10,515.0	– 7.2	
Total expenditure	9,081.5	9,797.9	– 7.3	
Operating profit	680.4	717.1	– 5.1	
Profit before taxation	820.9	976.8	– 16.0	
Profit attributable to shareholders	849.3	1,064.8	– 20.2	
Share capital	609.1	609.1	–	
Distributable reserves				
General reserve	10,282.6	9,539.1	+ 7.8	
Foreign currency translation reserve	19.8	41.3	– 52.1	
Non-distributable reserves				
Share premium	447.2	447.2	–	
Capital redemption reserve	64.4	64.4	–	
Capital reserve	32.0	7.7	+ 315.6	
Shareholders' funds	11,455.1	10,708.8	+ 7.0	
Return on shareholders' funds (%) [R2]	7.7	10.4	– 2.7	points
Total assets	19,990.0	19,184.0	+ 4.2	
Total debt	2,273.5	2,117.3	+ 7.4	
Total debt equity ratio (times) [R3]	0.2	0.2	–	
Value added	4,035.7	4,367.0	– 7.6	
Per Share Data				
Earnings before tax (cents)	67.4	80.2	– 16.0	
Earnings after tax (cents) – basic [R4]	69.7	87.4	– 20.2	
Earnings after tax (cents) – diluted [R5]	69.7	87.4	– 20.2	
Net asset value ($) [R6]	9.40	8.79	+ 6.9	
Dividends				
Interim dividend (cents per share)	0.0	6.0	– 6.0	cents
Proposed final dividend (cents per share)	25.0	9.0	+ 16.0	cents
Dividend cover (times) [R7]	2.8	6.4	– 3.6	times
Company				
Financial Results ($ million)				
Total revenue	7,187.6	8,047.0	– 10.7	
Total expenditure	7,037.4	7,838.0	– 10.2	
Operating profit	150.2	209.0	– 28.1	
Profit before taxation	328.4	460.1	– 28.6	
Profit after taxation	429.3	618.0	– 30.5	
Value added	2,511.6	2,762.0	– 9.1	

[R1] *SIA's financial year is from 1 April to 31 March. Throughout this report, all figures are in Singapore Dollars, unless stated otherwise.*

[R2] *Return on shareholders' funds is profit after taxation and minority interests expressed as a percentage of the average shareholders' funds.*

[R3] *Total debt equity ratio is total debt divided by shareholders' fund at 31 March.*

[R4] *Earnings after tax per share (basic) is computed by dividing profit after taxation and minority interests by the weighted average number of ordinary shares in issue.*

[R5] *Earnings after tax per share (diluted) is computed by dividing profit after taxation and minority interests by the weighted average number of ordinary shares in issue after adjusting for the dilutive effect on the exercise of all outstanding share options granted to employees.*

[R6] *Net asset value per share is computed by dividing shareholders' funds by the number of ordinary shares in issue at 31 March.*

[R7] *Dividend cover is profit attributable to shareholders divided by total dividend.*

Statistical Highlights

OPERATING STATISTICS

	2003-04	2002-03	% Change	
SIA				
Passenger carried (thousand)	13,278	15,326	– 13.4	
Revenue passenger-km (million)	64,685.2	74,183.2	– 12.8	
Available seat-km (million)	88,252.7	99,565.9	– 11.4	
Passenger load factor (%)	73.3	74.5	– 1.2	points
Passenger yield (cents/pkm)	9.2	9.1	+ 1.1	
Passenger unit cost (cents/ask)	6.7	6.7	–	
Passenger breakeven load factor (%)	72.8	73.6	– 0.8	point
SIA Cargo				
Cargo and mail carried (million kg)	1,050.9	1,043.2	+ 0.7	
Cargo load (million tonne-km)	6,690.7	6,835.3	– 2.1	
Mail load (million tonne-km)	58.7	78.3	– 25.0	
Gross capacity (million tonne-km)	10,156.5	9,927.1	+ 2.3	
Cargo load factor (%)	66.5	69.6	– 3.1	points
Cargo yield (cents/ltk)	36.7	34.2	+ 7.3	
Cargo unit cost (cents/ctk)	23.0	23.9	– 3.8	
Cargo breakeven load factor (%)	62.7	69.9	– 7.2	points
SIA and SIA Cargo				
Overall load (million tonne-km)	13,033.1	14,059.5	– 7.3	
Overall capacity (million tonne-km)	18,873.8	19,773.7	– 4.6	
Overall load factor (%)	69.1	71.1	– 2.0	points
Overall yield (cents/ltk)	65.0	64.5	+ 0.8	
Overall unit cost (cents/ctk)	43.4	45.5	– 4.6	
Overall breakeven load factor (%)	66.8	70.5	– 3.7	points
Employee Productivity (Average) – Company				
Average number of employees	14,010	14,418	– 2.8	
Seat capacity per employee (seat-km)	6,299,265	6,905,667	– 8.8	
Passenger load per employee (tonne-km) [R1]	448,513	495,617	– 9.5	
Revenue per employee ($)	513,034	558,122	– 8.1	
Value added per employee ($)	179,272	191,566	– 6.4	
Employee Productivity (Average) – Group				
Average number of employees	29,734	30,243	– 1.7	
Revenue per employee ($)	328,308	347,684	– 5.6	
Value added per employee ($)	135,727	144,397	– 6.0	

[R1] *Passenger load includes excess baggage carried.*

GLOSSARY

SIA

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Passenger unit cost	=	Operating expenditure (less bellyhold revenue from SIA Cargo) divided by available seat-km
Passenger breakeven load factor	=	Passenger unit cost expressed as a percentage of passenger yield. This is the theoretical load factor at which passenger revenue equates to the operating expenditure (less bellyhold revenue from SIA Cargo)

SIA Cargo

Cargo load	=	Cargo load carried (in tonnes) x distance flown (in km)
Mail load	=	Mail load carried (in tonnes) x distance flown (in km)
Gross capacity	=	Capacity production (in tonnes) x distance flown (in km)
Cargo load factor	=	Cargo and mail load (in tonne-km) expressed as a percentage of gross capacity (in tonne-km)
Cargo yield	=	Cargo and mail revenue from scheduled services divided by cargo and mail load (in tonne-km)
Cargo unit cost	=	Operating expenditure (including bellyhold expenditure to SIA) divided by gross capacity (in tonne-km)
Cargo breakeven load factor	=	Cargo unit cost expressed as a percentage of cargo yield. This is the theoretical load factor at which cargo and mail revenue equates to the operating expenditure (including bellyhold expenditure to SIA)

SIA and SIA Cargo

Overall load	=	Total load carried (in tonnes) x distance flown (in km)
Overall capacity	=	Total capacity production (in tonnes) x distance flown (in km)
Overall load factor	=	Overall load (in tonne-km) expressed as a percentage of overall capacity (in tonne-km)

Board of Directors

From left to right
Koh Boon Hwee (Chairman); Chew Choon Seng
Charles B Goode; Ho Kwon Ping
Edmund Cheng Wai Wing; Fock Siew Wah
Lim Boon Heng; Davinder Singh
Sir Brian Pitman; Chia Pei-Yuan; Stephen Lee Ching Yen











Koh Boon Hwee

Having joined the SIA Board in March 2001, Mr Koh was appointed its Chairman in July that year. Among other appointments, Mr Koh serves as Chairman of the SIA Engineering Company and the Nanyang Technological University Council and is a Director on the Boards of MediaRing.com Ltd., SPH AsiaOne Ltd., the Institute of Policy Studies and Agilent Technologies (USA).

Mr Koh holds a Mechanical Engineering degree (First Class Honours) from the Imperial College of Science and Technology, University of London, and an MBA (Distinction) from the Harvard Business School.

Chew Choon Seng

Mr Chew was appointed as a Director of the Board in March 2003, three months before taking over as CEO. Since joining the Company in 1972, he has held senior assignments at Head Office and overseas. Prior to becoming CEO, he was Senior Executive Vice-President (Administration), overseeing the Finance, Treasury, Corporate Planning, Human Resources, Legal and Corporate Affairs divisions.

Mr Chew is Chairman of Singapore Aircraft Leasing Enterprise (SALE), the Airline's leasing associate, and Deputy Chairman of Singapore Airport Terminal Services Ltd. and SIA Engineering Company. He also serves as a Director of Virgin Atlantic Airways, and is a member of the Board of Governors of the Singapore International Foundation.

Mr Chew has a B.Eng (First Class Hons) degree from the University of Singapore and a Master of Science in Operations Research and Management from the Imperial College of Science and Technology, University of London.

Charles B Goode

A Director of the Board since July 1999, Mr Goode is also Chairman of the Australia and New Zealand Banking Group Ltd., Woodside Petroleum Ltd., Australian United Investment Company Ltd. and Diversified United Investment Ltd. He is also President of the Howard Florey Institute of Experimental Physiology and Medicine, and Chairman of The Ian Potter Foundation, one of Australia's largest private philanthropic foundations.

Mr Goode holds a Bachelor of Commerce (Honours) degree from the University of Melbourne, an MBA from Columbia University and a Doctor of Laws-Honoris Causa from the University of Melbourne and Monash University. He was made a Companion of the Order of Australia in June 2001.

Ho Kwon Ping

A Director of SIA since July 2000, Mr Ho is Chairman of the Banyan Tree Hotel and Resorts Group, which owns both listed and private companies engaged in the development, ownership and operation of hotels, resorts, spas, residential properties, retail galleries and other lifestyle activities in the region. He is also Chairman of the Wah Chang Group of companies and the Singapore

Management University. He is a Board Director of Standard Chartered Bank plc, a Director of the Government of Singapore Investment Corporation, and a member of the Regional Advisory Board of the London Business School, among other appointments.

Mr Ho graduated with a Bachelor of Arts in Economics from the University of Singapore.

Edmund Cheng Wai Wing

Mr Cheng has served on the SIA Board since June 1996. He brings his wealth of experience in the tourism industry to the Board, having served as Chairman of the Singapore Tourism Board until 2002. On 22 May 2003, Mr Cheng was appointed Chairman of Singapore Airport Terminal Services Ltd and among other Board appointments serves as Deputy Chairman of Wing Tai Holdings Limited, the Esplanade Company and National Arts Council, Managing Director of Wing Tai Land, and as a Director of Clipsal Holdings and SNP Corporation.

Mr Cheng holds a Bachelor of Science in Civil Engineering from Northwestern University and a Master of Architecture from Carnegie-Mellon University in the United States. He was awarded the Public Service Star Award (PBB) in 1999.

Fock Siew Wah

Mr Fock has served as a Director of SIA since July 2000. He is also Deputy Chairman of Fraser & Neave Ltd., Senior Advisor of Nuri Holdings (Singapore) Private Ltd., and a Board member of Temasek Holdings (Private) Ltd., DBS Bank Ltd., DBS Group Holdings Ltd. and DBS Bank (HK) Ltd.

Mr Fock's illustrious career started in Commercial Banking in DBS. At the time of his leaving DBS, he was the Head of the Commercial Banking Division. He was the Regional Head and Senior Vice President and then Senior Banker and Regional Treasurer (Asia Pacific) of JP Morgan. This was followed by his tenure at Overseas Union Bank as President and Chief Executive Officer from 1988 to 1991. Subsequently, Mr Fock was appointed Special Advisor to the Minister of Finance of the Republic of Singapore and was the Chairman of the Land Transport Authority and East West Bank in the United States.

In 1997, Mr Fock was awarded the Meritorious Service Medal by the Government of Singapore.

Lim Boon Heng

Secretary-General of the National Trades Union Congress since 1994, Mr Lim has been a Member of Parliament since 1980 and is currently Minister without Portfolio in the Prime Minister's Office. He has been a Director of SIA since July 1997 and is also Deputy Chairman of the Singapore Labour Foundation.

Mr Lim graduated with a Bachelor of Science with Honours in Naval Architecture from the University of Newcastle-upon-Tyne in Britain and was conferred an Honorary Doctorate in Business by the Royal Melbourne Institute of Technology and an Honorary Doctorate in Civil Law by the University of Newcastle-upon Tyne.

Davinder Singh

Mr Singh, the CEO of Drew and Napier LLC, became a Director of SIA in July 2000. A Director of Petra Foods Private Ltd., Singapore Technologies Private Ltd. and Zagro Asia Ltd., Mr Singh is also a Member of Parliament for Bishan-Toa Payoh GRC. Mr Singh has been a Senior Counsel since 1997 and was one of the first to be so appointed in Singapore.

Mr Singh graduated with a Bachelor of Law with Honours from the University of Singapore.

Sir Brian Pitman

Sir Brian Pitman, knighted in 1994 for his services to banking, became a Director of SIA in July 2003. He is also a Director of ITV plc, Tomkins plc and The Carphone Warehouse Group plc, Senior Advisor to Morgan Stanley and a Governor of Ashridge Management College. Sir Brian started his career in Lloyds Bank in 1952 and subsequently held a number of managerial positions in the group, leading to his appointment as Chief Executive of Lloyds Bank in 1983 and Group Chief Executive of the Lloyds TSB Group following their merger in 1995. From 1997 to 2001, Sir Brian served as Chairman of the Lloyds TSB Group.

Sir Brian received an honorary doctorate in Science from The City University in 1996 and from the University of Science and Technology, Manchester in 2000. He was the winner of the 1999 Gold Medal of the Institute of Management.

Chia Pei-Yuan

Mr Chia became a Director of SIA in October 2003, having retired in 1996 as Vice Chairman and a Director of Citicorp and Citibank, N.A., where he had been responsible for global consumer business. He was also Citibank's senior customer and government contact in Asia. Mr Chia is a Director on the Board of American International Group, Inc. (AIG). He is a member of the Board of Trustees of the NYU Hospital and the SEI Center for Advanced Studies in Management at the Wharton School.

Mr Chia holds a Bachelor of Arts degree in Economics from Tunghai University in Taiwan and an MBA from the Wharton School of the University of Pennsylvania.

Stephen Lee Ching Yen

Appointed a Director of SIA on 26 April 2004, Mr Lee brings extensive business and commercial experience to the Board. In addition to holding the position of Managing Director of both Shanghai Commercial and Savings Bank Ltd. (Taiwan) and Great Malaysia Textile Manufacturing Company Pte. Ltd., Mr Lee serves as President of the Singapore National Employers Federation, Chairman of both the Singapore Business Federation and PSA Corporation Limited and a Director of Fraser & Neave Ltd.

Among other distinguished appointments, Mr Lee was a Nominated Member of Parliament from 1994 to 1997 and Chairman of International Enterprise Singapore, formally the Trade Development Board of Singapore, from 1995 to 2002. Mr Lee has also served on the Boards of Vertex Venture Holdings Ltd and Neptune Orient Lines Ltd.

In 1998, Mr Lee was awarded the Public Service Star for his contributions to both the public and private sectors. He holds an MBA from Northwestern University in Illinois.

We can look back on the past 12 months with pride, having come through a difficult period with the full support of our staff, and I thank them for their hard work and resilience.

When I wrote my statement for last year's annual report, the travel and tourism industry in Southeast Asia was in turmoil following the outbreak of SARS. The outlook then was not only uncertain but extremely worrying. My message focused on the steps we had taken to control costs in the weeks immediately after the outbreak but was written before measures to reduce labour costs were introduced. It is therefore appropriate to begin this year's message by recognizing the understanding and cooperation we received from unions and staff, including those in the managerial ranks, in bearing wage cuts and, in the case of pilots and cabin crew, compulsory unpaid leave.

In addition to reducing labour costs, we took other steps to cut expenditure, including the deferral or cancellation of non-essential projects, freezing recruitment, and reducing capacity or even suspending services on a large number of routes. These measures alone were not enough and we had to reduce staff numbers through our first major retrenchment exercise in 20 years.

Rebound in Demand

Fortunately, the crisis passed more quickly than we dared hope. After a dire first quarter, in which we incurred our first-ever loss, the second quarter saw SARS brought under control and Singapore removed from the World Health Organization's list of affected countries. We did not expect the rebound in demand for air travel to be so immediate and so robust. Also, through initiatives such as the Fabulous Offer and Early Bird promotions, we enticed visitors back to Singapore. Such was the pent-up demand for travel that in the second quarter, we nearly recovered the losses of the first, despite the bargain-basement fares. Three months earlier, this would have been unimaginable.

Profits were announced in the third and fourth quarters, resulting in a year-end profit attributable to shareholders of $849 million.

In view of our performance, our staff were repaid the salary lost through wage cuts and, because we topped $600 million in profit attributable to shareholders, deservedly received a further 15 per cent on top. Thus, they ended the year with more compensation than they would have otherwise earned. In addition, they will be paid a bonus of 2.05 months of basic salary, in accordance with the agreement on profit sharing bonus.

Arrival of Airbus A340-500s

Another inspiring development in the last quarter of the year was the arrival of our first three Airbus A340-500s in January 2004, followed by the launch of non-stop services between Singapore and Los Angeles using this sleek ultra-long-range aircraft. Designed primarily for the business traveller who needs to keep intermediate stops and overall travel time to a minimum, the A340-500 comes equipped with a more spacious Raffles Class and a new Executive Economy Class that features more leg room and wider seats. To allow passengers to move around freely and stretch their legs, the aisles are wider than on other SIA aircraft, and the unique conversation corners with snack counters have proven to be extremely popular. The first outbound flight, aided by tailwinds, completed the journey in 16 hours, but the return sector was completed in just under 18½ hours, which established a record for the longest non-stop commercial flight. This record will soon be broken, as we shall be launching an even longer non-stop flight, in terms of distance, when we introduce a daily non-stop service to New York (Newark) at the end of June 2004.

Labour Relations

Labour relations issues received considerable media attention in the last quarter, but we are optimistic that these issues are behind us. Management and the five SIA staff unions have expressed a commitment to work together to restructure wages and medical benefits, both important to the long-term viability of the Airline and continued employment wellbeing of our staff. With increasing competition, we must become more efficient throughout our operations. We must be flexible enough to at least break even, if not show a small profit, under the most difficult economic conditions.

We are not focusing on wage restructuring alone. During the year under review, we engaged consultants to assist us in conducting a business process review and identified several areas where we could function more efficiently and save on costs. We are now in the process of implementing the recommendations arising from this review.

We are explaining to our staff why we need to make these changes, but an article in the Company newsletter will not be enough. Constant communication, education and time are needed. Nevertheless, we are confident a change in mindset will come. With that, and a better understanding of the challenges of the new environment, our staff will rally behind the Company in full support, as they have done so many times before.

Low-cost Carriers

Another issue that has commanded wide media attention in Singapore is the emergence of low-cost carriers in this part of the world. After much consideration, SIA decided to take a 49 per cent stake in a new low-cost airline, Tiger Airways. The new airline will begin operations later this year to cities within a four-hour flying radius of Singapore.

We decided to invest in Tiger Airways because we believe the low-cost model of airline operations that has been so successful in Europe and the United States can succeed in Asia as well. It can open up a new segment of the air travel market comprising customers who may not have been able to afford air travel very often, if at all, previously.

Like many other markets, the aviation market can be segmented. Just as high-end automobiles, like Mercedes, BMW or Lexus co-exist and are financially successful, even though they have lower cost competitors like Toyota or Hyundai, so premium airlines like SIA can co-exist with airlines offering products and services of lesser quality, and at lower fares.

There will be market segments that will be happy to travel on no-frills airlines but there will still be others willing to pay for the services that traditional airlines provide. Among the latter, SIA's reputation is second to none. There is, therefore, absolutely no question of SIA becoming a no-frills carrier in the long-term. Instead, we intend to enhance our position as a premium airline offering a product and service that others seek to match.

In this regard, we are working aggressively on configuring the A380 for which we will be launch customer in 2006. It is our goal to provide a product and service that will raise the standard in the industry yet another notch.

The New Financial Year: Changes and Challenges

At the beginning of the new financial year, a more streamlined organizational structure was announced. Under this structure, six senior executives will report directly to the CEO, heading the areas of Operations and Services, Marketing (including the overseas regions), Corporate Services, Finance, Human Resources and Planning. This change in structure was implemented following the business process review mentioned earlier.

However, new challenges face us, not least the soaring cost of fuel which, at the time of writing this report, had risen to an unprecedented high level, making it necessary for us and other airlines to introduce a fuel surcharge and clouding the outlook for the coming year.

But we can look back on the past 12 months with pride, having come through a difficult period with the full support of our staff, and I thank them for their hard work and resilience. I commend Management's decisiveness and execution in responding to the situation we faced. I also thank my fellow Board members for their support and advice during a most testing year.

We now approach the year ahead with determination as we adapt to a more competitive environment.

Koh Boon Hwee
Chairman

Corporate Data

Top Management, from left to right
Bey Soo Khiang,
Chew Choon Seng,
Huang Cheng Eng

  

Board of Directors

Chairman	Koh Boon Hwee
Members	Edmund Cheng Wai Wing
	Chew Choon Seng
	Cheong Choong Kong (until 8 June 2003)
	Chia Pei-Yuan (from 1 October 2003)
	Fock Siew Wah
	Charles B Goode
	Ho Kwon Ping
	Stephen Lee Ching Yen (from 26 April 2004)
	Lim Boon Heng
	Sir Brian Pitman (from 26 July 2003)
	Davinder Singh

Board Executive Committee

Chairman	Koh Boon Hwee
Chief Executive Officer	Chew Choon Seng
Member	Fock Siew Wah

Audit and Risk Committee

Chairman	Edmund Cheng Wai Wing
Members	Koh Boon Hwee (until 30 December 2003)
	Ho Kwon Ping
	Chia Pei-Yuan (from 10 October 2003)

Board Finance Committee

Chairman	Fock Siew Wah
Members	Chew Choon Seng
	Charles B Goode
	Davinder Singh

Board Compensation and Organization Committee

Chairman	Koh Boon Hwee
Members	Fock Siew Wah
	Sir Brian Pitman (from 10 October 2003)
	Lim Boon Heng

Nominating Committee

Chairman	Davinder Singh
Members	Edmund Cheng Wai Wing
	Charles B Goode

Safety and Reliability Committee

Chairman	Koh Boon Hwee
Members	Ho Kwon Ping (from 10 October 2003)
	Lim Boon Heng

Company Secretaries

Mathew Samuel
(until 18 April 2004)

Foo Kim Boon

Assistant Company Secretary

Wun Wen-Na
(from 1 April 2004)

Registrar

KPMG
138 Robinson Road
#17-00
The Corporate Office
Singapore 068906

Auditors

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

Audit Partner

Fang Ai Lian
(since 2001)

Registered Office

Airline House
25 Airline Road
Singapore 819829

Executive Management
Head Office

Chew Choon Seng
Chief Executive Officer
(from 9 June 2003)
Senior Executive Vice-President, Administration
(until 8 June 2003)

Cheong Choong Kong
Deputy Chairman and Chief Executive Officer
(until 8 June 2003)

Michael Tan Jiak Ngee
Senior Executive Vice-President, Commercial
(until 19 January 2004)

Bey Soo Khiang
Senior Executive Vice-President, Operations and Services
(from 19 April 2004)
Senior Executive Vice-President, Technical and Human Resources
(until 18 April 2004)

Huang Cheng Eng
Executive Vice-President, Marketing and the Regions

Sim Kay Wee
Senior Vice-President, Cabin Crew

Mathew Samuel
Senior Vice-President, Corporate Affairs
(until 18 April 2004)

Teoh Tee Hooi
Senior Vice-President, Corporate Services (from 19 April 2004)
Senior Vice-President, Finance and Administration
(until 18 April 2004)

Mervyn Sirisena
Senior Vice-President, Engineering

Goh Choon Phong
Senior Vice-President, Finance
(from 19 April 2004)
Senior Vice-President, Information Technology
(until 18 April 2004)

Raymund Ng
Senior Vice-President, Flight Operations

Loh Meng See
Senior Vice-President, Human Resources

Syn Chung Wah
Senior Vice-President, Partnerships and International Relations
(until 15 July 2003)

Mak Swee Wah
Senior Vice-President, Planning
(from 19 April 2004)
Senior Vice-President, Marketing
(from 16 February 2004 until 18 April 2004)
Senior Vice-President, South West Pacific
(until 15 February 2004)

Yap Kim Wah
Senior Vice-President, Product and Services

Hwang Teng Aun
President, Singapore Airlines Cargo Pte Ltd

Prush Nadaisan
Chief Executive Officer, Singapore Airport Terminal Services Ltd (until 1 January 2004)

Ng Chin Hwee
President & Chief Executive Officer, Singapore Airport Terminal Services Ltd
(from 27 May 2004)
Group Chief Executive Officer, Singapore Airport Terminal Services Ltd
(from 2 January 2004 to 26 May 2004)
Senior Vice-President, The Americas (Singapore Airlines)
(until 1 January 2004)

Karmjit Singh
Chief Operating Officer, Singapore Airport Terminal Services Ltd
(from 27 May 2004)
Chief Executive, SATS Airport Services Pte Ltd
(until 26 May 2004)

Joseph Chew Khiam Soon
Chief Executive, SATS Catering Pte Ltd
(until 26 May 2004)

William Tan Seng Koon
President & Chief Executive Officer, SIA Engineering Company Ltd

Mike Barclay
Chief Executive, SilkAir (Singapore) Pte Ltd
(from 5 January 2004)

Overseas

Thoeng Tjhoen Onn
Senior Vice-President, Europe

Ng Kian Wah
Senior Vice-President, North Asia

Teh Ping Choon
Senior Vice-President, South East Asia, Korea and Japan
(from 1 March 2004)
Senior Vice-President, South East Asia
(until 29 February 2004)

Tan Chik Quee
Senior Vice-President, West Asia and Africa
(from 9 February 2004)
Senior Vice-President, Marketing
(until 8 February 2004)

Subhas Menon
Regional Vice-President, Americas
(from 19 January 2004)
Chief Executive, SilkAir (Singapore) Pte Ltd
(until 18 January 2004)

Paul Tan Wah Liang
Regional Vice-President, South West Pacific
(from 9 February 2004)
Senior Vice-President, West Asia and Africa
(until 8 February 2004)

Financial Calendar

31 March 2004
Financial year-end

14 May 2004
Announcement of 2003/04 Annual Results

23 June 2004
Despatch of Summary Financial Statement to Shareholders

7 July 2004
Despatch of Annual Report to Shareholders

29 July 2004
Annual General Meeting

16 August 2004
Payment of 2003/04 final dividend
(subject to shareholders' approval at AGM)

28 October 2004
Announcement of 2004/05 half-yearly results

25 November 2004
Date of payment of 2004/05 interim dividend

Significant Events

April 2003
- SIA announces service cutbacks of up to 19.7 per cent due to SARS and war in Iraq
- 206 Cabin Crew trainees released

May 2003
- Singapore Airlines Cargo starts direct freighter services from China to the US three times a week
- Service cutbacks rise to 29.5 per cent to cope with softening demand

June 2003
- Last A310 aircraft phased out of the SIA operating fleet
- 414 Singapore-based office and airport staff and engineering personnel retrenched
- Service cutbacks peak at 31.5 per cent of pre-SARS capacity

July 2003
- Management and unions reach agreement on wage restructuring
- Raffles Class *SpaceBeds* installed on all Boeing 777-200ER aircraft
- SIA records first quarter loss of $312 million
- 26 pilots and 156 cabin crew either retrenched or have their contracts terminated

August 2003
- SIA launches thrice-weekly services to Bangalore
- SIA takes delivery of its 50th Boeing 777 aircraft

October 2003
- SIA Group records second quarter profit of $306 million, resulting in a half-year deficit of $6.5 million

November 2003
- SIA signs letter of intent with Connexion by Boeing to provide high-speed Internet-based communications on board all its long-haul flights
- *Ezycargo*, an internet service portal involving a partnership between SIA Cargo, Qantas Freight, Cathay Pacific Airlines Cargo and Japan Airlines Cargo, is launched

December 2003
- SilkAir commences twice-weekly operations to Fuzhou, China
- Announcement that SIA will own 49 per cent of low cost carrier Tiger Airways, in partnership with Temasek Holdings, Indigo Partners LLC and Irelandia Investments Ltd

January 2004
- SIA's first ultra-long-range A340-500, dubbed the *A345LeaderShip*, joins the fleet
- SIA commences thrice-weekly services to Shenzhen, China

February 2004
- SIA's *A345LeaderShip* commences daily non-stop services from Singapore to Los Angeles, the world's longest non-stop commercial flight
- SIA announces a third quarter profit of $378 million and returns to the black with a cumulative profit of $371 million

March 2004
- SIA commences thrice-weekly services to Nanjing, China

A Cautious but Optimistic Recovery

The financial year opened on a sombre note as the Airline continued to be plagued by events beyond its control. The devastating impact of the sudden outbreak of Severe Acute Respiratory Syndrome (SARS) in Asia had a crippling effect on the travel industry, and SIA was not spared. At the peak of the crisis, SIA was losing $5-6 million a day and thus ended its first quarter with a loss of $312 million.

Drastic measures to reduce costs were quickly implemented: SIA's scale of operations was cut back by more than 30 per cent, non-essential projects were deferred or cancelled, and recruitment was frozen. Management and staff rallied together and made painful sacrifices in the form of wage cuts and no-pay leave to help ensure the long-term viability of the Airline. Under a special scheme, 143 staff took early retirement.

Regrettably, these measures were not enough to stem the bleeding, and some retrenchment could not be avoided. In June 2003, 414 ground staff, comprising office and airport staff and engineering personnel, lost their jobs. This was equivalent to 1.5 per cent of the SIA Group's staff strength in Singapore. The following month 156 cabin crew and 26 pilots were laid off.

With these initiatives and the containment of SARS by mid-2003, the Company was able to recoup most of its first quarter losses by the end of the first half of the financial year. The Airline continued its recovery with profitable third and fourth quarters, resulting in a year-end profit attributable to shareholders of $849 million.

Network

In response to plunging demand due to the war in Iraq, the spread of SARS and a weak global economy, the Airline started the financial year with capacity reductions, amounting to as much as 31.5 per cent in terms of available seat kilometres (ASKs). By May 2003, at the peak of SARS, a total of 358 out of 719 scheduled frequencies per week were suspended, and services to six destinations – Brussels, Chicago, Las Vegas, Kaoshiung, Hiroshima and Mauritius – were terminated. In addition, Jeddah and Madrid went off-line temporarily, and services to Karachi and Lahore remain suspended.

As the spread of SARS was brought under control in June 2003, confidence in travel recovered. SIA gradually restored capacity and reinstated many of the services it had suspended earlier. By the end of September 2003, capacity was back to pre-SARS levels.

In January 2004, thrice-weekly services were launched to Shenzhen, and these were followed in March by thrice-weekly services to Nanjing. SIA now serves China 53 times weekly. The Airline's network to India also expanded during the period under review, with the launch of thrice-weekly services to Bangalore in August 2003. In July 2004, the Airline will begin services to Ahmedabad, the capital of Gujarat, also thrice weekly.

Between November 2003 and January 2004, SIA mounted additional flights to several destinations to cater to the traditional year-end peak in demand. A total of 117 supplementary services were mounted to cities in Australia and New Zealand alone, and in addition larger aircraft were used on 33 scheduled services. The extra flights and larger aircraft added 38,000 seats to the 360,900 normally available on scheduled services to Australia and New Zealand.

The highlight of the year was the launch of daily non-stop flights from Singapore to Los Angeles, featuring SIA's new ultra-long-range A340-500 aircraft, dubbed the *A345LeaderShip*. A new record will be set on 28 June 2004, when SIA launches an even longer non-stop flight between Singapore and New York's Newark airport.

As at March 31, 2004, SIA's passenger network covered 59 destinations in 33 countries.

Fleet

In August 2003, SIA took delivery of its 50th Boeing 777 aircraft and so became the world's second largest B777 operator. At the end of the year in review, SIA had 52 Boeing 777 aircraft in its fleet.

January 2004 marked the arrival of the first three Airbus A340-500 aircraft ordered by the Airline. The 10 aircraft on order – five firm and five on option – are worth US$2.2 billion, including the cost of spares and spare engines.

SIA completed its 17th Boeing 747-400 aircraft sale and leaseback transaction in August 2003. The aircraft was sold to Tarbenian Leasing Limited and is being leased back for six years. SIA concluded its first Boeing 777-300 aircraft sale and leaseback transaction in March 2004. This aircraft was sold to Orchid Aircraft Limited.

All Airbus A310-300s and A340-300s were phased out of the Airline's operating fleet in 2003, ceasing operations after 19 years and seven years respectively.

SIA disposed of three B747-400s, five A310-300s and five A340-300s during the year. As at 31 March 2004, SIA's passenger fleet stood at 95 aircraft, with an average age of five years and seven months. This figure excludes six aircraft leased to other operators.

Air Traffic Rights Committee

In October 2003, the Singapore Government introduced legislation that established an "Air Traffic Rights Committee" (ATRC). The establishment of the ATRC paves the way for new entrants into the Singapore aviation market. The role of the ATRC is to allocate the traffic rights available under Singapore's Air Services Agreements (ASAs) amongst all Singapore carriers.

The ATRC will assess all applications according to national interest criteria, and may decide to withhold available rights from an applicant in order to give those rights to potential new entrants. In addition, rights that are granted will only have a validity period of a maximum of five years.

Until this development, the airlines in the SIA Group had been the only Singapore carriers utilising Singapore's pool of available traffic rights. The Group was able to use any or all of the rights available under any particular agreement, and was able to exercise a great deal of flexibility in its planning.

Under the new regime, the SIA Group must now apply for additional traffic rights and make a case in doing so. The ATRC has already declined an application by the SIA Group for additional rights to China, preferring instead to retain capacity for new entrants. In some markets, due to the distribution of available traffic rights to new entrants, problems are anticipated in mounting *ad hoc* capacity to satisfy peak seasonal demand. More generally, the combination of limited available rights and the entrance of new carriers will restrict opportunities for expansion by the Group.


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Promoting Travel and Tourism

In an attempt to restore confidence in the travel industry and stimulate air traffic to Singapore after SARS, SIA launched its largest-ever global business recovery campaign – the SIA Fabulous Offer – in June 2003. The campaign offered special fares of up to 50 per cent below SIA's market fares on flights into Singapore. In addition, an Early Bird Special promised a further 50 per cent off the promotional rates on the first 15,000 bookings worldwide. With this Early Bird Special, travellers effectively paid only 25 per cent of the seasonal market fares.

The SIA Fabulous Offer was supported by the Singapore Hotel Association and the Association of Singapore Attractions. Working closely with 53 hotels, eight key attractions and several tour operators, SIA managed to secure significant contributions from these partners in offering a compelling package that drew thousands to Singapore and beyond. The SIA Fabulous Offer won the Airline the 2004 Pacific Asia Travel Association (PATA) Gold Award for marketing excellence.

SIA also collaborated with the Australian Tourist Commission (ATC) to launch a regional promotion, *Enjoy Australia* in July 2003. Following close after the SIA Fabulous Offer, this promotion targeted visitors from Southeast Asia, China, Japan, Korea, and India.

In January 2004, the Airline launched the Boarding Pass Privileges programme. Through this programme, SIA customers are able to enjoy discounts in participating hotels worldwide as well as in selected restaurants, shopping and lifestyle outlets in Singapore, by presenting their boarding pass within seven days of their flight. SIA will progressively expand this programme to partner top retail establishments in its key markets.

Tiger Airways

In December 2003, it was announced that a partnership involving Singapore Airlines, Indigo Partners LLC, Irelandia Investments Ltd. and Temasek Holdings would set up a low cost carrier, Tiger Airways, which will be based in Singapore and serve destinations in Southeast Asia when it begins operations in the second half of 2004. Led by Chairman William A. Franke and Chief Executive Officer Patrick Gan, Tiger Airways aims to be the 'gold standard' of budget airlines in the region, offering the lowest possible fares while maintaining state-of-the-art aircraft, clean and comfortable inflight facilities, most convenient connections and staff who are committed to the success of the airline. SIA will hold a 49 per cent stake, with Indigo Partners holding 24 per cent, Irelandia Investments 16 per cent, and Temasek Holdings 11 per cent.

Product and Service Development

On the ground

A new *Silver Kris* Lounge at Shanghai's Pudong Airport opened its doors in July 2003. Built at a cost of $1 million, this latest SIA lounge is located on the arrival level of the airport. It offers an array of facilities to cater to the passenger's work and leisure needs, including computer work stations equipped with 15-inch LCD screens, 20 broadband connection points and a 42-inch plasma TV featuring the latest world and business news. There is also a special buffet corner featuring an impressive wine selection.

In the air

New Seats

The Airline completed the installation of the Raffles Class lie-flat seat, the *SpaceBed*, on all of its B777-200ER fleet in June 2003. At an extended length of 78 inches and a seat width of 27 inches, the *SpaceBed* is designed to provide more space and comfort through a unique cushioning system that conforms more effectively to the body's contours. The *SpaceBeds* were installed onboard these aircraft at a cost of US$100 million. *SpaceBeds* are also available on SIA's B747-400 aircraft.

Mobile Connectivity

On 11 November 2003, SIA signed a letter of intent with Connexion by Boeing to install its mobile information service on 40 of the Airline's long-haul aircraft, with an undisclosed number of options for additional service installations. This precedes a definitive service agreement and establishes the framework for in-flight broadband communications to be made available to SIA's customers later in 2004. In addition to the data services, Connexion by Boeing will provide SIA customers with real-time television. Installation of the service is expected to begin by the third quarter of 2004 and will be launched on commercial services shortly after.

Inflight Entertainment

SIA's inflight entertainment system, *KrisWorld*, was expanded during the period under review and now offers over 400 entertainment options, including video and audio programming, games and news. Customers can now choose from a selection of 60 movies, 90 TV programmes, close to 200 music CD albums and audio books and more than 30 Nintendo games.

Food and Beverage

Yummy! SIA's Book-The-Cook service for young First and Raffles Class passengers, took to the skies on 27 March 2004. Boasting a selection of 12 favourites, this meals-on-demand product for children was developed after an extensive customer research and feedback survey during which young frequent travellers were invited to taste a variety of dishes and choose what they liked best. *Yummy!* can be ordered up to 24 hours prior to flight departure through a travel agent, by fax or online at www.singaporeair.com (if tickets are booked online).

Amenity Kits

First Class passengers on selected flights can now enjoy a new range of Bulgari toiletries and fragrances, especially designed for SIA. Bulgari's new BLV range offers distinct characteristics for men and women. Each kit comprises a fragrance, lip balm and a special Bulgari eye mask. In addition, the ladies' set includes a body lotion, while the men's set offers an aftershave emulsion.

Aircraft Collectibles

Singapore Airlines' Heritage Series, a series of model aircraft collectibles, was launched in May 2003. This is the first such collection of model aircraft commissioned by the Airline. There are four sets in the series, tracing SIA's history from 1947, when it was known as Malayan Airways, to the present day. Each model in the SIA Heritage Series comes with a commemorative booklet that features the history of the Airline and its fleet.

KrisFlyer

One-way award redemptions and the ability to purchase 'top-up' miles were among the service enhancements introduced to the *KrisFlyer* programme in October 2003. These additional features were the result of an extensive customer research survey conducted at the end of 2002. Other enhancements included the redemption of additional stopovers at 10,000 miles per stopover, irrespective of class of travel, instead of the usual 15,000, 25,000 and 40,000 miles required for Economy, Raffles and First Class awards respectively.

KrisFlyer also announced a new partnership with DBS Bank in Singapore and Hong Kong which allowed DBS credit card holders to convert their DBS "perk$" to *KrisFlyer* miles. Other new partners include Citibank IPB, the Spanish hotel chain, Sol Melia, and Peninsula Hotels, based in Hong Kong. The partnership with Amex (Membership Rewards) was also extended to include the New Zealand market, and a year long promotional campaign to promote the American Express-Singapore Airlines *KrisFlyer* Gold Credit Card was launched in Singapore in December 2003.

A345LeaderShip

SIA's first Airbus A340-500, dubbed the *A345LeaderShip,* was welcomed into the fleet on 2 January 2004. Powered by four Rolls Royce Trent 553 engines, the ultra-long-range aircraft is the first new aircraft type to join the SIA fleet since 1997, when the Airline took delivery of its first Boeing 777.

Designed with the business traveller in mind, the *A345LeaderShip* boasts just 181 seats in a two-class premium configuration. Exclusive to this aircraft, SIA's new Executive Economy Class seats 117 in a 2-3-2 configuration, with a longer Economy Class seat pitch of 37 inches, a seat width of 20 inches and a seat back recline of eight inches. It also features an adjustable leather headrest, an innovative leg-and footrest, and a nine-inch personal video monitor. In addition, one in every two seats is equipped with an AC power supply outlet.

The *A345Leadership* Raffles Class cabin also sets new standards. With 64 SpaceBeds in a 2-2-2 configuration, the 64-inch seat pitch is longer than in any other Raffles Class cabin. Among the other features, AC power supply is available in every seat, and each customer can now enjoy SIA's *KrisWorld* entertainment system on a 10.4-inch personal video monitor.

Another highlight of the *A345LeaderShip* is the inclusion of designated areas in both classes where travellers can gather to socialise, stretch their legs and enjoy a snack.

The *A345LeaderShip* made its maiden transpacific commercial flight from Singapore to Los Angeles on 3 February 2004, setting a world record for the longest non-stop commercial service – an important milestone for SIA and international aviation.

Awards and Accolades

Despite a difficult operating environment, SIA continued to be recognized as a leader in the airline industry and garnered numerous awards, particularly for its high standards of customer service and product development. At the OAG (UK) Airline of the Year Awards in April 2003, the Airline not only won the OAG Airline of the Year Award for the fifth time, but was also named Best Europe to Far East/Australasia Airline, Best Trans-Pacific Airline, Best Airline Based in Asia and lauded as having both the Best International First Class and Best Economy Class.

US travel magazine *Conde Nast Traveler* presented SIA with its 2003 Readers' Choice Award for Best International Airline, an accolade SIA has won 15 times in the past 16 years, and in February 2004, the Airline won *Air Transport World* magazine's Passenger Service Award for 2004.

SIA was ranked sixth in the Transport Companies sector in the 2003 Financial Times/PricewaterhouseCoopers World's Most Respected Companies survey and was the only Singapore company to be ranked in the survey, now in its sixth year.

Alliance Partners

Star Alliance welcomed Spanair and LOT Polish Airlines into the Alliance in the year in review. Spanair joined in April 2003 and enhanced the Alliance coverage of the Iberian Peninsula and Southern Europe. It added 12 destinations to the Alliance network in Spain and the Balearic and Canary Islands. LOT Polish Airlines was introduced to the Alliance in October 2003, furthering the grouping's network in Eastern Europe. In addition to 12 destinations in Poland, LOT's network covers 48 cities in Europe and beyond.

Mexicana withdrew from the Alliance on 31 March 2004.

In January 2004, SIA and its Alliance partner Air Canada announced the expansion of codeshare services, bringing the total number of codeshare flights between SIA and Air Canada to 14. The Airline also launched codeshare services with UK-based carrier bmi in March 2004. This agreement extends SIA's network to 34 European cities in total.

The next new member for the Alliance will be US Airways in May 2004. This will increase the Star network coverage to 132 countries and 755 airports worldwide.

Outside of the Star Alliance, SIA expanded its cooperation with Virgin Atlantic by introducing a new codeshare on Virgin Atlantic's five-times weekly services between Manchester and Orlando, beginning in February 2004.

Community Relations

SIA recognizes that its business depends on the support of the communities it serves. To this end, during the year in review it contributed over $1 million in cash and in free and rebated tickets to charities, community development programmes and philanthropic or promotional events.

Apart from continuing to support education programmes in Indonesia (Siap) and the Philippines (Bantay Bata), SIA supported the Shooting Star Trust, a charity based in the United Kingdom to raise funds to build, equip and run a hospice for children with life-limiting medical conditions. The Shooting Star Children's Hospice is due to open in the summer of 2004. It will provide free medical treatment, advice and counselling to child patients and their families.

SIA also supports various local arts organizations, among them the Singapore Symphony Orchestra and the Singapore Lyric Opera. Under the SIA-NAC Travel Grant Scheme, run in conjunction with the National Arts Council, SIA provides air tickets for local artistes to travel overseas for performances or competitions. In the field of sport, the Airline has actively supported the Football Association of Singapore for the past three years by providing tickets for players and officials to travel abroad and, in the past year, has also provided tickets for the Singapore Sports School.

Our People

The retrenchment exercise mentioned earlier in this report was the first on such a scale for two decades. But for the sacrifices made by staff in terms of wage cuts and no pay leave, even more jobs would have been lost.

Management and five unions in the SIA Group reached agreement on wage cuts. With effect from 1 July 2003, the basic salary component for different staff categories was reduced by between five and 16.5 per cent. All parties agreed to a formula for a make-up lump-sum payment to staff, plus an additional 15 per cent if the annual profit attributable to share-holders topped $600 million. This figure was subsequently exceeded. At the end of the financial year, the staff strength of the SIA Group worldwide stood at 28,707. Of these, 13,456 were employed by the Airline and the remainder by its subsidiaries. The Airline employed 6,464 cabin crew (including trainees), 1,857 Singapore-based pilots and 111 overseas-based pilots as at the end of the financial year.

Safety, Security and Environment

SIA takes a long-term view of the sustainable development of its air transportation and related businesses. This includes the broader responsibilities to the worldwide communities that it serves and recognition that its operations take into account the preservation of the environment.

Information on SIA's key environmental activities and performance can be obtained in our Environmental Report, a copy of which can be viewed and downloaded from our website: www.singaporeair.com

Subsidiaries and Associated Companies

SIA Engineering Company (SIAEC)

On 24 February 2004, SIAEC announced that it would be investing up to $120 million to expand its airframe maintenance capacity at Singapore Changi Airport, which would include the construction of two new hangars equipped to handle the latest jets, such as the A340-500. Hangars 4 and 5 will increase SIAEC's airframe maintenance capacity by 30 per cent and enable the Company to capture a larger slice of the global maintenance, repair and overhaul (MRO) business. Up to 800 new engineers, technicians and support staff will be recruited and receive intensive training to acquire the skills and license coverage on new-generation aircraft such as the A340-500 and A380.

SIAEC welcomed new customers Air Europe, Air Pacific, Air Paradise, Air Plus Comet, China Eastern Airlines, China Northern Airlines, Debis Air Finance, Dubai Air Wing, Global Supply Systems, Iberia, Islandsflug, Northwest Airlines and Pegasus to its airframe maintenance, component overhaul and fleet management programmes. The latter programme provides customers with high value-added services, such as fleet and inventory technical management.

Singapore Aircraft Leasing Enterprise (SALE)

Celebrating the 10th Anniversary of its establishment, SALE continues to demonstrate its ability to compete with the best in the global leasing market.

Altogether, the Company took delivery of seven new Airbus A320 family aircraft during the year, all of which were placed with airlines on delivery. In addition, the Company acquired five more new single aisle aircraft through purchase and leaseback arrangements with airlines. These included four Boeing 737-700 Next Generation aircraft, reflecting further diversification of the Company's portfolio.

Despite a difficult aircraft trading environment, SALE successfully completed the profitable sale of one A321 and its last A310-200 during the year, as well as the sale of an A320 simulator.

At year-end, the SALE portfolio comprised 55 modern aircraft flying with 29 airlines worldwide, with 19 more on firm order for delivery through to 2007. The Company's fleet remains one of the youngest in the leasing industry, with an average age of just five years.

SilkAir

On 5 January 2004, Mr Mike Barclay, formerly SIA's General Manager in Germany, succeeded Mr Subhas Menon as Chief Executive. Mr Menon is now SIA's Regional Vice-President for the Americas, based in Los Angeles.

Like its parent, SilkAir was severely affected by the SARS outbreak and was forced to cut capacity by an average of 20 per cent between April and September 2003. Services on the affected routes were gradually reinstated as fears of SARS receded and confidence in the travel industry was restored.

In December 2003, SilkAir launched twice-weekly services to Fuzhou in China. However, in January 2004, it suspended its twice-weekly services to Chittagong.

SilkAir operated charter services to a number of regional destinations, including five to Bodh Gaya (India), four to Jaipur (India), three to Wuhan (China), two each to Terengganu (Malaysia), Guilin (China), Vientiane (Laos) and Darwin (Australia), and one to Brunei.

With the arrival of its sixth Airbus A320-200 in July 2003, the SilkAir fleet now comprises 10 aircraft. The other four are Airbus A319-100s. During the period under review, SilkAir achieved 200,000 engine flight hours and 100,000 engine flight cycles, operating an all-V2500 powered Airbus single aisle fleet. In recognition of the excellent operational reliability of its V2500-powered fleet, SilkAir was awarded the International Aero Engine (IAE) Award at the Asian Aerospace Show.

SilkAir was also presented with the Singapore Tourism Board Award for the "Best Singapore Travel Experience – China" for its efforts in promoting Chengdu, to which SilkAir has flown twice weekly since July 2002.

Singapore Airport Terminal Services (SATS)

It was also a year of succession at SATS, with a number of new appointments at its top management levels. On 19 May 2003, Mr Edmund Cheng Wai Wing succeeded Dr Cheong Choong Kong as Chairman of the SATS Board. On the same day, Mr Chew Choon Seng, CEO of SIA, succeeded Mr Michael Tan Jiak Ngee as Deputy Chairman. Mr Tan still serves as a Director of the Board. On 2 January 2004, Mr Ng Chin Hwee assumed the position of Group CEO, following the retirement of CEO SATS, Mr Prush Nadaisan.

In 2004, the Singapore Government introduced a host of measures aimed at maintaining Singapore's status as a regional aviation hub, including opening ground handling operations at Changi Airport to a third licensee and cuts in ground handling fees. These moves, combined with the emergence of several low cost carriers operating to or based in Singapore, have created a new level of cost-consciousness in the airline industry.

In addressing these changes in the competitive landscape, SATS' commitment to excellence in service remains unfaltering. SATS was awarded the Class 'A' security certification from the Technological Assets Protection Association (TAPA) during the year in review and won a $26 million, two-year contract to provide security screening services at Changi Airport. SATS also introduced premium class check-in facilities for First and Business Class passengers at Terminal 1 for its airline clients.

SATS gained new clients in Transmile Air, Xiamen Airlines, Qatar Airways and Jatayu Airlines. SATS Cargo also upgraded its material handling system in Air Freight Terminals 1 to 4 at a cost of $13 million.

Singapore Flying College

In the latter half of the year, the College saw the expansion of training operations both in Singapore and in Jandakot, in line with the increasing need for pilots in the SIA Group. As the higher demand is expected to continue in the future, the College has built a second accommodation block in Jandakot to house the additional students, which was opened in April 2004 together with a new hangar.

The Singapore Flying College now operates 16 Cessna 172R aircraft and six Beech B58 Barons in Jandakot.

This increase in activities for the ab-initio training of new recruits will spill over to Maroochydore in the coming year as these cadets move on to advanced training.


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Singapore Airlines Cargo

One of the highlights of the Singapore Airlines Cargo calendar during the financial year was undoubtedly the launch of freighter services between China and the US in May 2003. SIA Cargo thus became the first foreign carrier to be awarded fifth freedom rights to carry freight beyond Chinese cities to the US. This new freighter service operates from Singapore to Xiamen and Nanjing in China, and then on to Chicago, three times weekly.

SIA Cargo expanded its route network with new services to Adelaide, Calcutta and Kuwait as well as increasing frequencies to Chicago, Amsterdam and New York. The carrier took delivery of its 13th and 14th Boeing 747-400 freighters during the year.

SIA Cargo continued improving on its services. In July 2003, the WOW Alliance – comprising SIA Cargo, Lufthansa Cargo, SAS Cargo and Japan Airlines Cargo – introduced Virtual Express Network, with each partner carrier setting aside capacity on all its services for express shipments. With this, WOW customers can easily sell express shipments to more than 240 destinations in the Alliance network.

In September 2003, Qantas Freight, Cathay Pacific Cargo, Japan Airlines Cargo and SIA Cargo jointly initiated *Ezycargo*, an internet-based cargo portal developed by Cargo Community Network of Singapore and Global Logistics System Hong Kong. Currently operational in Singapore, Hong Kong, Sydney, Melbourne, Tokyo and Shanghai, *Ezycargo's* ambition is to be the primary cargo portal in Asia.

SIA Cargo commenced recruitment of its own pilots in July 2003. A total of 32 cadet pilots and two captains joined the Cargo Company last year.

In September 2003, SIA Cargo was recognized as the Best Air Cargo Carrier at the Asia Logistics Awards for the second year in succession. According to the latest available IATA statistics, SIA Cargo is the world's second largest international cargo airline, based on freight tonne-kilometres carried.

At the end of the year in review, SIA Cargo operated to 67 cities in 36 countries.

Corporate Policy Statements

Flight Safety Policy

The safety of our passengers and staff is our first and foremost priority and is an essential part of our operations and our success.

Our flight safety is founded on the premise that:

- We will continually provide quality training to our staff
- Our people are proficient at all times
- Our equipment and operating systems will be well maintained and in good working condition
- We will support and promote a work place culture where errors, unsafe acts or unsafe conditions will be identified quickly for resolution
- Our safety management system will deal with safety issues in a comprehensive and responsive manner, and be able to effectively inform, educate and strengthen our safety values.

The commitment and participation of everyone in our organization towards these efforts are required to ensure that Singapore Airlines ranks among the safest airlines to fly with.

Security Policy

Ensuring the safety and security of our operations constitutes one of our core values. Thus, security is a major consideration in all aspects of our business, and should not be compromised.

It is the corporate policy of Singapore Airlines to provide appropriate security measures to ensure:

- The protection of our passengers and employees from danger or threats
- The protection of our Company property from theft or other loss
- The protection of our services and information from theft or unauthorised dissemination
- The protection of property entrusted to our care from theft or other misfortune

Total security is of paramount importance to the Company. It is therefore the responsibility of all employees to exercise care and vigilance in their respective functions so as to ensure the security of our passengers, staff, tangible assets and premises.

Quality Policy

Singapore Airlines is committed to being a quality airline. We ensure safe, comfortable, reliable and efficient transportation for our customers. Singapore Airlines' Safety Quality Programme provides systematic support to achieve these objectives effectively.

We must ensure that:

- Safety and quality are primary responsibilities of all staff
- Clear and measurable standards shall be established for critical processes and services to stimulate quality
- All operations shall be conducted in accordance with established procedures that are based on regulatory requirements, Company procedures and safety operational practices
- Staff will be trained so that they possess the knowledge and skills to effectively perform their assigned functions

All processes shall be planned, documented, monitored and evaluated. Non-conformities must be identified and corrected for continual improvement.

Environmental Policy

Singapore Airlines is dedicated to flying passengers and freight across the world. We take a long-term view in the sustainable development of our air transportation and related businesses. This includes the broader responsibilities to the worldwide communities that we serve, and recognition that our operations take into account the preservation of the environment.

We are committed to continual improvement in environmental performance and will take appropriate measures to address key areas of environmental concern.

We will:

- Communicate this policy to all staff and provide training where applicable to ensure that every employee is capable of fulfilling his or her environmental responsibility
- Be open about our environmental affairs and provide appropriate information as requested by interested parties
- Monitor changes in environmental legislation, audit our compliance and cooperate fully with environmental regulatory authorities
- Establish an environmental action programme to achieve the Company's objectives in the management of environmental issues relating to the use of water and energy, emission to atmosphere, effluent discharges, waste management, noise and relations with key suppliers.

Safety & Health Policy

Singapore Airlines places the greatest importance on the safety of its customers and staff and will do its utmost to provide and maintain a safe and healthy work environment.

We will:

- Strive to anticipate and eliminate hazards that may result in personal injuries/illness and/or losses/damages to properties and equipment
- Instil and promote safety consciousness among our staff to prevent accidents and injuries
- Take all reasonable steps to provide the best possible care in maintenance of equipment and facilities.

It is the duty of every staff to take personal responsibility for doing everything possible to prevent injury to himself/herself and to his/her colleagues.

Prevention of accidents is a joint effort. We will work as a team to make our Company the safest and best.

List of Awards

April 2003
OAG (UK)
Airline of the Year Awards
Airline of the Year (5th time)
Best Europe to Far East/Australasia Airline
Best Trans – Pacific Airline
Best Airline Based in Asia
Best Economy Class
Best International First Class.

Reader's Digest
Asia's SuperBrands 2003 Survey
Preferred Airline
(Platinum award for 4 consecutive years)

May 2003
Business Traveller (Middle East)
Travel Awards Survey 2003
Best Asian Airline Serving the Middle East

Parangal ng Bayan Foundation, Inc.
(The Philippines)
18th Annual National Consumers
Excellence Awards
Most Outstanding International Airline

Travel & Leisure (US)
World's Best Service Awards
Top International Airline
(consecutively since 1996)

June 2003
Korea Herald (South Korea)
Readers' Best Brand Awards 2003
Best Foreign Airline (9th consecutive year)

Global Finance (US)
Global Finance Awards 2003
Best Airline (2nd consecutive year)
Best Airline – Asia/Pacific
(2nd consecutive year)

Media (Hong Kong)
2nd annual Asia's Top Asian Brands poll
Top in airline category, in terms of innovation, quality, strong vision, and up-to-date and most successful branding of its marketing icon – the Singapore Girl.

The Guardian & The Observer (UK)
The Guardian/Observer Travel Awards 2003
Best Leisure Airline (3rd consecutive year)

July 2003
Travel & Leisure (US)
World's Best Awards
Best Foreign Airline
(6th time in Award's 8-year history)

August 2003
AB Road (Japan)
Airline Ranking 2003 survey
Top in onboard entertainment system, aircraft facilities, airline choice regardless of class, and ranked number one overall

September 2003
Business Traveller (UK)
Best Long – Haul Airline
Best Cabin Staff
Best Economy Class

Business Traveller Asia-Pacific (Hong Kong)
World's Best Airline (3rd consecutive year)
Best Asia – Pacific Airline
Best First Class
Best Business Class
Best Economy Class
Best Frequent Flyer Programme

October 2003
Conde Nast Traveler (US)
2003 Readers' Choice Awards
Best International Airline
(15th time in 16 years)

Travel Inside (Switzerland)
Golden Travel Star Award 2003
Top in Scheduled Airline category
(10th consecutive year)

TIME Inc Asia (Hong Kong)
Readers' Travel Choice Awards
Preferred Airline (3rd consecutive year)
Most Popular Airline Frequent Flyer Programme (3rd consecutive year)

2003 Asian MAKE (Most Admired Knowledge Enterprises) Award (Korea)
Most Admired Knowledge Enterprise in Singapore

Travel Bulletin (UK)
Top Airline to Asia Pacific

November 2003
Korea Herald (South Korea)
Readers' Best Brand Awards 2003
Best Foreign Airline (10th consecutive year)

Schlemmer Atlas Guidebook (Germany)
Airline of the Year

December 2003
Galileo-Express Travel Travel & Tourism Award (India)
Best Eastbound International Airline

January 2004
Irish Travel Industry
Best Airline to Asia/Pacific Rim
(12th consecutive year)

Internet votes by Dutch travel industry
Best Scheduled Airline for 2003 (3rd time)

Business Traveller (Germany)
Best Airline to the Far East &
the Pacific Region

Reise & Preise Survey 2003 (Germany)
Best Airline to Asia

February 2004
Air Transport World Magazine (US)
Passenger Service Award for 2004

Far Eastern Economic Review
(Hong Kong)
Review 200: Asia's Leading Companies Award 2003

March 2004
Fortune Magazine (US)
World's Most Admired Companies
2004 All-Star List
Ranked 2nd in the airline category and 32nd overall

Parangal ng Bayan Foundation, Inc.
(the Philippines)
19th Annual National Consumers
Excellence Awards
Most Outstanding International Airline

18th Singapore Tourism Board Award
Outstanding Contribution to Tourism Award (Singapore Girl)

Statement on Risk Management

1. Further Development And Integration Of Risk Management

In the year under review, the Company continued to further integrate and embed her risk management activities under the Risk Management Framework formalized in the preceding year.

2. Multiple Levels Of Risk

SIA recognizes that within each of the Framework's four classes of risks – Strategic, Operational, Financial and Regulatory – there exist multiple levels of risk. These levels of risk can be broadly separated within the organizational structure as follows:

Process Risks – these are risks at the lowest level that are generated internally in the everyday activities of individuals or small groups of staff, arising from errors, non-compliances or abuse of internal control procedures. Some of these Process Risks may lead to more serious impacts on the organization, such as failures in entire business functions.

Functional Risks – these are risks in the middle levels that result in a failure of business objectives or failure of corporate functions. They may arise from major internal Process Risks or from external factors. The IT System is an example of a function whose failure could lead to lost sales and revenues. It could result from a breach of internal information security controls (Process Risk) or from external malicious code attacks. A sub-set of functional risks is that consisting of failures of critical functions, resulting in the complete disruption of the organization's business. These may be referred to as Business Continuity Risks and are given special attention by senior management.

Planning Risks – these are risks at the highest level that affect long-term corporate objectives and goals for the Group.

3. Embedding Risk Management Across All Levels

Structured Risk Management Activities

Recognizing that the different levels of risk and corresponding ownership require the risk management effort to be customized accordingly, a structured programme was implemented as follows:

Control-Self-Assessment ("CSA") for Process Risks

The CSA programme looks into the daily activities and processes in fine detail, including the actions of individuals or small groups of staff. The corresponding internal controls in place to prevent abuse and improve efficiency are mapped and risks of non-compliance, whether intentional or erroneous, are monitored.

Risk and Business Continuity Management for Functional Risks

In the year under review, Business Continuity Management ("BCM") was formalized within the Risk Management Framework, to give more structure to the management of risks that have the potential to cause a disruption of the entire business as a whole. The BCM programme forms an integral part of the Framework to manage the full spectrum of enterprise risks and links corporate functional risks and long-term threats.

Review of Long-Term Planning Risks

This looks into the threats and events that may affect long-term goals and objectives. The Board and senior management reviews the corporate business plans adopted and considers the corresponding risks surfaced under the risk management process.

Integrated Framework to Manage Risks Effectively

The structured approach described above ensures that the full spectrum of risks at various levels is being managed and monitored. The integration allows top risks at one level to be surfaced to the next higher level, resulting in efficient allocation of resources to manage risks. As an example, non-compliance with airworthiness directives (a Process Risk) could result in the grounding of aircraft amounting to a failure of flight operations (a Business Functional Risk). The integrated approach ensures that the Process Risk is surfaced and monitored at a higher level. These programmes are now formalized and built into the work scope of the organization. This ensures that risk management processes are embedded in both upper and lower levels of the organization and provides a systematic and effective programme to manage risks.

4. Integrated Risk Responses And Business Continuity Plans

With the integrated framework, risk responses that were managed under various business units can be better coordinated and streamlined. The framework sets the foundation for the integration of Disaster Recovery, Crisis Management and Business Continuity Plans into a seamless corporate-wide response. Scenario-based Simulation Exercises, currently conducted mainly for Crisis Management training, will be developed to improve the organization's multi-prong response to risks in a concerted and coordinated manner.

5. Risk Processes and Activities

During the year under review, the following risk related processes and activities were carried out:

a) Annual re-validation of CSA

Completed CSA programmes implemented in departments were subject to an annual "refreshment" exercise, to update the risks and compliance status. Process risks which surfaced that were more significant were then escalated for further review under the Annual Risk Management Review.

b) Annual Risk Management Review

The SIA Group carried out her 2nd formal Risk Management Review in January-March 2004, to surface risks at Company levels, before consolidating Group-wide risks for review by the Group Risk Management Committee, and ultimately by the Audit & Risk Committee.

c) Strategies Formulation and Strategic Risks Review

The SIA Board carried out a review of Group and Company strategy in October 2003, to develop strategies to exploit opportunities as well as to manage the corresponding risks to the long-term growth and success of the Group.

d) Implementation of Risk Management Framework in More Subsidiaries

The Risk Management Framework was implemented in 3 other subsidiaries of the Group, namely Singapore Flying College, Singapore Aviation and General Insurance (SAGI) and Abacus Travel Systems, in addition to the 5 companies – SIA, SIA Cargo, SilkAir, SATS and SIAEC – that implemented it in 2002-03. Risks surfaced by these subsidiaries were consolidated and reviewed by the Group Risk Management Committee.

6. Board of Directors' Comments on the practice of Risk Management in the Group

Having reviewed the risk management practices and activities of the Group, the Board of Directors has not found anything to suggest that risks are not being satisfactorily addressed.

The Company's corporate governance principles reflect its belief that good corporate governance practices translate into an increase in long-term value and ultimately, return to shareholders.

This Report sets out the Company's corporate governance processes, with specific reference to the guidelines of the Corporate Governance Code ("the Code"). The Board is committed and will continue to uphold the highest standards of corporate governance within the Company and the SIA Group of companies, in accordance with the Code.

***Principle 1: Every company should be headed by an effective Board to lead and control the company*.**

The Board's principal functions include the following:

- charting the Group's strategic direction and monitoring performance
- reviewing and approving annual budgets, financial plans and monitoring the Group's performance
- approving major acquisitions and fund-raising exercises
- ensuring the Group's compliance with all laws and regulations as may be relevant to the business

The Board has established six Board Committees to assist in the execution of its responsibilities. They are the Board Executive Committee, the Audit & Risk Committee, the Board Finance Committee, the Board Compensation & Organisation Committee, the Nominating Committee, and the Safety and Reliability Committee. These committees have written mandates and operating procedures, which are reviewed periodically. The Board has also established a framework for the management of the Group including a system of internal controls and a business risk management process.

A table setting out the Board Members and their memberships on the various Board Committees can be found on page 38.

The Board conducted four Board Meetings for 2003-04, with all Directors attending all Board Meetings. Ad hoc Meetings are held as and when required.

The Directors come from diverse backgrounds and possess varied expertise in finance, legal, industry, business, labour and management fields. Management briefs new Directors on the Company's business and strategic directions. The Company will consider formulating training programmes, if the need arises.

Board Executive Committee (ExCo)

The ExCo comprises three members, namely, Koh Boon Hwee (Chairman), Chew Choon Seng and Fock Siew Wah. They are authorised to make decisions on routine and operational matters, including opening of bank accounts, granting Powers of Attorney, affixing the Company's seal on documents, and authorizing specific officers to sign pertinent documents on behalf of the Company. The other functions of the ExCo include reviewing the overall strategy of the Group and making recommendations to the Board, reviewing and recommending to the Board the annual operating and capital budgets, and reviewing and approving matters relating to the Group's wholly-owned subsidiaries.

The ExCo does not conduct regular physical meetings. Resolutions are generally passed by circulation.

Board Finance Committee (BFC)

The BFC comprises four members, namely, Fock Siew Wah (Chairman), Charles B Goode, Davinder Singh and Chew Choon Seng. Meetings are held on a quarterly basis.

The role of the BFC is to set directions, policies and guidelines pertaining to certain financial matters of the Company. The BFC also acts as the approving body for new initiatives or projects coming within its scope, which includes management of surplus funds, liquidity and financing management, financial risk management, and review of share buy back procedures.

Safety and Reliability Committee (SRC)

The SRC comprises three members, namely, Koh Boon Hwee (Chairman), Lim Boon Heng and Ho Kwon Ping (appointed on 10 October 2003).

The SRC's role includes:

- ensuring that the Company's systems and programmes comply with regulatory requirements and accord with the best practices of the aviation industry;
- reviewing regular reports on safety and reliability performances;
- reviewing accident investigation findings and recommendations;
- advising Management and reporting to the Board on safety and reliability issues.

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board members for 2003-04 are:

Name of Director	Position held on the Board	Date of first appointment to the Board	Date of last re-election as Director	Nature of Appointment
Koh Boon Hwee	Chairman	14 March 2001	14 July 2001	Non-executive/ Non-Independent
Cheong Choong Kong (stepped down on 9 June 2003)	Deputy Chairman	1 August 1984	N/A	Executive/ Non-Independent
Charles B Goode	Director	1 July 1999	13 July 2002	Non-executive/ Independent
Ho Kwon Ping	Director	15 July 2000	26 July 2003	Non-executive/ Independent
Sir Brian Pitman	Director	26 July 2003	26 July 2003	Non-executive/ Independent
Edmund Cheng Wai Wing	Director	1 June 1996	14 July 2001	Non-executive/ Independent
Fock Siew Wah	Director	15 July 2000	26 July 2003	Non-executive/ Non-Independent
Lim Boon Heng	Director	12 July 1997	13 July 2002	Non-executive/ Non-Independent
Davinder Singh	Director	15 July 2000	14 July 2001	Non-executive/ Independent
Chew Choon Seng	Director	5 March 2003	26 July 2003	Non-executive/ Non-Independent
Chia Pei-Yuan	Director	1 October 2003	N/A	Non-executive/ Independent

As can be seen from the Table above, there is a strong independent element in the Board, with the Nominating Committee considering 7 out of 11 directors to be independent. Koh Boon Hwee and Fock Siew Wah are Temasek's nominees. Lim Boon Heng is a Minister (Prime Minister's Office), and Chew Choon Seng is the Chief Executive Officer of the Company.

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Chairman, Koh Boon Hwee and Chief Executive Officer, Chew Choon Seng are not related to each other. The functions of the Chairman and CEO are distinct and separate. The Chairman is responsible for leading the Board in its strategic direction of the Company, and ensuring that Board Meetings are held regularly. The CEO is charged with leading Management and the Company in achieving Company targets and making operational decisions accordingly.

With the Chairman's approval, Management prepares the detailed agenda of each Board meeting. Board Papers contain both regular items such as reports on its subsidiaries and associated companies, updates on business development, monthly management accounts, and productivity and performance indicators, as well as matters for the decision or information of the Board.

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

Nominating Committee (NC)

The NC comprises three independent directors, namely, Davinder Singh (Chairman), Edmund Cheng and Charles B Goode.

The NC's role includes considering and making recommendations to the Board relating to the appointment and re-appointment of directors, and determining directors' independence. The NC also considers candidates to fill new positions created by expansion and vacancies that occur by resignation, retirement or for any other reason.

The Company's Articles of Association provide that one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third are required to retire from office. Retiring Directors are selected on the basis of those who have been longest in office since their last election, failing which they shall be selected by agreement or by lot. All re-elections require the approval of the special member, the Minister for Finance (Incorporated).

New Directors are appointed by way of Board Resolution, following which they are subject to election by shareholders at the next Annual General Meeting.

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Company has implemented a process to assess the performance of the Board as a whole. The Directors independently evaluate the Board on selected criteria, of which findings are then reviewed to identify areas for improvement. The Board is still considering using the findings to monitor the performance of individual directors.

Principle 6: In order to fulfil their responsibilities, Board Members should be provided with complete, adequate and timely information prior to Board Meetings and on an on-going basis.

The Board is provided with Board Papers well in advance before each Board Meeting, to enable them to be properly informed of matters to be discussed and/or approved. Directors have separate and independent access to senior management at all times. Directors can seek independent professional advice if required and in accordance with procedure. Such costs will be borne by the Company.

Directors also have separate and independent access to the Company Secretary and Assistant Company Secretary at all times. Their duties and responsibilities are set out clearly by the Board, and this includes:

- supervising, monitoring and advising on the compliance by the Company with its Memorandum and Articles of Association, laws and regulations, and the Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual
- communicating with the SGX-ST, the Accounting & Corporate Regulatory Authority, and Shareholders on behalf of the Company
- performing such other duties of a company secretary, as required under laws and regulations or as specified in the SGX-ST Listing Manual, or the Company's Articles of Association, or as required by the Chairman of the Board or the Chairman of any Board Committee or the Directors (or any of them), as the case may be.

Either or both of them attend all Board Meetings.

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Board Compensation & Organization Committee (BCOC)

The BCOC performs the role of the Remuneration Committee, as recommended by the Code. The BCOC comprises four members, namely, Koh Boon Hwee (Chairman), Fock Siew Wah, Lim Boon Heng and Sir Brian Pitman (appointed on 10 October 2003). Sir Brian is an independent non-executive director, while the other members are non-executive directors independent of management. Meetings are held on a quarterly basis.

The responsibilities of the BCOC include:

- reviewing and approving recommendations on remuneration policies and packages for key executives
- overseeing labour-management relations
- administering the Company's Employee Share Option Plan
- ensuring that sufficient candidates are recruited and/or promoted to leadership positions, including monitoring the leadership development programme.

The Board discussed the remuneration of the Board of Directors. Taking into account the practice of the largest companies in Singapore as well as the guidelines provided by Temasek Holdings (Pte) Ltd, the Board recommended no changes to the scheme for director compensation this year and will recommend the remuneration that results from the scheme to the General Meeting for approval.

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.

The Directors' remuneration for 2003-04 is $628,625 ($570,834 in 2002-03) and is derived using the following rates:

Type of appointment	The Company		
	2003-04 $ Full	Full	2002-03 $ 50% waived
(i) Board of Directors			
– Basic fee	40,000	40,000	20,000
– Chairman's allowance	40,000	40,000	20,000
– Deputy Chairman's allowance	–	–	–
(ii) Board Executive Committee			
– Chairman's allowance	20,000	20,000	10,000
– Member's allowance	10,000	10,000	5,000
(iii) Audit & Risk Committee			
– Chairman's allowance	24,000	24,000	12,000
– Member's allowance	12,000	12,000	6,000
(iv) Board Finance Committee			
– Chairman's allowance	20,000	20,000	10,000
– Member's allowance	10,000	10,000	5,000
(v) Board Compensation and Organization Committee			
– Chairman's allowance	12,000	12,000	6,000
– Member's allowance	6,000	6,000	3,000
(vi) Other Board Committees			
– Chairman's allowance	12,000	12,000	6,000
– Member's allowance	6,000	6,000	3,000

Four Directors, namely Koh Boon Hwee (in respect of all the Board Committees he sits on), Cheong Choong Kong, Chew Choon Seng and Lim Boon Heng have waived their fees entirely. The total Directors' fees payable will amount to $455,000 (2002-03: $206,167).

The following table shows the constitution (in percentage terms) of the remuneration of directors, including those appointed and resigned/retired during the year, in bands of $250,000. The remuneration of Directors as disclosed is computed based on the net fees payable.

			Bonus				Stock options granted during the year	
	Fee	Salary	Fixed	Variable#	Benefits	Total	Number	Exercise price
	%	%	%	%	%	%		$
Between $2,000,000 and $2,250,000								
Chew Choon Seng	–	34	12	46	8	100	152,000	10.34
Between $500,001 and $750,000								
Cheong Choong Kong*	–	30	6	55	9	100	228,000	10.34
Below $250,000								
Koh Boon Hwee	93	–	–	–	7	100	–	–
Edmund Cheng Wai Wing	91	–	–	–	9	100	–	–
Fock Siew Wah	99	–	–	–	1	100	–	–
Charles B Goode	100	–	–	–	–	100	–	–
Ho Kwon Ping	94	–	–	–	6	100	–	–
Lim Boon Heng	–	–	–	–	–	–	–	–
Davinder Singh	98	–	–	–	2	100		
Sir Brian Pitman	100	–	–	–	–	100		
Chia Pei-Yuan	100	–	–	–	–	100	–	–

* *Cheong Choong Kong retired from the Company on 9 June 2003.*

\# *Includes profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2004.*

None of the employees of the Company were an immediate family member of any Director or the Chief Executive Officer, and whose remuneration exceeded $150,000 in 2003-04.

The remuneration of the Company's key executives for 2003-04 is as follows:

			Bonus				Stock options granted during the year	
	Fee	Salary	Fixed	Variable#	Benefits	Total	Number	Exercise price
	%	%	%	%	%	%		$
Between $750,001 to $1,000,000								
LG Bey Soo Khiang	–	54	5	27	14	100	152,000	10.34
Between $500,001 to $750,000								
Michael Tan Jiak Ngee*	–	59	7	23	11	100	152,000	10.34
Huang Cheng Eng	–	54	5	27	14	100	114,000	10.34

* *Michael Tan Jiak Ngee retired from the Company on 19 January 2004.*

Details of the Company's Employee Share Option Plan can be found on page 58 of the Report by the Board of Directors.

Principle 10: The Board is accountable to the shareholders while the Management is accountable to the Board.

The Board, through its announcements of quarterly and full-year results, aims to provide shareholders with a balanced and understandable assessment of the Company's performance and prospects. Further details can be found under Principle 14. Management provides the Board with monthly management accounts for the Board's review.

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

Audit & Risk Committee

The Audit & Risk Committee (ARC) comprises three independent members, Edmund Cheng Wai Wing (Chairman), Ho Kwon Ping and Chia Pei-Yuan. Chia Pei-Yuan was appointed to the ARC on 10 October 2003, whilst Koh Boon Hwee stepped down as member on 30 December 2003. Four meetings were held during the course of the year.

The ARC has a written mandate in which its duties and responsibilities are clearly spelt out. In the course of the year, the ARC performed the following functions:-

- Financial Reporting
  Reviewed the quarterly, interim and annual financial statements and financial announcements required by the SGX-ST with management before submitting to the Board for approval. The reviews focused on changes in accounting policies and practices, major judgmental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with accounting standards, compliance with SGX-ST and legal requirements.

- External Audit
  Discussed with the external auditors the audit plan; reviewed the external auditor's management letter and management's responses thereto; the non-audit fees for other consulting work undertaken by the external auditor; the external auditor's objectivity and independence from management and the company. The appointment of the external auditor and the audit fee was considered and recommendations made to the Board on the selection of the Company's external auditors.

- Internal Audit
  Reviewed the scope of internal audit work and its audit programs, reviewed the major findings during the year and management's responses thereto; and ensured the adequacy of the internal audit functions.

- Risk Management
  Reviewed with management, internal and external auditors, the effectiveness of the company's material controls, including financial, operational and compliance controls, and risk management in safeguarding shareholders' investments and the Company's assets.

- Interested Person Transactions
  Reviewed interested person transactions as stipulated in the Listing Manual and shareholder's mandate.

- Compliance Matters
  Reviewed with the Company's legal counsel, compliance matters including corporate securities trading policies.

The ARC has full access to and co-operation of the management. The ARC also has full discretion to invite any director or executive officer to attend the meetings, and has been given adequate resources to discharge its functions.

During the year, the ARC met with the internal and external auditors without the presence of the management.

The ARC has undertaken a review of the fees and expenses paid to the auditors, including fees paid for non-audit services, during the year and is of the opinion that the auditor's independence has not been compromised.

In the opinion of the Directors, the Company complies with the Code of Corporate Governance guidelines on Audit Committees.

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

It is the opinion of the Board that, in the absence of evidence to the contrary, the system of internal controls maintained by the Company's management and that was in place throughout the financial year and up to the date of this report provides reasonable, but not absolute, assurance against material financial mis-statements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislations, regulations and best practices, and the identification and containment of financial, operational and compliance risks. The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

A dedicated Risk Management Department was formed in 2003 to look into and manage the Company's risk management policies. The Risk Management Report can be found in page 28 of this report.

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Internal Audit Department (IAD) is an independent function that reports directly to the Audit & Risk Committee. The IAD assists the Committee and the Board by performing regular evaluations on the Company's internal controls, financial and accounting matters, compliance, business and financial risk management policies and procedures, and ensure that internal controls are adequate to meet the Company's requirements.

The Internal Audit Department will meet or exceed the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

It is the Company's position that it is of ultimate importance that shareholders are provided with prompt disclosure of pertinent information. The Company also values dialogue with both retail and institutional shareholders, and holds media briefings when announcing half-yearly and year-end results. The proceedings are concurrently broadcasted live via webcast. Media briefings are also held as and when necessary. Additionally, all financial results as well as price-sensitive information are released through various media which includes press releases, MASNET releases and/or postings on the Company's website, at www.singaporeair.com. The Company's Investor Relations Department meets with key institutional investors on a regular basis, as well as answers queries from shareholders from time to time.

The Company has clear policies and guidelines for dealings in the securities of the Company by Directors and employees, which are in conformity with the SGX-ST Best Practices Guide. With the recent adoption of quarterly reporting, the Company prohibits selected employees from trading in its securities for the period commencing 2 weeks from announcement of quarterly results; and a period commencing 1 month from the announcement of year-end results.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board members always endeavour to attend AGMs and EGMs where shareholders are given the opportunity to raise questions and clarify issues they may have relating to the resolutions to be passed, with the Board. The Chairmen of the Audit & Risk, Board Finance, Board Compensation & Organisation, Nominating, and Safety and Reliability Committees, or members of the respective committees standing in for them, as well as the external auditors, will be present and available to address questions at these meetings.

Membership of Board of Directors and Board Committees

Name	Main Board	Board Executive Committee	Audit & Risk Committee	Board Finance Committee	Board Compensation & Organization Committee	Nominating Committee	Safety & Reliability Committee
Koh Boon Hwee	Chairman	Chairman			Chairman		Chairman
Edmund Cheng Wai Wing	Member		Chairman			Member	
Chew Choon Seng	Member	Member		Member			
Fock Siew Wah	Member	Member		Chairman	Member		
Charles B Goode	Member			Member		Member	
Sir Brian Pitman	Member				Member		
Ho Kwon Ping	Member		Member				Member
Lim Boon Heng	Member				Member		Member
Davinder Singh	Member			Member		Chairman	
Chia Pei-Yuan	Member		Member				

From 2002 - 2004

Name	Other Directorships In Public Listed Companies
Koh Boon Hwee	Innovalues Precision Ltd Norelco Centreline Holdings Ltd MediaRing Ltd SIA Engineering Company Limited
Cheong Choong Kong	SIA Engineering Company Limited Singapore Airport Terminal Services Limited
Chew Choon Seng	SIA Engineering Company Limited Singapore Airport Terminal Services Limited
Edmund Cheng Wai Wing	Clipsal Industries (Holdings) Ltd DNP Holdings Berhad Singapore Airport Terminal Services Limited SNP Corporation Ltd SNP Leefung Holdings Limited Wing Tai Holdings Limited
Fock Siew Wah	Fraser & Neave Ltd DBS Group Holdings Ltd
Ho Kwon Ping	Standard Chartered PLC Laguna Resorts & Hotels Public Company Limited Thai Wah Food Products Public Company Limited
Charles B Goode	Australia and New Zealand Banking Group Limited Australian United Investment Co. Ltd Diversified United Investment Ltd Woodside Petroleum Ltd
Lim Boon Heng	Nil
Sir Brian Pitman	Carlton Communications PLC Tomkins PLC The Carphone Warehouse Group PLC
Davinder Singh	Zagro Asia Limited
Chia Pei-Yuan	American International Group, Inc Baxter International Inc. Bank of China (HK) Ltd

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Financial Review

Highlights of the Group's Performance

- Total revenue $9,762 million (–7.2 per cent)
- Total expenditure $9,082 million (–7.3 per cent)
- Operating profit $680 million (–5.1 per cent)
- Profit after taxation $895 million (–20.0 per cent)
- Profit attributable to shareholders $849 million (–20.2 per cent)
- Basic earnings per share 69.7 cents (–20.2 per cent)
- Shareholders' funds $11,455 million (+7.0 per cent)
- Net asset value $9.40 per share (+6.9 per cent)
- Total debt equity ratio 0.20 times (unchanged from previous year)

Financial Review

Performance of the Group

Group Earnings

Profit attributable to shareholders fell 20.2 per cent from the previous financial year to $849 million. The confluence of the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome (SARS) caused steep decline in passenger demand during the first quarter, resulting in the Group's first ever quarterly loss of $312 million. However, the strong business recovery post SARS and cost control measures enabled the Group to return to profitability from the second quarter. The last three quarters returned a profit attributable to shareholders of $1,161 million, which more than offset the first quarter loss.

Operating profit fell $37 million largely due to lower operating profits from the Company (–$59 million) and three of its major subsidiary companies: Singapore Airport Terminal Services (SATS) group (–$37 million), Singapore Engineering Company (SIAEC) group (–$62 million) and SilkAir (–$11 million). On the other hand, Singapore Airlines Cargo (SIA Cargo) posted a record operating profit of $202 million, more than triple last year's profit.

Group revenue contracted 7.2 per cent to $9,762 million, while expenditure shrank 7.3 per cent to $9,082 million. A lower profit-sharing bonus of $161 million (–$143 million), payable in accordance with the staff's profit-sharing plan, accounted for 20.0 per cent of the reduction in expenditure.

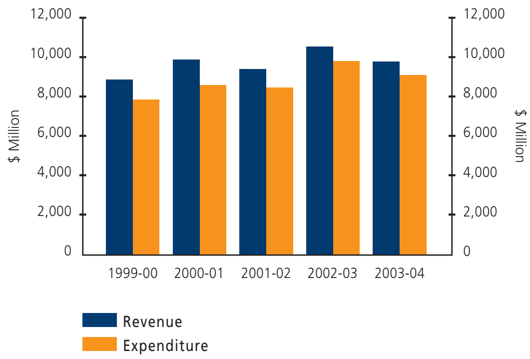
Profit before taxation was $821 million, down 16.0 per cent from the previous year. The $156 million decrease was due mainly to lower operating profit, share of profits of associated companies and surplus on disposal of aircraft (including spares and spare engines), and retrenchment and early retirement expenses (included under exceptional items). A tax write-back of $205 million arising from a 2 percentage points reduction in the Singapore statutory tax rate to 20.0 per cent helped to boost profit attributable to shareholders to $849 million.

The Group's earnings per share (basic) fell 17.7 cents to 69.7 cents.

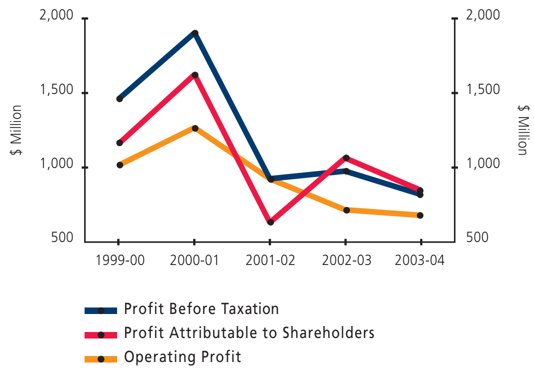
Profitability ratios of the Group are as follows:

	2003-04 %	2002-03 %	Change % points
Return on turnover	9.2	10.6	– 1.4
Return on average total assets	4.6	5.9	– 1.3
Return on average shareholders' funds	7.7	10.4	– 2.7

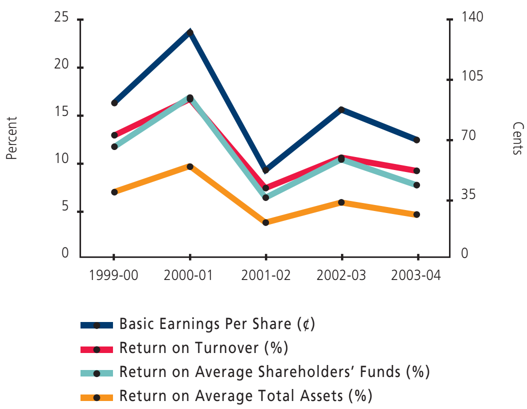
Group Revenue and Expenditure



Group Operating Profit, Profit Before Taxation and Profit Attributable to Shareholders



Group Profitability Ratios



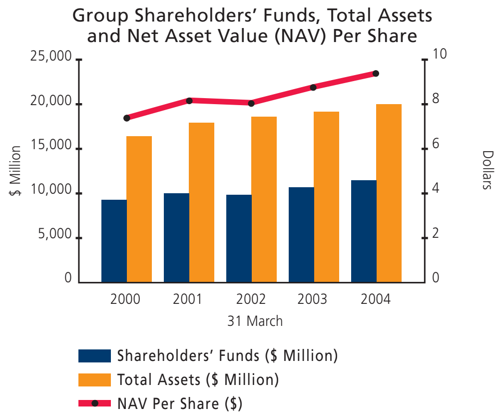
Performance of the Group (continued)

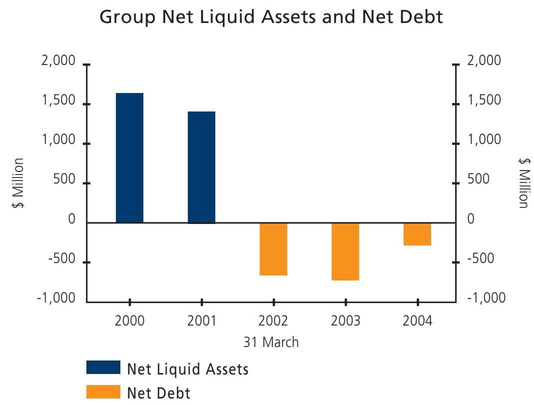
Financial Position of the Group

The Group's total assets stood at $19,990 million on 31 March 2004, up 4.2 per cent compared to 31 March 2003. Net asset value per share improved 6.9 per cent to $9.40.

Shareholders' funds of the Group increased by 7.0 per cent to $11,455 million as at 31 March 2004.

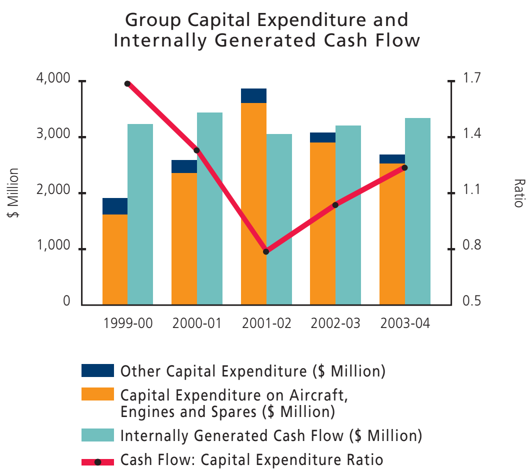
Net debt declined 61.5 per cent to $277 million mainly due to a stronger cash position (+$699 million). Total debt was $2,274 million, an increase of 7.4 per cent over the previous year. Total debt to equity ratio remained unchanged at 0.20 times.





Capital Expenditure and Cash Flow of the Group

Capital expenditure was $2,693 million, 12.8 per cent lower than the year before. Internally generated cash flow of $3,341 million was 1.24 times capital expenditure. About 94 per cent of the capital spending was on aircraft delivered during the year, together with spare engines and components. In addition, progress payments were made for aircraft scheduled for delivery between 2004 and 2009.



Performance of the Group (continued)

Statement of Value Added and its Distribution ($ million)

	2003-04	2002-03	2001-02	2000-01	1999-00
Total revenue	9,761.9	10,515.0	9,382.8	9,852.2	8,861.4
Less: Purchase of goods and services	(5,931.8)	(6,462.4)	(5,709.6)	(5,345.6)	(4,784.5)
	3,830.1	4,052.6	3,673.2	4,506.6	4,076.9
Add: Interest income	32.5	33.7	52.0	86.0	154.6
Surplus on disposal of aircraft, spares and spare engines	102.7	144.9	66.0	181.3	98.4
Surplus/(loss) on disposal of other fixed assets	5.5	1.2	2.9	2.4	(0.8)
Dividends from long-term investments, gross	3.6	5.2	5.7	7.7	3.6
Provision for diminution in value of long-term investments	(1.8)	(9.4)	(1.1)	(20.5)	(6.7)
Amortisation of goodwill on consolidation	(0.1)	–	–	–	–
Amortisation of deferred gain	1.6	–	–	–	–
Share of profits of joint venture companies	6.4	14.5	20.5	27.0	21.0
Share of profits/(losses) of associated companies	86.3	123.8	(71.3)	81.7	33.2
Retrenchment and early retirement costs	(41.4)	–	–	–	–
Surplus on liquidation of Abacus Distribution Systems Pte Ltd	9.2	–	–	–	–
Surplus on disposal of Aviation Software Development Consultancy India Limited	1.1	–	–	–	–
Surplus on liquidation of Asian Frequent Flyer Pte Ltd	–	0.5	–	–	–
Provision for diminution in value of Air New Zealand Limited	–	–	(266.9)	–	–
Gain on sale of long-term investments	–	–	30.2	–	171.3
Ex-gratia bonus payment	–	–	–	(134.6)	–
Surplus on disposal of long-term investments	–	–	4.4	3.0	–
Recognition of deferred gain on divestment of 51% equity interests in Eagle Services Asia Private Limited	–	–	202.6	–	–
Profit on disposal of vendor shares (13% equity interests in SATS and SIAEC)	–	–	–	440.1	–
Total value added available for distribution	4,035.7	4,367.0	3,718.2	5,180.7	4,551.5
Applied as follows:					
To employees					
– Salaries and other staff costs	1,969.5	2,245.2	1,779.2	2,093.4	1,853.5
To government					
– Corporation taxes	130.3	135.3	233.8	242.4	296.5
To suppliers of capital					
– Interim and proposed dividends	304.5	166.6	152.3	321.1	295.5
– Finance charges	65.1	54.7	44.0	37.5	28.8
– Minority interests	46.0	54.5	60.1	37.5	3.6
Retained for future capital requirements					
– Depreciation	1,180.2	1,090.3	969.4	1,145.1	1,205.3
– Retained profit	340.1 [R1]	620.4 [R1]	479.4	1,303.7	868.3
Total value added	4,035.7	4,367.0	3,718.2	5,180.7	4,551.5
Value added per $ revenue ($)	0.41	0.42	0.40	0.53	0.51
Value added per $ employment cost ($)	2.05	1.95	2.09	2.47	2.46
Value added per $ investment in fixed assets ($)	0.17	0.19	0.18	0.28	0.24

[R1] *Retained profit excludes write-back of prior years' tax liabilities of $204.7 million and $277.8 million for 2003-04 and 2002-03 respectively from reduction in statutory tax rates. If the tax write-back were included, retained profit for 2003-04 and 2002-03 would be $544.8 million and $898.2 million respectively.*

Value added is a measure of wealth created. The statement above shows the Group's value added from 1999-00 to 2003-04 and its distribution by way of payments to employees, government, and to those who have provided capital. It also indicates the portion retained in the business for future capital requirements.

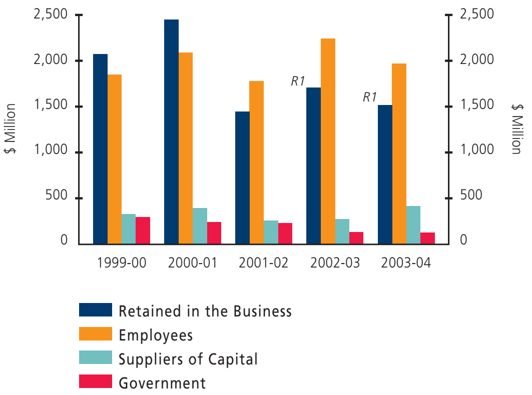
Performance of the Group (continued)

Value Added

Total value added for 2003-04 declined 7.6 per cent (–$331 million) to $4,036 million. The drop was mainly attributable to lower revenue (–$753 million), lower share of profits of associated companies (–$38 million), lower surplus on disposal of aircraft, spares and spare engines (–$42 million) and retrenchment and early retirement costs (–$41 million), partially offset by lower purchase of goods and services (+$531 million).

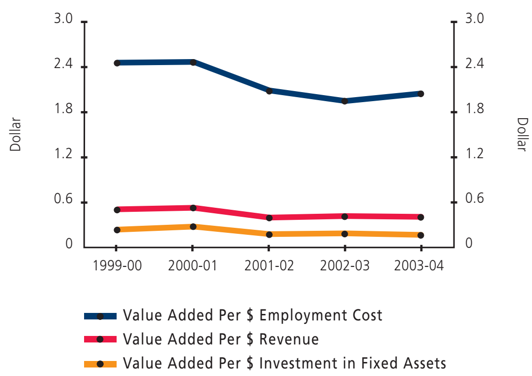
Payroll and other staff cost accounted for 48.8 per cent of the value added, 2.6 percentage points lower than last year. $305 million (7.5 per cent) of the value added was for distribution to shareholders, $65 million (1.6 per cent) for finance charges, and $46 million (1.1 per cent) belonging to minority interests. Including the tax write-back of $205 million arising from the 2 percentage points reduction in statutory tax rate, $1,725 million was retained for future capital requirements.

Group Value Added Distribution



[R1] *Excludes write-back of prior years' tax liabilities of $204.7 million and $277.8 million for 2003-04 and 2002-03 respectively arising from reduction in statutory tax rate.*

Group Value Added Productivity Ratios



Performance of the Group (continued)

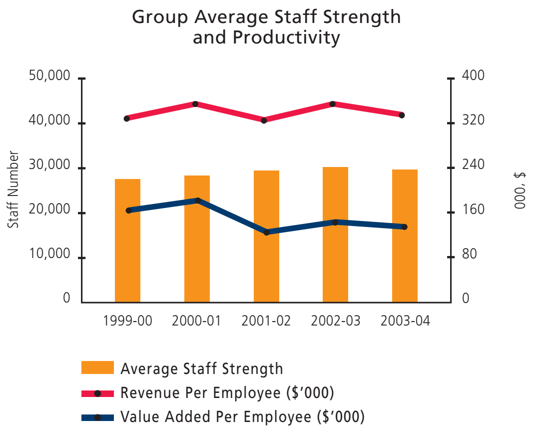
Average Staff Strength and Productivity

The Group's average staff strength fell by 509 to 29,734 employees. A breakdown is as follows:

	2003-04	2002-03	% Change
SIA	14,010	14,418	– 2.8
SATS Group	9,447	9,327	+ 1.3
SIAEC Group	4,652	4,624	+ 0.6
SIA Cargo	731	698	+ 4.7
SilkAir	570	560	+ 1.8
Others	324	616	– 47.4
	29,734	30,243	– 1.7

Average staff productivity ratios are as follows:

	2003-04	2002-03	% Change
Revenue per employee ($)	328,308	347,684	– 5.6
Value added per employee ($)	135,727	144,397	– 6.0



Performance of the Company

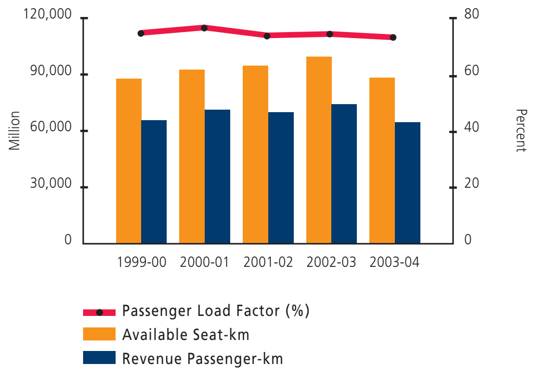
Operating Performance

	2003-04	2002-03	% Change
Passengers carried (thousand)	13,278	15,326	– 13.4
Available seat-km (million)	88,252.7	99,565.9	– 11.4
Revenue passenger-km (million)	64,685.2	74,183.2	– 12.8
Passenger load factor (%)	73.3	74.5	– 1.2 points
Passenger yield (cents/pkm)	9.2	9.1	+ 1.1
Passenger unit cost (cents/ask)	6.7	6.7	–
Passenger breakeven load factor (%)	72.8	73.6	– 0.8 point

The improvement in passenger yield was due mainly to a weaker Singapore dollar (SGD) and improved passenger mix.

The spread between passenger load factor and breakeven load factor narrowed to 0.5 percentage point in 2003-04 from 0.9 percentage point the year before.

Available Seat Capacity,
Passenger Traffic and Load Factor



A review of the Company's operating performance by route region is as follows:

	By Route Region [R1] (2003-04 against 2002-03) Passengers carried Change (thousands)	Passenger KM % Change	Available Seat KM % Change
East Asia	–1,356	– 19.5	– 18.0
Americas	– 299	– 17.2	– 18.9
Europe	– 225	– 11.1	– 7.7
South West Pacific	– 144	– 4.4	+ 0.1
West Asia and Africa	– 24	– 6.2	– 3.4
Systemwide	–2,048	– 12.8	– 11.4

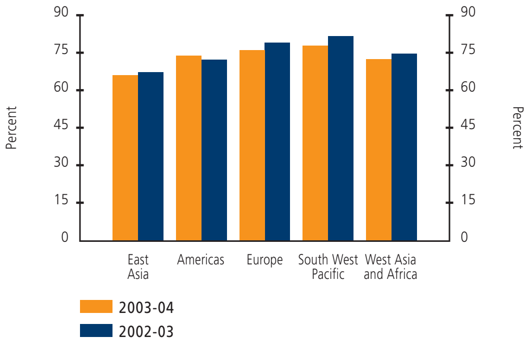
[R1] *Each route region comprises routes originating from Singapore to final destinations in countries within the region concerned and vice versa. For example, Singapore-Hong Kong–San Francisco-Hong Kong-Singapore route is classified under Americas region. East Asia covers Brunei, Hong Kong SAR, Indonesia, Japan, South Korea, Malaysia, People's Republic of China, Philippines, Thailand, Taiwan and Vietnam. Americas comprises Canada and USA. Europe consists of Denmark, England, France, Germany, Greece, Italy, Spain, Switzerland, Belgium (ceased operation from 31 March 2003) and The Netherlands. South West Pacific covers Australia and New Zealand. West Asia and Africa are made up of Bangladesh, India, Maldives, Saudi Arabia, South Africa, Sri Lanka, Turkey, United Arab Emirates, Pakistan (ceased operation from 18 May 2002), Nepal (ceased operation from 1 June 2002), Egypt and Mauritius (ceased operation from 13 April 2003).*

Performance of the Company (continued)

Operating Performance (continued)

	Passenger Load Factor (%) 2003-04	2002-03	Change (% points)
East Asia	66.3	67.5	– 1.2
Americas	74.0	72.4	+ 1.6
Europe	76.1	79.1	– 3.0
South West Pacific	78.0	81.7	– 3.7
West Asia and Africa	72.5	74.7	– 2.2
Systemwide	73.3	74.5	– 1.2

Passenger Load Factor by Route Region



Earnings

	2003-04 $ million	2002-03 $ million	% Change
Revenue	7,187.6	8,047.0	– 10.7
Expenditure	(7,037.4)	(7,838.0)	– 10.2
Operating Profit	150.2	209.0	– 28.1
Finance charges	(56.4)	(52.1)	+ 8.3
Interest income	33.1	38.5	– 14.0
Surplus on disposal of aircraft, spares and spare engines	100.1	138.3	– 27.6
Surplus/(loss) on disposal of other fixed assets	4.7	(0.8)	n.m.
Dividends from subsidiary and associated companies, gross	118.9	131.5	– 9.6
Dividends from long-term investments, gross	2.5	4.1	– 39.0
Provision for diminution in value of investments	(8.5)	(9.4)	– 9.6
Profit before exceptional items	344.6	459.1	– 24.9
Exceptional items	(16.2)	1.0	n.m.
Profit before taxation	328.4	460.1	– 28.6
Taxation expense	(63.5)	(67.2)	– 5.5
Adjustment for reduction in Singapore statutory tax rate	164.4	225.1	– 27.0
Profit after taxation	429.3	618.0	– 30.5

n.m. not meaningful

Performance of the Company (continued)

Revenue
The Company's revenue decreased 10.7 per cent to $7,188 million as follows:

	2003-04 $ million	2002-03 $ million	% Change
Passenger revenue	5,988.0	6,742.9	– 11.2
Excess baggage revenue	21.5	25.9	– 17.0
Non-scheduled services	12.0	15.6	– 23.1
Bellyhold revenue from SIA Cargo	750.8	815.4	– 7.9
Direct operating revenue	6,772.3	7,599.8	– 10.9
Indirect operating revenue	415.3	447.2	– 7.1
Total operating revenue	7,187.6	8,047.0	– 10.7

The decrease in passenger revenue was the result of:

	$ million	$ million
12.8% reduction in traffic:		
11.4% decrease in seat capacity	– 768.7	
1.2% points decrease in passenger load factor	– 96.2	– 864.9
1.1% improvement in yield:		
Weaker Singapore dollar (SGD)	+ 284.0	
Change in passenger mix	+ 62.2	
Lower local currency yields	– 264.4	+ 81.8
Write-back of provision for KrisFlyer miles		+ 28.2
Decrease in revenue		– 754.9

SIA's bellyhold revenue fell 7.9 per cent to $751 million due to lower net bellyhold capacity (–8.0%) because of reduced passenger operations.

Indirect operating revenue decreased 7.1 per cent to $415 million. This was mainly due to lower collection of insurance and security charges resulting from fewer passengers carried, and lower pool revenue from SIA Cargo because of reduced bellyhold capacity (Bellyhold cargo revenue and excess baggage revenue are pooled and shared, with SIA taking 10 per cent and SIA Cargo 90 per cent in accordance with the agreement between the two companies).

The sensitivity of passenger revenue to a one percentage point change in passenger load factor and a one per cent change in passenger yield is as follows:

	$ million
1.0% point change in passenger load factor, if yield and seat capacity remain constant	82
1.0% change in passenger yield, if passenger traffic remains constant	60

Passenger Revenue

Performance of the Company (continued)

Revenue (continued)

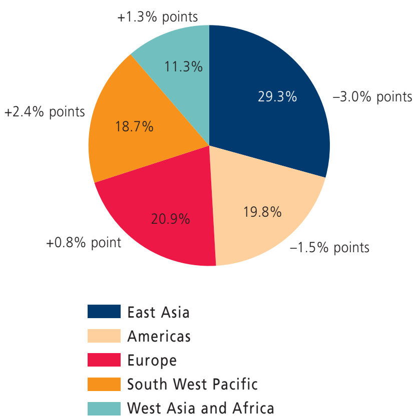
A breakdown of passenger revenue [R1] by route region and area of original sale is shown below:

	By Route Region ($ million)			By Area of Original Sale[R2] ($ million)		
	2003-04	2002-03	% Change	2003-04	2002-03	% Change
East Asia	1,766.0	2,179.7	– 19.0	2,810.4	3,324.7	– 15.5
Europe	1,254.3	1,363.6	– 8.0	1,322.8	1,410.3	– 6.2
Americas	1,190.4	1,445.1	– 17.6	506.3	653.7	– 22.5
South West Pacific	1,122.4	1,103.3	+ 1.7	919.3	873.6	+ 5.2
West Asia and Africa	676.4	677.1	– 0.1	450.7	506.5	– 11.0
Systemwide	6,009.5	6,768.8	– 11.2	6,009.5	6,768.8	– 11.2

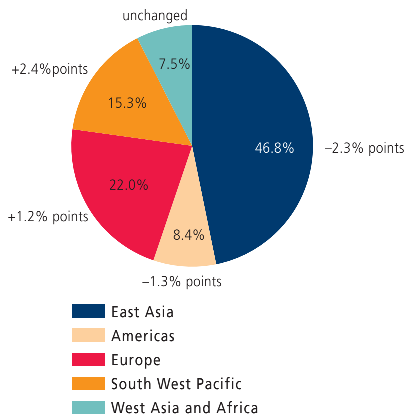
R1 *Includes excess baggage revenue.*

R2 *Each area of original sale comprises countries within a region from which the sale is made.*

Passenger Revenue Composition by Route Region



Passenger Revenue Composition by Area of Original Sale



Performance of the Company (continued)

Expenditure

The Company's expenditure for 2003-04 decreased 10.2 per cent from a year ago, to $7,037 million as follows:

	2003-04		2002-03		Change	
	$ million	%	$ million	%	$ million	%
Fuel costs	1,415.7	20.1	1,523.1	19.4	– 107.4	– 7.1
Staff costs	1,226.5	17.4	1,409.7	18.0	– 183.2	– 13.0
Depreciation	928.2	13.2	882.7	11.2	+ 45.5	+ 5.2
Aircraft maintenance and overhaul costs	760.2	10.8	902.8	11.5	– 142.6	– 15.8
Handling charges	627.7	8.9	719.0	9.2	– 91.3	– 12.7
Sales costs [R1]	473.1	6.7	618.5	7.9	– 145.4	– 23.5
Inflight meals and other passenger costs	453.0	6.5	521.5	6.7	– 68.5	– 13.1
Airport and overflying charges	408.9	5.8	478.6	6.1	– 69.7	– 14.6
Rentals on leased aircraft	310.9	4.4	303.1	3.9	+ 7.8	+ 2.6
Communication and information technology costs [R2]	124.2	1.8	150.4	1.9	– 26.2	– 17.4
Other costs [R3]	309.0	4.4	328.6	4.2	– 19.6	– 6.0
	7,037.4	100.0	7,838.0	100.0	– 800.6	– 10.2

[R1] *Sales costs included commissions and incentives payable, frequent flyer programme costs, computer reservation system booking fees, advertising expenses and other sales costs.*

[R2] *Communication and information technology costs were for data transmission and contract service fees, hire of computer equipment, maintenance/rental of software, and information technology contract and professional fees.*

[R3] *Other costs mainly comprised crew expenses, company accommodation costs, exchange loss, comprehensive aviation insurance costs, airport lounge expenses, non-information technology contract and professional fees, expenses incurred to mount non-scheduled services, aircraft licence fees and recoveries.*

Expenditure on fuel was $107 million lower because of:

	$ million
12.9% decrease in volume uplifted from 1,077.24 M AG to 938.29 M AG	– 203
9.8% increase in weighted average fuel price from 82.16 US¢/AG to 90.25 US¢/AG	+ 135
2.6% weakening of USD against SGD from US$1=S$1.775 to US$1=S$1.728	– 40
	– 108
Lower hedging gain	+ 1
	– 107

Staff costs fell $183 million mainly due to (i) lower provision for profit-sharing bonus this year (2.05 months' salary versus 3.23 months' salary last year); (ii) lower average staff strength (–408 staff); and (iii) reduction in employer's CPF rate from 16 per cent to 13 per cent from October 2003.

Depreciation charges increased $46 million mainly due to (i) the commissioning of five B777-200A, one B777-200, one B777-200ER and three A340-500 aircraft during the year; and (ii) the full year's impact of eight B777-200ER, two B777-200, one B777-200A and one B777-300 aircraft commissioned in the previous year. The increase was partially offset by (i) the full year's impact of trade-in of five A340-300 aircraft and two A310-300 aircraft, sale of two A310-300 aircraft and sale and leaseback of one B747-400 aircraft last year; and (ii) trade-in of three A340-300, four A310-300 and two B747-400 aircraft and sale and leaseback of one B747-400 and one B777-300 aircraft during the year.

Aircraft maintenance and overhaul (AMO) costs fell $143 million. The reduction in maintenance activities was partly due to the cutback in flying operations.

Performance of the Company (continued)

Expenditure (continued)
Handling costs, at $628 million, was 12.7 per cent less than last year due to a reduction in the number of flights operated.

Sales costs decreased $145 million mainly as a consequence of SARS, which resulted in (i) many agents failing to achieve their sales targets; (ii) lower computer reservation systems booking fees as fewer bookings were made; and (iii) suspension of advertising and sales promotion activities during SARS outbreak.

Inflight meals and other passenger costs fell $69 million as a result of fewer passengers carried (–13.4 per cent).

Airport and overflying charges were $70 million lower compared to last year. The reduction came from a decrease in the number of flights operated and discount on landing fees in Singapore.

Rentals on leased aircraft increased $8 million due to (i) additional sale and leaseback of one B747-400 and one B777-300 aircraft in 2003-04; (ii) full year's impact of sale and leaseback of one B747-400 aircraft in 2002-03; and (iii) higher lease rentals for four B747-400 aircraft as structured under the lease agreements. The increase was partially offset by (i) lower lease rental for one B747-400 aircraft as structured under the lease agreement; and (ii) return of one B747-400 aircraft to lessor. A weaker US dollar (USD) also cushioned the increase.

Communication and information technology costs fell by $26 million due to lower (i) software and equipment maintenance cost; (ii) information technology professional and contract fees; (iii) volume of data transmission; and (iv) hire charges for computer equipment.

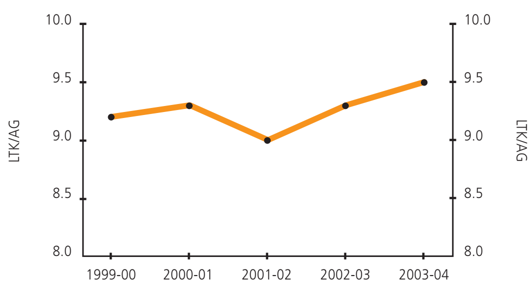
Other costs decreased by $20 million. This was largely due to a decrease in comprehensive aviation insurance costs resulting from lower premium charges for Hull War Risks policies, and lower liability cover for Aviation Third Party War Risks.

Fuel Productivity and Sensitivity Analysis
Fuel productivity as measured by load tonne-km per American gallon (ltk/AG) increased 1.8% over the previous year to 9.47 ltk/AG. This was attributable to a younger aircraft fleet, arising from the addition of new B777 and A340-500 aircraft, and phase-out of the older A310-300 aircraft.

A change in fuel productivity (passenger aircraft) of 1.0 percent would impact the Company's annual fuel costs by about $14 million, before accounting for changes in fuel price, USD exchange rate and flying operations.

A change in price of one US cent per American gallon affects the Company's annual fuel costs by about $16 million, before accounting for USD exchange rate movements, and changes in volume of fuel consumed.

Fuel Productivity of Passenger Fleet



Performance of the Company (continued)

Finance Charges
Finance charges increased 8.3 per cent because there was income from interest rate swap transactions to offset interest expense on the $900 million bond last year but there was none this year.

Interest income was 14.0 per cent lower because of partial repayment of loans by SIA Cargo and SilkAir and a drop in income from deposits.

Surplus on Disposal of Aircraft, Spares and Spare Engines
Surplus on the disposal of aircraft, spares and spare engines was $38 million lower than the year before because of a weaker market. During the year, five A340-300, two B747-400 and four A310-300 aircraft were traded-in, and one B747-400 and one B777-300 aircraft were sold and leased back.

Gross Dividends from Subsidiary and Associated Companies
Gross dividends from subsidiary and associated companies fell by $13 million. Unlike last year, no dividend was received from SilkAir (–$3 million) and Singapore Flying College (–$2 million). In addition, lower dividends were received from SIA Engineering Company (–$4 million), Abacus Travel Systems (–$7 million) and Sing-Bi Funds (–$1 million), partially offset by dividend from Singapore Aviation and General Insurance (+$4 million).

Provision for Diminution in Value of Long-Term Investment
The $9 million provision for diminution in value of investments pertained to investments in SIA Properties, AeroXchange and convertible preference shares in Air Canada.

Exceptional Items
Exceptional items comprised retrenchment and early retirement costs (–$29 million), surplus on liquidation of Abacus Distribution Systems (+$8 million) and surplus on disposal of 51% equity interest in Aviation Software Development Consultancy (+$4 million).

Taxation
There was a net tax write-back of $101 million, comprising of a taxation expense of $63 million on current year's profit and a write-back of $164 million on prior years' deferred tax liabilities arising from the 2 percentage points cut in statutory tax rate.

Average Staff Strength and Productivity
The Company's average staff strength was 14,010, a decrease of 408 over the previous year. The distribution of employee strength by category and location is as follows:

	2003-04	2002-03	% Change
Category			
Senior staff (administrative and higher ranking officers)	1,368	1,451	– 5.7
Technical crew	1,873	1,832	+ 2.2
Cabin crew	6,678	6,768	– 1.3
Other ground staff	4,091	4,367	– 6.3
	14,010	14,418	– 2.8
Location			
Singapore	11,545	11,805	– 2.2
East Asia	1,064	1,133	– 6.1
Europe	508	529	– 4.0
South West Pacific	372	386	– 3.6
West Asia and Africa	259	284	– 8.8
Americas	262	281	– 6.8
	14,010	14,418	– 2.8

Performance of the Company (continued)

Average Staff Strength and Productivity (continued)
The Company's average staff productivity ratios are shown below:

	2003-04	2002-03	% Change
Seat capacity per employee (seat-km)	6,299,265	6,905,667	– 8.8
Passenger load carried per employee (tonne-km)	448,513	495,617	– 9.5
Revenue per employee ($)	513,034	558,122	– 8.1
Value added per employee ($)	179,272	191,566	– 6.4

Issued Share Capital and Share Options
There was no buyback of the Company's shares during the period under review.

On 1 July 2003, the Company made a fifth grant of share options to employees. Staff accepted 12,922,820 share options to be exercised between 1 July 2004 and 30 June 2013.

During the year, no share option was exercised by employees. As at 31 March 2004, there were 63,471,827 unexercised employee share options.

Performance of Subsidiary Companies

There were 24 subsidiary companies in the SIA Group as at 31 March 2004. The major subsidiary companies are Singapore Airport Terminal Services Limited (SATS), SIA Engineering Company Limited (SIAEC), Singapore Airlines Cargo Private Limited (SIA Cargo), and SilkAir (Singapore) Private Limited. The following performance review includes inter-Group transactions.

Singapore Airport Terminal Services Group

	2003-04 $ million	2002-03 $ million	% Change
Total revenue	868.7	958.1	– 9.3
Total expenditure	677.9	729.9	– 7.1
Operating profit	190.8	228.2	– 16.4
Profit after taxation	189.6	214.8	– 11.7

SATS Group's profit after taxation dropped $25 million (–11.7 per cent). Revenue was down $89 million mainly because of flight cancellations during SARS outbreak. Ground handling revenue fell $45 million (–9.9 per cent) because of less number of flights handled and lower cargo volume handled. Inflight catering revenue was $60 million less as a result of a 11.1% drop in volume of inflight meals uplifted. On the other hand, revenue from other services grew $16 million mainly because of new security screening services at Changi Airport from September 2003.

Operating expenditure declined $52 million primarily from lower (i) payroll costs (–$37 million, mainly due to reduced staff strength and lower provision for profit-sharing bonus); (ii) raw material costs (–$4 million, as a result of less meals produced); and (iii) licensing fees (–$8 million).

Share of profits of associated companies at $34 million accounted for 15.5 per cent of SATS Group's profit before taxation.

SATS Group's profit after taxation was $190 million, 11.7 per cent lower than the previous year. It included a tax write-back of $9 million arising from the reduction in statutory tax rate.

The SATS Group's shareholders' funds was $1,228.1 million (+13.0 per cent) as at 31 March 2004. Return on average shareholders' funds decreased 4.9 percentage points to 16.4 per cent. Basic earnings per share declined 2.6 cents to 18.9 cents, while net asset value per share rose $0.13 to $1.22.

Performance of Subsidiary Companies (continued)

SIA Engineering Group

	2003-04 $ million	2002-03 $ million	% Change
Total revenue	678.7	878.1	– 22.7
Total expenditure	599.8	737.1	– 18.6
Operating profit	78.9	141.0	– 44.0
Profit after taxation	140.0	205.3	– 31.8

The SIAEC Group's revenue at $679 million was $199 million lower (–22.7 per cent) than the previous year as a result of the downturn in the aviation industry. Work done for SIA, SIA Cargo and SilkAir, and other airlines dropped $189 million and $10 million respectively. The impact of the decline in revenue was partially mitigated by a fall in operating expenditure (–$137 million), mainly because of lower material costs (–$61 million), provision for profit-sharing bonus (–$29 million) and payroll costs (–$23 million).

Profit after taxation declined $65 million to $140 million partly due to a decrease of $19 million in share of profits from associated and joint venture companies, which contributed 31.5 per cent of profit after taxation.

Shareholders' funds rose 10.5 per cent to $926 million for the financial year ended 31 March 2004. Correspondingly, net asset value per share increased 8.4 cents to 92.1 cents. Return on average shareholders' funds was 15.9 per cent, a decrease of 11.1 percentage points from 2002-03. Basic earnings per share fell 31.7 per cent to 14.0 cents.

Singapore Airlines Cargo

	2003-04 $ million	2002-03 $ million	% Change
Total revenue	2,654.4	2,520.5	+ 5.3
Total expenditure	2,452.8	2,457.6	– 0.2
Operating profit	201.6	62.9	+ 220.5
Profit after taxation	175.9	66.6	+ 164.1

SIA Cargo generated an operating profit of $202 million, more than triple the profit earned in the previous year. Higher revenue (+$134 million) from yield improvement (+7.3 per cent) and cost controls contributed to the good performance. Profit after taxation was $176 million, after accounting for a $27 million tax write-back resulting from the reduction in statutory tax rate.

Significant changes in expenditure came from bellyhold costs (–$67 million), and aircraft maintenance and overhaul costs (–$26 million), fuel costs (+$54 million) and commissions and incentives (+$16 million).

While load factor fell 3.1 percentage points to 66.5 per cent, breakeven load factor improved 7.2 percentage points because of higher yield (+7.3 per cent) and lower unit cost (–3.8 per cent).

Shareholders' funds as at 31 March 2004 stood at $1,603 million, while total assets reached $3,286 million.

During the year, SIA Cargo enlarged its operating fleet by one freighter to 13 B747-400 freighters in total (two freighters delivered and one leased out in 2003-04). Capacity increased 2.3 per cent to 10,157 million tonne-kilometres.

Capital expenditure for the year of $489 million was primarily for delivery payments for two B747-400 freighters and progress payments for firm aircraft orders.

Performance of Subsidiary Companies (continued)

SilkAir

	2003-04 $ million	2002-03 $ million	% Change
Total revenue	226.8	254.1	– 10.7
Total expenditure	210.8	227.0	– 7.1
Operating profit	16.0	27.1	– 41.0
Profit after taxation	15.7	31.6	– 50.3

SilkAir's performance was badly affected by SARS because of its regional network. As a result, operating profit fell 41.0 per cent (–$11 million) because revenue contracted $27 million, but expenditure only fell $16 million (mainly from lower handling charges, inflight meal costs, airport charges and provision for profit-sharing bonus).

Unit cost rose slightly (+0.1 per cent) to 65.7 cts/ctk. Yield went down 8.6 per cent to 131.6 cents/ltk. Consequently, breakeven load factor deteriorated 4.3 percentage points to 49.9 per cent.

Shareholders' funds stood at $327 million (+5.0 per cent) at 31 March 2004.

Capital expenditure for the year of $70 million was mainly for delivery payment for one A320 aircraft, and pre-delivery payments for two A320 and one A319 aircraft, scheduled for delivery in 2005 and 2006, and spare parts.

As at 31 March 2004, SilkAir's route network linked 25 cities in 9 Asian countries. During the year, SilkAir terminated its service to Chittagong (Bangladesh). The airline plans to increase flight frequencies to Xiamen, Fuzhou, Phuket and Yangon in 2004-05.

Report by the Board of Directors

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2004.

1 Directors of the Company

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

Koh Boon Hwee – Chairman
Chew Choon Seng – Chief Executive Officer (Executive)
Edmund Cheng Wai Wing (Independent)
Fock Siew Wah
Charles B Goode (Independent)
Ho Kwon Ping (Independent)
Lim Boon Heng
Davinder Singh (Independent)
Sir Brian Pitman (Independent) (appointed on 26 July 2003)
Chia Pei-Yuan (Independent) (appointed on 1 October 2003)
Stephen Lee Ching Yen (Independent) (appointed on 26 April 2004)

2 Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangements to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares and share options in, or debentures of, the Company or any other body corporate, other than pursuant to the Singapore Airlines Limited Employee Share Option Plan.

3 Directors' Interests in Ordinary Shares, Share Options and Debentures

The following directors who held office at the end of the financial year have, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in the ordinary shares, share options and debentures of the Company, and of related companies (other than wholly-owned subsidiary companies):

	Direct interest			Deemed interest		
Name of Director	1.4.2003/ date of appointment	31.3.2004	21.4.2004	1.4.2003/ date of appointment	31.3.2004	21.4.2004
Interest in Singapore Airlines Limited						
Ordinary shares of $0.50 each						
Chew Choon Seng	214,000	214,000	214,000	–	–	–
Edmund Cheng Wai Wing	–	–	–	3,000	–	–
Charles B Goode	–	–	–	50,000	50,000	50,000
Options to subscribe for ordinary shares of $0.50 each						
Chew Choon Seng	454,000	606,000	606,000	–	–	–
Interest in SIA Engineering Company Limited						
Ordinary shares of $0.10 each						
Chew Choon Seng	20,000	20,000	20,000	–	–	–
Interest in Singapore Airport Terminal Services Limited						
Ordinary shares of $0.10 each						
Chew Choon Seng	10,000	10,000	10,000	–	–	–

3 Directors' Interests in Ordinary Shares, Share Options And Debentures (continued)

	Direct interest			Deemed interest		
Name of Director	1.4.2003/ date of appointment	31.3.2004	21.4.2004	1.4.2003/ date of appointment	31.3.2004	21.4.2004
Interest in Singapore Telecommunications Limited						
Ordinary shares of $0.15 each						
Koh Boon Hwee	31,880	31,880	31,880	1,740	1,740	1,740
Chew Choon Seng	11,880	11,880	11,880	–	–	–
Fock Siew Wah	1,740	1,740	1,740	1,740	1,740	1,740
Charles B Goode	10,660	10,660	–	288,403	288,403	–
Ho Kwon Ping	1,820	1,820	1,820	1,540	1,540	1,540
Lim Boon Heng	1,680	1,680	1,680	1,540	1,540	1,540
Davinder Singh	2,020	2,020	2,020	1,540	1,540	1,540
Interest in SNP Corporation Limited						
Ordinary shares of $0.50 each						
Edmund Cheng Wai Wing	10,000	35,000	35,000	–	–	–
Options to subscribe for ordinary shares of $0.50 each						
Edmund Cheng Wai Wing	25,000	30,000	30,000	–	–	–
Interest in CapitaLand Limited						
Ordinary shares of $1.00 each						
Edmund Cheng Wai Wing	–	–	–	28,000	–	–
Interest in Raffles Holdings Limited						
Ordinary shares of $0.50 each						
Chew Choon Seng	12,000	12,000	12,000	–	–	–
Interest in SMRT Corporation Limited						
Ordinary shares of $0.10 each						
Chew Choon Seng	50,000	50,000	50,000	–	–	–

Except as disclosed in this report, no other director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related companies, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

4 Directors' Contractual Benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related company with the director, or with a firm of which the director is a member, or with a company which the director has a substantial financial interest.

5 Options on Shares in the Company

The Singapore Airlines Limited Employee Share Option Plan ("the Plan"), which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, was approved by shareholders on 8 March 2000.

Under the Plan, all options to be issued will have a term no longer than 10 years from the date of grant. The exercise price of the option will be the average of the closing prices of the Company's ordinary shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five market days immediately preceding the date of grant.

5 Options on Shares in the Company (continued)

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

(a) one year after the date of grant for 25% of the ordinary shares subject to the options;

(b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;

(c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and

(d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

At the date of this report, the Board Compensation and Organization Committee which administers the Plan comprises the following directors:

Koh Boon Hwee – Chairman
Fock Siew Wah
Lim Boon Heng
Sir Brian Pitman (appointed to the Committee on 10 October 2003)

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

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

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

During the financial year, in consideration of the payment of $1.00 for each offer accepted, offers of options were granted pursuant to the Plan in respect of 12,922,820 unissued shares of $0.50 each in the Company at an exercise price of $10.34 per share.

At the end of the financial year, options to take up 63,471,827 unissued shares of $0.50 each in the Company were outstanding:

	Number of options to subscribe for unissued ordinary shares of $0.50 each					
Date of grant	Balance at 1.4.2003/later date of grant	Cancelled	Exercised	Balance at 31.3.2004	Exercise price	Exercisable period
28.3.2000	13,126,430	(284,220)	–	12,842,210	$15.34	28.3.2001 – 27.3.2010
3.7.2000	11,868,350	(227,880)	–	11,640,470	$16.65	3.7.2001 – 2.7.2010
2.7.2001	13,173,990	(283,405)	–	12,890,585	$11.96	2.7.2002 – 1.7.2011
1.7.2002	13,658,152	(301,625)	–	13,356,527	$12.82	1.7.2003 – 30.6.2012
1.7.2003	12,922,820	(180,785)	–	12,742,035	$10.34	1.7.2004 – 30.6.2013
	64,749,742	(1,277,915)	–	63,471,827		

5 Options on Shares in the Company (continued)

The details of options granted to and exercised by directors of the Company:

Name of participant	Options granted during financial year under review	Exercise price for options granted during financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Options lapsed	Aggregate options outstanding at end of financial year under review
Chew Choon Seng	152,000	$10.34	606,000	–	–	606,000

The particulars of options on shares in subsidiary companies are as follows:

(a) Singapore Airport Terminal Services Limited ("SATS")

The Singapore Airport Terminal Services Limited Employee Share Option Plan ("SATS ESOP"), which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, was approved on 20 March 2000.

The basis upon which an option may be exercised is identical to that of the Plan implemented by the Company.

During the financial year, in consideration of the payment of $1.00 for each offer accepted, offers of options were granted pursuant to the SATS ESOP in respect of 14,168,900 unissued shares of $0.10 each in SATS at an exercise price of $1.77 per share.

At the end of the financial year, options to take up 68,911,300 unissued shares of $0.10 each in SATS were outstanding:

	Number of options to subscribe for unissued ordinary shares of $0.10 each					
Date of grant	Balance at 1.4.2003/later date of grant	Cancelled	Exercised	Balance at 31.3.2004	Exercise price	Exercisable period
28.3.2000	17,837,200	(350,100)	–	17,487,100	$2.50	28.3.2001 – 27.3.2010
3.7.2000	13,780,000	(163,025)	(116,925)	13,500,050	$2.10	3.7.2001 – 2.7.2010
2.7.2001	15,080,800	(188,800)	(5,852,150)	9,039,850	$1.54	2.7.2002 – 1.7.2011
1.7.2002	15,101,200	(246,100)	(36,400)	14,818,700	$1.90	1.7.2003 – 30.6.2012
1.7.2003	14,168,900	(103,300)	–	14,065,600	$1.77	1.7.2004 – 30.6.2013
	75,968,100	(1,051,325)	(6,005,475)	68,911,300		

(b) SIA Engineering Company Limited ("SIAEC")

The SIA Engineering Company Limited Employee Share Option Plan ("SIAEC ESOP"), which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, was approved on 9 February 2000.

The basis upon which an option may be exercised is identical to that of the Plan implemented by the Company.

During the financial year, in consideration of the payment of $1.00 for each offer accepted, offers of options were granted pursuant to the SIAEC ESOP in respect of 7,526,300 unissued shares of $0.10 each in SIAEC at an exercise price of $1.75 per share.

5 Options on Shares in the Company (continued)

(b) SIA Engineering Company Limited ("SIAEC") (continued)

At the end of the financial year, options to take up 62,637,100 unissued shares of $0.10 each in SIAEC were outstanding:

	Number of options to subscribe for unissued ordinary shares of $0.10 each					
Date of grant	Balance at 1.4.2003/later date of grant	Cancelled	Exercised	Balance at 31.3.2004	Exercise price	Exercisable period
28.3.2000	14,704,750	(257,200)	(3,600)	14,443,950	$2.05	28.3.2001 – 27.3.2010
3.7.2000	13,727,650	(173,200)	(95,400)	13,459,050	$1.95	3.7.2001 – 2.7.2010
2.7.2001	15,337,000	(104,000)	(4,095,900)	11,137,100	$1.41	2.7.2002 – 1.7.2011
1.7.2002	16,531,600	(361,900)	–	16,169,700	$2.38	1.7.2003 – 30.6.2012
1.7.2003	7,526,300	(99,000)	–	7,427,300	$1.75	1.7.2004 – 30.6.2013
	67,827,300	(995,300)	(4,194,900)	62,637,100		

6 Audit And Risk Committee

The Audit and Risk Committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

7 Auditors

The auditors, Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board,

KOH BOON HWEE
Chairman

CHEW CHOON SENG
Chief Executive Officer

Dated this 14th day of May 2004

Statement by the Directors Pursuant to Section 201(15)

We, Koh Boon Hwee and Chew Choon Seng, being two of the directors of Singapore Airlines Limited, do hereby state that in the opinion of the directors:

(i) the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2004, the changes in equity of the Group and of the Company, the results of the business and the cash flows of the Group for the financial year ended on that date;

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

KOH BOON HWEE
Chairman

CHEW CHOON SENG
Chief Executive Officer

Dated this 14th day of May 2004

Auditors' Report

To the members of Singapore Airlines Limited

We have audited the accompanying financial statements of Singapore Airlines Limited (the "Company") and its subsidiaries (the "Group") set out on pages 64 to 107 for the year ended 31 March 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2004, changes in equity of the Group and of the Company, the results and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records (excluding registers) required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act

ERNST & YOUNG
Certified Public Accountants
Dated this 14th day of May 2004
Singapore

Consolidated Profit and Loss Account

For the financial year ended 31 March 2004 (in $ million)

	Notes	The Group 2003-04	The Group 2002-03
REVENUE	4	9,761.9	10,515.0
EXPENDITURE			
Staff costs	5	1,969.5	2,245.2
Fuel costs		1,811.1	1,864.6
Depreciation	17	1,180.2	1,090.3
Provision for impairment of fixed assets	17	28.0	43.2
Aircraft maintenance and overhaul costs		610.7	780.9
Commission and incentives		590.3	675.5
Landing, parking and overflying charges		515.9	576.1
Handling charges		492.6	521.1
Rentals on leased aircraft		353.3	358.5
Material costs		247.7	312.7
Inflight meals		198.1	218.0
Advertising and sales costs		191.0	208.6
Insurance expenses		133.5	179.0
Company accommodation and utilities		150.8	135.4
Other passenger costs		105.6	130.7
Crew expenses		90.1	98.9
Other operating expenses		413.1	359.2
		9,081.5	9,797.9
OPERATING PROFIT	6	680.4	717.1
Finance charges	7	(65.1)	(54.7)
Interest income	8	32.5	33.7
Surplus on disposal of aircraft, spares and spare engines		102.7	144.9
Surplus on disposal of other fixed assets		5.5	1.2
Dividends from long-term investments, gross		3.6	5.2
Provision for diminution in value of long-term investments	22	(1.8)	(9.4)
Amortization of goodwill on consolidation	18	(0.1)	–
Amortization of deferred gain		1.6	–
Share of profits of joint venture companies		6.4	14.5
Share of profits of associated companies		86.3	123.8
PROFIT BEFORE EXCEPTIONAL ITEMS		852.0	976.3
Exceptional items	9	(31.1)	0.5
PROFIT BEFORE TAXATION		820.9	976.8
TAXATION	10		
Taxation expense		(130.3)	(135.3)
Adjustment for reduction in Singapore statutory tax rate		204.7	277.8
		74.4	142.5
PROFIT AFTER TAXATION		895.3	1,119.3
Minority interests		(46.0)	(54.5)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		849.3	1,064.8
BASIC EARNINGS PER SHARE (CENTS)	11	69.7	87.4
DILUTED EARNINGS PER SHARE (CENTS)	11	69.7	87.4

The notes on pages 70 to 107 form an integral part of these financial statements.

Balance Sheets

At 31 March 2004 (in $ million)

	Notes	The Group 2004	The Group 2003	The Company 2004	The Company 2003
SHARE CAPITAL					
Authorized	13	3,000.0	3,000.0	3,000.0	3,000.0
Issued and fully paid	13	609.1	609.1	609.1	609.1
RESERVES					
Distributable					
General reserve		10,282.6	9,539.1	9,805.0	9,485.3
Foreign currency translation reserve		19.8	41.3	–	–
Non-distributable					
Share premium		447.2	447.2	447.2	447.2
Capital redemption reserve		64.4	64.4	64.4	64.4
Capital reserve		32.0	7.7	–	–
		10,846.0	10,099.7	10,316.6	9,996.9
SHARE CAPITAL AND RESERVES		11,455.1	10,708.8	10,925.7	10,606.0
MINORITY INTERESTS		304.1	267.5	–	–
DEFERRED ACCOUNT	14	446.7	523.1	391.2	462.7
DEFERRED TAXATION	15	2,175.3	2,251.0	1,742.1	1,807.9
LONG-TERM LIABILITIES	16	2,207.2	1,879.6	1,457.0	1,483.9
		16,588.4	15,630.0	14,516.0	14,360.5
Represented by:					
FIXED ASSETS	17				
Aircraft, spares and spare engines		12,464.5	11,723.6	9,647.4	9,345.6
Land and buildings		1,017.9	1,057.5	338.9	360.9
Others		2,082.4	2,624.9	1,479.9	1,951.6
		15,564.8	15,406.0	11,466.2	11,658.1
GOODWILL ON CONSOLIDATION	18	1.4	1.5	–	–
SUBSIDIARY COMPANIES	19	–	–	1,936.5	2,291.0
ASSOCIATED COMPANIES	20	517.5	500.7	1,722.7	1,721.8
JOINT VENTURE COMPANIES	21	309.2	296.4	140.3	118.8
LONG-TERM INVESTMENTS	22	475.2	569.6	402.4	489.4
CURRENT ASSETS					
Section 44 tax prepayments		239.8	287.9	239.8	287.9
Stocks	23	61.5	80.8	26.2	29.0
Trade debtors	24	1,171.5	1,071.9	757.3	651.9
Amounts owing by associated companies – net	20	0.4	–	–	–
Amounts owing by joint venture companies	21	–	1.0	–	–
Investments	25	130.2	148.3	–	–
Cash and bank balances	26	1,518.5	819.9	1,090.6	428.7
		3,121.9	2,409.8	2,113.9	1,397.5
Less: **CURRENT LIABILITIES**					
Sales in advance of carriage		999.0	849.6	936.8	798.6
Deferred revenue		206.4	205.3	206.4	205.3
Current tax payable		181.7	283.0	105.0	211.8
Trade creditors	27	1,921.1	1,928.3	1,309.6	1,207.0
Amounts owing to subsidiary companies – net	19	–	–	686.8	844.3
Amounts owing to associated companies – net	20	–	19.5	–	20.0
Finance lease commitments-repayable within one year	16	41.5	13.0	–	–
Loans-repayable within one year	16	24.8	224.7	–	–
Bank overdrafts	28	27.1	30.6	21.4	29.1
		3,401.6	3,554.0	3,266.0	3,316.1
NET CURRENT LIABILITIES		(279.7)	(1,144.2)	(1,152.1)	(1,918.6)
		16,588.4	15,630.0	14,516.0	14,360.5

The notes on pages 70 to 107 form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 March 2004 (in $ million)

The Group

	Notes	Share capital	Share premium	Capital redemption reserve	Capital reserve	Foreign currency translation reserve	General reserve	Total
Balance at 31 March 2002		609.1	447.2	64.4	6.9	63.8	8,655.2	9,846.6
Currency translation differences		–	–	–	–	(22.5)	–	(22.5)
Share options exercised	13	*	*	–	–	–	–	–
Share of a joint venture company's capital reserve		–	–	–	0.8	–	–	0.8
Gain on dilution of interest in a subsidiary company due to share options exercised		–	–	–	–	–	0.8	0.8
Net gains and losses not recognized in the profit and loss account		*	*	–	0.8	(22.5)	0.8	(20.9)
Profit attributable to shareholders for the financial year		–	–	–	–	–	1,064.8	1,064.8
Dividends	12	–	–	–	–	–	(181.7)	(181.7)
Balance at 31 March 2003		609.1	447.2	64.4	7.7	41.3	9,539.1	10,708.8
Currency translation differences		–	–	–	–	(21.5)	–	(21.5)
Share of a joint venture company's capital reserve	21	–	–	–	1.4	–	–	1.4
Share of an associated company's capital reserve	20	–	–	–	22.9	–	–	22.9
Gain on dilution of interest in subsidiary companies due to share options exercised		–	–	–	–	–	3.8	3.8
Net gains and losses not recognized in the profit and loss account		–	–	–	24.3	(21.5)	3.8	6.6
Profit attributable to shareholders for the financial year		–	–	–	–	–	849.3	849.3
Dividends	12	–	–	–	–	–	(109.6)	(109.6)
Balance at 31 March 2004		609.1	447.2	64.4	32.0	19.8	10,282.6	11,455.1

* *In 2002-03, 1,000 ordinary shares of $0.50 par value were issued at exercise price of $11.96 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by $500 and $11,460 respectively.*

The notes on pages 70 to 107 form an integral part of these financial statements.

Statements of Changes in Equity

For the financial year ended 31 March 2004 (in $ million)

The Company

	Notes	Share capital	Share premium	Capital redemption reserve	General reserve	Total
Balance at 31 March 2002		609.1	447.2	64.4	9,049.0	10,169.7
Share options exercised	13	*	*	–	–	–
Net gains and losses not recognized in the profit and loss account		*	*	–	–	–
Profit attributable to shareholders for the financial year		–	–	–	618.0	618.0
Dividends	12	–	–	–	(181.7)	(181.7)
Balance at 31 March 2003		609.1	447.2	64.4	9,485.3	10,606.0
Profit attributable to shareholders for the financial year		–	–	–	429.3	429.3
Dividends	12	–	–	–	(109.6)	(109.6)
Balance at 31 March 2004		609.1	447.2	64.4	9,805.0	10,925.7

* *In 2002-03, 1,000 ordinary shares of $0.50 par value were issued at exercise price of $11.96 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by $500 and $11,460 respectively.*

The notes on pages 70 to 107 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 March 2004 (in $ million)

	Notes	The Group 2003-04	2002-03
NET CASH PROVIDED BY OPERATING ACTIVITIES	29	1,716.4	1,818.1
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure	30	(2,214.2)	(3,039.3)
Proceeds from disposal of aircraft and other fixed assets		1,513.7	1,279.5
Return of capital from joint venture companies		0.9	0.9
Return of capital from long-term investments		–	2.8
Investments in associated companies		(24.6)	(16.8)
Investments in joint venture companies		(21.5)	(18.9)
Disposal of subsidiary company, net of cash disposed		(1.4)	–
Acquisition of subsidiary company, net of cash acquired		–	(2.1)
Additional long-term investments		–	(169.6)
Additional long-term loans		(1.4)	(0.8)
Repayment of loans by associated companies		5.5	6.0
Repayment of loans		6.4	6.3
Proceeds from sale of long-term investments		76.8	154.1
Proceeds from disposal of associated companies		–	1.0
Dividends received from associated companies		60.5	36.1
Dividends received from investments		3.8	4.5
Interest received from investments and deposits		32.7	32.3
Interest received on loans to associated companies		0.1	0.3
NET CASH USED IN INVESTING ACTIVITIES		(562.7)	(1,723.7)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		(109.6)	(181.7)
Dividends paid by subsidiary companies to minority interests		(14.4)	(17.9)
Interest paid		(62.1)	(51.1)
Proceeds from borrowings		2.8	–
Repayment of borrowings		(224.7)	(0.2)
Repayment of long-term lease liabilities		(20.3)	(57.9)
Proceeds from exercise of share options		15.3	0.9
NET CASH USED IN FINANCING ACTIVITIES		(413.0)	(307.9)
NET CASH INFLOW/(OUTFLOW)		740.7	(213.5)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		789.3	1,034.8
Effect of exchange rate changes		(38.6)	(32.0)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		1,491.4	789.3
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Fixed deposits	26	1,137.1	528.2
Cash and bank	26	381.4	291.7
Bank overdrafts		(27.1)	(30.6)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		1,491.4	789.3

The notes on pages 70 to 107 form an integral part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the financial year ended 31 March 2004 (in $ million)

During the year, the Company disposed of its 51% equity interest in Aviation Software Development Consultancy India Limited. This was shown in the statement as a single item. The effects of the individual assets and liabilities and the results for the year are set out below.

	2003-04
Portion of disposal consideration discharged by means of cash	5.3
Fixed assets	0.4
Trade debtors	2.8
Cash and bank balances	6.7
Creditors	(1.8)
Net identifiable assets and liabilities disposed	8.1
Minority interest	(3.9)
Surplus on disposal of subsidiary company	1.1
Cash consideration received	5.3
Less: cash disposed	(6.7)
Net cash outflow	(1.4)
<u>Contributions to the Group for the period April 2003 to February 2004:</u>	
Revenue	6.1
Expenditure	(5.1)
Profit before taxation	1.0

In 2002-03, Singapore Airport Terminal Services Limited ("SATS") acquired a 57.1% equity interest in Country Foods Pte Ltd ("CF"). This was shown in the statement as a single item. The effects on the individual assets and liabilities are set out below.

	2002-03
Fixed assets	2.9
Stocks	0.5
Trade debtors	2.0
Cash and bank balances	1.9
Creditors	(2.6)
Net identifiable assets and liabilities acquired	4.7
Goodwill on acquisition	1.3
Minority interest	(2.0)
Cash consideration paid	4.0
Less: cash acquired	(1.9)
Net cash outflow	2.1

Subsequent acquisition of an additional 9.6% equity interest was by subscription of new shares in CF. The additional investment of $2.0 million into the subsidiary has no impact on the Group's cash flow.

The notes on pages 70 to 107 form an integral part of these financial statements.

1 General

Singapore Airlines Limited ("the Company") is a limited liability company incorporated in the Republic of Singapore which is also the place of domicile. The Company is a subsidiary company of Temasek Holdings (Private) Limited, incorporated in the Republic of Singapore.

The registered office of the Company is at Airline House, 25 Airline Road, Singapore 819829.

The principal activities of the Group consist of passenger and cargo air transportation, airport terminal services, engineering services, training of pilots, air charters and tour wholesaling and related activities. The principal activity of the Company consists of passenger air transportation.

The financial statements for the financial year ended 31 March 2004 were authorized for issue in accordance with a resolution of the directors on 14 May 2004.

2 Accounting Policies

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

(a) Basis of accounting

The financial statements of the Group and of the Company, which are expressed in Singapore dollars ($), are prepared under the historical cost convention and in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act. In previous years, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard ("SAS"). The transition from SAS to FRS did not result in any significant change in accounting policies.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies for the financial year ended 31 March. A list of the Group's subsidiary companies is shown in note 19 to the financial statements.

(c) Subsidiary, associated and joint venture companies

In the Company's financial statements, investment in subsidiary, associated and joint venture companies are accounted for at cost less impairment losses.

A subsidiary company is defined as a company in which the Group, directly or indirectly controls more than half of the voting power, or controls the composition of the board of directors.

An associated company is defined as a company, not being a subsidiary company or joint venture company, in which the Group has a long-term interest of not less than 20% and not more than 50% of the voting power and in whose financial and operating policy decisions the Group exercises significant influence.

The Group's share of the consolidated results of associated companies and their subsidiary companies, with appropriate adjustments to account for the amortization of goodwill, is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves is added to the value of investments in associated companies shown on the consolidated balance sheet. An associated company in airline business adopts different accounting policies for its treatment of frequent flyer program and aircraft maintenance and overhaul. It is not practicable for such adjustments to be calculated to align these to the Group's policies. A list of the Group's associated companies is shown in note 20 to the financial statements.

A joint venture company is defined as a company, not being a subsidiary company, in which the Group has a long-term interest of not more than 50% in the equity and has joint control of the company's commercial and financial affairs.

The Group's share of the consolidated results of the joint venture companies and their subsidiary companies are included in the consolidated financial statements under the equity method on the same basis as associated companies. A list of the Group's joint venture companies is shown in note 21 to the financial statements.

2 Accounting Policies (continued)

(c) Subsidiary, associated and joint venture companies (continued)

The most recent available audited financial statements of the associated and joint venture companies are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminus with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period.

(d) Goodwill

When subsidiary companies or interests in associated and joint venture companies are acquired, any excess of the consideration over the fair value of the net assets as at the date of acquisition represents goodwill. Goodwill arising from business combinations on or after 1 April 2001 is amortized using the straight-line method over a period of between ten to twenty years. Goodwill is stated at cost less accumulated amortization and any impairment losses. Amortized goodwill arising from acquisition of associated and joint venture companies is reported net against the share of results of associated and joint venture companies. Amortized goodwill arising from acquisition of subsidiary companies is reported as a separate line item after operating profit.

Goodwill arising from business combinations prior to 1 April 2001 has been written-off against Group reserves in the financial year in which it arose. When determining goodwill, assets and liabilities of the acquired interest are translated using the exchange rate at the date of acquisition if the financial statements of the acquired interest are not denominated in Singapore dollars.

(e) Foreign currencies

Foreign currency transactions are converted into Singapore dollars at exchange rates which approximate bank rates prevailing at dates of transactions, after taking into account the effect of forward currency contracts which expired during the financial year.

All foreign currency monetary assets and liabilities are translated into Singapore dollars using year-end exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined.

Gains and losses arising from conversion of monetary assets and liabilities are dealt with in the profit and loss account.

For the purposes of the Group financial statements, the net assets of the foreign subsidiary, associated and joint venture companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date. The financial results of foreign subsidiary, associated and joint venture companies are translated monthly into Singapore dollars at the prevailing exchange rates. The resulting gains or losses on exchange are taken to foreign currency translation reserve.

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. 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. The cost of all aircraft is stated net of manufacturers' credit. Aircraft and related equipment acquired on an exchange basis are stated at amounts paid plus the fair value of the fixed asset traded-in. Expenditure for additions, improvements and renewal is capitalized at cost and expenditure for maintenance and repairs is charged to the profit and loss account. When assets are sold or retired, their costs and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

(g) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis at rates which are calculated to write-down their cost to their estimated residual values at the end of their operational lives. Operational lives and residual values are reviewed annually in the light of experience and changing circumstances.

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

2 Accounting Policies (continued)

(g) Depreciation of fixed assets (continued)

Aircraft fleet
The Group depreciates its new passenger aircraft, spares and spare engines over 15 years to 10% residual values.

For used passenger aircraft, the Group depreciates them over the remaining life (15 years less age of aircraft) to 10% residual values.

The Group depreciates its new freighter aircraft over 15 years to 20% residual values. For used freighter aircraft, the Group depreciates them over the remaining life (15 years less age of aircraft) to 20% residual value.

Land and buildings
Buildings on freehold land and leasehold land and buildings are depreciated to nil residual values as follows:

Company owned office premises	–	according to lease period or 30 years whichever is the shorter.
Company owned household premises	–	according to lease period or 10 years whichever is the shorter.
Other premises	–	according to lease period or 5 years whichever is the shorter.

Flight training equipment
Flight simulators and training aircraft are depreciated over 10 years to nil residual values, and 5 years to 20% residual values respectively.

Other fixed assets
Other fixed assets are depreciated over 1 to 12 years to nil residual values.

(h) Leased assets

Finance lease – as lessee
Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalized at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets and the corresponding lease commitments are included under liabilities. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the profit and loss accounts. Depreciation on the relevant assets is charged to the profit and loss accounts.

Operating lease – as lessee
Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss accounts on a straight-line basis over the lease term.

Gains or losses arising from sale and operating leaseback of aircraft are determined based on fair values. Differences between sale proceeds and fair values are deferred and amortized over the minimum lease terms.

Major improvements and modifications to leased aircraft due to operational requirements are capitalized and depreciated over the lease-term period.

Operating lease – as lessor
Aircraft leased out under operating leases are included under fixed assets and are stated at cost less accumulated depreciation and any impairment in value. Rental income is recognized on a straight-line basis over the lease term.

2 Accounting Policies (continued)

(i) Investments
Investments held on a long-term basis are stated at cost and provisions are made for diminution in value which is considered to be permanent. Short-term investments are stated at the lower of cost and net realizable value on a portfolio basis.

(j) Stocks
Stocks are stated at the lower of cost and net realizable value. Cost is determined on either a first-in-first-out or weighted average basis depending on the nature of the stocks. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Work-in-progress is stated at cost plus estimated attributable profit.

(k) Trade debtors
Trade debtors are recognized and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Amounts owing by subsidiary, associated and joint venture companies are recognized and carried at cost less provisions for any uncollectible amounts.

(l) Cash and bank balances
Cash and bank balances are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Cash on hand, demand deposits and short-term deposits which are held to maturity are carried at cost.

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash on hand and deposits in banks, net of outstanding bank overdrafts.

(m)Deferred taxation
Deferred 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.

Additionally the Group's deferred tax liabilities include all taxable temporary differences associated with investments in subsidiary, associated and joint venture companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and, carry forward of unused tax assets and losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and, carry forward of unused tax assets and losses, can be utilized.

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

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

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged in the same or a different period, directly to equity.

(n) Loans, notes payable and borrowings
Loans, notes payable and other borrowings are recognized at cost.

2 Accounting Policies (continued)

(o) Aircraft maintenance and overhaul costs

The Group recognizes aircraft maintenance and overhaul expenses on an incurred basis. For engine overhaul costs covered by "power-by-hour" (fixed rate charged per hour) third-party maintenance agreements, expenses are accrued on the basis of hours flown in accordance to the contractual terms.

Aircraft maintenance and overhaul expenses incurred to meet contractual return conditions for sale and leaseback aircraft are accrued equally over the remaining lease terms.

(p) Employee Benefits

Equity compensation plans

The Group has in place the Singapore Airlines Limited Employee Share Option Plan, the Singapore Airport Terminal Services Limited Employee Share Option Plan and the SIA Engineering Company Limited Employee Share Option Plan for granting of share options to senior executives and all other employees. There are no charges to the profit and loss account upon the grant or exercise of the options. The exercise price approximates the market value of the shares at the date of grant. Details of the plans are disclosed in Note 13 to the financial statements.

Defined contribution plans

As required by law, the companies in Singapore make contributions to the state pension scheme, the Central Provident Fund ("CPF"). Certain of the Group's companies and overseas stations outside Singapore make contributions to their respective countries' pension schemes. Such contributions are recognized as compensation expenses in the same period as the employment that gave rise to the contributions.

Defined benefit plans

The Group contributes to several defined benefit pension and other post employment benefit plans for employees stationed in certain overseas countries. The cost of providing benefits includes the Group's contribution for the year plus any unfunded liabilities under the plans, which is determined separately for each plan. Contributions to the plans over the expected average remaining working lives of the employees participating in the plans are expensed as incurred.

(q) Trade creditors

Trade creditors and amounts owing to subsidiary and associated companies are carried at cost.

Provision for warranty claims is made for engine overhaul, repairs and maintenance of aircraft (excluding line maintenance) based on past experience of the level of repairs.

(r) Derivative Financial Instruments

Gains and losses arising from derivative financial instruments on foreign currencies and jet fuel are recognized at dates of maturity.

(s) Revenue

Passenger and cargo sales are recognized as operating revenue when the transportation is provided. The value of unused tickets and air waybills is included in current liabilities as sales in advance of carriage and recognized as revenue if unused after two years.

Revenue from the provision of airport terminal services is recognized upon services rendered.

Revenue from engine overhaul, repair and maintenance of aircraft is recognized based on the percentage of completion of the projects.

(t) Income from investments

Dividend income from investments is recognized when the shareholders' right to receive the payment is established.

Interest income from investments and fixed deposits is recognized on an accrual basis.

2 Accounting Policies (continued)

(u) Frequent flyer programme

The Company operates a frequent flyer programme called ("KrisFlyer") that provides travel awards to programme members based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits is estimated and deferred until they are utilized. These are included under "deferred revenue" on the balance sheet. Any remaining unutilized benefits are recognized as revenue upon expiry.

From 2003-04, deferred revenue for unutilized benefits is recognized as revenue based on an estimate of miles awarded that will not be utilized before expiry. In accordance with FRS 8, Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies, the change is applied prospectively without adjustments to previously reported amounts. This change has increased current year's revenue of the Group and the Company by approximately $28.2 million.

(v) Training and development costs

Training and development costs, including start-up program costs, are charged to the profit and loss account in the financial year in which they are incurred.

(w) Capitalized loan interest

Borrowing costs incurred to finance progress payments for aircraft and building projects are capitalized until the aircraft are commissioned for operation or the projects are completed. All other borrowing costs are recognized as expenses in the period in which they are incurred. $0.1 million (2002-03: $2.9 million) of the Company's borrowing costs were capitalized during the year.

(x) Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the profit and loss account unless it reverses a previous revaluation credited to equity, in which case it is charged to equity. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

(y) Segmental reporting

Business Segment

The Group's businesses are organized and managed separately accordingly to the nature of the services provided. The significant business segments of the Group are airline operations, airport terminal services and engineering services.

Geographical segment

The analysis of revenue by area of original sale from airline operations is derived by allocating revenue to the area in which the sale was made. Revenue from other operations, which consist principally of airport terminal services and engineering services, is derived in Singapore and therefore, is not shown.

Assets, which consist principally of flight and ground equipment, support the entire worldwide transportation system, are mainly located in Singapore. An analysis of assets and capital expenditure of the Group by geographical distribution has therefore not been included.

3 Segment Information (in $ million)

Business segments
The Group's businesses are organized and managed separately according to the nature of the services provided. The following tables present revenue and profit information regarding business segments for the financial years ended 31 March 2004 and 2003 and certain assets and liabilities information of the business segments as at those dates.

	Airline operations		Airport terminal services	
	2003-04	2002-03	2003-04	2002-03
TOTAL REVENUE				
External revenue	9,171.0	9,861.1	355.5	386.8
Inter-segment revenue	57.8	55.7	513.2	571.3
	9,228.8	9,916.8	868.7	958.1
RESULTS				
Segment result	406.3	341.0	190.8	229.1
Finance charges	(62.4)	(55.7)	(6.1)	(5.8)
Interest income	27.0	39.1	5.1	3.8
Surplus on disposal of aircraft, spares and spare engines	102.7	150.4	–	–
(Loss)/surplus on disposal of other fixed assets	4.8	(0.8)	(0.1)	0.1
Dividends from subsidiary and associated companies, gross	119.2	130.5	–	–
Dividends from long-term investments, gross	2.7	4.9	0.7	0.7
Provision for diminution in value of long-term investments	(8.6)	(9.4)	–	–
Amortization of goodwill on consolidation	–	–	(0.1)	–
Amortization of deferred gain	–	–	1.6	–
Share of profits of joint venture companies	3.5	12.7	–	–
Share of profits of associated companies	6.6	26.1	33.7	30.2
Exceptional items	(15.3)	0.5	(8.0)	–
Taxation	75.5	176.3	(28.0)	(43.3)
Profit after taxation	662.0	815.6	189.6	214.8
Minority interests				
Profit attributable to shareholders				

	2004	2003	2004	2003
OTHER INFORMATION AT 31 MARCH				
Segment assets	17,192.5	15,845.2	1,319.6	1,458.6
Investments in and loans to joint venture and associated companies	388.7	357.6	141.2	138.6
Goodwill on consolidation	–	–	1.4	1.5
Long-term investments	404.4	491.6	51.5	53.9
Amounts owing by associated companies	–	–	0.4	–
Accrued interest receivable	3.4	3.7	0.9	0.8
Tax prepayments	239.8	287.9	–	–
Total assets	18,228.8	16,986.0	1,515.0	1,653.4
Segment liabilities	4,090.0	3,951.8	143.4	167.6
Long-term liabilities	2,204.2	1,878.7	3.0	0.9
Short-term loans and lease commitments	64.6	36.1	0.8	200.6
Amounts owing to/(from) associated companies	–	20.0	–	(0.5)
Accrued interest payable	13.3	13.8	–	–
Tax liabilities	2,189.6	2,348.8	137.3	149.1
Total liabilities	8,561.7	8,249.2	284.5	517.7
Capital expenditure	2,612.6	2,980.4	33.4	21.2

	2003-04	2002-03	2003-04	2002-03
Depreciation	1,081.0	1,033.1	61.5	60.4
Impairment	28.0	43.2	–	–
Non-cash items other than depreciation and impairment	(148.3)	(146.1)	3.7	2.5

* *Relates to inter-segment transactions eliminated on consolidation. The Group generally accounts for such inter-segment transactions as if these transactions were to third parties at current market prices.*

Engineering services		Others		Total of segments		Elimination*		Consolidated	
2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
145.9	170.6	89.5	96.5	9,761.9	10,515.0	–	–	9,761.9	10,515.0
532.8	707.5	176.7	196.2	1,280.5	1,530.7	(1,280.5)	(1,530.7)	–	–
678.7	878.1	266.2	292.7	11,042.4	12,045.7	(1,280.5)	(1,530.7)	9,761.9	10,515.0
78.9	140.9	18.2	14.3	694.2	725.3	(13.8)	(8.2)	680.4	717.1
–	–	–	–	(68.5)	(61.5)	3.4	6.8	(65.1)	(54.7)
3.1	3.8	0.7	1.0	35.9	47.7	(3.4)	(14.0)	32.5	33.7
–	–	–	1.9	102.7	152.3	–	(7.4)	102.7	144.9
0.8	0.5	–	–	5.5	(0.2)	–	1.4	5.5	1.2
–	–	–	–	119.2	130.5	(119.2)	(130.5)	–	–
0.4	0.4	–	–	3.8	6.0	(0.2)	(0.8)	3.6	5.2
–	–	–	–	(8.6)	(9.4)	6.8	–	(1.8)	(9.4)
–	–	–	–	(0.1)	–	–	–	(0.1)	–
–	–	–	–	1.6	–	–	–	1.6	–
2.9	1.8	–	–	6.4	14.5	–	–	6.4	14.5
46.0	67.5	–	–	86.3	123.8	–	–	86.3	123.8
(3.2)	–	(1.3)	–	(27.8)	0.5	(3.3)	–	(31.1)	0.5
11.1	(11.1)	(2.9)	(2.1)	55.7	119.8	18.7	22.7	74.4	142.5
140.0	203.8	14.7	15.1	1,006.3	1,249.3	(111.0)	(130.0)	895.3	1,119.3
								(46.0)	(54.5)
								849.3	1,064.8

2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
801.1	762.9	206.5	200.0	19,519.7	18,266.7	(1,077.7)	(743.5)	18,442.0	17,523.2
301.1	305.0	(3.9)	–	827.1	801.2	(0.4)	(4.1)	826.7	797.1
–	–	–	–	1.4	1.5	–	–	1.4	1.5
19.6	24.5	–	–	475.5	570.0	(0.3)	(0.4)	475.2	569.6
–	–	–	–	0.4	–	–	–	0.4	–
0.5	0.3	0.2	0.3	5.0	5.1	(0.5)	(0.4)	4.5	4.7
–	–	–	–	239.8	287.9	–	–	239.8	287.9
1,122.3	1,092.7	202.8	200.3	21,068.9	19,932.4	(1,078.9)	(748.4)	19,990.0	19,184.0
168.4	221.2	60.2	45.8	4,462.0	4,386.4	(874.5)	(863.3)	3,587.5	3,523.1
–	–	–	–	2,207.2	1,879.6	–	–	2,207.2	1,879.6
0.9	1.0	–	–	66.3	237.7	–	–	66.3	237.7
–	–	–	–	–	19.5	–	–	–	19.5
–	–	–	–	13.3	13.8	(0.5)	–	12.8	13.8
25.1	30.8	5.0	5.3	2,357.0	2,534.0	–	–	2,357.0	2,534.0
194.4	253.0	65.2	51.1	9,105.8	9,071.0	(875.0)	(863.3)	8,230.8	8,207.7
35.5	28.8	11.1	86.0	2,692.6	3,116.4	–	(30.1)	2,692.6	3,086.3

2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
22.9	23.0	14.5	11.9	1,179.9	1,128.4	0.3	(38.1)	1,180.2	1,090.3
–	–	–	–	28.0	43.2	–	–	28.0	43.2
9.8	5.9	(0.9)	–	(135.7)	(137.7)	(6.8)	–	(142.5)	(137.7)

3 Segment Information (in $ million) (continued)

Geographical segments

The following table presents revenue information on airline operations by geographical areas for the financial years ended 31 March 2004 and 2003.

	By area of original sale	
	2003-04	2002-03
East Asia	4,452.5	4,929.9
Europe	1,708.6	1,807.6
South West Pacific	1,096.9	1,037.7
Americas	649.4	804.7
West Asia and Africa	667.7	722.2
System-wide	8,575.1	9,302.1
Non-scheduled services and incidental revenue	653.7	614.7
	9,228.8	9,916.8

4 Revenue (in $ million)

Revenue earned is generated principally from the carriage of passengers, cargo and mail, the rendering of airport terminal services, engineering services, training of pilots, air charters and tour wholesaling and related activities. Revenue for the Group excludes dividends from subsidiary companies and inter-company transactions.

5 Staff Costs (in $ million)

	The Group	
	2003-04	2002-03
Staff costs (including Executive Director)		
Salary, bonuses and other costs	1,828.2	2,091.0
CPF and other defined contributions	141.3	154.2
	1,969.5	2,245.2

The number of employees of the Group at 31 March 2004 are 28,786 (2003: 30,681).

The Group contributes to several post-employment defined benefit plans for employees at several overseas locations. Employees may contribute in some of these plans and these contributions are matched in varying amounts by the Group. Defined benefit expenses for the Group were $7.6 million for 2003-04 and $26.7 million for 2002-03. As these are not material to the total staff costs of the Group for 2003-04 and 2002-03, additional disclosures of these defined benefit plans are not shown.

6 Operating Profit (in $ million)

Operating profit for the financial year was arrived at after charging/(crediting):

	The Group	
	2003-04	2002-03
Interest income from short-term investments	(0.4)	(0.4)
Dividend income from short-term investments	(0.5)	(0.5)
(Surplus)/loss on disposal of short-term investments	(2.6)	0.9
Income from lease of aircraft	(31.7)	(7.3)
(Write-back of)/provision for diminution in value of short-term investments	(2.2)	2.1
Amortization of deferred gain on sale and leaseback transactions	(131.8)	(134.7)
Professional fees paid to a firm of which a director is a member	*	*
Remuneration for auditors of the Company		
Audit fees	1.0	1.0
Non-audit fees	1.0	1.4
Exchange losses, net	41.6	7.5

* *Amount less than $0.1 million.*

7 Finance Charges (in $ million)

	The Group	
	2003-04	2002-03
Interest expense:		
– notes payable	37.3	31.2
– loans	8.0	6.2
– finance lease commitments	18.3	16.3
– others	0.3	0.1
	63.9	53.8
Commitment fees	1.2	0.9
	65.1	54.7

8 Interest Income (in $ million)

	The Group	
	2003-04	2002-03
Fixed deposits	24.9	22.4
Quoted non-equity investments	5.1	6.9
Unquoted non-equity investments	0.6	0.9
Associated companies	0.1	1.1
Others	1.8	2.4
	32.5	33.7

9 Exceptional Items (in $ million)

	The Group 2003-04	The Group 2002-03
Retrenchment and early retirement costs	(41.4)	–
Surplus on liquidation of Abacus Distribution Systems Pte Ltd	9.2	–
Surplus on disposal of Aviation Software Development Consultancy India Limited	1.1	–
Surplus on liquidation of Asian Frequent Flyer Pte Ltd	–	0.5
	(31.1)	0.5

10 Taxation (in $ million)

	The Group 2003-04	The Group 2002-03
Current taxation		
Provision for the year	165.6	199.0
(Over)/under provision in respect of prior years	(165.4)	79.9
Share of joint venture companies taxation for the year	0.3	3.0
Share of associated companies taxation:		
– provision for the year	12.1	21.2
– over provision in respect of prior years	–	(14.4)
Reversal of tax contingency provision no longer required	(21.2)	–
	(8.6)	288.7
Deferred taxation		
Write-back for the year	(5.2)	(9.4)
Under/(over) provision in respect of prior years	134.2	(132.2)
Share of associated companies taxation:		
– provision for the year	5.2	–
– under/(over) provision in respect of prior years	4.7	(11.8)
	138.9	(153.4)
	130.3	135.3
Adjustment for reduction in Singapore statutory tax rate	(204.7)	(277.8)
	(74.4)	(142.5)

On 27 February 2004, the Government announced a 2% points cut in statutory tax rate from Year of Assessment 2005. The financial effect of the reduction in tax rate was reflected in the current financial year. The aggregate adjustment of the prior year's deferred tax liabilities was $204.7 million for the Group.

The Group has tax losses of approximately $17.2 million (2003: $10.5 million) and unabsorbed capital allowances of $0.2 million (2003: nil) that are available for offset against future taxable profits of the companies in which no deferred tax assets are recognized due to uncertainty of the recoverability. The use of the tax losses and unabsorbed capital allowances are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

During the financial year, SIA Engineering Company Limited ("SIAEC") reversed a tax contingency provision amounting to $21.2 million. The provision was made to cover for potential tax liability that might arise at the time when SIAEC disposed off certain fixed assets from its Engine Overhaul Division to Eagle Services Asia Private Limited ("ESA") and the subsequent divestment of 51% interest in ESA to Pratt & Whitney. Following the closure of this matter during the financial year, the provision is no longer required.

10 Taxation (in $ million) (continued)

A reconciliation between taxation expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 March is as follows:

	The Group 2003-04	The Group 2002-03
Profit before taxation	820.9	976.8
Taxation at statutory tax rate of 20.0% (2002-03: 22.0%)	164.2	214.9
Adjustments		
Income not subject to tax	(20.9)	(37.2)
Expenses not deductible for tax purposes	27.8	27.2
Higher effective tax rates of other countries	6.2	9.7
Over provision in respect of prior years, net	(26.5)	(78.5)
Effect of change in statutory tax rate	(204.7)	(277.8)
Reversal of tax contingency provision no longer required	(21.2)	–
Others	0.7	(0.8)
Taxation	(74.4)	(142.5)

11 Earnings Per Share

	The Group 2003-04	The Group 2002-03
Profit attributable to shareholders (in $ million)	849.3	1,064.8
Weighted average number of ordinary shares in issue used for computing basic earnings per share (in million)	1,218.1	1,218.1
Adjustment for share options (in million)	1.1	–
Weighted average number of ordinary shares in issue used for computing diluted earnings per share (in million)	1,219.2	1,218.1
Basic earnings per share (cents)	69.7	87.4
Diluted earnings per share (cents)	69.7	87.4

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

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account effects of dilutive options.

12 Dividends Paid and Proposed (in $ million)

	The Group and the Company 2003-04	The Group and the Company 2002-03
Dividends paid:		
Final dividend of 9.0 cents per share tax exempt (one-tier) in respect of 2002-03 (2002-03: 4.0 cents per share tax exempt and 8.0 cents per share less 22.0% tax in respect of 2001-02)	109.6	124.7
NIL interim dividend (2002-03: 6.0 cents per share less 22.0% tax)	–	57.0
	109.6	181.7

The directors propose that a final tax exempt (one-tier) dividend of 25.0 cents per share amounting to $304.5 million (2002-03: $109.6 million tax exempt [one-tier]), be paid for the financial year ended 31 March 2004.

13 Share Capital (in $ million)

	The Group and the Company 31 March 2004	2003
Authorized share capital		
Ordinary shares		
3,000,000,000 ordinary shares of $0.50 each	1,500.0	1,500.0
Special share		
1 special share of $0.50 each	#	#
Preference shares		
3,000,000,000 redeemable cumulative preference shares of $0.50 each	1,500.0	1,500.0
	3,000.0	3,000.0
Issued and fully paid share capital		
Ordinary shares		
Balance at 1 April		
1,218,144,622 of $0.50 each (2002: 1,218,143,622 of $0.50 each)	609.1	609.1
NIL share options exercised during the year (2002-03: 1,000)	–	@
Balance at 31 March		
1,218,144,622 of $0.50 each (2003: 1,218,144,622 of $0.50 each)	609.1	609.1
Special share		
Balance at 1 April		
1 of $0.50 each (2002: 1 of $0.50 each)	#	#
Balance at 31 March		
1 of $0.50 each (2003: 1 of $0.50 each)	#	#
	609.1	609.1

@ *The value was $500.*
# *The value is $0.50.*

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

In 2002-03, the Company issued 1,000 shares upon exercise of options granted under the Employee Share Option Plan. There were no share options exercised during the financial year.

There was no buyback of the Company's shares during the financial year, pursuant to the share buyback approved by shareholders.

The Company's ability to operate its existing route network and flight frequency is derived solely from and dependent entirely on the Air Service Agreements ("ASAs") concluded between the Government of Singapore and the governments of other countries. ASAs are therefore critical to the Company's operations. In almost all the ASAs, it is a condition that the Company must at all times be "effectively controlled" and "substantially owned" by Singapore nationals for the tenure of the respective ASAs.

In order to comply with the above requirement, one non-tradeable Special Share of $0.50 each was issued to the Ministry of Finance. The Special Share enjoys all the rights attached to ordinary shares. In addition, pursuant to Article 3A of the Articles of Association, no resolution may be passed on certain matters without prior written approval of the Special Member.

Included in the authorized share capital are 3,000,000,000 non-tradable redeemable cumulative preference shares of $0.50 each, which carry full voting rights ("ASA shares"). When issued, the ASA shares will be partially paid to $0.01 each and will carry equal voting rights as those of ordinary shares, whether partially paid or otherwise. These shares will be issued only when the directors determine that the Company's operating rights under any of the ASAs are threatened by reason of the nationality of the majority shareholders.

13 Share Capital (in $ million) (continued)

Share option plans

The Singapore Airlines Limited Employee Share Option Plan ("SIA ESOP"), the Singapore Airport Terminal Services Limited Employee Share Option Plan ("SATS ESOP") and the SIA Engineering Company Limited Employee Share Option Plan ("SIAEC ESOP"), which comprise the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, were approved by shareholders on 8 March 2000, 20 March 2000 and 9 February 2000 respectively.

Options are granted for 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 the respective companies' ordinary shares on the SGX-ST for the five market days immediately preceding the date of grant.

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

(a) one year after the date of grant for 25% of the ordinary shares subject to the options;

(b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;

(c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and

(d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

Information with respect to the number of options granted under the respective Employee Share Option Plans is as follows:

	SIA ESOP		SATS ESOP		SIAEC ESOP	
	2004	2003	2004	2003	2004	2003
Outstanding at 1 April	51,826,922	38,569,920	61,799,200	47,310,700	60,301,000	44,578,400
Granted	12,922,820	13,787,922	14,168,900	15,239,500	7,526,300	16,594,800
Exercised*	–	(1,000)	(6,005,475)	–	(4,194,900)	(437,000)
Cancelled	(1,277,915)	(529,920)	(1,051,325)	(751,000)	(995,300)	(435,200)
Outstanding at 31 March	63,471,827	51,826,922	68,911,300	61,799,200	62,637,100	60,301,000
Exercisable at 31 March	34,383,579	22,641,036	39,256,575	31,095,500	38,252,435	27,867,861

* *Proceeds received from share options exercised during the year were:*

	SIA ESOP		SATS ESOP		SIAEC ESOP	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Aggregate proceeds from shares issued (in thousand $)	–	12.0	9,327.0	–	5,968.6	866.7

Details of share options granted during the financial year:

	SIA ESOP		SATS ESOP		SIAEC ESOP	
	2003-04	2002-03	2003-04	2002-03	2003-04	2002-03
Expiry date	30.6.2013	30.6.2012	30.6.2013	30.6.2012	30.6.2013	30.6.2012
Exercise price ($)	10.34	12.82	1.77	1.90	1.75	2.38

13 Share Capital (in $ million) (continued)

Share option plans (continued)

Terms of share options outstanding as at 31 March 2004:

SIA ESOP

Exercisable period	Exercise price	Number outstanding	Number exercisable
28.3.2001 – 27.3.2010	$15.34	1,288,707	1,288,707
28.3.2002 – 27.3.2010	$15.34	9,037,528	9,037,528
28.3.2003 – 27.3.2010	$15.34	1,261,237	1,261,237
28.3.2004 – 27.3.2010	$15.34	1,254,738	1,254,738
3.7.2001 – 2.7.2010	$16.65	1,461,510	1,461,510
3.7.2002 – 2.7.2010	$16.65	7,320,260	7,320,260
3.7.2003 – 2.7.2010	$16.65	1,432,043	1,432,043
3.7.2004 – 2.7.2010	$16.65	1,426,657	–
2.7.2002 – 1.7.2011	$11.96	1,769,257	1,769,257
2.7.2003 – 1.7.2011	$11.96	7,707,439	7,707,439
2.7.2004 – 1.7.2011	$11.96	1,706,837	–
2.7.2005 – 1.7.2011	$11.96	1,707,052	–
1.7.2003 – 30.6.2012	$12.82	1,840,980	1,840,980
1.7.2004 – 30.6.2012	$12.82	7,971,051	–
1.7.2005 – 30.6.2012	$12.82	1,772,126	–
1.7.2006 – 30.6.2012	$12.82	1,772,370	–
1.7.2004 – 30.6.2013	$10.34	1,703,363	9,880
1.7.2005 – 30.6.2013	$10.34	7,696,066	–
1.7.2006 – 30.6.2013	$10.34	1,671,139	–
1.7.2007 – 30.6.2013	$10.34	1,671,467	–
Total number of options outstanding		63,471,827 @	34,383,579

@ The total number of options outstanding includes:

(a) 7,514,545 share options not exercised by employees who have retired or ceased to be employed by the Company or any of the subsidiary companies by reason of (i) ill health, injury or disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Board Compensation and Organization Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of 5 years from the date of retirement or cessation of employment, whichever is earlier; and

(b) 85,920 share options not exercised by employees who have completed their fixed term contracts during the financial year. The said options, if unvested, shall immediately vest and be exercisable from the date of cessation of employment to the date falling 1 year from the date of cessation of employment.

13 Share Capital (in $ million) (continued)

Share option plans (continued)

SATS ESOP

Exercisable period	Exercise price	Number outstanding	Number exercisable
28.3.2001 – 27.3.2010	$2.50	262,900	262,900
28.3.2002 – 27.3.2010	$2.50	16,698,400	16,698,400
28.3.2003 – 27.3.2010	$2.50	262,900	262,900
28.3.2004 – 27.3.2010	$2.50	262,900	262,900
3.7.2001 – 2.7.2010	$2.10	338,175	338,175
3.7.2002 – 2.7.2010	$2.10	12,483,975	12,483,975
3.7.2003 – 2.7.2010	$2.10	338,175	338,175
3.7.2004 – 2.7.2010	$2.10	339,725	–
2.7.2002 – 1.7.2011	$1.54	299,500	299,500
2.7.2003 – 1.7.2011	$1.54	7,850,050	7,850,050
2.7.2004 – 1.7.2011	$1.54	445,150	–
2.7.2005 – 1.7.2011	$1.54	445,150	–
1.7.2003 – 30.6.2012	$1.90	459,600	459,600
1.7.2004 – 30.6.2012	$1.90	13,402,100	–
1.7.2005 – 30.6.2012	$1.90	478,500	–
1.7.2006 – 30.6.2012	$1.90	478,500	–
1.7.2004 – 30.6.2013	$1.77	336,325	–
1.7.2005 – 30.6.2013	$1.77	13,056,625	–
1.7.2006 – 30.6.2013	$1.77	336,325	–
1.7.2007 – 30.6.2013	$1.77	336,325	–
Total number of options outstanding		68,911,300 @	39,256,575

@ The total number of options outstanding includes 3,943,075 share options not exercised by employees who have retired or ceased to be employed by Singapore Airport Terminal Services Limited or any of its subsidiary companies by reason of (i) ill health, injury or disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Remuneration Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of 5 years from the date of retirement or cessation of employment, whichever is earlier.

13 Share Capital (in $ million) (continued)

Share option plans (continued)

SIAEC ESOP

Exercisable period	Exercise price	Number outstanding	Number exercisable
28.3.2001 – 27.3.2010	$2.05	322,012	322,012
28.3.2002 – 27.3.2010	$2.05	13,477,913	13,477,913
28.3.2003 – 27.3.2010	$2.05	322,012	322,012
28.3.2004 – 27.3.2010	$2.05	322,013	322,013
3.7.2001 – 2.7.2010	$1.95	561,886	561,886
3.7.2002 – 2.7.2010	$1.95	11,773,388	11,773,388
3.7.2003 – 2.7.2010	$1.95	561,886	561,886
3.7.2004 – 2.7.2010	$1.95	561,890	–
2.7.2002 – 1.7.2011	$1.41	739,100	739,100
2.7.2003 – 1.7.2011	$1.41	8,852,900	8,852,900
2.7.2004 – 1.7.2011	$1.41	772,550	–
2.7.2005 – 1.7.2011	$1.41	772,550	–
1.7.2003 – 30.6.2012	$2.38	1,304,125	1,304,125
1.7.2004 – 30.6.2012	$2.38	13,171,725	–
1.7.2005 – 30.6.2012	$2.38	846,925	–
1.7.2006 – 30.6.2012	$2.38	846,925	–
1.7.2004 – 30.6.2013	$1.75	342,325	15,200
1.7.2005 – 30.6.2013	$1.75	6,430,725	–
1.7.2006 – 30.6.2013	$1.75	327,125	–
1.7.2007 – 30.6.2013	$1.75	327,125	–
Total number of options outstanding		62,637,100 @	38,252,435

@ The total number of options outstanding includes:

(a) 5,098,400 share options not exercised by employees who have retired or ceased to be employed by SIA Engineering Company Limited or any of its subsidiary companies by reason of (i) ill health, injury or disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Compensation and HR Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of 5 years from the date of retirement or cessation of employment, whichever is earlier; and

(b) 547,600 share options not exercised by employees who have completed their fixed term contracts during the financial year. The said options, if unvested, shall immediately vest and be exercisable from the date of cessation of employment to the date falling 1 year from the date of cessation of employment.

14 Deferred Account (in $ million)

	The Group 31 March		The Company 31 March	
	2004	2003	2004	2003
Deferred gain on sale and leaseback transactions				
– operating leases	391.3	463.7	391.2	462.7
– finance leases	55.4	59.4	–	–
	446.7	523.1	391.2	462.7

15 Deferred Taxation (in $ million)

	The Group 31 March 2004	The Group 31 March 2003	The Company 31 March 2004	The Company 31 March 2003
Balance at 1 April	2,251.0	2,664.5	1,807.9	2,205.9
Written-back during the year	(5.2)	(9.4)	(46.2)	(36.3)
Adjustment for reduction in Singapore statutory tax rate	(204.7)	(271.9)	(164.4)	(225.1)
Under/(over) provision in respect of prior years	134.2	(132.2)	144.8	(136.6)
Balance at 31 March	2,175.3	2,251.0	1,742.1	1,807.9
The deferred taxation arises as a result of:				
Deferred tax liabilities				
An excess of net book value over tax written down value of fixed assets	2,231.8	2,341.1	1,686.9	1,773.5
Other taxable temporary differences	109.1	127.0	101.0	107.0
Gross deferred tax liabilities	2,340.9	2,468.1	1,787.9	1,880.5
Deferred tax assets				
Unabsorbed capital allowances and tax losses	89.2	117.8	–	–
Other deductible temporary differences	76.4	99.3	45.8	72.6
Gross deferred tax assets	165.6	217.1	45.8	72.6
Net deferred tax liabilities	2,175.3	2,251.0	1,742.1	1,807.9

16 Long-Term Liabilities (in $ million)

	The Group 31 March 2004	The Group 31 March 2003	The Company 31 March 2004	The Company 31 March 2003
Notes payable	900.0	1,100.0	900.0	900.0
Repayable within one year	–	(200.0)	–	–
Repayable after one year	900.0	900.0	900.0	900.0
Loans	192.2	222.9	–	–
Repayable within one year	(24.8)	(24.7)	–	–
Repayable after one year	167.4	198.2	–	–
Finance lease commitments	1,181.3	794.4	557.0	583.9
Repayable within one year	(41.5)	(13.0)	–	–
Repayable after one year	1,139.8	781.4	557.0	583.9
Total repayable after one year	2,207.2	1,879.6	1,457.0	1,483.9

16 Long-Term Liabilities (in $ million) (continued)

Notes payable
Notes payable at 31 March 2004 comprise unsecured long-term notes issued by the Company, which bear fixed interest at 4.15% (2002-03: 4.15%) per annum and are repayable on 19 December 2011.

The $200 million unsecured medium-term notes issued by SATS was repaid on 29 March 2004. The effective interest was 2.94% (2002-03: 2.94%) per annum.

Loans
Of the Group's $192.2 million (2003: $222.9 million) loans, $187.5 million (2003: $220.5 million) are secured by a first priority mortgage over 1 B747-400 freighter and $2.9 million (2003: nil) are secured by a first legal mortgage on a building at 22 Senoko Way Singapore 758095. Interest on the loan for the B747-400 freighter is charged at a margin above the London Interbank Offer Rate ("LIBOR") ranging from 1.77% to 1.99% (2002-03: 1.99%) per annum. Interest on the loan for the building ranged from 3.50% to 5.00% (2002-03: nil) per annum. The remaining loan of $1.8 million (2003: $2.4 million) is unsecured with interest rates ranging from 0.93% to 2.00% (2002-03: 1.06% to 2.07%) per annum.

	The Group 31 March		The Company 31 March	
	2004	2003	2004	2003
Within one year	24.8	24.7	–	–
After one year but not more than five years	67.2	80.9	–	–
More than five years	100.2	117.3	–	–
	192.2	222.9	–	–

Finance leases
The Company has finance leases for 2 B747-400s, which were subsequently sub-leased to Singapore Airlines Cargo Pte Ltd ("SIA Cargo") in 2001-02, as part of Cargo Division's corporatization. Both finance leases mature in 2007 without any options for renewal. The leases have options for the Company to purchase the aircraft at the end of the lease period of 12.5 years. 1 of the B747-400 leases has an additional purchase option exercisable in the 10.5th year. The Company intends to hold the finance leases until maturity. Sub-leasing is allowed under the lease agreements.

SIA Cargo paid the entire outstanding lease liabilities by issuing ordinary shares at par for cash to the Company. The sub-lease terms and conditions are identical to those under the finance leases held by the Company.

SIA Cargo holds 3 B747-400 freighters of the finance leases which mature between 2015 and 2026, without any options for renewal. 2 leases have options for SIA Cargo to purchase the aircraft at the end of the lease period of 12 years. The other lease has option for SIA Cargo to purchase the aircraft between the 12th and 15th year of the lease period. Sub-leasing is allowed under the lease agreements.

Interest rates on the Company's finance lease commitments are charged at a margin above the LIBOR. These ranged from 1.47% to 1.84% (2002-03: 1.74% to 1.84%) per annum.

Interest rates on SIA Cargo's finance lease commitments are charged at a margin above the LIBOR. These ranged from 1.12% to 2.00% (2002-03: 2.00% to 4.56%) per annum.

16 Long-Term Liabilities (in $ million) (continued)

Future lease payments under these finance leases are as follows:

	The Group 31 March				The Company 31 March			
	2004		2003		2004		2003	
	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal	Minimum Payments	Repayment of Principal
Within one year	67.5	41.5	28.6	13.0	8.3	(1.2)	8.5	(2.4)
After one year but not more than five years	846.5	747.1	715.6	646.6	578.5	558.2	620.5	586.3
More than five years	445.9	392.7	156.4	134.8	–	–	–	–
Total future lease payments	1,359.9	1,181.3	900.6	794.4	586.8	557.0	629.0	583.9
Amounts representing interest	(178.6)	–	(106.2)	–	(29.8)	–	(45.1)	–
Principal value of long-term commitments under finance leases	1,181.3	1,181.3	794.4	794.4	557.0	557.0	583.9	583.9

Additionally, at 31 March 2004, there are lease obligations in respect of two aircraft finance lease agreements, which expire over the next 2 years, amounting to $72.6 million (2003: $135.4 million) for the Company. These are covered by funds amounting to $72.6 million (2003: $135.4 million) placed with financial institutions under defeasance and other arrangements which have not been included in these financial statements. There are no restrictions on the use of the aircraft.

The Company continues to remain the primary obligor under these lease agreements. There are contingent liabilities (secured) amounting to $72.6 million (2003: $135.4 million) for the unpaid lease commitments at 31 March 2004.

17 Fixed Assets (in $ million)

The Group

	1 April 03	Additions	Disposals/ Transfers	Provision for impairment	31 March 04
Cost					
Aircraft	16,416.5	2,801.8	(1,961.8)	–	17,256.5
Aircraft spares	1,441.0	217.5	(352.4)	–	1,306.1
Aircraft spare engines	543.0	31.0	(112.4)	–	461.6
Freehold land and buildings	233.9	–	(1.3)	–	232.6
Leasehold land and buildings	1,460.6	15.8	(1.8)	–	1,474.6
Plant and equipment	1,097.1	77.0	(35.9)	–	1,138.2
Office and computer equipment	624.5	51.3	(23.3)	–	652.5
	21,816.6	3,194.4	(2,488.9)	–	22,522.1
Advance and progress payments	2,059.1	2,443.2	(2,945.0)	–	1,557.3
	23,875.7	5,637.6	(5,433.9)	–	24,079.4
Accumulated depreciation and impairment					
Aircraft	5,721.4	868.7	(924.7)	6.8	5,672.2
Aircraft spares	747.0	66.8	(124.1)	21.2	710.9
Aircraft spare engines	208.5	24.4	(56.3)	–	176.6
Freehold land and buildings	122.9	6.2	(1.3)	–	127.8
Leasehold land and buildings	514.1	49.0	(1.6)	–	561.5
Plant and equipment	717.7	91.5	(34.3)	–	774.9
Office and computer equipment	438.1	73.6	(21.0)	–	490.7
	8,469.7	1,180.2	(1,163.3)	28.0	8,514.6
Net book value	15,406.0				15,564.8

	Depreciation		Net Book Value	
	2003-04	2002-03	31 March 04	31 March 03
Aircraft	868.7	787.3	11,584.3	10,695.1
Aircraft spares	66.8	73.5	595.2	694.0
Aircraft spare engines	24.4	27.3	285.0	334.5
Freehold land and buildings	6.2	6.2	104.8	111.0
Leasehold land and buildings	49.0	48.0	913.1	946.5
Plant and equipment	91.5	82.4	363.3	379.4
Office and computer equipment	73.6	65.6	161.8	186.4
	1,180.2	1,090.3	14,007.5	13,346.9
Advance and progress payments			1,557.3	2,059.1
			15,564.8	15,406.0

17 Fixed Assets (in $ million) (continued)

The Company

	1 April 03	Additions	Disposals/ Transfers	Provision for impairment	31 March 04
Cost					
Aircraft	13,374.3	2,179.0	(1,960.5)	–	13,592.8
Aircraft spares	1,369.9	209.7	(346.7)	–	1,232.9
Aircraft spare engines	473.5	30.9	(112.3)	–	392.1
Freehold land and buildings	237.8	–	(1.3)	–	236.5
Leasehold land and buildings	539.2	–	(1.5)	–	537.7
Plant and equipment	365.1	57.0	(21.8)	–	400.3
Office and computer equipment	504.6	38.6	(18.1)	–	525.1
	16,864.4	2,515.2	(2,462.2)	–	16,917.4
Advance and progress payments	1,685.5	1,850.4	(2,311.1)	–	1,224.8
	18,549.9	4,365.6	(4,773.3)	–	18,142.2
Accumulated depreciation and impairment					
Aircraft	4,981.1	690.4	(925.6)	6.8	4,752.7
Aircraft spares	714.6	61.7	(120.8)	21.2	676.7
Aircraft spare engines	176.4	20.9	(56.3)	–	141.0
Freehold land and buildings	122.3	6.2	(1.3)	–	127.2
Leasehold land and buildings	293.8	15.8	(1.5)	–	308.1
Plant and equipment	243.0	46.5	(20.9)	–	268.6
Office and computer equipment	360.6	58.8	(17.7)	–	401.7
	6,891.8	900.3	(1,144.1)	28.0	6,676.0
Net book value	11,658.1				11,466.2

	Depreciation 2003-04	2002-03	Net Book Value 31 March 04	31 March 03
Aircraft	690.4	635.1	8,840.1	8,393.2
Aircraft spares	61.7	70.2	556.2	655.3
Aircraft spare engines	20.9	23.9	251.1	297.1
Freehold land and buildings	6.2	6.3	109.3	115.5
Leasehold land and buildings	15.8	15.8	229.6	245.4
Plant and equipment	46.5	36.3	131.7	122.1
Office and computer equipment	58.8	52.5	123.4	144.0
	900.3	840.1	10,241.4	9,972.6
Advance and progress payments			1,224.8	1,685.5
			11,466.2	11,658.1

	The Group 31 March 2004	2003	The Company 31 March 2004	2003
Net book value of fixed assets acquired under finance leases:				
– aircraft	967.4	456.4	–	–
– plant and equipment	137.4	159.7	–	–
	1,104.8	616.1	–	–

Advance and progress payments comprise mainly purchases of aircraft, related equipment and building projects.

The provision for impairment represents the write-down of certain aircraft and spares to recoverable amount due to the related fleet types being phased out. The estimated recoverable amount of aircraft was determined based on independent professional valuations or published second-hand aircraft values. The estimated recoverable amount of spares was determined based on references to average tender prices for the year and various bids submitted.

18 Goodwill on Consolidation (in $ million)

	The Group 31 March 2004	2003
Cost		
Balance at 1 April	1.5	–
Acquisitions through business combinations	–	1.5
Balance at 31 March	1.5	1.5
Accumulated amortization		
Balance at 1 April	*	–
Amortization charge for the year	0.1	*
Balance at 31 March	0.1	*
Net carrying amount	1.4	1.5

* *Amount less than $0.1 million.*

In 2002-03, SATS acquired 66.7% equity interest in Country Foods Pte Ltd at a cost of $6.0 million. Goodwill on acquisition of $1.5 million was capitalized and amortized over a period of 20 years.

19 Subsidiary Companies (in $ million)

	The Company 31 March 2004	2003
Investment in subsidiary companies (at cost)		
Quoted equity investments	##	##
Unquoted equity investments	1,772.4	1,773.2
	1,772.4	1,773.2
Impairment loss	(16.6)	(9.8)
	1,755.8	1,763.4
Loans to subsidiary companies	180.7	527.6
	1,936.5	2,291.0
Funds from subsidiary companies	(698.9)	(784.4)
Amounts owing by subsidiary companies	219.8	222.5
Amounts owing to subsidiary companies	(207.7)	(282.4)
Amounts owing to subsidiary companies, net	(686.8)	(844.3)
Market value of quoted equity investments	3,279.9	2,827.4

The value is $2.

During the financial year, the Company disposed of its 51% equity interest in Aviation Software Development Consultancy India Limited for a consideration of $5.3 million (INR140.3 million). The surplus on disposal of the subsidiary company was reported as exceptional item (refer to note 9 to the financial statements).

During the financial year, the Company provided $6.8 million impairment loss against the cost of investment in one of its subsidiary company, SIA Properties (Pte) Ltd.

Loans to subsidiary companies are unsecured and have repayment terms of up to 10 years. Interest on loans to subsidiary companies are computed using LIBOR, Singapore Interbank Bid Offer Rate ("SIBOR") and SGD Swap-Offer Rates, and applying agreed margins. The interest rates ranged from 0.71% to 1.99% (2002-03: 1.04% to 2.55%) per annum.

Funds from subsidiary companies are unsecured and have varying repayment terms. Interest on funds from subsidiary companies are computed using prevailing market rates which ranged from 0.25% to 0.90% (2002-03: 0.13% to 1.51%) per annum for Singapore Dollar funds, and from 0.93% to 1.40% (2002-03: 1.18% to 1.94%) per annum for US Dollar funds.

19 Subsidiary Companies (in $ million) (continued)

Amounts owing to/by subsidiary companies are unsecured, trade-related, interest-free and have no fixed terms of repayments.

The subsidiary companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2004	Cost (in $ million) 2003	Percentage of equity held by the Group 2004	Percentage of equity held by the Group 2003
Singapore Airport Terminal Services Limited	Investment holding company	Singapore	#	#	86.5	87.0
SATS Airport Services Pte Ltd	Airport ground handling	– do –	16.50	16.50	86.5	87.0
SATS Catering Pte Ltd	Inflight aviation catering	– do –	14.00	14.00	86.5	87.0
SATS Security Services Private Limited	Security services	– do –	3.00	3.00	86.5	87.0
Aero Laundry & Linen Services Private Limited	Laundry and linen services	– do –	2.52	2.52	86.5	87.0
Asia-Pacific Star Private Limited	Dormant company	– do –	##	##	86.5	87.0
Aerolog Express Pte Ltd	Air cargo delivery services	– do –	1.26	1.26	60.5	60.9
Country Foods Pte Ltd	Manufacturing and sale of processed food	– do –	6.00	6.00	57.7	58.0
SIA Engineering Company Limited Company	Engineering services	– do –	#	#	86.6	87.0
Singapore Jamco Private Limited	Manufacture of aircraft cabin equipment	– do –	3.82	3.82	56.3	56.6
SIAEC Services Pte Ltd	Investment holding company	– do –	1.46	1.46	86.6	87.0
SIAEC Global Pte Ltd	Investment holding company	– do –	##	##	86.6	87.0
Singapore Airlines Cargo Pte Ltd	Air cargo transportation	– do –	1,405.00	1,405.00	100.0	100.0
SilkAir (Singapore) Private Limited	Air transportation	– do –	240.00	240.00	100.0	100.0
Tradewinds Tours & Travel Private Limited	Tour wholesaling	– do –	4.00	4.00	100.0	100.0
Singapore Aviation and General Insurance Company (Pte) Limited	Aviation insurance	– do –	20.00	20.00	100.0	100.0
SIA Properties (Pte) Ltd	Provision of building management	– do –	24.00	24.00	100.0	100.0
Singapore Flying College Pte Ltd	Training of pilots	– do –	70.95	70.95	100.0	100.0
Sing-Bi Funds Private Limited	Inactive	– do –	0.01	0.01	100.0	100.0
Singapore Airport Duty-Free Emporium (Private) Limited	Inactive	– do –	11.73	11.73	96.8	96.9
Abacus Travel Systems Pte Ltd	Marketing of Abacus reservations systems	– do –	2.44	2.44	61.0	61.0
Cargo Community Network Pte Ltd	Provision and marketing of Cargo Community Systems	- do –	3.77	3.77	51.0	51.0
Singapore Airlines (Mauritius) Ltd*	Aircraft leasing	Mauritius	###	###	100.0	100.0
SIA (Mauritius) Ltd**	Pilot recruitment	– do –	#	#	100.0	100.0
Aviation Software Development Consultancy India Limited @	Airline software development	India	–	0.82	–	51.0

All the Singapore-incorporated subsidiary companies are audited by Ernst & Young, Singapore.

* *Audited by associated firms of Ernst & Young, Singapore.*
** *Not required to be audited in country of incorporation.*
@ *Audited by another firm.*
# *The value is $1*
The value is $2
The value is $3

20 Associated Companies (in $ million)

	The Group 31 March 2004	The Group 31 March 2003	The Company 31 March 2004	The Company 31 March 2003
Share of net tangible assets of associated companies at acquisition date	375.7	371.2	–	–
Goodwill on acquisition of associated companies	1,626.2	1,626.2	–	–
Unquoted investments at cost	2,001.9	1,997.4	1,725.0	1,724.1
Impairment loss	(25.6)	(25.6)	(9.4)	(9.4)
	1,976.3	1,971.8	1,715.6	1,714.7
Goodwill written-off to reserves	(1,613.0)	(1,613.0)	–	–
Accumulated amortization of goodwill on acquisition	(7.6)	(6.3)	–	–
Currency realignment	0.9	9.7	–	–
Share of post acquisition reserves				
– general reserve	130.8	125.5	–	–
– capital reserve	22.9	–	–	–
	510.3	487.7	1,715.6	1,714.7
Loans to associated companies	17.8	23.1	7.1	7.1
Write-down of loans	(10.6)	(10.1)	–	–
	7.2	13.0	7.1	7.1
	517.5	500.7	1,722.7	1,721.8
Amounts owing by associated companies	0.4	0.5	–	–
Amounts owing to associated companies	–	(20.0)	–	(20.0)
Amounts owing by/(to) associated companies, net	0.4	(19.5)	–	(20.0)

During the financial year, the Company's associated company, RCMS Properties Private Limited ("RCMS"), revalued its land and building and recorded a revaluation surplus of $114.7 million. The Company's share of the revaluation surplus of $22.9 million at 31 March 2004 is included under the Group's share of post-acquisition capital reserve (refer to Statement of Changes in Equity – The Group for the financial year ended 31 March 2004).

On 19 December 2003, the Company together with Temasek Holdings (Private) Limited, Indigo Partners and Irelandia Investments Ltd established an airline, Tiger Airways Pte Ltd ("Tiger Airways"), based in Singapore. The Company's equity interest is 49%. So far, $0.9 million has been injected into Tiger Airways.

During the financial year, SIA Engineering Company ("SIAEC") and PT Jasa Angkasa Semesta incorporated a company, PT JAS Aero-Engineering Services. SIAEC injected $3.7 million for its 49.0% equity interest in PT JAS Aero-Engineering Services.

Loans to associated companies are unsecured and have no fixed terms of repayments. The loans are interest-free, except for $0.3 million which bear interest between 9.50% to 11.46% (2003: 8.69% to 19.45%) per annum.

Amounts owing by associated companies are unsecured, trade-related, interest-free and have no fixed terms of repayments.

20 Associated Companies (in $ million) (continued)

The associated companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2004	Cost (in $ million) 2003	Percentage of equity held by the Group 2004	Percentage of equity held by the Group 2003
Service Quality (SQ) Centre Pte Ltd	Quality service training	Singapore	#	#	50.0	50.0
Virgin Atlantic Limited*	Air transportation	UK	1,682.06	1,682.06	49.0	49.0
Tiger Airways Pte Ltd	Air transportation	Singapore	0.90	–	49.0	–
Asia Leasing Limited	Aircraft leasing	Bermuda	10.88	10.88	21.0	21.0
RCMS Properties Private Limited	Hotel ownership and management	Singapore	31.16	31.16	20.0	20.0
Aviserv Limited	Inflight catering services	Pakistan	3.31	3.31	42.4	42.6
TAJ SATS Air Catering Limited**	Inflight catering services	India	31.26	31.26	42.4	42.6
SERVAIR-SATS Holding Company Pte Ltd	Investment holding company	Singapore	0.51	0.51	42.4	42.6
Beijing Airport Inflight Kitchen Limited	Inflight catering services	People's Republic of China	13.88	13.88	34.6	34.8
Beijing Aviation Ground Services Company Limited	Ground handling services	– do –	5.71	5.71	34.6	34.8
Maldives Inflight Catering Private Limited	Inflight catering services	Maldives	0.29	0.29	30.3	30.5
Taj Madras Flight Kitchen Limited	Inflight catering services	India	1.90	1.90	25.9	26.1
Tan Son Nhat Cargo Services Ltd @@	Ground handling services	Vietnam	1.96	1.96	25.9	26.1
Asia Airfreight Terminal Co Ltd^	Ground handling services	Hong Kong	16.16	16.16	21.2	21.3
Evergreen Air Cargo Services Corporation	Ground handling services	Taiwan	15.92	15.92	21.6	21.8
Evergreen Airline Services Corporation	Ground handling services	– do –	5.23	5.23	17.3	17.4
MacroAsia-Eurest Catering Services Inc.	Inflight catering services	Philippines	2.03	2.03	17.3	17.4
Combustor Airmotive Services Inc. Ltd	Servicing of aircraft engines and sale of aircraft engines and parts	Singapore	3.01	3.01	42.4	42.6
Eagle Services Asia Private Limited^^	Repair and overhaul of aircraft engines	– do –	71.59	71.59	42.4	42.6
PWA International Limited	Re-manufacture of aircraft turbine engine cases, component thereof and related parts	Ireland	6.22	6.22	42.4	42.6
Fuel Accessory Service Technologies Pte Ltd	Repair and overhaul engine fuel components and accessories	Singapore	5.07	5.07	42.4	42.6

20 Associated Companies (in $ million) (continued)

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2004	Cost (in $ million) 2003	Percentage of equity held by the Group 2004	Percentage of equity held by the Group 2003
Pan Asia Pacific Aviation Services Limited	Operation of aircraft maintenance activities	Hong Kong	5.37	5.37	40.8	40.9
Messier Services Asia Pte Ltd	Repair and overhaul of landing gear	Singapore	13.97	13.97	34.6	34.8
Rohr Aero Services-Asia Pte Ltd @	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	– do –	37.23	37.23	34.6	34.8
Asian Surface Technologies Pte Ltd	Fan blade repair and coating services	– do –	6.38	6.38	25.1	25.0
Asian Compressor Technology Services Company Limited	Repair of aircraft engines and compressors	Taiwan	4.10	4.10	21.2	21.3
Turbine Coating Services Pte Ltd	Perform PW4000 turbine airfoil repair	Singapore	5.67	5.67	21.2	21.3
International Aerospace Tubes Asia Pte Ltd	Repair aerospace tube, ducts and manifolds	– do –	3.58	3.58	28.9	29.0
PT JAS Aero-Engineering Services	Operation of aircraft maintenance	Indonesia	3.67	–	42.4	–
PT Purosani Sri Persada	Hotel ownership and management	– do –	5.80	5.80	20.0	20.0
PT Pantai Indah Tateli	Hotel ownership and management	– do –	7.10	7.10	20.0	20.0

@ *Audited by Ernst & Young, Singapore.*
@@ *Audited by associated firms of Ernst & Young, Singapore.*
* *Audited by KPMG LLP United Kingdom.*
** *Audited by S.B.Billimoria & Co.*
^ *Audited by Pricewaterhouse Coopers, Hong Kong.*
^^ *Audited by Pricewaterhouse Coopers, Singapore.*
\# *The value is $1.*

21 Joint Venture Companies (in $ million)

	The Group 31 March 2004	The Group 31 March 2003	The Company 31 March 2004	The Company 31 March 2003
Investment in joint venture companies (unquoted, at cost)	196.9	176.4	140.3	118.8
Share of post acquisition reserves				
– general reserve	94.3	88.2	–	–
– foreign currency translation reserve	8.9	24.1	–	–
– capital reserve	9.1	7.7	–	–
	309.2	296.4	140.3	118.8
Amounts owing by joint venture companies	–	1.0	–	–

21 Joint Venture Companies (in $ million) (continued)

Amounts owing by joint venture companies are unsecured, trade-related, interest free and have no fixed terms of repayments.

The Group's share of the consolidated results of joint venture companies is as follows:

	The Group 2003-04	The Group 2002-03
Profit before taxation	6.4	14.5
Taxation	(0.3)	(3.0)
	6.1	11.5

The Group's share of the consolidated assets and liabilities of the joint venture companies comprises:

	The Group 31 March 2004	The Group 31 March 2003
Fixed and other non-current assets	1,456.5	1,342.8
Current assets	148.1	126.4
Current liabilities	(223.6)	(224.1)
Long-term liabilities	(1,071.8)	(948.7)
	309.2	296.4

The joint venture companies at 31 March are:

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 2004	Cost (in $ million) 2003	Percentage of equity held by the Group 2004	Percentage of equity held by the Group 2003
Singapore Aircraft Leasing Enterprise Pte Ltd*	Aircraft leasing	Singapore	140.28	118.86	35.5	35.5
International Engine Component Overhaul Pte Ltd	Repair of aircraft components	– do –	10.07	11.01	43.3	44.0
Singapore Aero Engine Services Private Limited	Repair and maintain Trent aero engines	– do –	46.53	46.53	43.3	44.0

* *Audited by Ernst & Young, Singapore.*

During the financial year, the Company contributed an additional capital of $21.5 million in Singapore Aircraft Leasing Enterprise Pte Ltd in accordance with the joint venture agreement.

During the financial year, International Engine Component Overhaul Pte Ltd returned $0.9 million to SIA Engineering Company Limited pursuant to a capital reduction exercise.

22 Long-Term Investments (in $ million)

	The Group 31 March 2004	The Group 31 March 2003	The Company 31 March 2004	The Company 31 March 2003
Quoted investments at cost				
Equity investments	51.4	51.4	432.0	432.0
Provision for diminution	–	–	(380.6)	(380.6)
	51.4	51.4	51.4	51.4
Non-equity investments	291.3	372.7	291.3	372.7
	342.7	424.1	342.7	424.1
Unquoted investments at cost				
Trade investments	74.3	76.1	47.2	48.8
Non-equity investments	40.2	42.4	40.2	42.4
	114.5	118.5	87.4	91.2
Provision for diminution	(27.7)	(25.9)	(27.7)	(25.9)
	86.8	92.6	59.7	65.3
Long-term loans	45.7	52.9	–	–
	475.2	569.6	402.4	489.4
Market value of quoted investments				
Equity investments	131.5	118.1	131.5	118.1
Non-equity investments	297.0	374.2	297.0	374.2
	428.5	492.3	428.5	492.3

	The Group 31 March 2004	The Group 31 March 2003	The Company 31 March 2004	The Company 31 March 2003
Analysis of provision for diminution in value of quoted and unquoted investments				
Balance at 1 April	25.9	16.5	406.5	397.1
Provided during the year	1.8	9.4	1.8	9.4
Balance at 31 March	27.7	25.9	408.3	406.5

Non-equity investments of $331.5 million (2003: $415.1 million) for the Group and the Company relate to interest-bearing investments with an effective annual interest rate of 1.75% (2002-03: 1.93%).

The Group's long-term loans comprise:

(a) Loan to August Skyfreighter 1994 Trust of $43.5 million (2003: $46.0 million) is unsecured and bears interest between 1.47% and 1.74% (2002-03: 1.74% to 2.30%) per annum. The loan is repayable on 28 March 2007; and

(b) Shareholders' loan to Hong Kong Aero Engine Services Limited of US$1.3 million (2003: US$3.6 million interest bearing) is unsecured and bears interest between 0.63% and 1.88% (2002-03: 1.88% and 2.75%) per annum. The loan has no fixed repayment term.

Loan to Taikoo (Xiamen) Aircraft Engineering Company Limited of US$0.5 million (2003: US$0.5 million) was repaid during the financial year.

23 Stocks (in $ million)

	The Group 31 March 2004	2003	The Company 31 March 2004	2003
Technical stocks and stores	21.8	22.9	6.9	7.1
Catering and general stocks	27.1	30.8	19.3	21.9
Work-in-progress	12.6	27.1	–	–
	61.5	80.8	26.2	29.0

Stocks are stated after deducting provision for stock obsolescence. An analysis of the provision for stock obsolescence is as follows:

	The Group 31 March 2004	2003	The Company 31 March 2004	2003
Balance at 1 April	4.9	3.2	–	–
Provided during the year	3.0	1.7	1.0	–
Provision utilized during the year	(0.4)	–	–	–
Balance at 31 March	7.5	4.9	1.0	–
Stocks written-off directly to profit and loss account	–	–	–	–
Stocks are stated at:				
Cost	33.4	58.2	17.0	29.0
Net realizable value	28.1	22.6	9.2	–
	61.5	80.8	26.2	29.0

24 Trade Debtors (in $ million)

Trade debtors are stated after deducting provision for doubtful debts. An analysis of the provision for doubtful debts is as follows:

	The Group 31 March 2004	2003	The Company 31 March 2004	2003
Balance at 1 April	78.3	84.8	48.0	60.3
Written-back during the year	(16.3)	(6.5)	(10.1)	(12.3)
Balance at 31 March	62.0	78.3	37.9	48.0
Bad debts written-off directly to profit and loss account, net of debts recovered	1.2	4.2	1.7	5.7

Loans to directors of the Company and its subsidiary companies in accordance with schemes approved by shareholders of the Company amounted to $0.3 million (2003: $0.6 million).

25 Investments (in $ million)

	The Group 31 March 2004	The Group 31 March 2003	The Company 31 March 2004	The Company 31 March 2003
Quoted investments at cost				
Government securities	4.6	2.8	–	–
Equity investments	16.8	16.4	–	–
Non-equity investments	14.6	14.1	–	–
	36.0	33.3	–	–
Unquoted investments at cost				
Non-equity investments	94.8	117.8	–	–
	130.8	151.1	–	–
Provision for diminution				
Equity investments	–	(2.1)	–	–
Non-equity investments, quoted	(0.6)	(0.7)	–	–
	(0.6)	(2.8)	–	–
	130.2	148.3	–	–
Market value of quoted investments				
Government securities	4.6	2.8	–	–
Equity investments	20.5	14.3	–	–
Non-equity investments	14.0	13.5	–	–
	39.1	30.6	–	–

Analysis of provision for diminution in value of quoted investments:

	The Group 31 March 2004	The Group 31 March 2003	The Company 31 March 2004	The Company 31 March 2003
Balance at 1 April	2.8	0.7	–	–
(Written-back)/provided during the year	(2.2)	2.1	–	–
Balance at 31 March	0.6	2.8	–	–

26 Cash and Bank Balances (in $ million)

	The Group 31 March 2004	The Group 31 March 2003	The Company 31 March 2004	The Company 31 March 2003
Fixed deposits	1,137.1	528.2	918.3	306.2
Cash and bank	381.4	291.7	172.3	122.5
	1,518.5	819.9	1,090.6	428.7

27 Trade Creditors (in $ million)

Included in trade creditors is provision for warranty claims. An analysis of provision for warranty claims is as follows:

	The Group 31 March		The Company 31 March	
	2004	2003	2004	2003
Balance at 1 April	1.1	1.2	–	–
Provided/(written-back) during the year	1.4	(0.1)	–	–
Provision utilized during the year	(0.4)	–	–	–
	2.1	1.1	–	–

28 Bank Overdrafts (in $ million)

$2.3 million (2003: nil) of the Group's bank overdrafts are secured by a first legal mortgage over a building at 22 Senoko Way Singapore 758095. Interest is charged at rates ranging from 3.50% to 3.75% per annum in the current financial year.

29 Cash Flow from Operating Activities (in $ million)

	The Group	
	2003-04	2002-03
Profit before taxation	820.9	976.8
Adjustments for:		
Depreciation of fixed assets	1,180.2	1,090.3
Provision for impairment of fixed assets	28.0	43.2
Income from short-term investments	(0.9)	(0.9)
Exchange differences	2.0	15.0
Write-down of loan to associated companies	0.5	0.2
Amortization of deferred gain on sale and leaseback transactions	(131.8)	(134.7)
Finance charges	65.1	54.7
Interest income	(32.5)	(33.7)
Surplus on disposal of aircraft, spares and spare engines	(102.7)	(144.9)
Surplus on disposal of other fixed assets	(5.5)	(1.2)
Dividends from long-term investments	(3.6)	(5.2)
Provision for diminution in value of long-term investments	1.8	9.4
Amortization of goodwill on consolidation	0.1	–
Amortization of deferred gain	(1.6)	–
Share of profits of joint venture companies	(6.4)	(14.5)
Share of profits of associated companies	(86.3)	(123.8)
Surplus on liquidation of Abacus Distribution Systems Pte Ltd	(9.2)	–
Surplus on disposal of Aviation Software Development Consultancy India Limited	(1.1)	–
Surplus on liquidation of Asian Frequent Flyer Pte Ltd	–	(0.5)
Operating profit before working capital changes	1,717.0	1,730.2
(Decrease)/increase in creditors	(34.2)	49.7
Decrease/(increase) in short-term investments	18.1	(114.1)
Increase/(decrease) in sales in advance of carriage	149.4	(38.1)
(Increase)/decrease in debtors	(104.6)	270.1
Decrease/(increase) in stocks	19.3	(13.3)
Increase in deferred revenue	1.1	8.8
Decrease/(increase) in amounts owing by associated and joint venture companies	1.1	(1.2)
Cash generated from operations	1,767.2	1,892.1
Income taxes paid	(50.8)	(74.0)
Net cash provided by operating activities	1,716.4	1,818.1

30 Analysis of Capital Expenditure Cash Flow (in $ million)

	The Group 2003-04	The Group 2002-03
Additions to fixed assets	5,637.6	5,621.0
Less: progress payments transferred to fixed assets	(2,945.0)	(2,534.7)
Purchase of fixed assets	2,692.6	3,086.3
Less: Assets acquired under finance lease	(448.6)	–
Less: Assets acquired under credit terms	(29.8)	(44.1)
Less: Assets of subsidiary company acquired	–	(2.9)
Cash invested in capital expenditure	2,214.2	3,039.3

31 Capital and Other Commitments (in $ million)

(a) Capital expenditure commitments

The following commitments for capital expenditure have not been provided for in the financial statements:

	The Group 31 March		The Company 31 March	
	2004	2003	2004	2003
Authorized and contracted for	7,784.9	11,946.3	6,658.1	10,209.9
Authorized but not contracted for	256.9	296.7	4.7	5.9
	8,041.8	12,243.0	6,662.8	10,215.8

The Group's share of capital expenditure commitments of a joint venture company:

	The Group 31 March	
	2004	2003
Authorized and contracted for	483.9	713.5

The commitments relate principally to the acquisition of aircraft fleet and related equipment.

(b) Operating lease commitments

As lessee

Aircraft

The Company has 16 B747-400s, 1 B777-200 and 1 B777-300 under operating leases with fixed rental rates. The lease terms range from 4 to 10 years. In 11 of the aircraft lease agreements, the Company holds options to extend the leases for a further maximum period of 2 years. None of the operating agreements confer on the Company an option to purchase the related aircraft. Sub-leasing is allowed under all the lease arrangements.

SilkAir (Singapore) Private Limited ("SilkAir") has 1 A320-232 aircraft under operating lease with fixed rental rates. The lease term is 2 years. It holds the option to extend the lease for a further maximum period of 2 years, which is not likely to be exercised. There is no option to purchase the aircraft.

Future lease payments under non-cancellable operating leases are as follows:

	The Group 31 March		The Company 31 March	
	2004	2003	2004	2003
Within one year	418.4	429.4	414.0	424.0
After one year but not more than five years	859.4	1,060.7	859.0	1,059.8
More than five years	192.8	202.1	192.8	202.1
	1,470.6	1,692.2	1,465.8	1,685.9

31 Capital and Other Commitments (in $ million) (continued)

(b) Operating lease commitments (continued)

Property and equipment
The Group has entered into operating lease agreements for office and computer equipment and leasehold land and buildings. These non-cancellable leases have lease terms of between 2 to 20 years.

Future lease payments under non-cancellable operating leases are as follows:

	The Group 31 March		The Company 31 March	
	2004	2003	2004	2003
Within one year	14.9	11.3	11.1	7.1
After one year but not more than five years	20.7	17.3	7.3	5.8
More than five years	39.2	38.6	–	–
	74.8	67.2	18.4	12.9

As lessor

Aircraft
The Group has entered into commercial aircraft leases. These non-cancellable leases have remaining lease terms of between 2 and 5 years. The lease rental is fixed throughout the lease term.

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	The Group 31 March		The Company 31 March	
	2004	2003	2004	2003
Within one year	62.5	30.2	48.4	30.2
After one year but not more than five years	116.4	93.7	95.7	93.7
	178.9	123.9	144.1	123.9

(c) Other commitments

In 2002-03, SATS and two of its wholly-owned subsidiary companies entered into a lease agreement with a United States lessor, whereby the subsidiary companies sold and leased back certain fixed ground support equipment with net book value of $159.7 million. The gain arising from this sale and leaseback transaction is deferred and amortized over the lease period of 18 years commencing October 2002. Under the terms of the agreement, the subsidiary companies prepaid to the lessor an amount which is equivalent to the present value of their future lease obligations. SATS has guaranteed the repayment of these future lease obligations, and accordingly has become the primary obligor under the lease agreement.

32 Contingent Liabilities (in $ million)

Flight SQ006
On 31 October 2000, Flight SQ006 crashed on the runway at the Chiang Kai Shek International Airport, Taipei en route to Los Angeles. There were 83 fatalities among the 179 passengers and crew members aboard the Boeing 747 aircraft. On 26 April 2002, the Taiwan Aviation Safety Council released its final investigation report on the accident. Whilst the full implications of these conclusions and recommendations are still being deliberated, the Company is currently a defendant in a number of lawsuits commenced by passengers or their next of kin relating to the crash. It maintains substantial insurance coverage and the Company has received professional advice that this cover will be sufficient to cover the claims arising from the crash. Accordingly, the Company believes that the resolution of the claims arising from the crash will have no material impact on its financial position.

Flight MI 185
The various cross suits filed by Boeing and the component part manufacturers against the Company arising from the MI 185 crash have been dismissed.

With the dismissal of the above suits, all outstanding claims against the Company arising from the MI 185 crash have been dealt with. There was no financial impact on the Company as the matter was fully covered by insurance.

32 Contingent Liabilities (in $ million) (continued)

Others
There are contingent liabilities in respect of insurance and performance bonds, and bank guarantees given by the Group and the Company at 31 March 2004 amounting to $64.8 million (2003: $72.9 million) and $28.1 million (2003: $33.6 million) respectively.

33 Financial Instruments (in $ million)

(a) Financial risk management objectives and policies
The Group operates globally and generates revenue in various currencies. The Group's airline operations carry certain financial and commodity risks, including the effects of changes in jet fuel prices, foreign currency exchange rates, interest rates and the market value of its investments. The Group's overall risk management approach is to moderate the effects of such volatility on its financial performance.

Financial risk management policies are periodically reviewed and approved by the Board Finance Committee ("BFC").

(b) Jet fuel price risk
The Group's earnings are affected by changes in the price of jet fuel. The Group manages this fuel price risk by using swap and option contracts and hedging up to 24 months forward. A change in price of one US cent per American gallon of jet fuel affects the Group's annual fuel costs by US$12 million, assuming no change in volume of fuel consumed.

(c) Foreign currency risk
The Group is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated operating revenues and expenses. For the financial year ended 31 March 2004, these accounted for 70% of total revenue (2002-03: 78%) and 51% of total operating expenses (2002-03: 51%). The Group's largest exposures are from USD, UK Sterling Pound, Japanese Yen, Euro, Swiss Franc, Australian Dollar, New Zealand Dollar, Indian Rupee, Hong Kong Dollar, Taiwan Dollar, Chinese Yuan, Korean Won, Thai Baht and Malaysian Ringgit. The Group generates a surplus in all of these currencies, and a deficit in USD. The deficit in USD is attributable to capital expenditure, fuel costs and leasing costs – all conventionally denominated and payable in USD.

The Group manages its foreign exchange exposure by a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, as soon as practicable, for USD and SGD. The Group also uses forward foreign currency contracts to hedge a portion of its future foreign exchange exposure. Such contracts provide for the Group to sell currencies at predetermined forward rates, buying either USD or SGD depending on forecast requirements, with settlement dates that range from one month up to one year.

(d) Interest rate risk
The Group's earnings are also affected by changes in interest rates due to the impact such changes have on interest income and expense from short-term deposits and other interest-bearing financial assets and liabilities. The Group's interest-bearing financial liabilities with maturities above one year have predominantly fixed rates of interest or are hedged by matching interest-bearing financial assets. In the latter case, interest rate swaps are used to convert interest income into the same floating interest rate basis as interest expense.

The Group's short-term deposits and other interest-bearing financial assets and liabilities are predominantly denominated in SGD and USD.

(e) Market price risk
The Group owned $378.1 million (2003: $454.6 million) in quoted equity and non-equity investments at 31 March 2004. The estimated market value of these investments was $467.6 million (2003: $522.9 million) at 31 March 2004.

The market risk associated with these investments is the potential loss resulting from a decrease in market prices.

(f) Counterparty risk
Surplus funds are invested in interest-bearing bank deposits and other high quality short-term liquid investments. Counterparty risks are managed by limiting aggregated exposure on all outstanding financial instruments to any individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material loss arising in the event of non-performance by counterparties.

33 Financial Instruments (in $ million) (continued)

(g) Liquidity risk

At 31 March 2004, the Group had at its disposal cash and short-term deposits amounting to $1,518.5 million (2003: $819.9 million). In addition, the Group had available short-term credit facilities of about $1,565.8 million (2003: $1,550.0 million). The Group also has an alternative facility to issue notes up to $1,500.0 million (2003: $300.0 million) under the Medium Term Note Programme. The notes issued by the Company have maturities as may be agreed with the relevant financial institutions and the notes issued by one of its subsidiary company have maturity dates between one month to ten years.

The Group's holdings of cash and short-term deposits, together with committed funding facilities and net cash flow from operations, are expected to be sufficient to cover the cost of all firm aircraft deliveries due in the next financial year. It is expected that any shortfall would be met by bank borrowings or public market funding. Due to the necessity to plan aircraft orders well in advance of delivery, it is not economical for the Group to have committed funding in place at present for all outstanding orders, many of which relate to aircraft which will not be delivered for several years. The Group's policies in this regard are in line with the funding policies of other major airlines.

(h) Derivative financial instruments

The Group's policy is to use derivatives to hedge specific exposures.

As part of its management of treasury risks, the Group has entered into a number of forward foreign exchange contracts to cover a portion of the surplus position in a variety of currencies. The Group uses forward contracts purely as a hedging tool. It does not take positions in currencies with a view to make speculative gains from currency movements. Similarly, the Group enters into interest rate swaps to manage interest rate costs on its financial assets and liabilities, with the prior approval of the BFC or Boards of Subsidiaries. Other treasury derivative instruments are considered on their merits as valid and appropriate risk management tools, and they require the BFC's approval before adoption.

The Group's strategy for managing the risk on fuel price, as defined by BFC, aims to provide the Group with protection against sudden and significant increases in jet fuel prices. In meeting these objectives, the fuel risk management programme allows for the judicious use of approved instruments such as swaps and options with approved counterparties and within approved credit limits.

As derivatives are used for the purpose of risk management, they do not expose the Group to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, revenues or costs being hedged. Moreover, counterparty credit risk is generally restricted to any hedging gain from time to time, and not the principal amount hedged. Therefore the possibility of material loss arising in the event of non-performance by a counterparty is considered to be unlikely.

The Group had outstanding financial instruments to hedge foreign currencies, interest rates and jet fuel purchases as follows:

	The Group 31 March	
	2004	2003
Foreign currency contracts		
6 months or less	249.3	524.4
Over 6 months to 24 months	231.8	363.0
	481.1	887.4
Jet fuel swap/option contracts		
6 months or less	358.9	399.5
Over 6 months to 24 months	258.1	233.9
	617.0	633.4
Interest rate swap contracts		
6 months or less	61.3	–
Over 6 months to 24 months	867.8	1,758.7
	929.1	1,758.7
Gains not recognized in financial statements	106.9	19.2

33 Financial Instruments (in $ million) (continued)

(i) Net fair values

The aggregate net fair values of financial assets and financial liabilities which are not carried at fair value on the Group and Company balance sheets are presented as follows:

	Total carrying amount on Balance Sheet 31 March		Aggregate net fair value 31 March	
	2004	2003	2004	2003
Group				
Financial Assets				
Long-term investments	475.2	569.6	561.0	637.8
Short-term investments	130.2	148.3	133.9	148.4
Financial Liabilities				
Notes payable	900.0	1,100.0	935.7	1,197.8
Derivative financial instruments				
Foreign currency contracts	*	*	(22.5)	(31.1)
Jet fuel swap contracts	*	*	78.9	9.2
Jet fuel options contracts	*	*	22.6	(11.5)
Interest rate swap contracts	*	*	27.9	52.6
Company				
Financial Assets				
Long-term investments	402.4	489.4	488.2	557.6
Financial Liabilities				
Notes payable	900.0	900.0	935.7	994.5
Derivative financial instruments				
Foreign currency contracts	*	*	(22.5)	(31.1)
Jet fuel swap contracts	*	*	63.0	7.6
Jet fuel options contracts	*	*	18.0	(9.4)
Interest rate swap contracts	*	*	46.6	61.0

* *No balance sheet carrying amounts are shown as these are commitments as at year end.*

The fair value of quoted investments is generally determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date. It is not practicable to determine, with sufficient reliability without incurring excessive costs, the fair value of unquoted investments as they do not have quoted market prices in an active market nor are other methods of reasonably estimating the fair values readily available. As such, the fair value of these investments is based on either acquisition cost or the attributable net assets of those companies.

The carrying values of the long-term lease commitments approximate their fair values as they are based on LIBOR.

The fair value of forward currency contracts is determined by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of jet fuel swap and option contracts is determined by reference to current forward prices for contracts with similar maturity profiles.

The fair values adjustments represent the difference between the contracted rates and market rates of the financial instruments at the balance sheet date, applied to the notional amounts. The fair value adjustments of interest rate swap agreements have been calculated using rates quoted by the Group's bankers assuming these contracts were to be liquidated at balance sheet date. These fair value adjustments are not recognized in the consolidated financial statements at 31 March 2004.

The carrying amounts of the following financial assets and liabilities approximate their fair values due to their short-term nature: cash and bank balances, bank overdrafts, funds from subsidiary companies, amounts owing by/to subsidiary, associated and joint venture companies, loans, finance lease commitments, trade debtors and creditors.

34 Related Party Transactions (in $ million)

The following are transactions entered into by the Group with related parties, on normal commercial terms:

	The Group	
	2003-04	2002-03
Purchases of services from associated companies	288.6	321.8
Services rendered to associated companies	(21.2)	(1.8)
Purchases of services from joint venture companies	104.1	8.6
Commission received from a joint venture company	–	(2.3)
Services rendered to joint venture companies	(24.8)	(4.9)

Directors' and key executives' remuneration of the Company

Directors' remuneration and fees amounted to $2.7 million (2003: $2.0 million) and $0.5 million (2003: $0.3 million) respectively. Key executives' remuneration other than the executive directors totalled $2.2 million (2003: $3.7 million).

Share options granted to and exercised by directors and key executives of the Company are as follows:

Name of participant	Options granted during financial year under review	Exercise price for options granted during financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Options lapsed	Aggregate options outstanding at end of financial year under review
Chew Choon Seng	152,000	$10.34	606,000	–	–	606,000
LG Bey Soo Khiang	152,000	$10.34	418,000	–	–	418,000
Huang Cheng Eng	114,000	$10.34	447,000	–	–	447,000

35 Subsequent Events

On 1 April 2004, the business undertaking of SIA Properties Pte Ltd (100% owned subsidiary which primarily provided intra-Group services) was transferred to the Company. The financial impact of the transfer was not material.

The Company signed an agreement with Dragonair on 5 May 2004 for the sale of five B747-400s. Separately, the Company has executed a letter of intent with another airline to sell three B747-400s. The eight aircraft are to be delivered between 2006 and 2008 after their scheduled releases from the operating fleet.

The Company added a fourth and fifth A340-500 aircraft on 8 April and 4 May 2004 respectively to its operating fleet, and traded in one A310-300 to Boeing on 23 April 2004.

Singapore Airport Terminal Services Limited signed an agreement with Devro Group Limited on 20 April 2004, to purchase approximately 49.8% of the ground and cargo handling business of PT Jasa Angkasa Semesta Tbk ("JAS Airport Services") for US$60 million. JAS Airport Services is a major ground and cargo handling company in Indonesia. Listed on the Surabaya Stock Exchange, it has operations at 11 Indonesian airports, including Jakarta, Surabaya, Denpasar/Bali and Medan.

On 26 April 2004, Singapore Airlines Cargo Pte Ltd sold one B747-400 freighter under a sale and leaseback agreement. The aircraft is leased back for 10 years. The lease is an operating lease. The net surplus from the sale of this aircraft was about $1.0 million.

On 7 May 2004, the jury in the US Federal Court of California awarded US$15 million to the family of two deceased passengers in a lawsuit relating to the Flight SQ006 incident. The Company has been advised that the terms of the Company's insurance policy provide full cover for all passenger claims

Additional Information Required by the Singapore Exchange Securities Trading Limited

1 Interested Persons Transactions (in $ million)

Interested persons transactions carried out during the financial year by the Group (excluding SIA Engineering Company Limited and Singapore Airport Terminal Services Limited, their subsidiaries and associated companies in which they have control), and are as follows:

	Aggregate value of all transactions (excluding transactions less than $100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than $100,000)
	2003-04 $ million	2003-04 $ million
Singapore Petroleum Company Ltd	–	149.2
Keppel Telecommunications & Transportation Ltd Group		
Asia Airfreight Terminal Company Ltd	–	21.9
Keppel Corporation Ltd Group		
Keppel Engineering Pte Ltd	–	2.4
Keppel Electric Pte Ltd	–	0.7
SembCorp Power Pte Ltd	–	1.8
Singapore Post Ltd Group		
G3 Worldwide Mail (S) Pte Ltd	–	1.5
Raffles Holdings Ltd Group		
Raffles International Ltd	–	0.1
Hotel International AG	–	0.5
MCH Services (Sydney) Pte Ltd	–	0.4
Singapore Telecommunications Ltd Group		
National Computer Systems Pte Ltd	–	0.4
Senoko Energy Supply Pte Ltd	–	0.9
Singapore Technologies Logistics Pte Ltd	–	0.2
ST Aerospace Supplies Pte Ltd	–	0.2
Starhub Pte Ltd	–	0.1
Total interested persons transactions	–	180.3

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

2 Material Contracts

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving interests of the Chief Executive Officer, directors or controlling shareholders and no such material contracts still subsist at the end of the financial year.

Quarterly Results of the Group

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
TOTAL REVENUE						
2003-04	($ million)	1,653.4	2,518.1	2,764.4	2,826.0	9,761.9
2002-03	($ million)	2,538.9	2,690.0	2,714.8	2,571.3	10,515.0
TOTAL EXPENDITURE						
2003-04	($ million)	2,030.7	2,203.3	2,291.2	2,556.3	9,081.5
2002-03	($ million)	2,294.9	2,424.2	2,542.0	2,536.8	9,797.9
OPERATING (LOSS)/PROFIT						
2003-04	($ million)	(377.3)	314.8	473.2	269.7	680.4
2002-03	($ million)	244.0	265.8	172.8	34.5	717.1
(LOSS)/PROFIT BEFORE TAXATION						
2003-04	($ million)	(391.3)	391.8	506.6	313.8	820.9
2002-03	($ million)	270.6	385.8	251.2	69.2	976.8
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS						
2003-04	($ million)	(312.3)	305.8	377.9	477.9	849.3
2002-03	($ million)	478.4	295.1	180.0	111.3	1,064.8
(LOSS)/EARNINGS (AFTER TAXATION) PER SHARE – BASIC						
2003-04	(cents)	(25.6)	25.1	31.0	39.2	69.7
2002-03	(cents)	39.3	24.2	14.8	9.1	87.4

Five-Year Financial Summary of the Group

	2003-04	2002-03	2001-02	2000-01	1999-00
PROFIT AND LOSS ACCOUNT ($ million)					
Total revenue	9,761.9	10,515.0	9,382.8	9,852.2	8,861.4
Total expenditure	(9,081.5)	(9,797.9)	(8,458.2)	(8,584.1)	(7,843.3)
Operating profit	680.4	717.1	924.6	1,268.1	1,018.1
Finance charges	(65.1)	(54.7)	(44.0)	(37.5)	(28.8)
Interest income	32.5	33.7	52.0	86.0	154.6
Surplus on disposal of aircraft, spares and spare engines	102.7	144.9	66.0	181.3	98.4
Surplus/(loss) on disposal of other fixed assets	5.5	1.2	2.9	2.4	(0.8)
Dividend from long-term investments, gross	3.6	5.2	5.7	7.7	3.6
Provision for diminution in value of long-term investments	(1.8)	(9.4)	(1.1)	(20.5)	(6.7)
Surplus on disposal of long-term investments	–	–	4.4	3.0	–
Amortization of goodwill on consolidation	(0.1)	–	–	–	–
Amortization of deferred gain	1.6	–	–	–	–
Share of profits of joint venture companies	6.4	14.5	20.5	27.0	21.0
Share of profits/(losses) of associated companies	86.3	123.8	(71.3)	81.7	33.2
Profit before exceptional items	852.0	976.3	959.7	1,599.2	1,292.6
Surplus on liquidation of Abacus Distribution Systems Pte Ltd	9.2	–	–	–	–
Surplus on disposal of Aviation Software Development Consultancy India Limited	1.1	–	–	–	–
Retrenchment and early retirement costs	(41.4)	–	–	–	–
Surplus on liquidation of Asian Frequent Flyer Pte Ltd	–	0.5	–	–	–
Gain on sale of long-term investments	–	–	30.2	–	171.3
Provision for diminution in value of investment in Air New Zealand Limited	–	–	(266.9)	–	–
Recognition of deferred gain on divestment of 51% equity interests in Eagle Services Asia Private Limited	–	–	202.6	–	–
Profit on disposal of vendor shares (13% equity interests in SATS and SIAEC)	–	–	–	440.1	–
Ex-gratia bonus payment	–	–	–	(134.6)	–
Profit before taxation	820.9	976.8	925.6	1,904.7	1,463.9
Profit attributable to shareholders	849.3	1,064.8	631.7	1,624.8	1,163.8
BALANCE SHEET ($ million)					
Share capital	609.1	609.1	609.1	1,220.2	1,250.5
Distributable reserves					
General reserve	10,282.6	9,539.1	8,655.2	8,215.2	7,501.4
Foreign currency translation reserve	19.8	41.3	63.8	40.8	30.3
Non-distributable reserves					
Share premium	447.2	447.2	447.2	447.2	447.2
Capital redemption reserve	64.4	64.4	64.4	62.3	32.0
Capital reserve	32.0	7.7	6.9	6.9	6.9
Shareholders' funds	11,455.1	10,708.8	9,846.6	9,992.6	9,268.3
Minority interests	304.1	267.5	228.7	184.5	19.6
Deferred account	446.7	523.1	591.9	733.4	709.3
Deferred taxation	2,175.3	2,251.0	2,664.5	2,425.6	2,333.2
Fixed assets	15,564.8	15,406.0	14,442.9	12,863.0	11,882.0
Goodwill on consolidation	1.4	1.5	–	–	–
Associated companies	517.5	500.7	385.5	715.4	305.7
Joint venture companies	309.2	296.4	277.1	239.0	188.2
Long-term investments	475.2	569.6	590.4	556.0	537.8
Current assets	3,121.9	2,409.8	2,884.5	3,538.5	3,504.2
Total assets	19,990.0	19,184.0	18,580.4	17,911.9	16,417.9
Long-term liabilities	2,207.2	1,879.6	1,928.9	795.5	566.5
Current liabilities	3,401.6	3,554.0	3,319.8	3,780.3	3,521.0
Total liabilities	5,608.8	5,433.6	5,248.7	4,575.8	4,087.5

Five-Year Financial Summary of the Group

		2003-04	2002-03	2001-02	2000-01	1999-00
CASH FLOW ($ million)						
Cash flow from operations		1,767.2	1,892.1	1,421.1	2,644.7	2,429.0
Internally generated cash flow [R1]		3,341.4	3,207.7	3,054.1	3,438.7	3,239.3
Capital expenditure		2,692.6	3,086.3	3,862.9	2,589.0	1,911.5
PER SHARE DATA						
Earnings before tax (cents)		67.4	80.2	76.0	155.5	115.0
Earnings after tax (cents)	– basic	69.7	87.4	51.9	132.7	91.4
	– diluted	69.7	87.4	51.9	132.6	91.4
Cash earnings ($) [R2]		1.67	1.77	1.31	2.26	1.86
Net asset value ($)		9.40	8.79	8.08	8.19	7.41
SHARE PRICE ($)						
High		12.90	14.40	14.90	19.20	20.80
Low		8.25	8.55	7.00	12.90	12.40
Closing		11.00	8.75	14.40	13.60	16.00
DIVIDENDS						
Gross dividends (cents per share)		25.0	15.0	15.0 [R3]	35.0	30.0 [R4]
Dividend cover (times)		2.8	6.4	4.1	5.1	3.9
PROFITABILITY RATIOS (%)						
Return on shareholders' funds [R5]		7.7	10.4	6.4	16.9	11.7
Return on total assets [R6]		4.6	5.9	3.8	9.7	7.0
Return on turnover [R7]		9.2	10.6	7.4	16.7	12.9
PRODUCTIVITY AND EMPLOYEE DATA						
Value added ($ million)		4,035.7	4,367.0	3,718.2	5,180.7	4,551.5
Value added per employee ($) [R8]		135,727	144,397	126,375	182,831	165,431
Revenue per employee ($) [R8]		328,308	347,684	318,904	347,692	322,080
Average employee strength		29,734	30,243	29,422	28,336	27,513
S$ per US$ exchange rate as at 31 March		1.6759	1.7640	1.8405	1.8029	1.7185

R1 *Internally generated cash flow comprises cash generated from operations, dividends from joint venture and associated companies, and proceeds from sale of aircraft and other fixed assets.*

R2 *Cash earnings is defined as profit after taxation and minority interests plus depreciation.*

R3 *Includes 4.0 cents per share tax-exempt dividend.*

R4 *Includes 4.75 cents per share tax-exempt dividend.*

R5 *Return on shareholders' funds is the profit after taxation and minority interests expressed as a percentage of the average shareholders' funds.*

R6 *Return on total assets is the profit after taxation expressed as a percentage of the average total assets.*

R7 *Return on turnover is the profit after taxation expressed as a percentage of the total revenue.*

R8 *Based on average staff strength.*

Ten-Year Statistical Record

		2003-04	2002-03	2001-02
SIA				
FINANCIAL [R1]				
Total revenue	($ million)	7,187.6	8,047.0	7,694.7
Total expenditure	($ million)	7,037.4	7,838.0	7,281.6
Operating profit	($ million)	150.2	209.0	413.1
Profit before taxation	($ million)	328.4	460.1	740.7
Profit after taxation	($ million)	429.3	618.0	567.2
Capital disbursements [R2]	($ million)	2,051.3	2,766.2	2,885.7
Passenger – yield	(cents/pkm)	9.2	9.1	9.0
– unit cost	(cents/ask)	6.7	6.7	6.4
– breakeven load factor	(%)	72.8	73.6	71.1
OPERATING PASSENGER FLEET				
Aircraft	(numbers)	85	96	92
Average age	(months)	60	71	69
PASSENGER PRODUCTION				
Destination cities	(numbers)	56	60	64
Distance flown	(million km)	266.7	296.2	288.4
Time flown	(hours)	342,715	384,652	368,204
Available seat-km	(million)	88,252.7	99,565.9	94,558.5
TRAFFIC				
Passengers carried	('000)	13,278	15,326	14,765
Revenue passenger-km	(million)	64,685.2	74,183.2	69,994.5
Passenger load factor	(%)	73.3	74.5	74.0
STAFF				
Average strength	(numbers)	14,010	14,418	14,205
Seat capacity per employee [R3]	(seat-km)	6,299,265	6,905,667	6,656,705
Passenger load carried per employee [R4]	(tonne-km)	448,513	495,617	471,300
Revenue per employee	($)	513,034	558,122	541,690
Value added per employee	($)	179,272	191,566	189,806
SIA AND SIA CARGO				
Cargo and mail carried	(million kg)	1,050.9	1,043.2	938.5
Cargo load	(million tonne-km)	6,690.7	6,835.3	5,954.3
Mail load	(million tonne-km)	58.7	78.3	85.5
Gross capacity	(million tonne-km)	10,156.5	9,927.1	8,950.3
Cargo load factor	(%)	66.5	69.6	67.5
Cargo yield	(cents/ltk)	36.7	34.2	32.2
Cargo unit cost	(cents/ctk)	23.0	23.9	23.2
Cargo breakeven load factor	(%)	62.7	69.9	72.0
Overall load	(million tonne-km)	13,033.1	14,059.5	12,734.6
Overall capacity	(million tonne-km)	18,873.8	19,773.7	18,305.1
Overall load factor	(%)	69.1	71.1	69.6
Overall yield	(cents/ltk)	65.0	64.5	64.9
Overall unit cost	(cents/ctk)	43.4	45.5	44.9
Overall breakeven load factor	(%)	66.8	70.5	69.2

[R1] *SIA Cargo was corporatised on 1 July 2001. Statistics for 2000-01 and prior years show the combined numbers of both passenger and cargo operations. Statistics for 2001-02 include cargo operations for the first three months only (April to June 2001).*

[R2] *Capital disbursements comprised capital expenditure, investments in joint venture, subsidiary and associated companies, and additional long-term investments.*

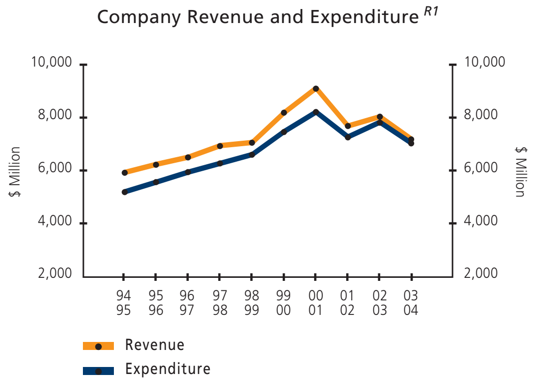
[R3] *Seat capacity per employee is available seat capacity divided by SIA average staff strength.*

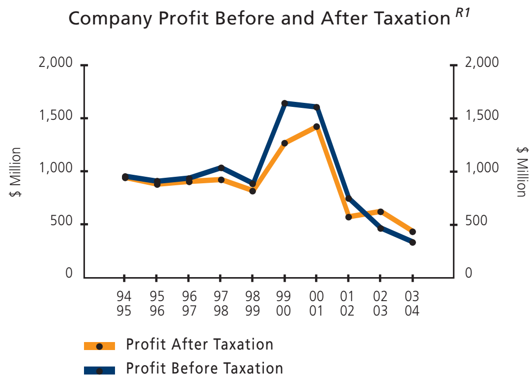
[R4] *Passenger load carried per employee is defined as passenger load and excess baggage carried divided by SIA average staff strength.*

Ten-Year Statistical Record

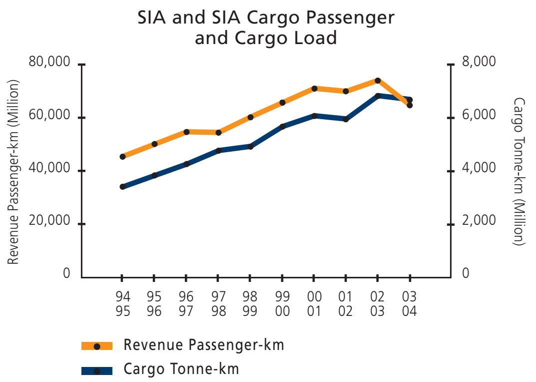
2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95
9,125.8	8,200.7	7,072.0	6,953.5	6,517.1	6,248.2	5,938.8
8,222.5	7,485.9	6,616.5	6,284.0	5,953.8	5,575.6	5,205.5
903.3	714.8	455.5	669.5	563.3	672.6	733.3
1,607.2	1,641.5	882.3	1,032.3	933.8	903.3	950.5
1,422.2	1,267.1	813.7	919.5	901.8	875.9	939.0
2,777.7	3,303.7	1,850.4	1,934.0	2,365.9	1,395.1	1,790.7
9.4	9.1	8.6	9.5	9.0	9.4	9.9
–	–	–	–	–	–	–
–	–	–	–	–	–	–
84	84	82	80	73	65	63
70	62	57	62	63	68	60
67	69	68	73	72	73	71
289.1	280.6	258.9	240.3	223.1	203.5	185.4
366,784	351,560	334,172	311,388	293,565	267,680	241,058
92,648.0	87,728.3	83,191.7	77,219.3	73,507.3	68,529.4	64,074.0
15,002	13,782	12,777	11,957	12,022	11,057	10,082
71,118.4	65,718.4	60,299.9	54,441.2	54,692.5	50,045.4	45,414.2
76.8	74.9	72.5	70.5	74.4	73.0	70.9
14,254	13,720	13,690	13,506	13,258	12,966	12,557
–	–	–	–	–	–	–
–	–	–	–	–	–	–
647,516	607,966	526,859	524,012	500,649	490,591	481,365
284,369	291,494	228,254	236,828	221,044	210,319	215,091
975.4	905.1	768.5	735.9	674.2	603.8	550.5
6,075.2	5,668.2	4,919.1	4,760.9	4,249.4	3,820.1	3,389.4
92.4	107.2	106.6	98.2	99.2	89.4	72.7
8,876.1	8,244.4	7,403.6	6,908.6	6,203.9	5,585.1	4,773.6
69.5	70.1	67.9	70.3	70.1	70.0	72.5
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
12,985.3	12,038.4	10,765.5	10,037.6	9,512.0	8,662.0	7,789.3
18,034.0	16,917.2	15,651.8	14,533.9	13,501.1	12,481.3	11,167.3
72.0	71.2	68.8	69.1	70.5	69.4	69.8
67.9	66.0	63.7	67.2	66.5	69.7	73.6
45.4	43.7	42.6	43.8	43.8	43.6	46.0
66.9	66.2	66.9	65.2	65.9	62.6	62.5

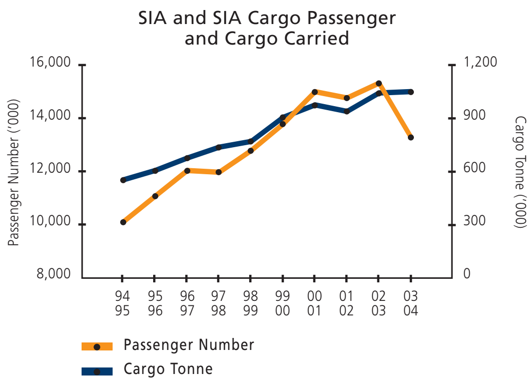
Ten-Year Charts

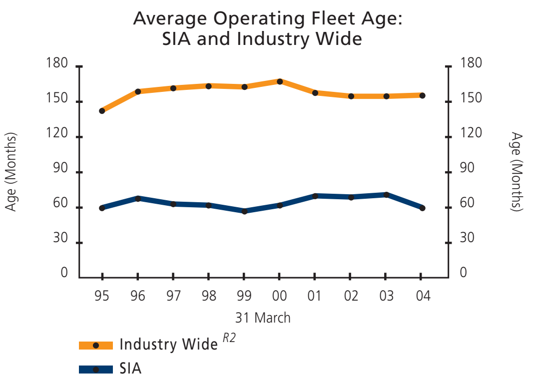




[R1] *SIA cargo was corporatised on 1 July 2001. Company revenue, expenditure, profit before and after taxation in these charts for 2000-01 and prior years show the combined results of both passenger and cargo operations. The numbers for 2001-02 include cargo operations for the first three months only (April to June 2001).*







Average age of SIA passenger fleet: 5 years (as at 31 March 2004).

[R2] *Source: Avsoft Information Systems, Ruby, England.*

The Group Fleet Profile

As at 31 March 2004, SIA Group operating fleet consisted of 108 aircraft – 95 passenger aircraft and 13 freighters. 85 and 10 of the passenger aircraft were operated by SIA and SilkAir respectively.

<table>
<tr><th rowspan="2">Aircraft type</th><th rowspan="2">Owned</th><th rowspan="2">Finance lease</th><th rowspan="2">Operating lease</th><th rowspan="2">Total</th><th rowspan="2">Seats in standard configuration</th><th rowspan="2">Average age in years (y) and months (m)</th><th colspan="2">Expiry of operating lease</th><th rowspan="2">On firm order</th><th rowspan="2">On option</th></tr>
<tr><th>2004-05</th><th>2005-06</th></tr>
<tr><td colspan="11">SIA [R1]:</td></tr>
<tr><td>B747-400</td><td>14</td><td></td><td>16</td><td>30</td><td>375</td><td>8y 8m</td><td>3</td><td>3</td><td></td><td>6 [R2]</td></tr>
<tr><td>B777-200</td><td>11</td><td></td><td>1</td><td>12</td><td>288</td><td>4y 6m</td><td></td><td></td><td rowspan="4">7</td><td rowspan="4">19</td></tr>
<tr><td>B777-200A</td><td>17</td><td></td><td></td><td>17</td><td>323</td><td>3y 7m</td><td></td><td></td></tr>
<tr><td>B777-200ER</td><td>15</td><td></td><td></td><td>15</td><td>285</td><td>1y 10m</td><td></td><td></td></tr>
<tr><td>B777-300</td><td>7</td><td></td><td>1</td><td>8</td><td>332</td><td>4y 0m</td><td></td><td></td></tr>
<tr><td>A340-500</td><td>3</td><td></td><td></td><td>3</td><td>181</td><td>0y 3m</td><td></td><td></td><td>2</td><td>5</td></tr>
<tr><td>A380-800 [R3]</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>10</td><td>15</td></tr>
<tr><td>Sub-total</td><td>67</td><td></td><td>18</td><td>85</td><td>N.A.</td><td>5y 0m</td><td>3</td><td>3</td><td>19</td><td>45</td></tr>
<tr><td colspan="11">SIA Cargo:</td></tr>
<tr><td>B747-400F</td><td>8</td><td>5</td><td></td><td>13</td><td>N.A.</td><td>4y 9m</td><td></td><td></td><td>3</td><td></td></tr>
<tr><td colspan="11">SilkAir:</td></tr>
<tr><td>A319-312</td><td>4</td><td></td><td></td><td>4</td><td>118</td><td>3y 8m</td><td></td><td></td><td>2</td><td>2</td></tr>
<tr><td>A320-232</td><td>5</td><td></td><td>1</td><td>6</td><td>142</td><td>3y 4m</td><td></td><td>1</td><td>4</td><td></td></tr>
<tr><td>Sub-total</td><td>9</td><td></td><td>1</td><td>10</td><td>N.A.</td><td>3y 6m</td><td></td><td>1</td><td>6</td><td>2</td></tr>
<tr><td>Total</td><td>84</td><td>5</td><td>19</td><td>108</td><td>N.A.</td><td>4y 10m</td><td>3</td><td>4</td><td>28</td><td>47</td></tr>
</table>

N.A. not applicable

[R1] *The A310-300 and A340-300 fleets were retired from SIA's operating fleet from June 2003.*

[R2] *Options for six generic B747-400 aircraft (either passenger or freighter).*

[R3] *The standard seat configuration for A380-800 aircraft fleet is to be finalized at a later date.*

Group Corporate Structure

at 31 March 2004

Singapore Airlines Limited

- 86.5% Singapore Airport Terminal Services Limited
- 100% SilkAir (Singapore) Private Limited
  - 100% Tradewinds Tours & Travel Private Limited
  - 5% Abacus Travel Systems Pte Ltd
- 56% Abacus Travel Systems Pte Ltd
- 86.6% SIA Engineering Company Limited
- 100% Singapore Airlines (Mauritius) Ltd
- 100% Singapore Aviation and General Insurance Company (Pte) Limited
- 100% SIA Properties (Pte) Ltd
  - 20% PT Purosani Sri Persada
  - 20% PT Pantai Indah Tateli
- 100% Singapore Flying College Pte Ltd
- 100% Sing-Bi Funds Private Limited
- 100% Singapore Airlines Cargo Private Limited
  - 51% Cargo Community Network Pte Ltd
- 100% SIA (Mauritius) Ltd
- 76% Singapore Airport Duty-Free Emporium (Private) Limited
- 50% Service Quality (SQ) Centre Pte Ltd
- 49% Virgin Atlantic Limited
- 49% Tiger Airways Pte Ltd
- 35.5% Singapore Aircraft Leasing Enterprise Pte Ltd
- 21% Asia Leasing Limited
- 20% Ritz-Carlton, Millenia Singapore Properties Private Limited

Notes

1) *Only subsidiary and associated companies, in which equity interest is at least 20%, are listed.*

100% SATS Catering Pte Ltd

100% SATS Airport Services Pte Ltd

100% SATS Security Services Private Limited

100% Aero Laundry & Linen Services Private Limited

100% Asia-Pacific Star Pte Ltd

70% Aerolog Express Pte Ltd

66.7% Country Foods Pte Ltd

49% Servair-SATS Holding Company Pte Ltd

49% Aviserv Ltd

49% Taj SATS Air Catering Ltd

35% Maldives Inflight Catering Private Limited

40% Beijing Airport Inflight Kitchen Limited

40% Beijing Aviation Ground Services Company Ltd

30% Tan Son Nhat Cargo Services Ltd

30% Taj-Madras Flight Kitchen Private Limited

25% Evergreen Air Cargo Services Corporation

24.5% Asia Airfreight Terminal Company Ltd

24% Singapore Airport Duty-Free Emporium (Private) Limited

20% Evergreen Airline Services Corporation

20% MacroAsia-Eurest Catering Services Inc.

100% SIAEC Global Pte Ltd

65% Singapore Jamco Private Limited

50% International Engine Component Overhaul Pte Ltd

50% Singapore Aero Engine Services Pte Ltd

49% Pratt & Whitney Airmotive International Ltd

49% Fuel Accessory Service Technologies Pte Ltd

49% Combustor Airmotive Services Pte Limited

49% PT JAS AERO – Engineering Services

47.1% Pan Asia Pacific Aviation Services Limited

40% Messier Services Asia Pte Ltd

40% Rohr Aero Services-Asia Pte Ltd

33.3% International Aerospace Tubes Asia Pte Ltd

29% Asian Surface Technologies Pte Ltd

24.5% Asian Compressor Technology Services Company Ltd

24.5% Turbine Coating Services Pte Ltd

100% SIAEC Services Pte Ltd

1% Eagle Services Asia Private Limited

48% Eagle Services Asia Private Limited

Information on Shareholdings

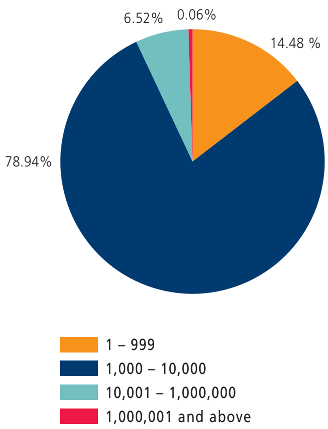
As at 27 May 2004

Authorised share capital	S$3,000,000,000.50
Issued and fully paid capital	S$609,072,311.50
Class of shares	a) 3,000,000,000 ordinary shares of par value of S$0.50 each
	b) One special share of par value S$0.50 each
	c) 3,000,000,000 Air Services Agreements (ASA) shares of par value S$0.50 each
Voting Rights	1 vote per share

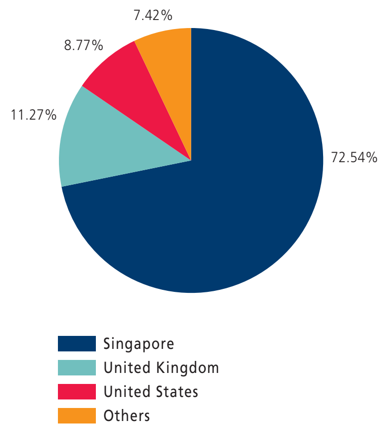
Range of shareholdings	Number of shareholders	%	Number of shares	%
1 – 999	4,143	14.48	1,556,049	0.13
1,000 – 10,000	22,596	78.94	56,799,693	4.66
10,001 – 1,000,000	1,866	6.52	76,189,239	6.25
1,000,001 and above	18	0.06	1,083,599,642	88.96
Total	**28,623**	**100.00**	**1,218,144,623**	**100.00**

Location of accounts	Number of shares	%	Number of accounts	%
Singapore	883,680,121	72.54	28,590	93.03
United Kingdom	137,203,295	11.27	131	0.42
United States	106,842,385	8.77	206	0.67
Others	90,418,822	7.42	1,806	5.88
Total	**1,218,144,623**	**100.00**	**30,733**	**100.00**

Range of Shareholdings



Location of Accounts



Information on Shareholdings
As at 27 May 2004

Major shareholders	Number of shares	%
1 Temasek Holdings (Private) Limited	691,451,172	56.76
2 Raffles Nominees Pte Ltd	116,741,127	9.58
3 DBS Nominees Pte Ltd	105,851,975	8.69
4 HSBC (Singapore) Nominees Pte Ltd	52,755,005	4.33
5 Citibank Nominees Singapore Pte Ltd	47,768,628	3.92
6 United Overseas Bank Nominees Pte Ltd	16,099,174	1.32
7 Morgan Stanley Asia (S'pore) Securities Pte Ltd	13,018,675	1.07
8 DB Nominees (S) Pte Ltd	7,013,062	0.58
9 Oversea-Chinese Bank Nominees Pte Ltd	6,098,981	0.50
10 DBS Vickers Securities (S) Pte Ltd	4,283,374	0.35
11 Chang Shyh Jin	4,159,000	0.34
12 Merrill Lynch (S'pore) Pte Ltd	4,088,297	0.34
13 Startree Investments Pte Ltd	3,450,000	0.28
14 UOB Kay Hian Pte Ltd	3,287,200	0.27
15 BNP Paribas Nominee Singapore Pte Ltd	3,016,972	0.25
16 Western Properties Pte Ltd	2,118,000	0.18
17 National University of Singapore	1,329,000	0.11
18 Ko Teck Siang	1,070,000	0.09
19 Phillip Securities Pte Ltd	995,582	0.08
20 OCBC Securities Private Ltd	964,900	0.08
Total	1,085,560,124	89.12

Substantial shareholder (as shown in the Register of Substantial Shareholders)

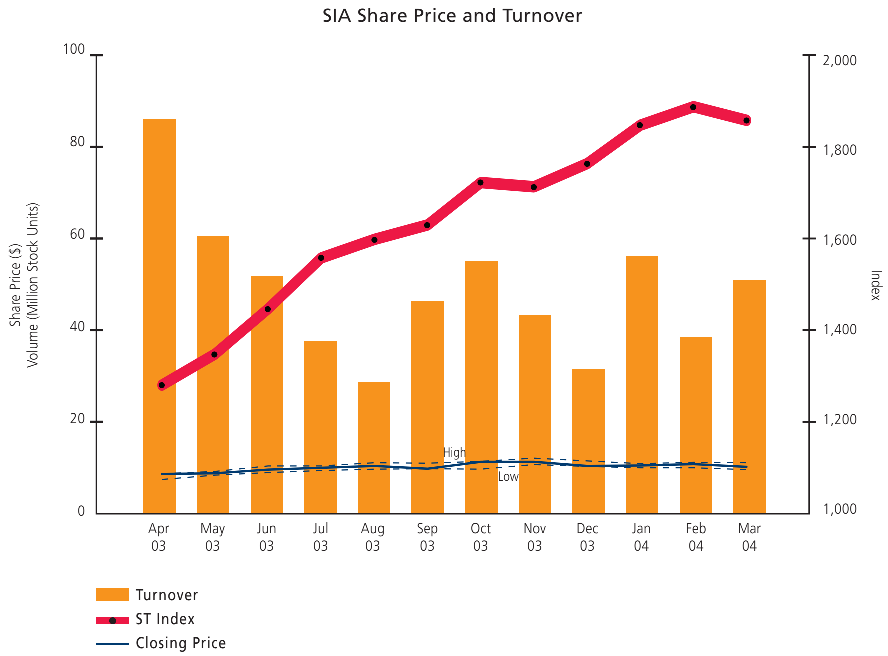
	Number of shares	%
Temasek Holdings (Private) Limited	698,517,172*	57.34

* *Includes shares in which the substantial shareholder is deemed to have an interest*

Shareholdings held by the public
Based on the information available to the Company as at 27 May 2004, 42.63 per cent of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

Share Price and Turnover

As at 31 March 2004



	2003-04	2002-03
Share Price ($)		
Highest closing price	12.90	14.40
Lowest closing price	8.25	8.55
31 March closing price	11.00	8.75
Market Value Ratios [R1]		
Price/Earnings	15.78	10.01
Price/Book value	1.17	1.00
Price/Cash earnings [R2]	6.60	4.95

[R1] *Based on closing price on 31 March and Group numbers.*

[R2] *Cash earnings is defined as profit after taxation and minority interests plus depreciation.*

Singapore Airlines Limited

(Incorporated in the Republic of Singapore)

Notice of Annual General Meeting

Notice is hereby given that the Thirty-Second Annual General Meeting of the Company will be held at the Mandarin Court, 4th Floor, Grand Tower, Meritus Mandarin, 333 Orchard Road, Singapore 238867 on Thursday, 29 July 2004 at 2.15 p.m. to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 March 2004 and the Auditors' Report thereon.

2. To declare a final tax exempt dividend of 25.0 cents per $0.50 ordinary share for the year ended 31 March 2004.

3. To re-appoint Sir Brian Pitman, a Director who will retire under S 153(6) of the Companies Act, Cap 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.

4. To re-elect the following Directors who are retiring by rotation in accordance with Article 83 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

   (a) Mr Koh Boon Hwee

   (b) Mr Davinder Singh s/o Amar Singh

5. To re-elect the following Directors who are retiring in accordance with Article 89 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:

   (a) Mr Chia Pei-Yuan

   (b) Mr Stephen Lee Ching Yen

6. To approve Directors' Fees of $629,000 (FY2002/2003 : $571,000).

7. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

8. To consider and if thought fit, approve, with or without modification, the following resolutions as Ordinary Resolutions:

8.1 That authority be and is hereby given to the Directors of the Company to:

(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

8.2 That pursuant to Section 161 of the Companies Act (Cap.50), the Directors be and are hereby authorised (in compliance and subject always to the provisions of Article 4A of the Articles of Association of the Company (the "Articles")) to:

(a) allot and issue, from time to time and at any time, such number of ASA Shares (as defined in Article 4A) at an issue price of S$0.50 for each ASA Share or in the event of a liquidation of the Company, the higher of S$0.50 or the liquidation value of an ASA Share as certified by the liquidator appointed in relation to the liquidation of the Company for each ASA Share, partly paid at the price of S$0.01 to the Minister for Finance (Incorporated), and on such terms and subject to such conditions, as the Directors may in their absolute discretion deem fit;

(b) make dividend payments out of the Company's distributable profits to the Minister for Finance (Incorporated) as holder of the ASA Shares in accordance with the provisions of the Companies Act and the Articles; and

(c) complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

8.3 That:

(a) for the purposes of Sections 76C and 76E of the Companies Act (Cap. 50) (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of S$0.50 each fully paid in the capital of the Company (the "Ordinary Shares") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST; and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buy Back Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held; and

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held;

(c) in this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of an Ordinary Share for the five consecutive trading days on which the Ordinary Shares are transacted on the SGX-ST immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off- market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five day period;

"**Date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Ordinary Shares from holders of Ordinary Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Ordinary Share and the relevant terms of the equal access scheme for effecting off-market purchase;

"**Maximum Limit**" means that number of issued Ordinary Shares representing ten per cent of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; and

"**Maximum Price**", in relation to an Ordinary Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed, whether pursuant to a market purchase or an off-market purchase, 105 per cent of the Average Closing Price of the Ordinary Shares; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

8.4 That the Directors be and are hereby authorised to offer and grant Options (as defined in the SIA Employee Share Option Plan) in accordance with the rules of the SIA Employee Share Option Plan (the "Plan") and to allot and issue from time to time such number of Ordinary Shares as may be required to be issued pursuant to the exercise of Options under the Plan provided always that the aggregate number of Ordinary Shares to be issued pursuant to the Plan shall not exceed 13 per cent of the issued share capital of the Company from time to time.

8.5 That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("Chapter 9") of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Company's letter to shareholders dated 23 June 2004 attached as Annex 3 with any party who is of the class of interested persons described in such Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval given in paragraph (a) above (the "IPT Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

9. To transact any other business

Notice of Annual General Meeting

Closure of Books

NOTICE IS HEREBY GIVEN that the Transfer Books and the Register of Members of the Company will be closed on 5 August 2004 for the preparation of dividend warrants. Duly completed transfers received by the Share Registrar, KPMG, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 up to 5.00 p.m. on 4 August 2004 (the "Books Closure Date") will be registered to determine shareholders' entitlements to the final dividend, subject to the approval of shareholders to the final dividend at the Thirty-Second Annual General Meeting to be held on 29 July 2004. Subject as aforesaid, shareholders whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Books Closure Date will be entitled to the final dividend.

The said final dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to such shareholders in accordance with its practice.

The final dividend, if so approved by shareholders, will be paid on 16 August 2004.

By Order of the Board

Foo Kim Boon
Company Secretary
23 June 2004
Singapore

Additional Information relating to the Notice of Annual General Meeting:

1. In relation to Ordinary Resolution No. 3, Sir Brian Pitman will upon re-election continue to serve as a member of the Board Compensation & Organisation Committee. Sir Brian is considered as an independent Director. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Sir Brian.

2. In relation to Ordinary Resolution No. 4, Mr Koh Boon Hwee will upon re-election continue to serve as Chairman of the Board Executive, Board Compensation & Organisation, and Safety & Reliability Committees and member of the Board Labour Relations Committee. Mr Davinder Singh will upon re-election continue to serve as Chairman of the Nominating Committee and member of the Board Finance Committee. Mr Koh is considered as a non-independent Director. Mr Singh is considered as an independent Director. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Mr Koh and Mr Singh.

3. In relation to Ordinary Resolution No. 5, Mr Chia Pei-Yuan will upon re-election continue to serve as member of the Audit & Risk Committee and Mr Stephen Lee Ching Yen will upon re-election continue to serve as Chairman of the Board Labour Relations Committee and member of the Board Compensation & Organisation Committee. Mr Chia is considered as an independent Director. Mr Lee is also considered as an independent Director. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further details on Mr Chia and Mr Lee.

4. Ordinary Resolution No. 8.1, if passed, will empower Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, from the date of the above Meeting until the date of the next Annual General Meeting. The number of shares which the Directors may issue under this Resolution will not exceed 50 per cent of the issued share capital of the Company with a sub-limit of 20 per cent for issues other than on a prorata basis. For the purpose of determining the aggregate number of shares which may be issued, the percentage of share capital shall be based on the Company's issued share capital at the time this Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time this Ordinary Resolution is passed and (b) any subsequent consolidation or subdivision of shares.

5. Ordinary Resolution No.8.2, if passed, will renew the authorisation for the Directors to allot and issue ASA shares to the Minister for Finance (Incorporated) from time to time and at any time so as to preserve the rights and privileges granted to the Company by the Air Services Agreements. The terms of the ASA Shares are contained in the Company's letter to shareholders dated 23 June 2004 attached as Annex 1.

Additional Information relating to the Notice of Annual General Meeting:

6. Ordinary Resolution No. 8.3, if passed, will renew effective up to the next Annual General Meeting (unless earlier revoked or varied by the Company in general meeting) the Share Buy Back Mandate for the Company to purchase or acquire Ordinary Shares. The Company intends to use its internal sources of funds to finance the purchase or acquisition of its Ordinary Shares. The amount of financing required for the Company to purchase or acquire its Ordinary Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Ordinary Shares purchased or acquired and the price at which such Ordinary Shares were purchased or acquired.

   The financial effects of the purchase or acquisition of such Ordinary Shares by the Company pursuant to the proposed Share Buy Back Mandate on the audited financial statements of the Company and the Company and its subsidiaries for the financial year ended 31 March 2004, based on the assumptions set out therein, are contained in the Company's letter to shareholders dated 23 June 2004 attached as Annex 2.

7. Ordinary Resolution No. 8.4, if passed, will empower the Directors to offer and grant options in accordance with the provisions of the SIA Employee Share Option Plan (the "Plan") and to allot and issue ordinary shares under the Plan. The Plan was approved at the Extraordinary General Meeting of the Company held on 8 March 2000 and modified at the Extraordinary General Meetings on 14 July 2001 and 26 July 2003 respectively.

8. Ordinary Resolution No. 8.5, if passed, will renew effective up to the next Annual General Meeting (unless earlier revoked or varied by the Company in general meeting) the IPT Mandate for the Company, its subsidiaries and associated companies that are considered "entities at risk" within the meaning of Chapter 9 of the Listing Manual of the SGX-ST to enter in ordinary course of business into certain types of transactions with specified classes of the Company's interested persons. The IPT Mandate which was previously approved by the shareholders at an Extraordinary General Meeting of the Company on 26 July 2003, and the Audit Committee's confirmation (pursuant to Rule 920(i) of the Listing Manual) in respect of the proposed renewal of the IPT Mandate, are contained in the Company's letter to shareholders dated 23 June 2004 attached as Annex 3.

Notes

1. *A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.*

2. *The instrument appointing a proxy or proxies must be deposited at Robinson Road Post Office, P O Box 3911, Singapore 905911 not less than 48 hours before the time appointed for the Meeting.*

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Singapore Company Registration Number: 197200078R
MITA Permit Number: 059/05/2004
Design and Production by Citigate Su Yeang Design
Printed by HoBee Print Pte Ltd