

SINGAPORE AIRLINES LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 197200078R

Board of Directors:

Stephen Lee Ching Yen (Chairman)
Chew Choon Seng (Chief Executive Officer)
Chia Pei-Yuan
Euleen Goh Yiu Kiang
David Michael Gonski
James Koh Cher Siang
Christina Ong
Sir Brian Pitman
Lucien Wong Yuen Kuai

Registered Office:

Airline House
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Singapore 819829

25 June 2009

To: The Shareholders of
Singapore Airlines Limited

Dear Sir/Madam

RENEWAL OF AUTHORISATION TO ISSUE ASA SHARES

1. **Background.** We refer to (a) the Notice of Annual General Meeting of Singapore Airlines Limited (the “**Company**”) dated 25 June 2009 convening the 37th Annual General Meeting (“**AGM**”) of the Company to be held on 31 July 2009, and (b) Ordinary Resolution 6.2 under the heading “Special Business” set out in the Notice.
2. **ASA Shares.** The Company’s ability to operate its existing route network and flight frequency is derived solely from and dependent entirely on the Air Services Agreements entered into between the Government of Singapore and the governments of other countries for regulating the conduct of air services between Singapore and the respective countries (“**Air Services Agreements**”). Air Services Agreements are therefore critical to the Company’s operations. In almost all the Air Services Agreements, 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 Air Services Agreements.

Prior to 1999, the Company’s ability to satisfy the “substantial ownership” requirements in the Air Services Agreements was facilitated by a limit on the ownership by foreign shareholders of ordinary shares in the Company and the trading of the Company’s ordinary shares in two tranches on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). In 1999, this foreign shareholding limit was removed and trading of the local and foreign shares of the Company was merged into a single tranche on the SGX-ST (the “**Share Merger**”).

With the Share Merger and the removal of the foreign shareholding limit, it is conceivable that foreigners may come to own the majority of the issued share capital of the Company at some future date. This in turn may potentially result in a breach of the condition under the

Air Services Agreements that the Company must be “effectively controlled” and “substantially owned” by Singaporeans. Such a breach of the Air Services Agreements may potentially result in the Company losing its rights to operate many of its air services.

In order to ensure that all conditions under the Air Services Agreements can continue to be met and all or any part of any authority, permission, licence or privilege granted or enjoyed pursuant to the Air Services Agreements which enables air services to be operated (“**Operating Rights**”) are not prejudiced, a new class of non-tradable redeemable cumulative preference shares (“**ASA Shares**”) was created. At the same time, shareholders’ approval was obtained at an extraordinary general meeting of the Company (the “**EGM**”) held on 11 September 1999 for the issue of ASA Shares to the Minister for Finance (Incorporated) (the “**Minister**”) and authority was granted to the Directors of the Company (the “**Directors**”) to issue such numbers of ASA Shares to the Minister as they deemed appropriate (“**Authorisation to Directors**”).

This Authorisation to Directors was subsequently renewed by shareholders at an EGM held on 14 July 2001, as part of a capital reduction exercise undertaken by the Company, which resulted in a change to the par value of ASA Shares and again in 29 July 2004, being the fifth anniversary of the original authority granted to the Directors by shareholders in September 1999. Details of the background to ASA Shares and the capital reduction exercise are set out in the Circular to Shareholders dated 18 August 1999 (“**1999 Circular**”), the Circular to Shareholders dated 21 June 2001 (“**2001 Circular**”), the letter to shareholders and the Notice of Annual General Meeting of the Company held on 29 July 2004, respectively.

In consideration of the agreement by shareholders for the issue of ASA Shares to the Minister, an undertaking was given by the Minister to the Company in 1999 (the “**Undertaking**”), valid for a period of five years from 1999, that it would subscribe for any ASA Shares that the Directors resolved to issue in accordance with Article 4A of the Company (“**Article 4A**”). The Minister subsequently, pursuant to a letter dated 29 July 2004, extended the Undertaking for a further period of five years and agreed to enter negotiations with the Company in good faith to extend the Undertaking for further consecutive five-year periods. The Undertaking is due for renewal in 2009 and the Minister has agreed to extend the Undertaking, which will be valid for a further period of five years, commencing from the date of the shareholders’ resolution approving the Authorisation to Directors. The Company will agree not to change the price or terms of issue of the ASA Shares without the prior written consent of the Minister.

3. **Proposed Renewal of Authorisation to issue ASA Shares.** The Directors are therefore seeking the renewal of the Authorisation to Directors to allot and issue ASA Shares from time to time and at any time to the Minister. In this respect, it is proposed that ASA Shares be issued to the Minister partly paid at the price of S\$0.01 per ASA Share. This proposal was similarly made and approved by shareholders in 1999, and subsequently renewed by shareholders in 2001 and 2004. Other than for the proposed renewal of the Authorisation, no separate approvals will be sought from shareholders for any ASA Shares which are subsequently issued in accordance with the renewed Authorisation.

The Directors believe that the renewal of the Authorisation to Directors to allot and issue ASA Shares, from time to time and at any time to the Minister, if approved by shareholders, will allow the Company to react quickly and effectively to any threat to its Operating Rights

resulting from potential breaches of the “effective control” and “substantive ownership” requirements under the Air Services Agreements arising from foreign shareholders acquiring a majority stake in the Company.

The Directors wish to reiterate that their ability to allot and issue ASA Shares will be restricted to circumstances when it is necessary or desirable to protect the Company’s Operating Rights and to overcome, prevent, avoid or reduce, the risk of an Intervening Act. The Directors may not allot and issue ASA Shares for any other purpose. Also, the maximum number of ASA Shares that may be issued shall not exceed the issued ordinary shares at the time of the issue.

The Minister will also give a further 5-year undertaking commencing from the date of the shareholders’ approval for the renewal of the Authorisation to Directors to issue ASA Shares, that it will subscribe for any ASA Shares that the Directors have resolved to issue in accordance with Article 4A. The Minister has also given the Company assurance that it will not exercise its voting rights under ASA Shares save to the extent necessary to ensure that the Company remains “substantially owned” by Singapore nationals.

4. **Terms of ASA Shares.** Detailed terms of ASA Shares are set out in the Articles of Association and the 1999 Circular and the 2001 Circular.

For ease of reference, the principal terms of ASA Shares are set out below:

Issuer	:	The Company
Subscriber	:	The Minister
Instrument	:	Redeemable cumulative preference shares at S\$0.50 each in the capital of the Company
Issue Size	:	To be determined by the Directors from time to time, subject to the total number of ASA Shares issued and outstanding not exceeding the number of issued ordinary shares at the time of issue of ASA Shares. The number of ASA Shares to be issued to the Minister shall depend on the level of ownership of the Company’s issued share capital by Singapore nationals
Issue Price	:	At S\$0.50 per ASA Share, or in the event of a liquidation of the Company, at the certified liquidation value per ordinary share, whichever value is higher
Payment of Issue Price	:	ASA Shares shall be partly paid at the price of S\$0.01 per share upon issue, with the balance being payable on redemption or in the event of a liquidation of the Company, whichever is earlier

- Redemption : All outstanding ASA Shares shall be redeemed by the Company, either in part or in full, no later than 5 years from the date of issue of ASA Shares (or such later date as the Directors deem appropriate). ASA Shares must be fully paid up before redemption
- Redemption of issued ASA Shares does not preclude further issue of ASA Shares should the need arise
- Early Redemption : The Company shall have the right to redeem ASA Shares, in part or in full, at any time subject to 30 days' prior written notice to the Minister
- Rights : The Minister shall have the right to:
- (a) receive a preferential gross dividend of 1 per cent. per annum based on the paid-up amount per ASA Share, in priority to any dividend payable on the ordinary shares;
 - (b) receive copies of the same documents and notices received by holders of ordinary shares;
 - (c) attend all general meetings and to speak and vote (with one vote per ASA Share) at such meetings. The Minister has given the Company the assurance that it will not exercise its voting rights under the ASA Shares save to the extent necessary to ensure that the Company remains "substantially owned" by nationals of Singapore; and
 - (d) participate, in the event of a winding-up of the Company, rateably with the ordinary shares in/for:
 - (i) return of capital paid up; and
 - (ii) residue of the surplus assets of the Company.
- The Minister does not have any other right to profits or asset value other than those mentioned above.
- The Company agrees not to change the price or terms of issue of the ASA Shares without the prior written consent of the Minister.
- Undertaking : The Minister has agreed to subscribe for all ASA Shares as and when they are issued

Since the passing of Ordinary Resolution 8.2 at the 32nd Annual General Meeting in 2004, the par value for shares was abolished in a legislative amendment to the Companies Act, Chapter 50 of Singapore in 2005. The Directors wish to highlight they have decided that the abolishment of the par value will not affect the issue price of ASA Shares, which will remain unchanged at S\$0.50 each.

The Directors wish to reiterate to shareholders that ASA Shares will only be issued by the Directors as and when the level of foreign shareholding of the shares of the Company is such that the Company has breached or could potentially breach the condition under the Air Services Agreements to be “substantially owned” by Singapore nationals and where any of the rights and privileges of the Company granted by or pursuant to the Air Services Agreements is put at risk.

Specifically, the Articles provide that ASA Shares may only be allotted and issued if the Directors determine that:

- (a) such allotment and issue of ASA Shares are necessary in order to protect any Operating Right by reason of the fact that:
 - (i) there has taken place, a refusal, withholding, suspension or revocation of any Operating Right or the imposition of any condition or limitation upon any such Operating Right by reason of the nationality of persons owning or controlling the Company (an “**Intervening Act**”);
 - (ii) an Intervening Act is contemplated, threatened, intended or may take place;
 - (iii) the foreign shareholding is such that an Intervening Act may occur; or
 - (iv) the ownership or control of the Company is otherwise such that an Intervening Act may occur; and
- (b) such allotment and issue of ASA Shares is necessary or desirable to overcome, prevent or avoid an Intervening Act.

ASA Shares may not be allotted and issued if the above requirements are not complied with, as determined by the Directors. In addition, the Company may redeem any outstanding ASA Shares in the event that the Directors determine that such shares are no longer required in order to protect the Company’s Operating Rights or to overcome, prevent or avoid an Intervening Act. All ASA Shares shall in any event be redeemed by the Company on the date falling five years from the respective dates of issue of ASA Shares, (or such later date as the Directors deem appropriate), provided that any redemption of ASA Shares will not preclude a further or future issue of ASA Shares in accordance with the Articles.

ASA Shares will not be listed or quoted on the SGX-ST or other stock exchanges and will not be transferable without the prior approval of the Directors and shareholders at an EGM.

As disclosed in the 1999 Circular, the Company has received approval from the Minister for Finance to treat the payment by the Company on the redemption of ASA Shares as a return of capital and not as a payment of dividends. The Company’s contributed capital after any redemption would be correspondingly reduced by the amount of redemption.

The Directors wish to highlight that ASA Shares will not be issued immediately after the AGM but are intended to be issued to the Minister only when the Directors determine that the Company faces a threat on its Air Services Agreements by reason of the nationality of the majority of its shareholders. The Directors also wish to highlight that the Minister has also given the Company assurance that it will not exercise its voting rights under ASA Shares save to the extent necessary to ensure that the Company remains “substantially owned” by Singapore nationals.

5. **Take-over Code Obligations.** The Directors wish to highlight that at the EGM in 1999, shareholders had also approved a one-off whitewash resolution to waive their rights to receive a mandatory take-over offer (the “**Mandatory Offer**”) from the Minister (the “**Whitewash Waiver**”) in the event that the issue of ASA Shares to the Minister resulted in a transfer of the effective control of the Company to the Minister. This Whitewash Waiver continues in effect indefinitely. However, shareholders should note that in the event that the Minister exercises its votes under ASA Shares other than to the extent necessary to ensure that the Company remains “substantially owned” by Singapore nationals, the Minister will incur an obligation to make a Mandatory Offer in accordance with the requirements of the Singapore Code on Takeovers and Mergers and the conditions imposed by the Securities Industry Council.

Details of the Whitewash Waiver are set out in the 1999 Circular.

6. **Effect of an issue of ASA Shares.** As at 26 May 2009, the latest practicable date prior to the printing of this Letter (the “**Latest Practicable Date**”), the issued share capital of the Company was S\$1,587,203,998.04 comprising 1,182,649,307 ordinary shares (“**Ordinary Shares**”) excluding any treasury shares. Assuming (a) no new Ordinary Shares are issued after the Latest Practicable Date, (b) there is a threat on an Air Service Agreement by reason of the nationality of the majority of Shareholders, and (c) the maximum number of 1,182,649,307 ASA Shares are issued and the Minister exercises its full voting rights under ASA Shares, the voting rights of the holders of Ordinary Shares will be halved.
7. **Directors’ and Substantial Shareholders’ Interests.** As at the Latest Practicable Date, the interests of Directors and substantial shareholders in the Ordinary Shares are as follows:

Directors’ Interests

Director	Number of Shares				Number of Shares comprised in outstanding Share Options / Awards
	Direct Interest	% ⁽¹⁾	Deemed Interest ⁽³⁾	% ⁽¹⁾	
Stephen Lee Ching Yen	9,400	nm ⁽²⁾	–	–	–
Chew Choon Seng	218,500	0.02	–	–	1,428,840 ⁽⁴⁾
Chia Pei-Yuan	–	–	–	–	–
Euleen Goh Yiu Kiang	3,800	nm ⁽²⁾	–	–	–
David Michael Gonski	–	–	–	–	–
James Koh Cher Siang	3,800	nm ⁽²⁾	–	–	–

Director	Number of Shares				Number of Shares comprised in outstanding Share Options / Awards
	Direct Interest	% ⁽¹⁾	Deemed Interest ⁽³⁾	% ⁽¹⁾	
Christina Ong	–	–	–	–	–
Sir Brian Pitman	–	–	–	–	–
Lucien Wong Yuen Kuai	–	–	58,000	nm ⁽²⁾	–

Notes:

- (1) Based on 1,182,649,307 Shares issued as at the Latest Practicable Date (this is based on 1,186,547,790 Shares in issue as at the Latest Practicable Date, excluding the 3,898,483 Shares held in treasury as at the Latest Practicable Date).
- (2) “nm” means not meaningful.
- (3) Deemed interest means interest determined pursuant to Section 7 of the Companies Act.
- (4) Of the 1,428,840 Shares:
- (a) 1,194,000 Shares are comprised in Share Options granted to Chew Choon Seng;
- (b) 100,215 Shares are comprised in conditional Awards granted to Chew Choon Seng pursuant to the SIA RSP subject to performance targets and other terms and conditions being met; and
- (c) 134,625 Shares are comprised in conditional Awards granted to Chew Choon Seng pursuant to the SIA PSP subject to performance targets and other terms and conditions being met.

Substantial Shareholders’ Interests

Substantial Shareholder	Number of Shares			
	Direct Interest	% ⁽¹⁾	Deemed Interest ⁽²⁾	% ⁽¹⁾
Temasek Holdings (Private) Limited	645,354,600	54.57	902,257	0.08

Notes:

- (1) Based on 1,182,649,307 Shares issued as at the Latest Practicable Date (this is based on 1,186,547,790 Shares in issue as at the Latest Practicable Date, excluding the 3,898,483 Shares held in treasury as at the Latest Practicable Date).
- (2) Deemed interest means interest determined pursuant to Section 7 of the Companies Act.

8. **Directors’ Recommendation.** The Directors believe that it is in the interest of both the Company and shareholders to preserve the rights and privileges granted to the Company by the Air Services Agreements. Shareholders had recognized this in 1999, 2001 and 2004, when they authorised the Directors to issue ASA Shares to the Minister where necessary. The Directors are therefore of the opinion that it is important and prudent to continue to have in place measures to ensure that “effective control” and “substantial ownership” of the Company remain in the hands of Singapore nationals.

The Directors therefore recommend that Shareholders vote in favour of Ordinary Resolution 6.2 relating to the proposed renewal of the Authorisation to Directors to issue ASA Shares to the Minister at the AGM.

9. **Directors' Responsibility Statement.** The Directors collectively and individually accept responsibility for the accuracy of the information given in this Letter and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Letter are fair and accurate and that there are no material facts the omission of which would make any statement in this Letter misleading.
10. **Advice to Shareholders.** Shareholders who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.
11. **SGX-ST.** The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Letter.

Yours faithfully
for and on behalf of the
Board of Directors of
Singapore Airlines Limited

Stephen Lee Ching Yen
Chairman