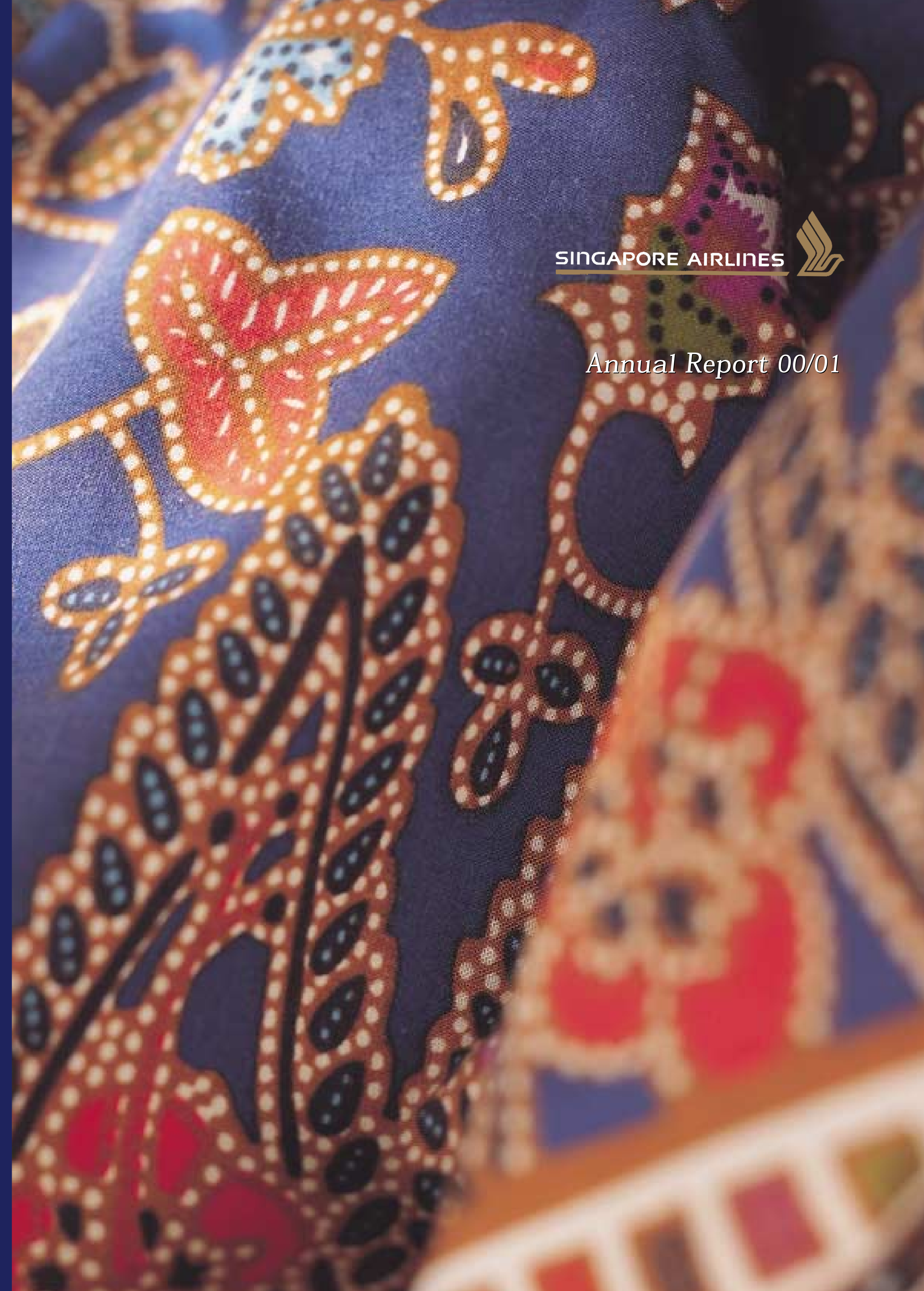

SINGAPORE AIRLINES

Annual Report 00/01

Annual Report 00/01

Contents

Registered Address

Airline House, 25 Airline Road, Singapore 819829

Company Secretaries

Mr Mathew Samuel Tel: 541 4010 Fax: 545 4231 Email: mathew_samuel@singaporeair.com.sg

Mr Foo Kim Boon Tel: 541 4030 Fax: 542 6832 Email: kimboon_foo@singaporeair.com.sg

Investor Relations

Tel: 541 4885 Fax: 542 3002 Email: investor_relations@singaporeair.com.sg

www.singaporeair.com

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Legendary Service

Singapore Airlines' legendary customer service standards are symbolised by the gracious "Singapore Girl". In her distinctive uniform, a sarong kebaya in batik material, she personifies SIA's tradition of friendly service and Asian hospitality.

Statistical Highlights

FINANCIAL STATISTICS

	2000 - 01	1999 - 00	% Change
Group ($ million)			
Total revenue	9,951.3	9,018.8	+ 10.3
Total expenditure	8,604.6	7,850.0	+ 9.6
Operating profit	1,346.7	1,168.8	+ 15.2
Profit before tax	1,904.7	1,463.9	+ 30.1
Profit attributable to shareholders	1,549.3	1,163.8	+ 33.1
Share capital	1,220.2	1,250.5	– 2.4
Distributable reserves	8,071.8	7,420.9	+ 8.8
Non-distributable reserves:-			
Share premium	447.2	447.2	–
Capital redemption	62.3	32.0	+ 94.7
Capital reserve	6.9	6.9	–
Special non-distributable reserve	1,800.0	1,800.0	–
Shareholders' funds	11,608.4	10,957.5	+ 5.9
Return on shareholders' funds (%)	13.7	10.1	+ 3.6 points
Total assets	17,911.9	16,417.9	+ 9.1
Net liquid assets	1,417.8	1,647.1	– 13.9
Value added	5,180.7	4,551.5	+ 13.8
Per Share Data			
Earnings before tax (cents)	155.5	115.0	+ 35.2
Earnings after tax (cents) – basic	126.5	91.4	+ 38.4
– diluted	126.5	91.4	+ 38.4
Net tangible assets ($)	9.51	8.76	+ 8.6
Dividends			
Interim dividend (cents per share)	15.0	*10.0	+ 5.0 cents
Proposed final dividend (cents per share)	20.0	20.0	–
Dividend cover (times)	4.8	3.9	+ 0.9 time
Company ($ million)			
Total revenue	9,229.7	8,341.3	+ 10.7
Total expenditure	8,246.3	7,485.9	+ 10.2
Operating profit	983.4	855.4	+ 15.0
Profit before tax	1,607.2	1,641.5	– 2.1
Profit after tax	1,339.7	1,267.1	+ 5.7
Value added	4,053.4	3,999.3	+ 1.4

* Including 4.75 cents per $1 ordinary share tax–exempt dividend for 1999-2000.

NOTES

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

FINANCIAL STATISTICS

	2000 - 01	1999 - 00	% Change
Scheduled Services – Company			
Load tonne-km (million)	12,985.3	12,038.4	+ 7.9
Capacity tonne-km (million)	18,034.0	16,917.2	+ 6.6
Overall load factor (%)	72.0	71.2	+ 0.8 point
Passengers carried (thousand)	15,002	13,782	+ 8.9
Revenue passenger-km (million)	71,118.4	65,718.4	+ 8.2
Available seat-km (million)	92,648.0	87,728.3	+ 5.6
Passenger seat factor (%)	76.8	74.9	+ 1.9 points
Cargo carried (million kg)	975.4	905.1	+ 7.8
Cargo load tonne-km (million)	6,075.2	5,668.2	+ 7.2
Cargo capacity tonne-km (million)	8,876.1	8,244.4	+ 7.7
Cargo load factor (%)	68.4	68.8	– 0.4 point
Yield (¢/ltk) – overall	67.9	66.0	+ 2.9
– passenger	98.0	95.3	+ 2.8
– cargo	34.2	33.7	+ 1.5
Unit cost (¢/ctk)	45.4	43.7	+ 3.9
Breakeven load factor (%)	66.9	66.2	+ 0.7 point
Employee Productivity – Company			
Average number of employees	14,254	13,720	+ 3.9
Capacity per employee (tonne-km)	1,265,189	1,233,032	+ 2.6
Load carried per employee (tonne-km)	910,993	877,434	+ 3.8
Revenue per employee ($)	647,516	607,966	+ 6.5
Value added per employee ($)	284,369	291,494	– 2.4
Employee Productivity – Group			
Average number of employees	28,336	27,513	+ 3.0
Revenue per employee ($)	351,189	327,801	+ 7.1
Value added per employee ($)	182,831	165,431	+ 10.5

GLOSSARY

Capacity tonne-km (ctk)	=	Capacity production (in tonnes) x distance flown (in km)
Load tonne-km (ltk)	=	Load carried (in tonnes) x distance flown (in km)
Overall load factor	=	Load tonne-km expressed as a percentage of capacity tonne-km
Available seat-km	=	Number of available seats x distance flown (in km)
Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Passenger seat factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Cargo capacity tonne-km	=	Cargo capacity production (in tonnes) x distance flown (in km)
Cargo load tonne-km	=	Cargo load carried (in tonnes) x distance flown (in km)
Cargo load factor	=	Cargo load tonne-km expressed as a percentage of cargo capacity tonne-km
Yield	=	Operating revenue from scheduled services divided by load tonne-km
Unit cost	=	Operating expenditure divided by capacity tonne-km
Breakeven load factor	=	Theoretical load factor at which operating expenditure equals operating revenue, i.e. unit cost divided by yield

Board of Directors


Michael Y O Fam


Cheong Choong Kong


Edmund Cheng Wai Wing


Fock Siew Wah


Charles B Goode


Ho Kwon Ping


Koh Boon Hwee


Moses Lee Kim Poo


Lim Boon Heng


Lim Chee Onn


Raymund Ng Teck Heng


Davinder Singh


Tjong Yik Min

Board of Directors

Michael Y O Fam
Chairman, Singapore Airlines Ltd
Executive Chairman, Fraser & Neave Group

Cheong Choong Kong
Deputy Chairman and Chief Executive Officer, Singapore Airlines Ltd

Edmund Cheng Wai Wing
Chairman, Singapore Tourism Board
Deputy Chairman, Wing Tai Holdings Ltd

Fock Siew Wah
Chairman, Land Transport Authority

Charles B Goode
Chairman, ANZ Banking Group Ltd

Ho Kwon Ping
Chairman, Wah Chang/Thai Wah Group

Koh Boon Hwee
Chairman, Omni Industries Ltd and Singapore Telecom

Moses Lee Kim Poo
Permanent Secretary, Ministry of Health

Lim Boon Heng
Minister and Secretary-General, National Trades Union Congress

Lim Chee Onn
Executive Chairman, Keppel Corporation Ltd

Raymund Ng Teck Heng
Chief of Air Force, Ministry of Defence (until 1 April 2001)

Davinder Singh
Managing Director, Drew and Napier, LLC

Tjong Yik Min
Group President, Singapore Press Holdings Ltd

Chairman's Statement

SIA's fleet renewal programme is one of its hallmarks... but even by SIA's standards, it was a remarkable year for aircraft orders.

The year ending 31 March 2001 was one of contrasting fortunes. SIA continued to grow through alliance membership and equity participation, performed well financially, and proudly announced a series of aircraft orders, including the much-anticipated order for the 'super jumbo' Airbus A380. But in the midst of these laudable achievements came the Airline's first fatal accident, which happened in Taipei on 31 October 2000.

The year began well, with SIA becoming the 11th member of the Star Alliance on 1 April. In the same year, SIA acquired a 25 per cent equity interest in Air New Zealand Ltd (ANZ) in class B shares, in two tranches of 8.3 per cent from the market in April and 16.7 per cent from Brierley Investments Ltd in August. The Brierley transaction was subject to certain conditions, one of them being that Air New Zealand, which already owned 50 per cent of the Australian carrier, Ansett, must acquire the remaining 50 per cent to become the sole owner. This was duly accomplished. Consequently, SIA effectively became the 25 per cent owner of two airlines, Air New Zealand and Ansett, both of whom are Star Alliance members.

SIA's fleet renewal programme is one of its hallmarks and has contributed much to the success of the Airline over the past two decades, but even by SIA's standards, it was a remarkable year for aircraft orders. In September, the Airline announced that it would buy 25 A380 aircraft worth US$8.6 billion, 10 of them on firm order and 15 on option. The A380 will have a seating capacity about 40 per cent greater than that of the Boeing B747-400, which is currently the largest aircraft in SIA's fleet. SIA will be the first airline to operate this massive aircraft when it joins the fleet in early 2006.

A month later, SIA announced a firm order for six B747-400 freighters, worth US$1.3 billion, plus nine more B747s on option. This was followed in February 2001 by a US$4 billion order for 20 aircraft from the B777 family, 10 firm and 10 on option, to replace the A310s on regional routes and cater to future growth. Thus, in the space of just six months, SIA had announced plans to buy up to 60 aircraft worth US$13.9 billion. Taking into account aircraft spares and spare Rolls-Royce Trent 900 series engines ordered to support the A380 operation, the sum exceeded US$14 billion.

In October, SIA scaled new heights and experienced its darkest hour in the matter of a few weeks. For the first time, it was ranked as the world's most admired airline in *Fortune* magazine's prestigious annual survey. This was followed by an almost clean sweep of the *Business Traveller* Asia-Pacific 2000 Annual Travel Awards, including 'Best International Airline'. But in the very last hour of October, according to Singapore time, the Airline's proud accident-free record came to an end on a closed runway in Taipei. SIA received praise and much goodwill for its handling of the crisis, and it has pledged to recover and emerge an even better and stronger airline, but memories of this horrific accident, and those who passed away, will always remain with us.

The second half of the year was inevitably a sombre period, but business, and business development, continued. The SIA Engineering Company (SIAEC), together with fellow-subsidiary Singapore Airport Terminal Services (SATS), launched an initial public offer in 2000. SIAEC also unveiled plans to spend $25 million to build a third hangar to be ready in July 2001, and a further $90 million to build two more hangars in the next two to three years, both of which will be big enough to accommodate the A380s in the future.

Financial performance was good, although with recovery from the Asian economic crisis faster than expected, and with the loss of one aircraft in Taipei, meeting demand for seats proved to be a formidable task between November and March. Results for the first six months showed an operating profit for the Group of $756 million, a 38.2 per cent increase over the same period in 1999, but this impressive performance could not be sustained. The Group's operating profit for the full year was $1,347 million, an increase of 15.2 per cent. Rising fuel prices were mitigated by higher yields, a fuel-hedging programme and a young, fuel-efficient fleet. The full year results would have been better if not for the slowdown in the US economy and a downturn in global electronics demand in the second half of the financial year.

The economic outlook in the months ahead is not encouraging and will be a stern test of SIA's financial and commercial management skills. But the Airline has flown through similar economic turbulence in the past, and despite the conditions, it has maintained a steady course and prospered. I have every confidence that it will do so again.

I regret, however, that my own involvement as Chairman and Board member will end at the coming Annual General Meeting on 14 July 2001, as I shall not be offering myself for re-election. Having joined the Board on 3 November 1972, and as its longest-serving director, I have witnessed the growth of SIA from its arrival as an upstart, taking on the big boys of aviation, to its present position as one of the world's most successful and admired airlines. After nearly 29 years, I shall be sad to stand down, but SIA will be in good hands. The Board of Directors has recommended that Mr Koh Boon Hwee be appointed to succeed me as Chairman, subject to his election as a Director at the Annual General Meeting in July.

My sincere thanks go to SIA's fine staff for their dedication and tireless efforts over the years, and to my colleagues on the Board for their invaluable contributions. I wish them, and the Airline, every success for the future.

Michael Y O Fam
Chairman

Corporate Data

Top management, from left to right
Bey Soo Khiang, Cheong Choong Kong, Michael Tan Jiak Ngee and Chew Choon Seng

Board of Directors

Chairman
Michael Y O Fam

Deputy Chairman and Chief Executive Officer
Cheong Choong Kong

Members
Bey Soo Khiang
(until 15 July 2000)

Edmund Cheng Wai Wing

Fock Siew Wah
(with effect from 15 July 2000)

Charles B Goode

Ho Kwon Ping
(with effect from 15 July 2000)

Koh Boon Hwee
(with effect from 14 March 2001)

Moses Lee Kim Poo

Lim Boon Heng

Lim Chee Onn

Raymund Ng Teck Heng
(with effect from 1 November 2000)

Davinder Singh
(with effect from 15 July 2000)

Tjong Yik Min

Executive Committee

Chairman
Michael Y O Fam – *ex officio*

Deputy Chairman and Chief Executive Officer
Cheong Choong Kong – *ex officio*

Members
Fock Siew Wah
Koh Boon Hwee
Lim Chee Onn

Audit Committee

Chairman
Michael Y O Fam

Members
Edmund Cheng Wai Wing
Ho Kwon Ping
Koh Boon Hwee
Moses Lee Kim Poo
Tjong Yik Min

Board Finance Committee

Chairman
Fock Siew Wah

Members
Cheong Choong Kong
Charles B Goode
Davinder Singh

Board Senior Officers' Committee

Chairman
Michael Y O Fam

Members
Cheong Choong Kong
Fock Siew Wah
Koh Boon Hwee
Lim Chee Onn

Company Secretaries

Mathew Samuel
Foo Kim Boon

Registrar

KPMG
138 Robinson Road
#17-00
Hong Leong Centre
Singapore 068906

Auditors

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

Audit Partner

Fang Ai Lian

Registered Office

Airline House
25 Airline Road
Singapore 819829

Executive Management Head Office

Deputy Chairman and Chief Executive Officer
Cheong Choong Kong

Senior Executive Vice-President (Administration)
Chew Choon Seng

Senior Executive Vice-President (Commercial)
Michael Tan Jiak Ngee

Executive Vice-President (Technical)
Bey Soo Khiang

Executive Vice-President (Marketing and the Regions)
Huang Cheng Eng

Senior Vice-President (Cabin Crew)
Sim Kay Wee

Senior Vice-President (Cargo)
Hwang Teng Aun

Senior Vice-President (Commercial Technology)
Goh Choon Phong

Senior Vice-President (Corporate Affairs)
Mathew Samuel

Senior Vice-President (Engineering)
Mervyn Sirisena

Senior Vice-President (Finance and Administration)
Cedric Foo

Senior Vice-President (Flight Operations)
Maurice de Vaz

Senior Vice-President (Human Resources)
Loh Meng See

Senior Vice-President (Management Services)
Tan Chik Quee

Senior Vice-President (Product and Services)
Yap Kim Wah

Chief Executive Officer
Singapore Airport Terminal Services Ltd
Prush Nadaisan

Chief Executive
SATS Airport Services (Pte) Ltd
Karmjit Singh

Chief Executive
SATS Catering (Pte) Ltd
Joseph Chew Khiam Soon

Chief Executive Officer
SIA Engineering Company Ltd
William Tan Seng Koon

Chief Executive
SilkAir (Singapore) Pte Ltd
Subhas Menon

Overseas

Senior Vice-President The Americas
Teoh Tee Hooi

Senior Vice-President Europe
Thoeng Tjhoen Onn

Senior Vice-President North Asia
Teh Ping Choon

Senior Vice-President South East Asia
Syn Chung Wah

Senior Vice-President South West Pacific
Mak Swee Wah

Senior Vice-President West Asia and Africa
Ng Kian Wah

FINANCIAL CALENDAR

31 March 2001
Financial year-end

18 May 2001
Announcement of 2000-01 results

7 June 2001
Despatch of summary financial statement to shareholders

21 June 2001
Despatch of annual report to shareholders

14 July 2001
Annual General Meeting

30 July 2001
Payment of 2000-2001 final dividend
(subject to shareholders' approval at AGM)

26 October 2001
Announcement of 2001-02 half-yearly results

22 November 2001
Date of payment of 2001-02 interim dividend

Significant Events

April 2000

- SIA becomes the 11th member of the Star Alliance, which provides customers with access to a global route network and seamless service.

- SIA acquires an 8.3 per cent stake in Air New Zealand in the form of 'B' ordinary shares, paying NZ$141 million, or NZ$3 per share. Later in the month, it reaches agreement with Brierley Investments Ltd to acquire a further 16.7 per cent for NZ$285 million, raising its total stake to 25 per cent. The acquisition is subject to regulatory approvals, due diligence, and Air New Zealand – owner of 50 per cent of Ansett – completing its acquisition of the remaining 50 per cent.

- SIA, Lufthansa Cargo and SAS Cargo step up cooperation in the air cargo business by signing an agreement to embark on New Global Cargo, a joint project to enable the seamless carriage of airfreight throughout their combined cargo network.

- SIA is named 'Best Airline (Overall)' and 'Best Asian Airline' in *Travel Trade Gazette's* Travel Awards. SIA is also voted 'Best Airline' in *Asian Wall Street Journal's* Asian Travel Survey Award for the fourth year in a row.

May 2000

- SIA subsidiaries Singapore Airport Terminal Services (SATS) and SIA Engineering Company (SIAEC) each list 13 per cent of their shares on the Singapore Exchange following the launch of their respective initial public offers.

June 2000

- SIA teams up with International SOS, the world's largest medical assistance company, to introduce the Telemedical Service on board its flights. The service allows cabin crew to consult medical staff on the ground if a passenger becomes ill on board.

- SIA joins eight other Asia-Pacific airlines to launch Travel Exchange Asia, an Internet portal that offers customers a full range of online travel services.

July 2000

- SIA introduces Mobile Services to allow customers to access up-to-the-minute flight information anywhere and at anytime of the day using WAP (Wireless Application Protocol) phones.

- SIA announces the appointment of Mr Fock Siew Wah, Mr Ho Kwon Ping and Mr Davinder Singh as new Board members.

- SIA joins 12 other leading airlines to launch Aeroxchange, an Internet-driven business-to-business e-commerce exchange that offers the most comprehensive selection of aircraft technical parts and services on the Internet, as well as general business supplies.

- SIA announces it will exercise options for two B777-200ER and one B777-200 aircraft, worth US$540 million including spares. The aircraft will be powered by Rolls-Royce Trent 892 engines and will be delivered in 2002.

August 2000

- Following due diligence and regulatory approval, and Air New Zealand becoming 100 per cent owner of Ansett, SIA's purchase of 16.7 per cent of Air New Zealand 'B' ordinary shares from Brierley Investments Ltd is legally completed. SIA thus owns 25 per cent of Air New Zealand and, indirectly, 25 per cent of Ansett.

- The new $5.3 million *Silver Kris* Lounge at Singapore Changi Airport is opened. Its design serves as the blueprint for the building or refurbishing of other *Silver Kris* Lounges worldwide.

September 2000

- SIA announces plans to invest more than $100 million to consolidate the Group's many disparate computer systems into one common e-business platform with mySAP.com, developed by SAP AG, a leading provider of inter-enterprise solutions. This will enable greater cost efficiencies, increase productivity, and improve decision-making.

- SIA places an order for 25 'super jumbo' A380 aircraft worth US$8.6 billion from Airbus Industrie. Ten of the 25 orders are firm, while 15 are options that can be exercised for freighter as well as passenger versions. The first aircraft will join the fleet in 2006.

- SIA and American Express launch a co-brand credit card in four Asian markets (Singapore, Hong Kong, Malaysia and Taiwan) that allows customers to use their everyday purchasing power to earn *KrisFlyer* miles and other benefits.

- SIA launches SIA Club Sunday to benefit Singapore's lonely elderly poor. Over three years, SIA will contribute $500,000 towards organising social gatherings that will enable these senior citizens to enjoy Sunday outings and form friendships.

October 2000

- For the first time, SIA takes the top spot in the airline industry category in *Fortune* magazine's list of the world's most admired companies. In the Product and Services category, SIA is rated second globally behind *The New York Times*, while regionally, the Airline tops the Asia (outside of Japan) category.

- In *Business Traveller's* Asia-Pacific 2000 Annual Travel Awards, SIA makes almost a clean sweep in the airline section. Apart from being voted 'Best International Airline', it comes out tops in seven other categories: First Class, Business Class, Comfort of Seating, Cabin Crew Service, Entertainment, Food, and Wine Cellar. SIA also receives the 'Airline of the Year' award at the Australian National Travel Industry Awards.

- SIA places a US$1.3 billion order for six B747-400 freighter aircraft, with options for an additional nine aircraft that can be passenger or freighter versions.

- SIA announces the selection of Rolls-Royce Trent 900 series engines to power the 25 'super jumbo' A380 aircraft ordered from Airbus Industrie.

- The SIA Group announces a $756 million operating profit for the half year ending 30 September 2000, a 38.2 per cent increase over the same period in 1999. The SIA Board declares an interim gross dividend of 15 cents a share, up five cents from the previous year.

- In Taipei, SIA suffers its first fatal accident when Flight SQ006 attempts to take off from the wrong runway and collides with construction equipment.

November 2000

- SIA announces it will invest more than $20 million in advanced technology and sophisticated forecasting techniques to manage the allocation of airline seats more effectively. The new system, dubbed *Krismax II*, will help SIA better meet the demand for seats and minimise seat wastage.

December 2000

- SIA celebrates the opening of its single largest community initiative, the new MINDS (Movement for the Intellectually Disabled of Singapore) Singapore headquarters, which incorporates an employment development centre. SIA contributed $4 million towards the cost of construction and equipment.

January 2001

- SIA Engineering Company reveals plans to invest up to $90 million on two new hangars that will be able to house the 'super jumbo' A380 aircraft.

February 2001

- SIA announces a US$4 billion order for 20 B777-200 aircraft, 10 on firm order and 10 on option, to replace the A310 aircraft on regional routes and cater to growth. This order brings to 81 the number of B777s in operation, on firm order and on option.

March 2001

- SIA announces that it will present the first Singapore International Jazz Festival in May 2001. This is part of SIA's ongoing efforts to help strengthen Singapore's image as a world-class cultural event city.

- SIA announces the appointment of Mr Koh Boon Hwee as a Board member.

Operating Review

More than ever before, SIA is pushing back the boundaries to provide customers with the world's best air travel experience, and one way the Airline is achieving this is by helping its customers stay connected at all times, on the ground and in the air.

STAR ALLIANCE

GLOBAL EXPANSION

During the year ending 31 March 2001, SIA made significant progress in its quest to become a global group of airline and airline-related companies.

SIA began the year by completing its £551.25 million purchase of a 49 per cent stake in Virgin Atlantic Airways, and on 1 April 2000 became the 11th member of the Star Alliance, a grouping of major airlines that aims to provide customers with global access and seamless service.

Within days of becoming a Star Alliance partner, the Airline announced it had purchased 8.3 per cent of Air New Zealand 'B' ordinary shares. In the same month, it reached agreement with Brierley Investments Ltd to purchase a further 16.7 per cent. The acquisition was subject to regulatory approvals, due diligence, and Air New Zealand – owner of 50 per cent of Ansett – completing its acquisition of the remaining 50 per cent.

The combined cost was NZ$426 million, or NZ$3 per share. This transaction was completed in August and gave SIA a 25 per cent equity interest in the New Zealand airline, the maximum percentage that a single foreign airline may own under the New Zealand Government's present guidelines.

With Air New Zealand acquiring full ownership of the Australian carrier, Ansett, SIA's 25 per cent stake in Air New Zealand gives it, indirectly, a 25 per cent stake in Ansett as well. The purchase strengthened the tripartite commercial alliance SIA already had with Air New Zealand and Ansett to offer customers a wider array of travel opportunities.

While the Virgin and Air New Zealand share acquisitions increased SIA's presence in two major markets, the Airline later set its sights on a foothold in a third market – India. By the end of the year in review, SIA had teamed up with the Tata Group of India to bid for a 40 per cent stake in Air India and was on a shortlist of bidders.

PRODUCT AND SERVICE DEVELOPMENT

Staying connected

More than ever before, SIA is pushing back the boundaries to provide customers with the world's best air travel experience, and one way the Airline is achieving this is by helping its customers stay connected at all times, on the ground and in the air.

In July, SIA introduced Mobile Services to offer customers greater convenience, choice and control in planning their travel. Through SIA Mobile Services, customers can obtain up-to-the-minute flight information anywhere and at anytime of the day, using WAP phones. This service was later extended to include Personal Digital Assistants (PDAs).

Through these devices, passengers can also quickly and easily access a host of information including flight schedules, flight status, contact details of SIA offices worldwide, *KrisFlyer* information, news on latest promotions, and a membership services directory.

In addition, a flight alert service was introduced. This key element of SIA Mobile Services alerts registered customers to changes in SIA flight departures and arrival times through e-mail, mobile phones, or message pagers. It was also introduced on the SIA website.

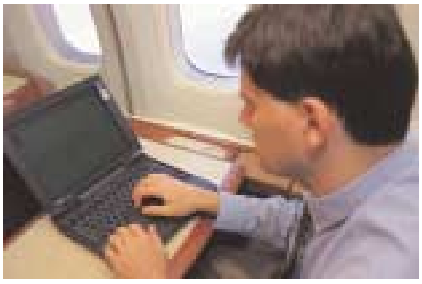
Customers also need to stay connected when travelling at 35,000 feet. During the year, SIA announced its *CyberCabin* concept, which includes allowing customers to send and receive e-mail and access Internet web pages on board.

Internet developments

SIA extended *SQ-eTravel*, its Internet-based reservation and ticketing facility, to all its 66 stations around the world. During the year, 19,646 bookings were made through the Internet, an increase of 953 per cent on the previous year, and 27,469 tickets were sold online, up by 949 per cent.

Economy Class travellers departing from Singapore can now use e-mail check-in, a service that was originally available only to those travelling in First and Raffles Class. By completing an e-mail check-in form on SIA's website, customers can receive confirmation of their seat numbers by return e-mail within an hour.

In June 2000, SIA joined forces with eight other leading airlines to launch Travel Exchange Asia, an industry-leading Internet portal for travel in the Asia-Pacific region. The portal uses business-to-consumer and business-to-business elements to offer customers a full range of travel services, from airline and hotel bookings to car rentals and land tours – all online.

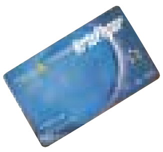


In July 2000, SIA joined forces with 12 other leading airlines to launch a business-to-business e-commerce exchange that is projected to become the industry's largest. Named Aeroxchange, it is another example of how SIA is taking advantage of Internet-based technology to streamline its ways of doing business. Airframe, avionics and engine components, maintenance services, and a range of general goods and services will be bought and sold through the exchange.

Services on board

In June 2000, SIA teamed up with International SOS, the world's largest medical assistance company, to provide a service that allows cabin crew to consult medical staff on the ground if a passenger becomes ill on board. Called the Telemedical Service, it is available 24 hours a day, seven days a week and provides customers with the assurance that professional advice is always at hand in case of emergencies.

SIA's World Gourmet Cuisine continues to lead the way in airline food. During the year, three celebrated chefs joined the Airline's star-studded International Culinary Panel. Britain's Gordon Ramsay, who was recently awarded his third Michelin star, Hong Kong's Yeung Koon Yat, and America's Nancy Oakes are the latest chefs to join a panel of eight world-renowned food experts who create signature dishes specially for SIA's customers.



Loyalty services

SIA's frequent flyer programme, *KrisFlyer*, achieved substantial membership growth during the year and forged new partnerships. Following the Airline's entry into Star Alliance, *KrisFlyer* has added Austrian Airlines, Air Canada, Mexicana, Thai Airways International and Varig to its list of airline partners.

SIA's frequent flyer programme, KrisFlyer, achieved substantial membership growth during the year and forged new partnerships.

Silver Kris Lounge

Occupying an area of 30,000 square feet, the new $5.3 million *Silver Kris* Lounge at Singapore Changi Airport opened in August 2000. Featuring a rich, elegant decor and a wide range of customer facilities, including the latest in entertainment and communications technology, an international buffet and luxurious furniture from all over the world, it will serve as the blueprint for the $13 million construction or refurbishment of *Silver Kris* Lounges worldwide.

In addition to the five new airline partners, *KrisFlyer* has linked up with two hotel partners, Millennium Hotels and Resorts and Raffles International Hotels, and a new car rental partner, Budget Car Rental. As at 31 March 2001, *KrisFlyer's* comprehensive global travel network included 35 world-class partners comprising 17 airlines, 11 hotel chains, three credit/charge card companies, three car rental agencies and a telecommunications service provider.

In September 2000, SIA and American Express launched the *American Express Singapore Airlines KrisFlyer* credit card in Singapore, Malaysia, Hong Kong and Taiwan. This was followed by the launch of the *Singapore Airlines KrisFlyer JCB and Singapore Airlines KrisFlyer Sumitomo* credit cards in Japan.

Awards and Accolades

SIA continued to receive recognition and plaudits around the world as one of the top airlines for its constant innovation and product and service excellence.

During the year, SIA received several awards in a range of categories, including topping the airline category of *Fortune* magazine's list of the world's most admired companies. SIA was also voted 'Best Airline' in *Asian Wall Street Journal's* Asian Travel Survey Award for the fourth year in a row and readers of *Conde Nast Traveler* named SIA 'Best Airline' for the 12th time in 13 years.

In clinching the *Travel Trade Gazette* Travel Awards for 'Best Airline (Overall)' and 'Best Asian Airline', SIA claimed the honour of being the only contender to receive two awards. The Airline swept most of *Business Traveller's* Asia-Pacific 2000 Annual Travel Awards in the airline section. Besides being voted 'Best International Airline', it also emerged tops in seven other categories: First Class, Business Class, Cabin Crew Service, Inflight Entertainment, Comfort of Seating, Inflight Food, and Wine Cellar.

At its home base in Singapore, SIA received the prestigious DBS-TDB Millennium Trade Award for helping propel Singapore into the league of global cities for international trade over the last three decades.

A selection of the many awards received during the year is contained in the side bars.

SIA – International Award Winner (2000 – 2001)

April
Asian Wall Street Journal and CNBC Asia –
Asian Travel Survey
Most Preferred Airline

Travel Trade Gazette Travel Awards (Singapore)
Best Airline and Best Asian Airline

May
Air Cargo News International
Cargo Airline of the Year Awards (UK)
Best Airline to Australasia & Far East

August
Travel Bulletin Awards (UK)
Top Asia/Pacific Airline

September
Conde Nast Traveller –
Readers' Travel Awards (UK)
Best Long-Haul Airline (Leisure)

DBS/TDB Millennium Trade
Award (Singapore)

TrevelAsia Breakthrough Awards (Singapore)
Airline of the Year

October
Business Traveller Asia-Pacific
2000 Travel Awards (Hong Kong)
Best International Airline and first in seven other categories

Business Traveller Awards (UK)
Best Long-Haul Airline

Common Wealth Magazine –
Most Admired Company Awards (Taiwan)
Winner – Airline Industry category

Conde Nast Traveler – Readers' Travel Awards (USA)
World's Best Airline

Fortune magazine's list of World's
Most Admired Companies (USA)
Winner – Airline category

National Travel Industry Awards (Australia)
Airline of the Year

November
Korea Herald – Readers' Best Brands (Korea)
Best Brand (Foreign Airline category)

Scottish Passenger Agents Association (Scotland)
Best Foreign Airline

December
Asia Travel Tips Premier Travel Award
for Excellence (Thailand)
Best Airline in the World

Asiamoney – Best Managed Companies
(Hong Kong)
Best Managed Company of the Decade

Business Traveler International –
Best in Business Travel Awards (USA)
Best Overall Airline and first in four other categories

Financial Times' list of World's Most Respected Companies (UK)
Winner, Transport Category

Reisrevue Dutch Travel Industry Awards (Netherlands)
Best Scheduled Airline

January
Business Traveller Awards (Germany)
Best International Airline and first in two other categories

Travel Inside magazine –
Travel Star Awards (Switzerland)
Best Airline

Travel Weekly – Golden Globe Awards (UK)
Best Airline to Asia

February
Official Airline Guide – Airline of the Year Awards (UK)
Best Europe – Far East/Australasia Airline and first in three other categories

TravelCom magazine – Gold List (Taiwan)
Best Airline

March
CargoNews Asia – Asian Freight Industry Awards (Hong Kong)
Best Global Air Cargo Carrier and Best Air Cargo Carrier (Asia)

Travel Frontier magazine –
Readers' airline rankings (Japan)
Best Airline

Zagat Survey of International Airlines (USA)
World's Best International Airline operating to and from the US

FLEET

SIA further enhanced its reputation as a pioneer in fleet development. In September 2000, it announced that it would be the launch customer for Airbus Industrie's A380, the world's largest passenger jet. The Airline's US$8.6 billion order for 25 A380s, 10 firm and 15 on option, was the largest of several aircraft orders it placed during the year.

The A380, powered by Rolls-Royce Trent 900 engines, will be capable of carrying more than 500 passengers and will be deployed on high-density, long haul routes to London, Los Angeles, New York, San Francisco and Sydney. Deliveries are scheduled from 2006 to 2011.

In February 2001, SIA announced the US$4 billion purchase of a further 20 B777-200 aircraft, 10 firm and 10 on option. The B777s in this latest order will replace the Airline's existing fleet of A310-300s, which are used on regional routes, and cater to growth. Powered by Rolls-Royce Trent 800 engines, they will be delivered between 2003 and 2009.

Earlier in the year, SIA exercised five B777 options, worth US$965 million, that were part of its June 1996 order. SIA's combined total of B777s in operation, on firm order and on option now stands at 81.

SIA also made plans to expand its cargo fleet. In October 2000, it announced a US$1.3 billion order for six B747-400 freighters, with options for an additional nine B747-400s that can be passenger or freighter versions.

SIA continued upgrading its young fleet with state-of-the-art flight operation systems. By December 2002, all SIA aircraft will be fitted with the Enhanced Ground Proximity Warning System, which enhances the existing warning systems and adds predictive windshear capability to the weather radar system.

The Airline's Traffic Collision Avoidance System has also been upgraded to further enhance the information provided to pilots if another aircraft is in close proximity, and helps them avoid the risk of a possible collision.

As part of SIA's fleet renewal programme, the remaining one A310-200 and six B747-300 passenger aircraft were retired from the fleet during the year. Of these, the A310-200 and four B747-300s were traded in and the remaining two B747-300s were returned to the lessors.

As at 31 March 2001, SIA's operating fleet comprised 93 aircraft, with a further 63 on firm order and 55 on option.

ROUTE DEVELOPMENT

SIA increased capacity and frequency on major routes to meet growing passenger demand, especially in North and West Asia, Australia and Europe.

Athens, Delhi, Denpasar, Frankfurt, Hong Kong, Karachi, Lahore, Osaka, Seoul, Surabaya and Sydney saw significant increases in flight frequency in 2000, while larger-capacity aircraft were used to cater to increased demand on services to Beijing, Bombay, Melbourne, Seoul and Shanghai.

As at 31 March 2001, SIA operated a total of 624 weekly passenger flights out of Singapore, an increase of 11 from the previous year.

SIA also entered into a codeshare arrangement with Star Alliance partner Air Canada on the London-Toronto and Copenhagen-Toronto routes. This codeshare allows SIA to market Singapore-Toronto services and enables its customers to connect seamlessly with Air Canada flights in London and Copenhagen.

As at 31 March 2001, the Airline's route network, including SilkAir and freighter-only destinations, covered 91 destinations in 40 countries. Taking into account codeshare services with alliance partners, it extends to 119 destinations in 41 countries.

SIA promotes Singapore through development of attractively-priced holiday packages, media and trade familiarisation visits, special events, and support of sales missions and trade shows.

Promoting tourism

As part of its mission to help develop Singapore into a sporting and cultural event city, SIA continued its sponsorship of the Singapore Airlines International Cup – at $3 million, one of the world's richest horse races. It also announced the sponsorship of another international race, the $1 million Singapore Airlines *KrisFlyer* Sprint, and plans to present the first Singapore International Jazz Festival. The three events will be held within a week of each other in May 2001.

A Memorandum of Understanding (MOU) was signed with the Macau Government Tourist Office in August 2000. The MOU underscores SIA's commitment to help promote the important dual role of Macau, as a tourist destination in its own right and as a gateway to Southern China.

Following the signing of agreements with the Australian, Philippine and Indonesian tourism organisations in the financial year 1999-2000, SIA embarked on a series of joint tourism promotion activities in key source markets to stimulate travel to these countries.

Similar promotion activities were also undertaken to strengthen Singapore's position as the region's premier destination. SIA promotes Singapore through development of attractively-priced holiday packages, media and trade familiarisation visits, special events, and support of sales missions and trade shows.

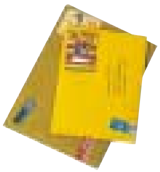
SIA CARGO

SIA currently operates nine freighters, with eight more on firm order, all to be delivered between 2001 and 2005. In the year of review, SIA Cargo's overall capacity expanded by 7.7 per cent and revenue reached $2,079 million, an 8.9 per cent increase on the previous year.

SIA Cargo's service standards are continually recognised by international trade publications and associations. During the year, it was voted 'Best Global Air Cargo Carrier' and 'Best Air Cargo Carrier Asia' at the 14th Asia Freight Industry Awards, and 'Best Air Cargo Carrier Asia' by *Cargo News Asia*.

In April 2000, SIA, Lufthansa and SAS Cargo signed an agreement to embark on an alliance project to enable the seamless carriage of cargo products throughout their combined network. Known as New Global Cargo, it is designed to offer a portfolio of harmonised air cargo products and synchronised sales and customer service activities. A common information technology infrastructure will enable easier access to the cargo route network of the partners.

SIA Cargo's service standards are continually recognised by international trade publications and associations.



SIA Cargo introduced several new freighter services in October and November 2000, adding Jakarta, Osaka and Penang to the freighter network. During the same period, freighter frequency was increased to Bangalore, Chennai, Copenhagen, Dublin, Paris, Los Angeles and San Francisco. Earlier in the year, frequency to Amsterdam was also increased.

To build upon this growth, SIA Cargo will become incorporated as an independent subsidiary in July 2001. The increased independence will allow management to react more quickly to market forces and consolidate SIA Cargo's position as the world's third largest air cargo carrier in terms of international freight-tonne kilometres flown.

SUBSIDIARIES AND ASSOCIATED COMPANIES

SIA Engineering Company (SIAEC)

In January 2001, SIAEC announced plans to invest $80-90 million in another two new maintenance hangars at Changi, subject to it being able to secure the necessary sites from the authorities. These two hangars, due to be completed in 2002 and 2003, will be able to accommodate the 'super jumbo' A380 aircraft and will add a further 30 per cent capacity. Their construction is in line with SIAEC's plan to be a maintenance, repair and overhaul centre for the A380.

A ground breaking ceremony for a $25 million single bay hangar (including land cost) was held in the same month. The 85-metre wide facility is due to be operational in July 2001 and will be able to accommodate B747, B777 and A340-500/600 aircraft.

SIAEC continued to enter into joint ventures with well-established aerospace companies. In July 2000, it paid US$8 million for a 40 per cent stake in Messier Services Asia, a Singapore-based landing gear repair and overhaul facility. This was followed in November by the signing of a joint venture agreement with United Technologies Holdings (Singapore) Pte Ltd and Singapore Technologies Aerospace to form Turbine Coating Services Pte Ltd, an engine-part repair joint venture. SIAEC will take a 24.5 per cent share worth US$3.2 million.

In March 2001, SIAEC paid US$15 million to acquire a 30% stake in BFGoodrich Aerostructures & Aviation Services Group's wholly-owned subsidiary, Rohr Aero Services-Asia (RASA), which repairs and overhauls aircraft nacelles, thrust reversers and composite structures. SIAEC has an option to acquire a further 10% equity share of RASA, subject to certain conditions.

These investments increased the number of SIAEC joint ventures to 15.

Singapore Airport Terminal Services (SATS) Group

The SATS Group, comprising SATS Airport Services, SATS Catering, SATS Security Services and Aero Linen and Laundry Services, built firmly on its public listing on the Singapore Exchange in May 2000, adding joint ventures, customers and capacity.

In July 2000, SATS entered into its 11th overseas joint venture, taking a 20 per cent stake in Evergreen Airline Services Corporation, which provides ground handling services at Taipei's Chiang Kai Shek airport. As at 31 March 2001, its stake was pared down to 19.21% after more shares were issued to employees of Evergreen Airline Services Corporation.

During the year, the group added two new customers, signing agreements to provide ground handling services to Evergreen International Airlines, one of the world's largest cargo airlines, and ground handling and inflight catering to Air Wagon International, an Indonesian carrier.

As the year under review ended, SATS prepared for further growth, announcing a $500 million medium-term note programme, to allow the group to further diversify funding sources as it seeks to expand internationally and in Singapore.

SilkAir

SilkAir expanded its fleet to seven aircraft. Its last Fokker F70 was returned to its lessor in April 2000, and SilkAir now operates an all-Airbus fleet. It took delivery of an A319-100 aircraft in May 2000 and an A320-200 in March 2001, increasing its fleet to three A319s and four A320s.

During the year, SilkAir launched twice-weekly services to Siem Reap in Cambodia and began a daily service to Langkawi in Malaysia. As at 31 March 2001, it operated 93 scheduled revenue flights each week to 18 destinations.

SilkAir was awarded 'Best Regional Airline of the Year' by *Travel Asia* magazine and won the 'Airline of the Year' award from the Cebu Travel and Tours Association, as well as 'The Friends of Thailand 2000' award. Its *Lombok Spectacular* was named the most innovative regional-linked product in Tourism Awards 2000, organised by the Singapore Tourism Board.

SIA Properties (SIAP)

SIAP, the subsidiary responsible for managing property development and upgrading projects for the SIA Group at home and abroad, had an active year.

In Singapore, major projects undertaken included SIAEC's Trent Engine Overhaul Complex and single-bay hangar, SATS' Express Courier Centre 2, and the $5.3 million facelift of the *Silver Kris* Lounge at Singapore Changi Airport.

Overseas projects included the completion of the 88-room Hulhule Island Hotel in the Maldives. The hotel is 100 per cent owned by Maldives Inflight Catering Pte Ltd of which SATS has a 35 per cent stake. In addition, *Silver Kris* Lounges were upgraded or constructed in Manila, San Francisco and Sydney. Similar lounge projects are in progress in London, Melbourne, Osaka and Seoul. SIA offices in Adelaide, Bangkok, Denpasar, Kuala Lumpur, London and Tokyo were renovated or relocated.

As at 31 March 2001, the SIA Group owned 19 commercial and 25 residential properties, and leased 357 properties located in 105 cities and 43 countries.

Singapore Aircraft Leasing Enterprise (SALE)

During the year in review, SALE placed a $1 billion order for 11 A320-family aircraft from Airbus Industrie. The three A319 and eight A320 aircraft are due to be delivered from the end of 2002 and bring to 50 the number of firm aircraft orders SALE has placed with the European manufacturer.

SALE delivered A320-200 aircraft to British Mediterranean Airways, GB Airways, America West Airlines, Qatar Airways, Roots Air and Sabena; an A321-200 to Monarch Airlines; a B737-300 to China Eastern Airlines; an A330-300 to Korean Airlines and one B777-200ER to Malaysia Airlines. The company sold two B777-200ERs to Oasis Leasing, an A320-200 to Babcock and Brown Aircraft Management and another A320-200 to TransAmerica Equipment Financial Services and a B767-300ER to Alitalia. It also issued its first Singapore Dollar denominated bond to finance an A320-200 aircraft.

Auspice Limited

Auspice, a Channel Islands-based subsidiary, is responsible for the offshore portfolio investment activities of the SIA Group. Its funds are managed by six external fund managers, with mandates to invest in fixed income instruments. The portfolios are denominated in US Dollars.

For the year ending 31 March 2001, funds under management increased by 5.35 per cent (in Singapore Dollar terms). The low return is attributable to the poor performance of most of the major bond markets, due to central bank rate hikes at the beginning of the financial year.

Sing-Bi Funds Pte Ltd

Sing-Bi Funds Pte Ltd, a Singapore-based subsidiary, is responsible for the regional portfolio investment activities of the SIA Group. Its funds are managed by three external fund managers, with mandates to invest in quoted bonds and equities listed in regional markets. The portfolios are denominated in Singapore Dollars.

During the year, the funds fell by 21.37 per cent. The decline can be attributed to the poor performance of the Asian equity markets caused by the deflating technology bubble, surging oil prices and the prospect of slowing global economic growth.

COMMUNITY RELATIONS

As one of the world's most successful international airlines, SIA has a special duty to be a responsible corporate citizen and give back to the communities where it operates.

While continuing to support traditional areas of sponsorship such as the arts and education, SIA has recently increased its support of the needy, specifically the intellectually disabled and senior citizens.

In December 2000, it celebrated the fruition of its single largest community relations initiative with the opening of the new headquarters of MINDS, the Movement for the Intellectually Disabled of Singapore. SIA contributed $4 million towards the cost of constructing and equipping the building, with SIA volunteers and MINDS joining forces to generate a further $800,000 through fund-raising efforts. The six-storey building also serves as a workplace and employment development centre for up to 400 intellectually disabled people.

With SIA staff responding to the call for volunteerism in Singapore, SIA's cash donation was just part of its overall partnership with MINDS. SIA volunteers are actively involved in taking MINDS members on outings, as well as helping with the upgrade of workshop facilities, administration, marketing, and accounting.

The year also saw the Airline launch the SIA Club Sunday programme in conjunction with Lions Befrienders. SIA will contribute $500,000 over a period of three years to pay for social gatherings that will enable these senior citizens to enjoy Sunday outings and form friendships. SIA volunteers will again play a part by helping Lions Befrienders organise these gatherings.

SIA contributed $150,000 to the Community Chest of Singapore, in addition to the combined donations of staff under the SHARE programme, which amounted to more than $590,000. The Airline will continue to help the less fortunate and encourage staff to take part in volunteer programmes that directly benefit those in need.

The arts and education continue to be important areas of sponsorship for SIA, and the SIA-NAC (National Arts Council) Travel Grant Scheme remains one of the Airline's core sponsorship programmes. During the year, free and rebated tickets worth $250,000 were provided to local performers who needed to travel overseas to perform. In addition, SIA sponsored the annual Junior College Debates series on Singapore's Premiere 12 TV for the third year in a row, donating $230,000 in cash towards the production costs and providing tickets as prizes for the winning team and the runners-up.

OUR PEOPLE

The SIA Group's staff strength at 31 March 2001 was 29,114, of which 14,744 were employed by the Airline and the remainder by its subsidiaries. This represents an increase of 5.6 per cent over the previous year.

Due to the current worldwide shortage of pilots, we have to actively recruit to fill vacant captain positions. As at 31 March 2001, SIA employed 1,645 technical crew, an increase of 7.4 per cent on the previous year.

SIA recruited cabin crew from Singapore and traditional alternative sources, including Hong Kong, India, Indonesia, Japan, Korea, and Taiwan. The number of cabin crew stands at 6,771, an 11.7 per cent increase on the previous year.

SIA's heavy investment in staff development generated 2.5 training places for every employee during the year, translating to 17.2 training days per employee.

This commitment to staff training was recognised when SIA was awarded the Singapore Productivity and Standards Board's (SPSB) National Training Award for a record third time. SPSB presented SIA with a special 'The Three Time Winner' award and praised it for "exemplary dedication to proactively developing human capital to achieve world class business excellence and breakthrough improvements".

SIA was also among 12 organisations in Singapore recognised by the Singapore Sports Council for its commitment to promoting employee health and fitness. The Sports ACE (Sports Award for Corporate and Employees) was presented to SIA for the second year in a row.

The commitment to staff training was recognised when SIA was awarded the Singapore Productivity and Standards Board's National Training Award for a record third time.

Corporate Governance

1. The SIA Board will continue to uphold the highest standards of corporate governance within the Company and the SIA Group of companies.

2. **Board of Directors**

2.1 The Board supervises the management of the Company. It meets regularly and focuses on strategies and policies, with particular attention paid to major investments and financial performance.

2.2 The Board members are:

Chairman
Michael Y O Fam

Deputy Chairman and
Chief Executive Officer
Cheong Choong Kong

Members
Bey Soo Khiang
(until 15 July 2000)

Edmund Cheng Wai Wing

Fock Siew Wah
(with effect from 15 July 2000)

Charles B Goode

Ho Kwon Ping
(with effect from 15 July 2000)

Koh Boon Hwee
(with effect from 14 March 2001)

Moses Lee Kim Poo

Lim Boon Heng

Lim Chee Onn

Raymund Ng Teck Heng
(with effect from 1 November 2000)

Davinder Singh
(with effect from 15 July 2000)

Tjong Yik Min

3. **Executive Committee**

3.1 The SIA Board Committee has been expanded to five members and reconstituted as the Executive Committee (ExCo).

3.2 The functions of the ExCo are:

a) To evaluate, review and approve (under delegation of the Board) strategic, financial and operational matters that have substantial impact, monetary or otherwise, on the SIA Group.

b) To depute for the Board in routine operational matters, e.g. open bank accounts, grant Powers of Attorney, and affix the Company's seal to all documents requiring the Company's seal, authorising resolutions under seal to approve the sale and/or lease of company premises, aircraft, engines and related equipment.

3.3 The members of the ExCo are:

Chairman
Michael Y O Fam – *ex officio*

Deputy Chairman and
Chief Executive Officer
Cheong Choong Kong – *ex officio*

Members
Fock Siew Wah
Koh Boon Hwee
Lim Chee Onn

4 **Audit Committee**

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

Chairman
Michael Y O Fam

Members
Edmund Cheng Wai Wing
Ho Kwon Ping
Koh Boon Hwee
Moses Lee Kim Poo
Tjong Yik Min

4.2 The Committee holds quarterly meetings with the internal auditors and the external auditors of the Company, and performs the following functions:

a) reviews the audit plans of the internal auditors and the external auditors of the Company, the results of their examination of the Company's system of internal accounting controls and the co-operation given by the Company's officers to the external and internal auditors;

b) reviews the financial statements of the Group and the Company and the auditors' report thereon before their submission to the Board of Directors;

c) nominates the external auditors for reappointment; and

d) reviews interested person transactions.

4.3 The Committee has full access to and co-operation of the Company's management. The Committee has full discretion to invite any director or executive officer to attend the meetings, and has been given reasonable resources to enable it to discharge its functions.

4.4 In the opinion of the directors, the Company complies with the Best Practices Guide of The Singapore Exchange Securities Trading Limited (SGX) on Audit Committees.

5. **Board Finance Committee**

5.1 This Committee was formed on 11 August 2000. The Committee meets quarterly and sets directions, policies and guidelines pertaining to certain financial matters of the Company. The Committee also acts as the approving body for new initiatives or projects under its terms of reference, viz

(i) management of surplus funds;
(ii) liquidity and financing management;
(iii) financial risk management; and
(iv) share buyback.

5.2 The Board Finance Committee comprises:

Chairman
Fock Siew Wah

Members
Cheong Choong Kong
Charles B Goode
Davinder Singh

6. **Board Senior Officers' Committee**

6.1 Terms of Reference
The Committee will:

a) Compensation and Benefits
   i) decide on remuneration packages needed to retain and motivate Senior Officers of the quality required;
   ii) conduct annual reviews of the remuneration packages of Senior Officers taking into consideration the recommendations of the Chief Executive Officer;

b) Employee Share Option Plan
   i) grant options to staff in accordance with the Plan, and issue shares as may be required on the exercise of the options;
   ii) make changes to the Plan if necessary, provided such changes are in accordance with the provisions of the Plan;

c) Executive Recruitment and Selection
   i) ensure that a sufficient number of suitable candidates are recruited and/or promoted to leadership positions;

d) Leadership Development and Top Management Succession
   i) monitor the programme of leadership development for the pool of identified talent through courses, job rotation and assignments to equip and prepare them for critical key appointments in future;

e) Management Relationship with the Subsidiaries and Equity Partners
   i) ensure that talent is tapped and equitably distributed throughout the subsidiaries and associated companies in the Group; and
   ii) encourage closer working relationship and management exchanges in the subsidiaries and associated companies in the Group.

6.2 The Board Senior Officers' Committee comprises:

Chairman
Michael Y O Fam

Members
Cheong Choong Kong
Fock Siew Wah
Koh Boon Hwee
Lim Chee Onn

7. **Securities Transactions**

7.1 The Company has clear policies on trading of its shares by Board directors and employees which are in conformity with the guidelines of the SGX.

Financials

EARNINGS

The Group's operating profit for financial year 2000-01 was $178 million (+15.2%) higher at $1,347 million. The operating profit of the Company increased by $128 million (+15.0%) from 1999-00, to $983 million. Revenue increased by $889 million (+10.7%) to $9,230 million, while expenditure grew $760 million (+10.2%) to $8,246 million, mainly from the escalation in fuel costs (+$630 million or 49.4%). The rising fuel prices were mitigated by higher yields, fuel hedging programme and a young fuel-efficient aircraft fleet. The full year results would have been better if not for the slowdown in the US economy and a downturn in global electronics demand in the second half of the financial year.

The Company's profit before tax was $1,607 million, down $34 million (-2.1%) after the inclusion of:-

(i) higher interest on borrowings amounting to $44 million;

(ii) a surplus of $166 million from the sale and leaseback of two B747-400, the disposal of one B747-400 passenger aircraft, the trade-in of one A310-200 and four B747-300 passenger aircraft, the sale and leaseback of six A340-300 spare engines, and the sale of spares and other spare engines;

(iii) lower gross dividends from subsidiaries and associated companies of $60 million [Singapore Airport Terminal Services Limited (SATS) and SIA Engineering Company (SIAEC) did not pay a final dividend for financial year 1999-00, but a special dividend was paid in March 2000 totalling $371 million as part of a capital restructuring prior to their initial public offerings (IPOs) on 5 May 2000];

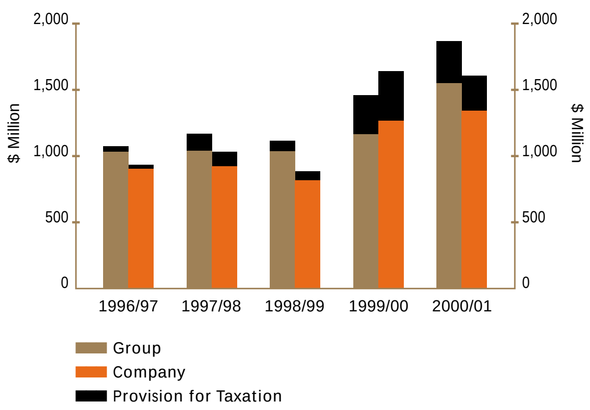
(iv) a profit of $575 million on disposal of vendor shares representing 13.0% equity interests in SATS and SIAEC (At Group level, the profit amounted to $440 million after deducting 13.0% of the net tangible assets of SATS and SIAEC as at 5 May 2000 from the net proceeds of sale); and

(v) a provision of $132 million to pay an ex-gratia bonus to employees in view of the 33.1% improvement in the Group's profit attributable to shareholders.

Profit after taxation rose $73 million (+5.7%) to $1,340 million as provision for taxation dropped $107 million (-28.6%) on account of lower chargeable income, since capital gains on disposal of vendor shares are not taxable in 2000-01. If the profit from the IPOs and the ex-gratia bonus payment in 2000-01, and the profit from the sale of investments in DL, SR and Equant N.V. and the special dividend received in 1999-00 were excluded, profit after tax would have increased by a lower amount of $43 million (+5.2%) to $865 million after tax.

The operating profit of the subsidiaries went up by $38 million (+12.4%) to $343 million. This was mainly attributable to higher profits of SIAEC Group (+$25 million), SATS Group (+$13 million), and profit achieved by Auspice ($17 million) against a loss incurred ($15 million) last year, partially offset by lower profit (-$34 million) from Sing-Bi Funds and higher loss (-$2 million) by SilkAir. Profit after tax of the subsidiaries fell $158 million (-33.5%) to $314 million as last year's profit included SIAEC's recognition of a $203 million profit (deferred from 1998-99) arising from the sale of 51% equity in ESA to Pratt and Whitney Holdings LLC.

Profit Before and After Tax

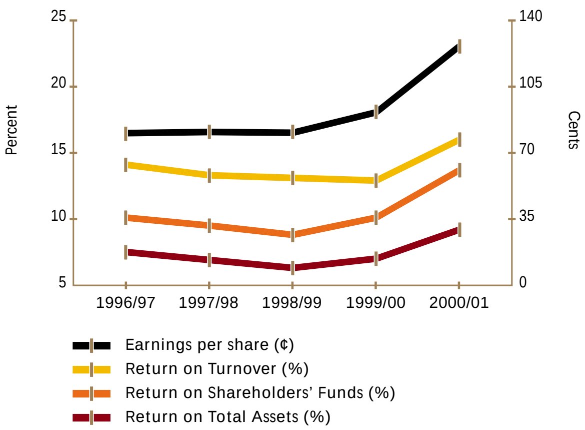


EARNINGS (continued)

The Group's operating profit was $178 million (+15.2%) higher at $1,347 million. Profit before tax rose $441 million (+30.1%) to $1,905 million. Share of profits of associated companies increased by $49 million (+146.1%) to $82 million mainly because of the contribution from Virgin Atlantic Limited (VAL). Profit attributable to shareholders at $1,549 million was $386 million higher (+33.1%). If the profit from the IPOs and the ex-gratia bonus payment in 2000-01, and the profit from the sale of investments in DL, SR and Equant N.V. in 1999-00 were excluded, profit attributable to shareholders would have increased by a lower amount of $218 million (+22.0%) to $1,211 million after tax.

The Group's basic earnings per share (based on 1,224.8 million shares representing the weighted average number of fully paid shares in issue after accounting for the share buyback and cancellation of 30,334,600 shares since 1 April 2000) increased by 35.1 cents (+38.4%) to 126.5 cents. Dilution due to the first and second grants of share options to senior executives and all other employees of the Company on 28 March 2000 and 3 July 2000 was insignificant, and the Group's earnings per share was unchanged at 126.5 cents. Return on turnover was 3.1 percentage points higher at 16.0%. Return on average shareholders' funds improved 3.6 percentage points to 13.7%, while return on total assets was 2.3 percentage points better than last year at 9.2%. If the profit from the IPOs and the ex-gratia bonus payment in 2000-01, and the profit from the sale of investments in DL, SR and Equant N.V. in 1999-00 were excluded, returns on turnover, average shareholders' funds and total assets would be lowered to 12.5%, 11.0%, and 7.3% respectively.

Group Profitability Ratios



CAPACITY, TRAFFIC AND LOAD FACTORS

In 2000-01, the Airline Company's capacity production rose 6.6% over 1999-00 to 18,034 million tonne-kilometres. This was due to frequency increases during 2000-01 and a full year's effect of additional services introduced in 1999-00.

Traffic increased at a higher rate of 7.9% to 12,985 million tonne-kilometres. Consequently, overall load factor went up 0.8 percentage point to 72.0%. Passenger seat factor improved 1.9 percentage points to 76.8%, while cargo load factor was slightly lower than last year by 0.4 percentage point to 68.4%.

SIA carried 15 million passengers in 2000-01, an increase of 8.9%, while 975 million kilograms of cargo were uplifted, up 7.8%.

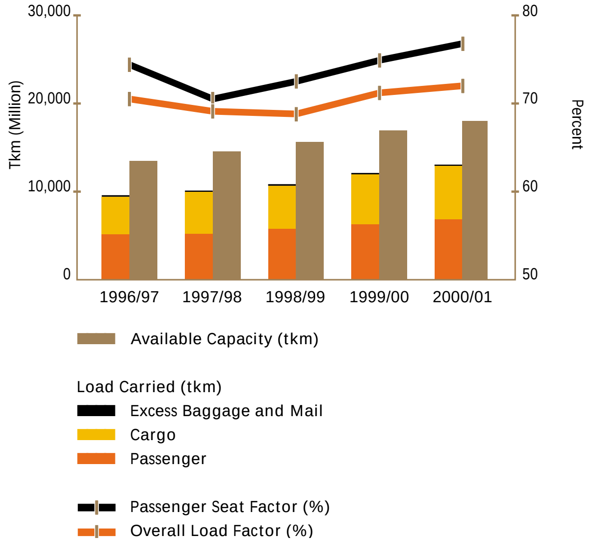
YIELD, UNIT COST AND BREAKEVEN LOAD FACTOR

Overall yield improved 2.9% to 67.9 cents per load tonne-kilometre as passenger yield and cargo yield rose 2.8% and 1.5% respectively. The increase in overall yield was due to the improvement in local currency yields, and the carriage of a higher proportion of passenger in the traffic mix (+0.5 percentage point), partially offset by a 1.9% loss from the strengthening of the Singapore Dollar against the bulk of foreign currencies making up the Company's revenue.

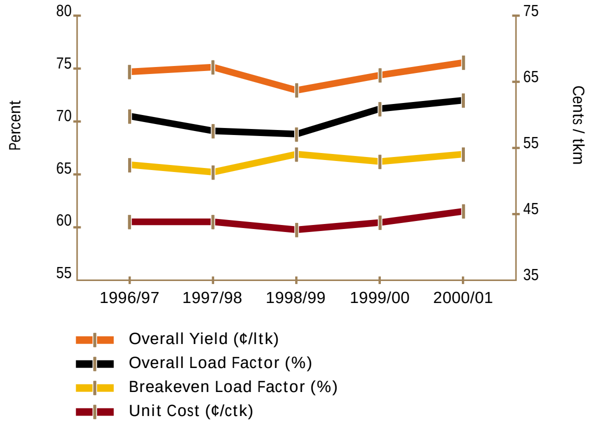
Unit cost went up 3.9% (mainly from fuel costs) to 45.4 cents per capacity tonne-kilometre. With the increase in unit cost higher than that of overall yield, breakeven load factor rose 0.7 percentage point to 66.9%.

The spread between overall and breakeven load factors widened marginally to 5.1 percentage points in 2000-01 from 5.0 in the previous year.

Available Capacity, Load Carried and Load Factors



Yield, Unit Cost and Load Factors



REVENUE

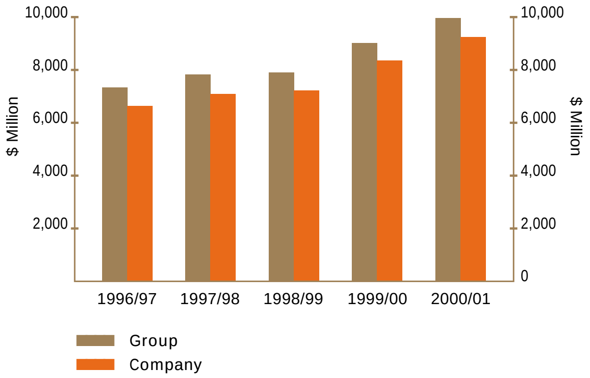
The Airline Company's revenue for 2000-01 was $9,230 million, an increase of $889 million (+10.7%) over 1999-00. The SIA Group's revenue was $933 million (+10.3%) higher at $9,951 million.

The Airline Company's revenue increase was due to:-

	$ million
6.6% growth in capacity	+ 532
0.8 percentage point increase in overall load factor	+ 95
	+ 627
2.9% increase in overall yield	+ 247
Increase in scheduled services revenue	+ 874
Increase in non-scheduled services and incidental revenue	+ 15
	+ 889

The strengthening of the Singapore Dollar against the bulk of foreign currencies making up the Airline Company's revenue resulted in a loss of $125 million.

Revenue



REVENUE (continued)

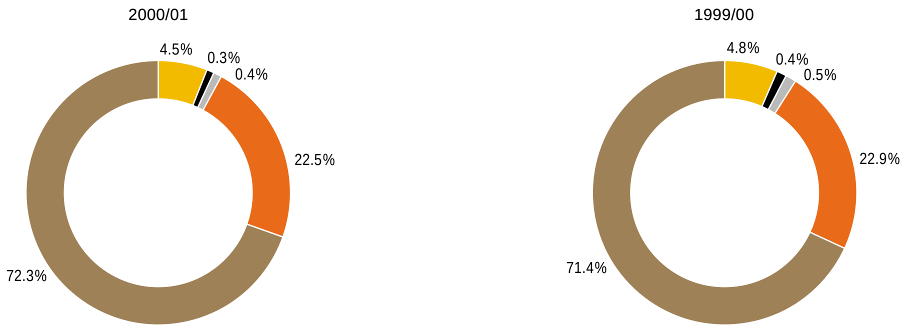
Passenger revenue grew $715 million (+12.0%) to $6,672 million. Cargo revenue was $170 million (+8.9%) higher than the previous year at $2,079 million. 72.3% of total revenue of the Airline Company came from Passenger revenue, a drop of 0.9 percentage point from last year's contribution, while the proportion for cargo revenue was 22.5%, down 0.4 percentage point.

Non-scheduled services and incidental revenue rose $15 million (+3.5%) mainly because of (i) higher income from lease of aircraft ($6 million), (ii) a surplus on sale of other fixed assets ($2 million) against a loss ($2 million) last year, (iii) higher collections from airwaybills ancillary charges (+$4 million), and (iv) higher revenue from charters ($3 million). These were partially offset by a reduction in the amount of revenue from unused tickets (-$7 million).

The sensitivity of the Airline Company's revenue to a change of 1.0 percentage point in overall load factor, and to a change in overall yield of 1.0 cent per load tonne-kilometre is as follows:-

	$ million
1.0 percentage point change in overall load factor, if yield remains constant	123
1.0 cent per load tonne-kilometre change in overall yield, if load carried remains constant	130

Company Revenue Composition



	2000/01 $M	2000/01 %	1999/00 $M	1999/00 %	Change %
Passenger	6,672	72.3	5,957	71.4	+ 12.0
Cargo	2,079	22.5	1,909	22.9	+ 8.9
Mail	36	0.4	41	0.5	– 11.4
Excess baggage	29	0.3	35	0.4	– 18.5
	8,816	95.5	7,942	95.2	+ 11.0
Non-scheduled services and incidental	414	4.5	399	4.8	+ 3.5
Total revenue	9,230	100.0	8,341	100.0	+ 10.7

Financial Review

EXPENDITURE

The Airline Company's expenditure amounted to $8,246 million for 2000-01, $760 million (+10.2%) more than 1999-00. The SIA Group's expenditure grew $755 (+9.6%) to $8,605 million.

The increase in the Airline Company's expenditure was due to:-

	$ million
Fuel costs (+46.0%)	+ 557
Staff costs (+12.1%)	+ 145
Sales costs (+6.9%)	+ 60
Handling charges (+6.3%)	+ 52
Landing, parking and overflying charges (+2.7%)	+ 14
Inflight meals and other passenger costs (+0.1%)	+ 1
Depreciation charges (-5.6%)	– 63
Rentals on lease of aircraft (+26.4%)	+ 60
Aircraft maintenance and overhaul costs (-7.3%)	– 38
Other costs (-5.3%)	– 28
	+ 760

Fuel costs increased by $557 million (+46.0%) due to:-

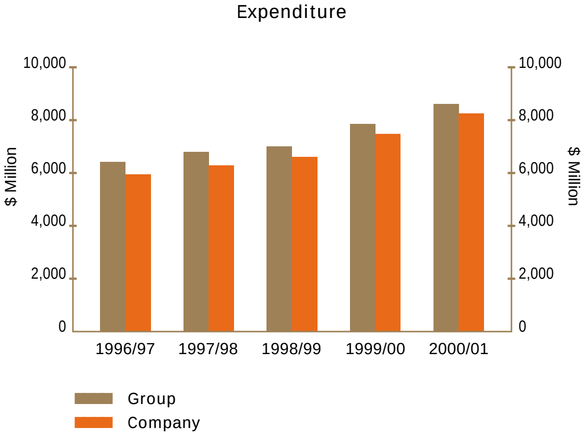
	$ million
A 36.7% increase in weighted average fuel price	+ 499
A 6.6% rise in volume of fuel uplifted	+ 84
A 2.6% weakening of Singapore Dollar against the United States Dollar	+ 47
	+ 630
Higher hedging gain	– 73
	+ 557

The increase in staff costs of $145 million (+12.1%) was mainly because of (i) higher provisions for profit-sharing bonus, (ii) wage adjustments, (iii) service increments, (iv) higher staff strength, and (v) increase in employer's Central Provident Fund contribution rate from 10% to 12% with effect from April 2000 and a further increase to 16% with effect from January 2001.

Sales costs rose $60 million (+6.9%) mainly attributable to (i) higher commission and incentives payable on account of increases in passenger and cargo revenue, (ii) higher provision for frequent flyer programme costs, and (iii) increased computer reservations service fees.

The rise in handling charges of $52 million (+6.3%) was due to higher flight frequencies and rate hikes, partially offset by a stronger Singapore Dollar.

The rise in landing, parking and overflying charges of $14 million (+2.7%) was due to higher frequencies and overflying charges, partially offset by the stronger Singapore Dollar.



EXPENDITURE (continued)

Inflight meals and other passenger costs were $1 million (+0.1%) higher as the increase in inflight meal costs due to increased number of meals uplifted (with passenger load up 8.2%) and higher unit cost of meals, were partially offset by the stronger Singapore Dollar and lower expenditure on aircraft catering equipment.

Depreciation charges dropped $63 million (-5.6%) mainly because of reductions in depreciation charges from (i) the full year's impact of the sale and leaseback of three B747-400s in 1999-00, and the sale and leaseback of two B747-400s in 2000-01, (ii) nine B747-400s and four A310-300s which became fully depreciated to their residual values, (iii) the loss of the B747-400 passenger aircraft involved in the SQ006 accident in Taipei. These were partially offset by (i) the commissioning of two B747-400s, one B777-200, and one B747-400 freighter aircraft during 2000-01, (ii) the full year's impact of three B777-200s, one B777-300, one A340-300 and one B747-400 freighter aircraft commissioned in 1999-00.

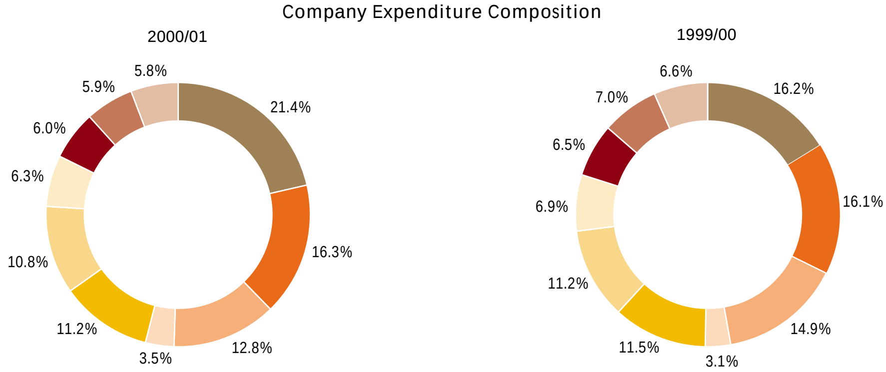
Rentals on lease of aircraft went up $60 million (+26.4%) mainly on account of (i) the sale and leaseback of two B747-400 aircraft during the year, (ii) the full year's impact of sale and leaseback of three B747-400 aircraft in 1999-00, and (iii) the stronger US Dollar. The sum of depreciation charges and rentals on lease of aircraft decreased $3 million (-0.2%).

Aircraft maintenance and overhaul costs dropped $38 million (-7.3%) despite an increase in flying hours of 5.1%. This was mainly attributable to the writeback of overprovision for maintenance costs in prior years.

The decrease in other costs of $28 million (-5.3%) came principally from lower exchange loss of $19 million in 2000-01 against an exchange loss of $75 million in 1999-00, partially offset by (i) provisions for diminution in value of investments ($24 million) in respect of SIA's investments in convertible preference shares of Air Canada, and in the Ritz-Carlton, Millenia, Singapore Properties Private Limited, and (ii) higher communication expenses (+$6 million).

The movement in Singapore Dollar year-on-year against foreign currency expenditure resulted in an increase in expenditure of $1 million in 2000-01.

Company Expenditure Composition



	2000/01 $M	%	1999/00 $M	%	Change %
Fuel costs	1,767	21.4	1,210	16.2	+ 46.0
Staff costs	1,347	16.3	1,202	16.1	+ 12.1
Depreciation charges	1,055	12.8	1,118	14.9	- 5.6
Rentals on lease of aircraft	289	3.5	229	3.1	+ 26.4
Sales costs (Note 1)	926	11.2	866	11.5	+ 6.9
Handling charges	891	10.8	839	11.2	+ 6.3
Inflight meal and other passenger costs	520	6.3	519	6.9	+ 0.1
Landing, parking and overflying charges	498	6.0	484	6.5	+ 2.7
Aircraft maintenance and overhaul costs	483	5.9	521	7.0	- 7.3
Other costs (Note 2)	470	5.8	498	6.6	- 5.3
	8,246	100.0	7,486	100.0	+ 10.2

Note 1:- Sales costs include commissions and incentives payable, frequent flyer programme costs and advertising expenses.

Note 2:- Other costs comprise departmental expenses ($187M), crew expenses ($103M), company accommodation costs ($89M), communication expenses ($48M), provisions for diminution in value of investments ($24M), and loss on exchange ($19M).

TAXATION

The Company's provision for taxation in 2000-01 was $268 million, a drop of $107 million (-28.6%) from 1999-00. This was due to lower provision for current tax in Singapore as a result of lower chargeable income. Provision for deferred tax amounted to $154 million for 2000-01 as capital allowances were higher than depreciation charges.

The SIA Group's provision for taxation was $317 million, up $21 million (+7.0%) from 1999-00.

DIVIDENDS

The Board of Directors is proposing a total dividend for 2000-01 of 35.0 cents per $1 ordinary share less Singapore income tax. This is 5.0 cents per share higher (+16.7%) than the total dividend paid for 1999-00. An interim dividend of 15.0 cents per $1 ordinary share less income tax at 25.5% amounting to $137 million, was paid on 22 November 2000.

The proposed final dividend is 20.0 cents per $1 ordinary share less Singapore income tax at 24.5%. With the proposed final dividend, the total dividend less Singapore income tax for 2000-01 will amount to $321 million.

ISSUED SHARE CAPITAL

Under the share buyback programme (which was first approved by shareholders on 11 September 1999, with the mandate renewed at the Company's extraordinary meeting on 15 July 2000), the Company made a further purchase of 30,334,600 of its shares between 1 April 2000 and 31 March 2001 at a total cost, including brokerage, of $476 million. The issued share capital of the Company was reduced by 30,334,600 shares or 2.4% to 1,220,197,622 shares at 31 March 2001. The amount spent so far under the programme as at 31 March 2001 for 62,348,600 shares totalled $986 million ($510 million up to 31 March 2000 plus $476 million from 1 April 2000 to 31 March 2001), including brokerage but excluding Section 44 tax prepayments of $338 million.

SHARE OPTIONS

On 3 July 2000, the Company made a second grant of share options and 12,258,890 share options were accepted by eligible employees to subscribe for ordinary shares under the SIA Employee Share Option Plan (the Plan) for the exercise period 3 July 2001 to 2 July 2010. As at 31 March 2001, options to subscribe for 25,668,300 ordinary shares remain outstanding under the Plan.

INVESTMENT AND GOODWILL

During the year under review, the Company acquired a 25% equity interest in Air New Zealand Limited (ANZ) class B shares, in two tranches of 8.3% in April 2000 and 16.7% in August 2000, at an aggregate cost of $352 million. Goodwill arising from the acquisition amounted to $93 million. At Group level, the amount of the goodwill is written off against shareholders' distributable reserves as allowed under Statement of Accounting Standard (SAS) 22 on accounting for business combinations issued by Institute of Certified Public Accountants of Singapore (ICPAS). In November 2000, the Company subscribed additional shares in ANZ for $51 million pursuant to a rights issue, bringing the total investment in ANZ to $403 million. The share of the unaudited results for the period July to December 2000 of ANZ has been included in the Group's results since they have been announced. In future, the Group will incorporate its share of ANZ's profits for the full year April (n) to March (n+1) [where n denotes year] on the basis of its share of ANZ's results for the period January to December (n).

Financial Review

FINANCIAL POSITION

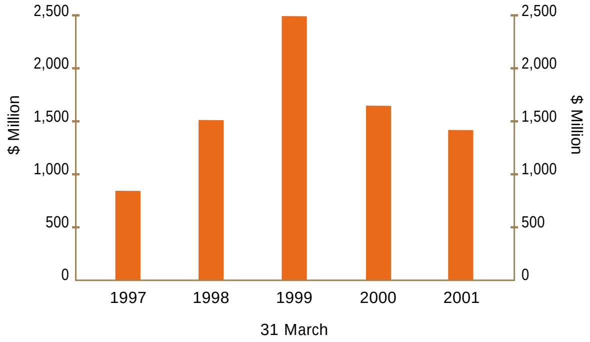
At 31 March 2001, the shareholders' funds of the Group amounted to $11,608 million, an increase of $651 million (+5.9%) from a year ago after accounting for (i) share buyback of 30,334,600 shares during the year at a total cost of $476 million (including brokerage but excluding Section 44 charges of $162 million), and (ii) goodwill of $116 million written off against shareholders' distributable reserves resulting from the investments in associated companies, comprising mainly ANZ with $93 million goodwill written off, and Rohr Aero-Services-Asia Pte Ltd (a 30% equity investment by SIAEC on 29 March 2001 in a company incorporated in Singapore providing repair and overhaul of aircraft nacelles, thrust reversers and pylons) with goodwill of $17 million written off.

The net tangible assets per share of the Group went up $0.75 (+8.6%) to $9.51 at 31 March 2001.

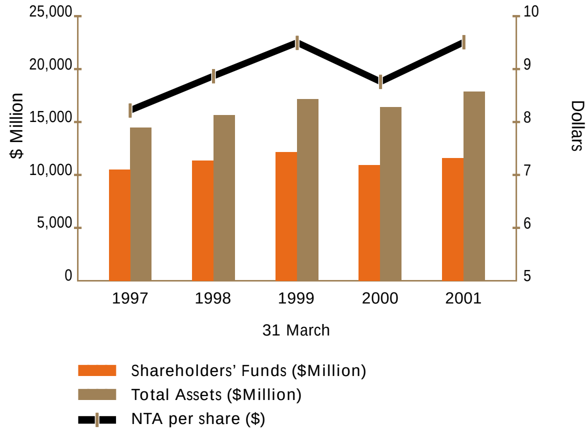
The Group's total assets stood at $17,912 million on 31 March 2001, up $1,494 million (+9.1%).

The net liquid assets of the Group fell $229 million (-13.9%) to $1,418 million at 31 March 2001. This was mainly attributable to aircraft purchases, progress payments for aircraft on order, share buyback of the Company's shares and investment in Air New Zealand, partially offset by operating surpluses, proceeds from the IPOs of SATS and SIAEC and the sale and leaseback of aircraft.

Group Net Liquid Assets



Group Shareholders' Funds, Total Assets and Net Tangible Assets per share

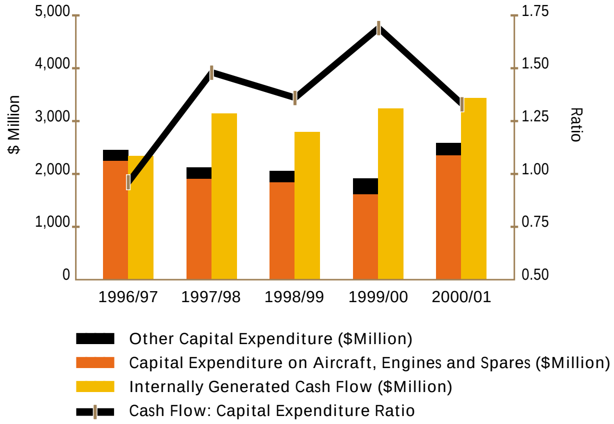


CAPITAL EXPENDITURE AND CASH FLOW

The Group's capital expenditure for 2000-01 amounted to $2,589 million, up $678 million (+35.4%) from the previous year. The bulk of the capital expenditure was for aircraft, spare engines and spare parts delivered during the year – two B747-400 and one B777 passenger aircraft, and one B747-400 freighter aircraft were delivered to SIA; one A319 and one A320 passenger aircraft were delivered to SilkAir. In addition, progress payments were made for additional aircraft scheduled to join the fleet between 2001 and 2005.

Cash flow generated internally was $3,439 million, an increase of $199 million (+6.2%). The self-financing ratio of cash flow to capital expenditure dropped from 1.69:1 to 1.33:1 in 2000-01.

Group Capital Expenditure and Internally Generated Cash Flow



COMPANY ROUTE PERFORMANCE

	Revenue by Area of Original Sale (Note 1) $ million		By Route Region: Revenue (Note 2) $ million		By Route Region: Overall Load Factor %		By Route Region: Passenger Seat Factor %	
	2000 - 01	1999 - 00	2000 - 01	1999 - 00	2000 - 01	1999 - 00	2000 - 01	1999 - 00
East Asia	4,927	4,449	2,784	2,453	65.7	65.2	72.8	71.2
Americas	844	761	2,079	1,903	71.7	72.6	79.4	79.1
Europe	1,503	1,334	1,871	1,674	78.2	75.3	78.8	74.7
South West Pacific	842	766	1,175	1,090	70.7	70.6	77.0	75.6
West Asia and Africa	700	632	907	822	70.0	67.8	74.7	72.4
Systemwide	8,816	7,942	8,816	7,942	72.0	71.2	76.8	74.9
Non-scheduled services and incidental revenue	414	399						
	9,230	8,341						

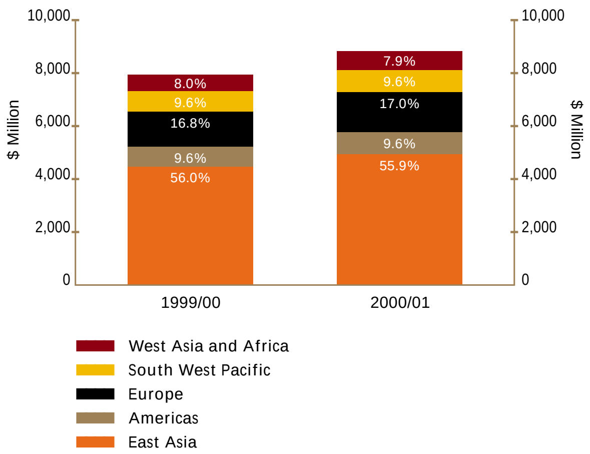
Note 1

Revenue by area of original sale is defined as revenue originating in the area in which the sale is made. East Asia covers mainly Brunei, Hong Kong, Indonesia, Japan, Korea, Macau, Malaysia, People's Republic of China, Philippines, Singapore, Thailand and Taiwan. Americas comprises mainly Canada, Latin America and USA. Europe consists mainly of Baltic States, Continental Europe, Russia, Scandinavia and United Kingdom. South West Pacific includes largely Australia and New Zealand. West Asia and Africa are mainly made up of Bangladesh, India, Mauritius, Middle East, Pakistan, South Africa and Turkey.

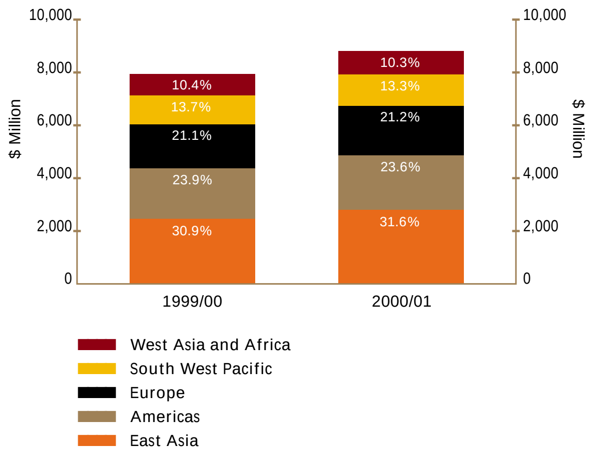
Note 2

Revenue by route region is defined as revenue derived from a route originating from Singapore with its final destination in countries covered by the region and vice versa. For example, revenue from SIN-HKG-SFO-HKG-SIN route is classified under Americas region.

Company Revenue Composition
by Area of Original Sale



Company Revenue Composition by Routes



In terms of contribution by area of original sale, East Asian countries emerged the top contributor to systemwide revenue (55.9%) for 2000-01, followed by countries in Europe (17.0%), Americas (9.6%), South West Pacific (9.6%) and West Asia and Africa (7.9%).

In 2000-01, revenue from East Asian routes contributed 31.6%, up 0.7 percentage point from 1999-00. Revenue from American routes made up 23.6%, down 0.3 percentage point, while European routes' share of revenue was slightly higher by 0.1 percentage point at 21.2%. South West Pacific routes had a 13.3% share, down 0.4 percentage point, and the contribution from West Asian and African routes was 10.3%, a marginal drop of 0.1 percentage point.

About three quarters of the Company's revenue collections in 2000-01 were mainly in Singapore Dollars, United States Dollars, Japanese Yen, Australian Dollars, Sterling Pounds, Hong Kong Dollars, and Euro currencies.

COMPANY ROUTE PERFORMANCE (continued)

East Asian Routes

East Asian routes recorded an increase of $331 million (+13.5%) to $2,784 million, as traffic grew 9.6%. Capacity growth was 8.9% mainly from additional services mounted to Hong Kong, Seoul, Osaka, Denpasar, Jakarta, Bangkok and Surabaya. Overall load factor was 0.5 percentage point better at 65.7%. The weakening of Singapore Dollar against Japanese Yen, New Taiwan Dollar and Korean Won, and improvements in local currency yields largely accounted for the rise in overall yield by 3.6%.

American Routes

The American routes' revenue went up $176 million (+9.2%) to $2,079 million. Capacity expanded 4.6% whilst traffic rose at a slower 3.3%. Consequently, overall load factor went down 0.9 percentage point to 71.7%. The increase in capacity came principally from the full year's effect of additional services launched to San Francisco during 1999-00. Overall yield was 5.7% higher mainly attributable to the weakening of Singapore Dollar against United States Dollar, and improvements in local currency yields.

European Routes

European routes posted a revenue increase of $197 million (+11.7%) to $1,871 million following a traffic increase of 11.9%. Capacity grew 7.8% and as a result, overall load factor improved a robust 2.9 percentage points to 78.2%. Capacity expansion came mainly from (i) frequency increases to Athens and Frankfurt, and (ii) the full year's effect of additional services launched to Copenhagen and Manchester in 1999-00. Operations to Vienna were ceased from 29 October 2000. Despite the weakening of the European currencies against Singapore Dollar, overall yield remained unchanged largely because of improvements in local currency yields.

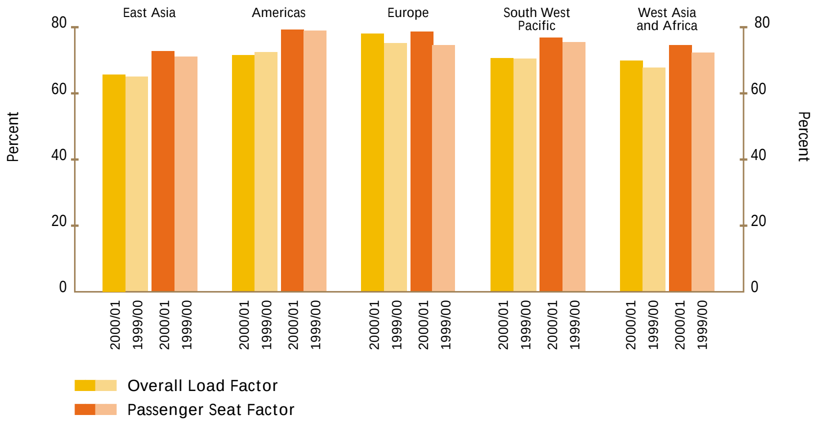
South West Pacific Routes

Revenue from South West Pacific routes registered an increase of $85 million (+7.8%) to $1,175 million. Traffic grew 7.4%, while capacity expansion of 7.3% was due to (i) additional frequencies to Sydney, and (ii) the full year's effect of additional services launched to Perth and Adelaide during 1999-00. Flights to Cairns were terminated from 25 March 2001. Overall load factor rose marginally by 0.1 percentage point to 70.7%. Overall yield was up 0.3% mainly due to improvements in local currency yields.

West Asian and African Routes

Revenue from West Asian and African routes improved $85 million (+10.4%) to $907 million. Traffic growth of 6.4% outpaced capacity increase of 3.0% and overall load factor improved a strong 2.2 percentage points to 70.0%. Capacity growth came mainly from increases in flight frequency to Lahore, Karachi and New Delhi. Overall yield went up 3.7% principally due to improvements in local currency yields.

Overall Load Factor and Passenger Seat Factor by Routes



STATISTICAL BREAKDOWN BY BUSINESS SEGMENTS

Revenue, Profit and Employee Strength

	Revenue ($ million)		Profit Before Tax ($ million)	
	2000 - 01	1999 - 00	2000 - 01	1999 - 00
Airline operations	9,408	8,518	1,713	1,679
Airport terminal services	892	794	211	200
Engineering services	674	588	129	317
Others	179	200	31	30
	11,153	10,100	2,084	2,226
Less: Inter-segment transactions	(1,202)	(1,081)	(179)	(762)
Group	9,951	9,019	1,905	1,464

	Profit After Tax ($ million)		Average Number of Employees	
	2000 - 01	1999 - 00	2000 - 01	1999 - 00
Airline operations	1,434	1,301	14,730	14,196
Airport terminal services	175	160	9,147	8,923
Engineering services	116	306	4,037	3,925
Others	26	18	422	469
	1,751	1,785	28,336	27,513
Less: Inter-segment transactions	(164)	(618)		
Group	1,587	1,167		

Total Assets and Capital Expenditure

	Total Assets ($ million) 31 March		Capital Expenditure ($ million)	
	2001	2000	2000 - 01	1999 - 00
Airline operations				
– Aircraft, spares and spare engines	8,940	9,283	2,354	1,617
– Others	6,886	5,665	84	108
Airport terminal services	1,255	855	126	167
Engineering services	732	594	20	18
Others	355	362	5	2
	18,168	16,759	2,589	1,912
Less: Inter-segment transactions	(256)	(341)	–	–
Group	17,912	16,418	2,589	1,912

PERFORMANCE OF SUBSIDIARIES

As at 31 March 2001, there were 25 subsidiaries in the SIA Group. The major subsidiaries are Singapore Airport Terminal Services Limited (SATS), SIA Engineering Company Limited (SIAEC), SilkAir (Singapore) Private Limited. The figures in the following write-up on these subsidiaries are shown before adjusting for inter-company transactions.

SINGAPORE AIRPORT TERMINAL SERVICES GROUP

The operating profit of the SATS Group for the financial year 2000-01 rose $13.2 million (+7.3%) to $194.6 million. Profit after tax was $175.0 million, an increase of $14.9 million (+9.3%) after accounting for share of profits of associated companies of $14.8 million after tax.

Group operating revenue grew $97.0 million (+12.3%) to $887.2 million mainly from inflight catering and ground handling services which rose 11.0% and 14.3% respectively.

SINGAPORE AIRPORT TERMINAL SERVICES GROUP (continued)

Group expenditure increased by $83.8 million (+13.8%) to $692.6 million. This was attributable to higher (i) staff costs, (ii) company accommodation costs, (iii) costs of services rendered by SIA, (iv) material costs, and (v) CAAS licensing fees.

Group shareholders' funds at 31 March 2001 was $743.5 million, an increase of $132.6 million (+21.7%) from 31 March 2000.

Total assets was $1,329.2 million, up $244.8 million (+22.6%) from a year ago.

Capital expenditure was $126.1 million, mainly on the sixth airfreight terminal, the new inflight catering centre, and the second express courier centre.

SIA ENGINEERING GROUP

For financial year 2000-01, the operating profit of the SIAEC Group was $122.2 million, up $25.4 million (+26.2%) from 1999-00. Profit attributable to shareholders' funds, after accounting for share of profits of associated and joint venture companies of $4.4 million after tax, was $115.9 million, down $190.5 million (-62.2%). The drop was because of the recognition of $202.6 million profit last year arising from the sale of its 51% equity stake in Eagle Services Asia Pte Ltd (ESA) to Pratt & Whitney Holdings LLC (PWHLLC) in 1998-1999.

Group revenue increased by $87.0 million (+15.3%) to $654.4 million mainly due to an increase in workload from SIA.

Group expenditure rose $59.8 million (+12.5%) to $539.9 million mainly because of increases in staff costs, material costs and production overheads.

Group shareholders' funds at 31 March 2001 was $466.2 million, up $68.6 million (+17.3%) from 31 March 2000.

Total assets increased by $137.5 million (+23.1%) to $731.7 million at 31 March 2001.

Capital expenditure amounted to $20.2 million, largely on engineering plant and equipment.

SILKAIR

SilkAir incurred an operating loss of $6.5 million in 2000-01, $1.7 million higher than the previous year. Profit after tax was $15.4 million, after accounting for a surplus of $15.0 million from the sale of three B737-300 spare engines.

Revenue from scheduled services increased by $0.4 million (+0.2%) to $170.5 million as traffic rose 0.2%. Overall load factor was down 2.2 percentage points to 53.1%. Yield improved by 0.1%.

Expenditure was $2.8 million higher (+1.5%) at $184.7 million mainly from increases in staff costs and fuel costs.

Unit cost dropped 7.0% to 81.5¢/ctk and breakeven load factor was lowered by 4.2 percentage points to 54.0%.

Shareholders' funds grew 6.2% to $265.3 million at 31 March 2001.

Total assets amounted to $442.0 million at 31 March 2001, an increase of $66.6 million (+17.7%).

Capital expenditure was $101.6 million, principally on the purchase of one A319 and one A320 passenger aircraft delivered during the year, and on spare engines and spare parts.

SilkAir's route network links 18 cities in 8 Asian countries.

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

	2000 - 01	1999 - 00	1998 - 99	1997 - 98	1996 - 97
Total revenue	9,951.3	9,018.8	7,895.8	7,821.8	7,330.3
Less: Purchase of goods and services	(5,366.1)	(4,791.2)	(4,060.6)	(3,886.5)	(3,696.6)
Value added by the Group	4,585.2	4,227.6	3,835.2	3,935.3	3,633.7
Add: Surplus on disposal of aircraft, spares and spare engines	181.3	98.4	211.3	157.1	173.8
Share of profits of joint venture companies	27.0	21.0	13.9	7.1	1.9
Share of profits of associated companies	81.7	33.2	23.1	8.9	4.3
Profit on disposal of vendor shares (13% equity interests in SATS and SIAEC)	440.1	–	–	–	–
Ex-gratia bonus payment	(134.6)	–	–	–	–
Profit on sale of investments	–	171.3	–	–	–
Surplus on liquidation of Abacus Distribution Systems	–	–	14.1	–	–
Total value added available for distribution	5,180.7	4,551.5	4,097.6	4,108.4	3,813.7
Applied as follows:-					
To employees					
– Salaries and other staff costs	2,093.4	1,853.5	1,778.8	1,848.4	1,732.6
To government					
– Corporation taxes	317.4	296.5	80.3	130.9	43.2
To suppliers of capital					
– Dividends	321.1	295.5	240.6	213.6	284.8
– Interest on borrowings	37.5	28.8	29.5	28.2	24.5
– Minority interests	38.0	3.6	3.3	2.3	1.0
Retained for future capital requirements					
– Depreciation	1,145.1	1,205.3	1,172.5	1,063.9	980.9
– Retained profit	1,228.2	868.3	792.6	821.1	746.7
Total value added	5,180.7	4,551.5	4,097.6	4,108.4	3,813.7
Value added per $ revenue ($)	0.52	0.50	0.52	0.53	0.52
Value added per $ employment cost ($)	2.47	2.46	2.30	2.22	2.20
Value added per $ investment in fixed assets ($)	0.28	0.24	0.23	0.24	0.23

Value added is a measure of wealth created. The statement above shows the Group's value added from 1996-97 to 2000-01 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.

VALUE ADDED

The total value added of the Group increased by $629 million (+13.8%) over 1999-00 to $5,181 million in 2000-01. This came from an increase in revenue (+$933 million or 10.3%), profit on IPOs of SATS and SIAEC ($440 million), higher surplus from disposal of aircraft, spares and spare engines (+$83 million or 84.2%), and a rise in the share of profits of joint venture and associated companies (+$54 million or 100.6%), partially offset by higher costs of goods and services purchased (+$575 million or 12.0%), an absence of profit from sale of investments (-$171 million), and the ex-gratia bonus payment ($135 million).

Salaries and other staff costs accounted for $2,093 million (40.4%) of the value added. $321 million (6.2%) was distributed to shareholders by way of dividends and $38 million (0.7%) paid for interest on borrowings, while minority interests' share rose to $38 million (0.7%) [mainly as a result of the disposal of vendor shares representing 13% equity interests in SATS and SIAEC]. Another $317 million (6.1%) was applied on corporate taxes. The remaining $2,374 million (45.9%) was retained for future capital requirements.

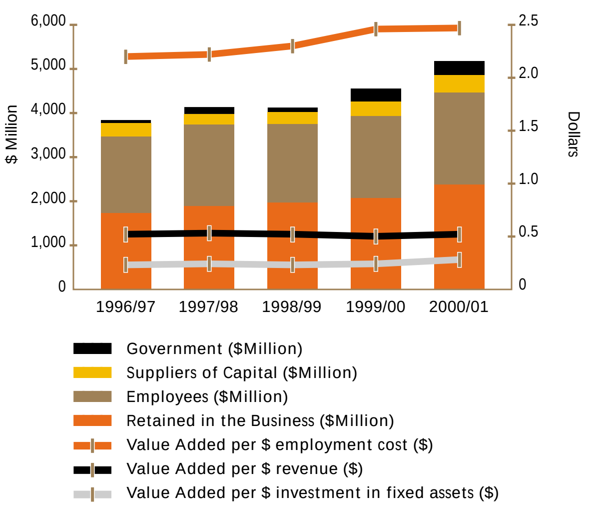
The value added for every dollar of revenue earned in 2000-01 was $0.52, up $0.02 (+4.0%) from 1999-00.

For every dollar of employment costs, $2.47 in value added was created, up $0.01 (+0.4%) over 1999-00.

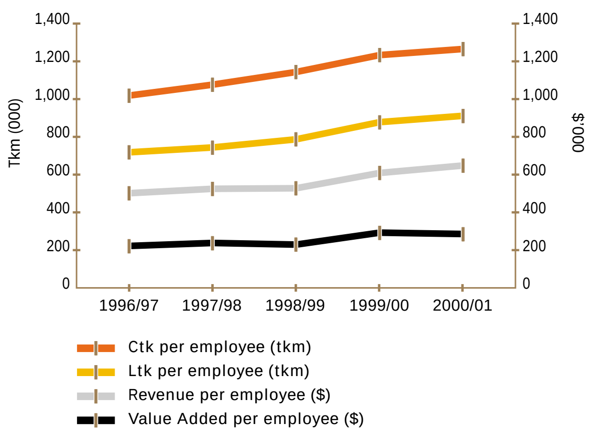
The value added per dollar investment in fixed assets was $0.04 higher (+16.7%) at $0.28 in 2000-01.

The Group's value added for the calendar year 2000 accounted for 3.1% of Singapore's Gross Domestic Product, 0.1 percentage point higher than last year's contribution.

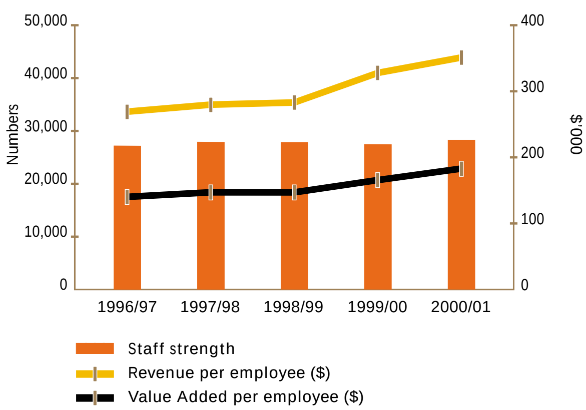
Value Added for the Group



Company Staff Productivity



Group Staff Strength and Productivity



STAFF STRENGTH AND PRODUCTIVITY

During the year under review, the Airline Company had an average staff strength of 14,254, up 534 (+3.9%) from the previous year. The increase was mainly in cabin (+361) and technical (+85) crew to cater to a 6.6% growth in capacity. The distribution of employee strength by category and location is as follows:-

	2000 - 01	1999 - 00	% Change
Category			
Senior staff (administrative and higher ranking officers)	1,304	1,247	+ 4.6
Technical crew	1,589	1,504	+ 5.7
Cabin crew	6,436	6,075	+ 5.9
Other ground staff	4,925	4,894	+ 0.7
	14,254	13,720	+ 3.9
Location			
Singapore	11,282	10,801	+ 4.5
Africa and rest of Asia	1,618	1,594	+ 1.5
Europe	603	585	+ 3.0
South West Pacific	419	408	+ 2.6
Americas	332	332	–
	14,254	13,720	+ 3.9

The Company's staff productivity, measured by the average of changes in capacity produced, load carried, revenue earned, and value added per employee, improved 2.6% over 1999-00 derived as follows:-

	2000 - 01	1999 - 00	% Change
Capacity per employee (tonne-km)	1,265,189	1,233,032	+ 2.6
Load carried per employee (tonne-km)	910,993	877,434	+ 3.8
Revenue per employee ($)	647,516	607,966	+ 6.5
Value added per employee ($)	284,369	290,160	- 2.4
Average productivity increase			+ 2.6

In 2000-01, the subsidiaries had an average staff strength of 14,082 employees, up 289 (+2.1%). The increase was mainly attributable to SATS Group (+224) and SIAEC Group (+112), partially offset by a drop in staff strength from SIA Properties (-19), Aviation Software Development Consultancy (-14) and Tradewinds (-10).

The Group's staff strength grew 823 (+3.0%) to 28,336 employees. A breakdown of the Group staff strength is as follows:-

	2000 - 01	1999 - 00	% Change
SIA	14,254	13,720	+ 3.9
SATS Group	9,147	8,923	+ 2.5
SIA Engineering Group	4,037	3,925	+ 2.9
SilkAir	476	476	–
Others	422	469	- 10.0
	28,336	27,513	+ 3.0

Group revenue per employee increased 7.1% to $351,189, while value added improved 10.5% to $182,831.

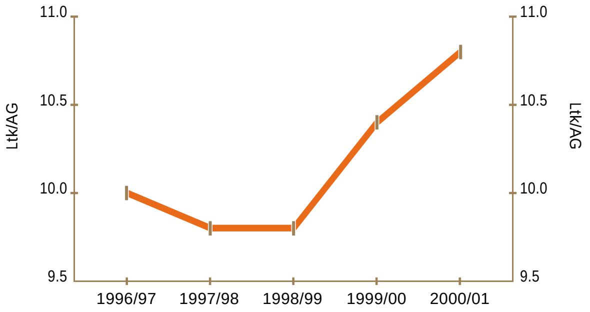
FUEL PRODUCTIVITY AND SENSITIVITY ANALYSIS

In 2000-01, fuel productivity improved 3.8% over the previous year to 10.8 ltk per American gallon (AG) due largely to higher fuel productivity from the newer fleet of B777 passenger aircraft with an average age of 2.5 years.

A change in fuel productivity of 1.0 percent would impact the Company's annual fuel costs by $19 million.

A change in price of one US cent per American gallon affects the Company's annual fuel costs by S$21 million, before accounting for US Dollar exchange rate movements and changes in volume of fuel consumed.

Fuel Productivity



Management of Financial Risks

Overview

The Company operates in 38 countries and generates revenue in various local currencies. The Company'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 Company's overall risk management approach is to minimise the effects of such volatility on its financial performance.

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

Jet Fuel Price Risk

The Company's earnings are affected by changes in the price of jet fuel. The Company manages this risk by using swap and option contracts up to 24 months forward. A change in price of one US cent per American gallon affects the Company's annual fuel costs by S$21 million, before accounting for US Dollar exchange rate movements and changes in volume of fuel consumed.

As at 31 March 2001, the Company has hedged about 39% of the fuel requirement projected for FY2001-02 and about 10% of that for FY2002-03.

Foreign Currency Risk

The Company is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated operating revenues and expenses. These account for 71.8% of total revenue and 48.0% of total operating expenses. The Company's largest exposures are from the US Dollar ("USD"), British Pound, Japanese Yen, Euro, Australian Dollar, Hong Kong Dollar, Taiwan Dollar, Indian Rupee, Chinese Renminbi, Korean Won, New Zealand Dollar, Swiss Franc and Malaysian Ringgit. The Company generates a surplus in all of these currencies, except for the USD. The Company also has a deficit in Singapore Dollar ("SGD"). The deficits in USD are attributable to capital expenditure, leasing costs and fuel costs – all conventionally denominated and payable in USD. The deficit in SGD is due to home base expenditures which are payable in SGD.

The Company 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 Company also uses forward foreign currency contracts to hedge a portion of its future foreign exchange exposure.

Interest Rate Risk

The Company's earnings are also affected by changes in interest rates due to the impact such changes have on interest income from cash, short-term deposits and interest-bearing financial assets.

The Company's cash, short-term deposits and interest-bearing financial assets are predominantly denominated in Singapore Dollar and US Dollar.

Management of Financial Risks

Market Price Risk

The Company owns $370 million (31 March 2000 : $332 million) in equity and non-equity investments as of 31 March 2001. The estimated market value of these investments was $376 million (31 March 2000 : $345 million) as of 31 March 2001.

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

Counter-Party Risk

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

Liquidity Risk

At 31 March 2001, the Company had at its disposal cash and short-term deposits amounting to $867 million (31 March 2000 : $944 million). In addition, the Company has available short-term credit facilities of about $500 million.

The Company's holdings of cash and short-term deposits, together with non-committed funding facilities and net cash flow from operations, are expected to be sufficient to cover substantially the cost of all firm aircraft deliveries due in the next financial year. Shortfall, if any, can be met by aircraft financing via structured leases, bank borrowings or public market funding. Because of the necessity to plan aircraft orders well in advance of delivery, it is not economic for the Company to have committed funding in place at the present for all outstanding orders, many of which relate to aircraft which will not be delivered for several years. The company's policies in this regard are in line with the funding policies of other major airlines.

Derivative Financial Instruments

The Company's policy on the use of derivatives is not to trade in them but to use these instruments as hedges against specific exposures.

As part of its management of treasury risks, the Company has entered into a number of forward foreign exchange contracts to cover a portion of future capital, revenue and operating payments in a variety of currencies. The Company 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. While it currently uses only forward contracts, other treasury derivative instruments would be considered on their merits as valid and appropriate risk management tools and would require the BFC's approval before adoption.

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

As derivatives are used for the purpose of risk management, they do not expose the Company 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, counter-party 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 counter-party is considered to be unlikely.