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annual report

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The Annual Report is also available on SIA's website: http://www.singaporeair.com

Making global connections is something SIA has been doing successfully for the past 50 years. During that time, through skillful management and its large core of loyal and dedicated staff, the Airline has established a reputation for product innovation, excellent customer service, and maintaining a fleet of the world's most modern commercial aircraft. But SIA is not sitting on its laurels. Its goal is to continue to achieve ever-higher standards of service and provide its customers with a total travel experience of unparalleled quality.

Statistical Highlights

Financial Statistics

	1997–98	1996–97	% change
Group ($ million)			
Total revenue	7,723.9	7,221.5	+7.0
Total expenditure	6,725.2	6,325.8	+6.3
Operating profit	998.7	895.7	+11.5
Profit before tax	1,171.8	1,075.7	+8.9
Profit after tax and minority interests	1,038.6	1,031.5	+0.7
Profit attributable to shareholders	1,034.7	1,031.5	+0.3
Share capital	1,282.6	1,282.6	–
Distributable reserves	7,844.0	7,312.4	+7.3
Non-distributable reserves			
Share premium	447.2	447.2	–
Capital reserve	6.3	–	–
Special non-distributable reserves	1,800.0	1,500.0	+20.0
Shareholders' funds	11,380.1	10,542.2	+7.9
Return on shareholders' funds (%)	9.5	10.1	–0.6 point
Total assets	15,707.3	14,521.1	+8.2
Net liquid assets	1,511.8	843.5	+79.2
Value added	4,100.4	3,811.7	+7.6
Per share data			
Earnings before tax (cents)	91.4	83.9	+8.9
Earnings after tax (cents)	81.0	80.4	+0.7
Net tangible assets ($)	8.87	8.22	+7.9
Dividends			
Interim dividend (%)	7.5	7.5	–
Proposed final dividend (%)	15.0	15.0	–
Bonus dividend (%)	–	7.5	–7.5 points
Dividend cover (times)	4.8	4.8#	–
Company ($ million)			
Total revenue	6,968.9	6,519.3	+6.9
Total expenditure	6,214.4	5,866.0	+5.9
Operating profit	754.5	653.3	+15.5
Profit before tax	1,032.3	933.8	+10.5
Profit after tax	919.5	901.8	+2.0
Value added	3,180.0	2,922.6	+8.8

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 number of fully paid shares in issue.

5. Dividend cover is profit attributable to shareholders divided by net dividends.

excluding 7.5% bonus dividend.

Operating Statistics

	1997–98	1996–97	% change
Scheduled services – Company			
Load tonne-km (million)	10,037.6	9,512.0	+5.5
Capacity tonne-km (million)	14,533.9	13,501.1	+7.6
Overall load factor (%)	69.1	70.5	–1.4 points
Passengers carried (thousand)	11,957	12,022	–0.5
Revenue passenger-km (million)	54,441.2	54,692.5	–0.5
Available seat-km (million)	77,219.3	73,507.3	+5.0
Passenger seat factor (%)	70.5	74.4	–3.9 points
Cargo carried (million kg)	735.9	674.2	+9.2
Cargo load tonne-km (million)	4,760.9	4,249.4	+12.0
Cargo capacity tonne-km (million)	6,908.6	6,203.9	+11.4
Cargo load factor (%)	68.9	68.5	+0.4 point
Yield (¢/ltk) – overall	67.2	66.5	+1.1
– passenger	99.9	95.8	+4.3
– cargo	31.9	31.2	+2.2
Unit cost (¢/ctk)	43.8	43.8	–
Breakeven load factor (%)	65.2	65.9	–0.7 point
Employee productivity – Company			
Average number of employees	13,506	13,258	+1.9
Capacity per employee (tonne-km)	1,076,107	1,018,336	+5.7
Load carried per employee (tonne-km)	743,196	717,454	+3.6
Revenue per employee ($)	515,985	491,726	+4.9
Value added per employee ($)	235,451	220,440	+6.8
Employee productivity – Group			
Average number of employees	27,964	27,241	+2.7
Revenue per employee ($)	276,209	265,097	+4.2
Value added per employee ($)	146,631	139,925	+4.8

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, ie. unit cost divided by yield.

Board of Directors

From right to left:
S Dhanabalan Chairman (until 30.5.98), Michael Y O Fam Chairman (with effect from 1.6.98), Cheong Choong Kong Deputy Chairman/Chief Executive Officer, Lim Boon Heng, Tjong Yik Min, Lim Chee Onn, Moses Lee Kim Poo, Goh Yong Siang, Edmund Cheng Wai Wing, Bey Soo Khiang.

Chairman's Statement

The financial year began with great promise but ended in the Company having to prepare itself to meet the roughest weather in its history.

The after-tax profit for the SIA Group breached the billion dollar mark for the third consecutive year – a commendable result considering that more than half the year was affected by the regional financial and economic problems. The solid growth in the first half of the year could not be sustained in the second, though the Group was able to stem the impact of the economic turbulence longer than any other regional airline.

> Difficult times must not lead to knee-jerk responses. We must continue with prudent management practices, meticulous planning for the long term and persistence in pursuit of our goals.

Group net earnings increased by just 0.7 per cent to $1,039 million. At the Company level, pre-tax earnings grew 10.5 per cent to $1,032 million, after accounting for a $150 million surplus from the sale of aircraft and spares. But a substantial increase in tax provisions arising from the sale and leaseback of four MEGATOP 747s, combined with the absence of any tax write-backs, restricted the Company's after-tax earnings to $920 million, an increase of only 2.0 per cent.

The Group's subsidiaries did not perform as strongly as in the previous year. Net earnings fell 13.1 per cent to $175 million. Singapore Airport Terminal Services (SATS) and SIA Engineering had lower profits, the former because of poorer returns on financial investments. SilkAir suffered losses.

For the Company, traffic grew at a lower rate than capacity, leading to a fall in overall load factor by 1.4 percentage points. Cargo load factor held steady but passenger seat factor fell 3.9 percentage points.

Overall yield improved 1.1 per cent to 67.2 cents per load tonne-kilometre – attributable to a 2.6 per cent weakening of the Singapore Dollar against a basket of key foreign currencies and an improvement of 1.6 per cent in local currency yields. The latter is an indication of the strong efforts made by Marketing to increase yields in a very competitive market.

In the difficult economic environment, which is expected to continue into 1999 and maybe even beyond, SIA will compete by adding services and capacity on long-haul routes to Europe, the United States, Australia and the Indian sub-continent, where demand is expected to be strong. Within East Asia, capacity growth will be lower overall, and may even be negative in certain markets. All markets will be subject to fierce competition and price cutting as airlines fight to maintain market share.

Difficult times must not lead to knee-jerk responses. We must continue with prudent management practices, meticulous planning for the long term and persistence in pursuit of our goals.

In keeping with our focus on the long term we decided in May 1998 to purchase 10 Airbus A340-500 aircraft. These aircraft will give us the capability to operate non-stop between Singapore and the West Coast of the United States and capitalise on the open skies agreement between Singapore and the United States. Deliveries are scheduled to begin in 2002. Within the current financial year we will also begin a major enhancement of our products in all fare classes. New working procedures identified by staff, unions and management will be introduced to increase service quality. Our new alliances with Lufthansa, Air New Zealand and Ansett will be additional arrows in our quiver.

> The economic turbulence has cast a pall over the airline industry in East Asia, but SIA is better prepared than most carriers to weather the storm.

To describe the coming year as challenging would be a gross understatement. The economic turbulence has cast a pall over the airline industry in East Asia, but SIA is better prepared than most carriers to weather the storm. We should continue to differentiate ourselves from others by renewing our fleet, enhancing our products in the air and on the ground and pleasantly surprising our customers with our service. Nevertheless, it will be a Herculean task to match this year's performance.

On behalf of the Board, I would like to thank all SIA staff for their unstinting efforts to make us the best airline in the world. I call on their best efforts for the coming year. As my tenure as Chairman officially ended on 30 May 1998, I would like to take this opportunity to offer my best wishes to my successor, Dr Michael Fam, who has been a Member of the SIA Board since 1972. I have no doubt that Dr Fam's vast experience will be of immense value to the Airline as it cuts through the economic turbulence towards the next millennium.

S Dhanabalan
Chairman

Corporate Data

Board of Directors
Chairman
S Dhanabalan (until 30 May 1998)
Michael Y O Fam (with effect from 1 June 1998)

Deputy Chairman and Chief Executive Officer
Cheong Choong Kong

Members
Goh Yong Siang
Edmund Cheng Wai Wing
Lim Chee Onn
Tjong Yik Min
Moses Lee Kim Poo
Lim Boon Heng
Bey Soo Khiang

Audit Committee
Chairman
Michael Y O Fam

Members
Edmund Cheng Wai Wing
Moses Lee Kim Poo
Tjong Yik Min

Senior Officers' Remuneration Committee
Chairman
S Dhanabalan (until 30 May 1998)
Michael Y O Fam (with effect from 1 June 1998)

Members
Cheong Choong Kong
Lim Chee Onn

Company Secretary
Mathew Samuel

Registrar
KPMG Peat Marwick
16 Raffles Quay #23-01
Hong Leong Building
Singapore 048581

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

Kevin Kwok
Audit Partner

Solicitors
Arfat Selvam & Gunasingham
30 Raffles Place #12-00
Caltex House
Singapore 048622

Registered Office
Airline House
25 Airline Road
Singapore 819829

Executive Management
Head Office
Deputy Chairman and Chief Executive Officer
Cheong Choong Kong

Deputy Managing Director (Administration)
Chew Choon Seng

Deputy Managing Director (Commercial)
Michael Tan Jiak Ngee

Deputy Managing Director (Technical)
Chew Leng Seng

Director of Cabin Crew
J E Jesudason

Director of Cargo
Hwang Teng Aun

Director Corporate Affairs
Mathew Samuel

Director of Engineering
Chew Leng Seng

Director of Finance and Administration
Chew Choon Seng

Director of Flight Operations
Maurice de Vaz

Director of Management Services
Cheong Kai Mun

Director of Marketing Planning
Huang Cheng Eng

Director of Marketing Services
Yap Kim Wah

Director of Personnel
Chris Lee

Overseas
Senior Vice-President, The Americas
Teoh Tee Hooi

Senior Vice-President, Europe
Sim Kay Wee

Senior Vice-President, North Asia
Teh Ping Choon

Senior Vice-President, South East Asia
Syn Chung Wah

Senior Vice-President, South West Pacific
Thoeng Tjhoen Onn

Senior Vice-President, West Asia and Africa
Joseph Chew

Calendar of Significant /

2 April 1997
To commemorate its forthcoming 50th anniversary, SIA announced it would donate $4 million to the Movement for the Intellectually Disabled of Singapore (MINDS) towards the construction of a new headquarters and sheltered workshop.

1 May 1997
SIA's 50th anniversary celebrations were launched with an exhibition of the Airline's history and present-day operations, and a glimpse into the future of commercial air travel. More than 45,000 people visited the exhibition over four days.

7 May 1997
SIA's first JUBILEE 777 touched down at Singapore Changi Airport, part of an order for up to 77 such aircraft. A further five JUBILEE 777s had arrived by 31 March 1998.

14 May 1997
SIA was named Best Airline in the world for the fourth successive year in the 1997 *Zagat Airline Survey* of 10,000 frequent flyers.

25 June 1997
Evergreen Sky Catering Corporation, a joint venture between Singapore Airport Terminal Services (SATS), Evergreen International Corporation, EVA Airways and Malaysia Airlines, officially opened a new flight kitchen at Taipei's Chiang Kai Shek Airport.

20 June 1997
Singapore Airlines, Ansett Australia, Ansett International and Air New Zealand announced plans to create the largest international alliance among airlines based in the Asia-Pacific region.

1 July 1997
SIA Engineering Company (SIAEC) and Pratt & Whitney signed a memorandum of understanding to form a joint-venture company to overhaul and repair aircraft engines in Singapore.

12 July 1997
Mr Lim Boon Heng, Minister Without Portfolio and Secretary-General of the National Trades Union Congress (NTUC), was appointed to the SIA Board as a non-executive Director.

25 July 1997
A travel exposition, dubbed The Golden Celebration, part of the Airline's 50th anniversary celebrations, was opened at Singapore's Suntec City convention centre. The three-day exposition attracted 71,000 people.

7 September 1997
SIA was named Best Airline in *Conde Nast Traveler* magazine's 1997 Readers' Choice Awards. It was the ninth time SIA had received this distinction in the Awards' 10-year history.

15 September 1997
SIA launched *WISEMEN*, the first inflight entertainment system to offer audio and video on demand.

28 September 1997
SIA announced the introduction of electronic ticketing on services between Singapore and Kuala Lumpur, and Singapore and Penang.

10 November 1997
Singapore's Government Investment Corporation (GIC) and Temasek Holdings signed an agreement to acquire strategic stakes in Singapore Aircraft Leasing Enterprise (SALE), which reduced the proportion of the SIA Group's investment in SALE from 50 per cent to 35.5 per cent.

11 November 1997
The new SIA Building, a 35-storey tower built at a cost of S$175 million, was officially opened in the heart of downtown Singapore.

24 November 1997
SIA and Lufthansa unveiled plans to form a strategic alliance that will provide passengers of both carriers with a wide range of benefits. As a result of this announcement, the Global Excellence Alliance between SIA, Delta Air Lines and Swissair was dissolved.

15 December 1997
SIA was voted 'Best Airline in the World' and 'Best Trans-Pacific Airline' by readers of *Business Traveler International.*

19 December 1997
SIA announced that all flights worldwide would be smoke-free from 1 February 1998.

10 February 1998
SATS signed a joint-venture agreement to take an equity stake in a US$10 million flight kitchen at Manila's Ninoy Aquino International Airport in the Philippines.

24 February 1998
SIAEC and Hong Kong Aero Engine Services Limited (HAESL) signed a memorandum of understanding with Rolls-Royce to form a new venture to undertake Trent engine overhaul and maintenance.

29 March 1998
SIA introduced fully-reclining 'Slumberette' seats in the First Class cabin of its MEGATOP 747, as part of its continuing efforts to offer outstanding passenger comfort and service.

Financial Calendar

31 March 1998
Financial year-end.

15 May 1998
Announcement of 1997–98 results.

1 June 1998
Despatch of summary financial statement to shareholders.

18 June 1998
Despatch of annual report to shareholders.

11 July 1998
Annual General Meeting.

29 July 1998
Payment of 1997–98 final dividend.

23 October 1998
Announcement of 1998–99 half-yearly results.

18 November 1998
Payment of 1998–99 interim dividend.

Global Leader

SIA continues to harness the latest technological advances to maintain its competitive edge, both inflight and on the ground. Forging new alliances and partnerships will strengthen the Airline's ability to continue to provide the best service to our passengers.

above: SIA took delivery of its first Jubilee 777 on 7 May 1997

left: SIA is the world's largest operator of Boeing 747-400's

right: named Best Global Cargo Carrier for the fifth year in a row

General Operational Review

After a relatively robust first half, market conditions deteriorated sharply for all airlines operating in the Asia-Pacific region during the second half of 1997-98.

Across Asia, the currency turmoil and the business slowdown caused a steep decline in passenger traffic. In Southeast Asia, the traffic market was worsened by the smoke haze from burning forests in Indonesia, which blanketed large tracts of the region between August and November and turned away foreign tourists. The traffic downturn coincided with capacity increases by many airlines operating in the region.

Singapore Airlines was partly cushioned from the full impact of the downturn in demand by a 2.6 per cent weakening of the Singapore dollar against a basket of foreign currencies. Over the year, the Singapore Dollar declined 8.2 per cent against the US Dollar and 12.8 per cent against the British Pound. However, this benefit was offset by a rise in the Singapore Dollar against many other Asian currencies, and the increased competition in the market.

Operating profit for the SIA Group for the 1997-98 year was up 11.5 per cent to $999 million. After accounting for a $157 million surplus from the sale of aircraft and spares, profit before tax rose 8.9 per cent to $1,172 million, and profit attributable to shareholders rose 0.3 per cent to $1,035 million.

The Airline's traffic grew 5.5 per cent on a capacity growth of 7.6 per cent. As a result, the overall load factor decreased 1.4 percentage points to 69.1 per cent. Unit cost was unchanged, while yield increased 1.1 per cent. As a result, the break-even load factor improved from 65.9 per cent to 65.2 per cent.

The operating profit of the subsidiaries fell 8.2 per cent to $215 million in aggregate. This was mainly due to (1) losses by SilkAir and SIA Properties, and (2) lower profits from Singapore Airport Terminal Services Group and SIA Engineering Group, partially offset by higher profit from Auspice. The profit after tax of the subsidiaries decreased 13.1 per cent to $175 million.

The Group's average staff strength rose 2.7 per cent, while revenue and value added increased 7.0 per cent and 7.6 per cent respectively, causing Group revenue and value added per employee to rise 4.2 per cent and 4.8 per cent respectively. Group operating profit per employee increased 8.6 per cent.

SIA strengthened its ability to compete globally in a rapidly-evolving aviation marketplace by forging two new alliances which will involve co-operation with partner airlines across a wide spectrum of commercial activity.

> The Airline's efforts in maintaining the highest standards of quality and service were again recognised in a string of industry awards as the world's best airline.

During the year, SIA welcomed the arrival of its first JUBILEE 777 aircraft, with five more arriving by the end of March 1998. With the JUBILEE 777, the CELESTAR A340 and the MEGATOP 747, the Airline now has a balanced fleet of modern, fuel-efficient aircraft that will form the cornerstone of expansion into the next millennium.

SIA strengthened its ability to compete globally in a rapidly-evolving aviation marketplace by forging two new alliances which will involve co-operation with partner airlines across a wide spectrum of commercial activity. In the Southwest Pacific, it joined forces with Ansett Australia, Ansett International and Air New Zealand to form the Asia-Pacific region's biggest airline alliance. Links with the important European market were strengthened through a comprehensive alliance with Lufthansa who will, in collaboration with SIA, use Singapore Changi Airport as the hub for their South-east Asia and Australasia traffic.

SIA continued to take a leadership role in the fields of inflight service and entertainment with the launch in September 1997 of *WISEMEN*, the world's first inflight entertainment system to offer both audio and video on demand. *WISEMEN* is a First and Raffles Class enhancement to the existing *KrisWorld* product which, over the past three years, has set the standards for interactive entertainment systems.

The Airline's efforts in maintaining the highest standards of quality and service were again recognised in a string of industry awards as the world's best airline. Its performance in specific areas such as cargo and business class travel also won awards.

During the year, construction commenced in Changi on two major buildings for SIA's ground-handling subsidiary, Singapore Airport Terminal Services (SATS) – a sixth Airfreight Terminal and a third Inflight Catering Centre.

Through SATS, the SIA Group strengthened its involvement in inflight catering and passenger/cargo handling around the region. SATS now has investments in joint venture facilities at 11 Asian airports in addition to Singapore Changi Airport.

SATS NOW HAS INVESTMENTS IN JOINT VENTURE FACILITIES AT

11

ASIAN AIRPORTS IN ADDITION TO SINGAPORE CHANGI AIRPORT. THESE INCLUDE BEIJING, HANOI, HO CHI MINH CITY, HONG KONG, KANSAI (OSAKA), KARACHI, MACAU, MADRAS, MALE, MANILA, AND TAIPEI.

The SIA Engineering Company (SIAEC) expanded the Group's interests in the aircraft servicing business within Asia. A key initiative was the signing of a memorandum of understanding in July 1997 to form a Singapore-based joint venture with Pratt & Whitney (P&W), which will become the main centre for servicing JT9D, PW4000 and CFM56 engines throughout the Asia-Pacific and the Indian sub-continent, with annual revenues of $500 million expected by 1999.

In December 1997, SIAEC, Rolls-Royce and Hong Kong Aero Engine Services Limited (HAESL) signed a memorandum of understanding to form a new venture to undertake the overhaul and maintenance of Trent engines in the Asia-Pacific. The three-company joint-venture is expected to be formally launched in 1999 and fully operational by the year 2000.

In November, Singapore's Government Investment Corporation (GIC) and Temasek Holdings signed an agreement to acquire strategic stakes in Singapore Aircraft Leasing Enterprise (SALE), which reduced the proportion of the SIA Group's investment in SALE from 50 per cent to 35.5 per cent.

The Airline now has a balanced fleet of modern, fuel-efficient aircraft

right: during the year, SIA Engineering Company formed separate joint ventures with Pratt & Whitney, and with Rolls-Royce and Hong Kong Aero Engine Services Limited

far right: through SATS, the SIA Group strengthened its involvement in inflight catering joint ventures in the region

FLEET AND ROUTE DEVELOPMENT

Global Network

Poised to enter the 21st century with a technologically superior fleet, SIA remains committed to a policy of steady growth and expansion. In May 1997, coinciding with the start of the Airline's Golden Jubilee celebrations, SIA took delivery of its first JUBILEE 777, with five more of the aircraft arriving during the financial year.

above: SIA, Air New Zealand, Ansett Australia and Ansett International fly to a combined total of over 200 cities in nearly 50 countries

right: Lufthansa will use Singapore as its primary hub in Southeast Asia and Australasia

AS AT MARCH 1998, SIA's FLEET COMPROMISED

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AIRCRAFT

37 MEGATOP 747s
4 BIG TOP 747s
2 B747-300 COMBIs
6 JUBILEE 777s
12 CELESTAR A340s
17 AIRBUS A310-300s
2 A310-200s
6 B747-400 MEGA ARK FREIGHTERS

Fleet and Route Development

The establishment of two far-reaching alliances with other international airlines were highlights in a year during which SIA continued to expand its global reach and strength.

In June 1997, SIA, Air New Zealand, Ansett Australia and Ansett International announced the formation of the largest international alliance of airlines based in the Asia-Pacific region. The alliance, which has been approved by the New Zealand regulatory authorities, was still awaiting approval by the Australian authorities as at 31 March 1998. The alliance involves a wide-ranging programme of co-operation to enhance customer service, operational efficiency, and international competitiveness.

The four airlines in the new alliance fly to a combined total of over 200 cities in nearly 50 countries. In an early initiative related to the regional alliance, SIA and Air New Zealand commenced code-sharing in October 1997 on services between Singapore and New Zealand, with MEGATOP 747s operated by SIA flying between Singapore and Auckland, and B767 aircraft operated by Air New Zealand flying between Christchurch and Singapore.

Another important move by SIA was the announcement in November 1997 of a comprehensive strategic alliance with Lufthansa, significantly expanding a commercial relationship with the German airline which began when joint freighter services were introduced in 1989. As part of the alliance, Lufthansa will use Singapore as its primary hub in Southeast Asia and Australasia, while SIA will use Frankfurt as its hub for continental Europe. Code-sharing is expected to begin in July 1998 on the Singapore-Frankfurt route and will be progressively introduced on other routes.

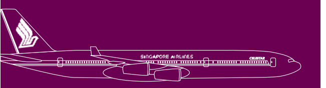
As a consequence of the Lufthansa arrangement, the Global Excellence Alliance between SIA, Swissair and Delta Air Lines was dissolved. Dating back to 1989, the Global Excellence Alliance was one of the first major airline alliances. While it was successful in several respects, changing circumstances in the industry have made it necessary for SIA to forge new partnerships.

SIA's policy of steady aircraft fleet renewal saw it continue to operate one of the most modern passenger fleets in the world, with an average aircraft age of 5 years 2 months as at 31 March 1998.

In June 1997, SIA, Air New Zealand, Ansett Australia and Ansett International announced the formation of the largest international alliance of airlines based in the Asia-Pacific region.

The arrival of ten new aircraft – six Jubilee 777s and four CELESTAR A340s – enabled increases in flight frequency and capacity across the route network. The only new destination was Jeddah, in Saudi Arabia, which from August 1997 replaced Dhahran.

At the end of March 1998, SIA was operating 563 passenger flights



a week out of Singapore, up from 551 weekly flights a year earlier. The Airline's route network, including freighter-only destinations, covered 77 cities in 41 countries.

During the year, the Airline sold two Airbus A310-200s, one B747-300 Combi and its last B747-200 freighter. This does not include four B747-400s which were sold and leased back to reduce SIA's exposure to the risks of aircraft ownership.

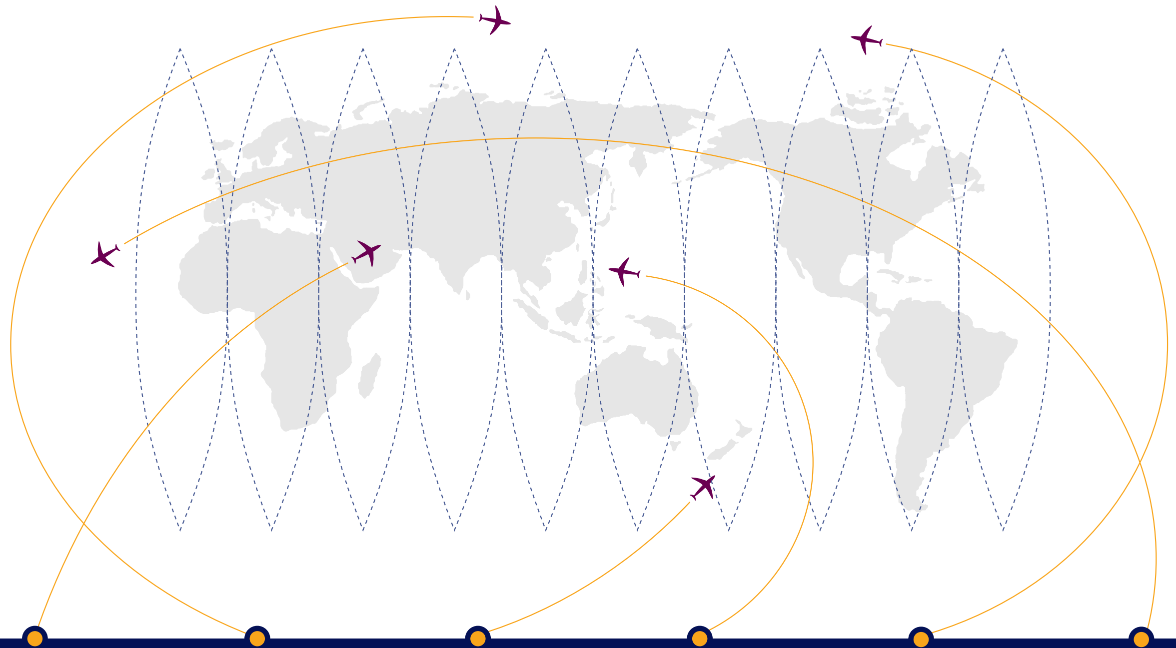
As at 31 March 1998, SIA's fleet comprised 86 aircraft: 37 MEGATOP 747s, four BIG TOP 747s, two B747-300 Combis, six JUBILEE 777s, 12 CELESTAR A340s, 17 A310-300s, two A310-200s, and six B747-400 MEGA ARK freighters. In addition, three BIG TOP 747s were leased to other airlines.

To counter the slowdown in passenger traffic due to the economic downturn in the region, SIA introduced several promotional initiatives to boost tourist traffic into Singapore. These included the Singapore Spectacular promotion, which was launched at the end of January 1998 and targeted at visitors from six major European markets. Included in the promotion were return airfares, hotel accommodation with daily breakfasts, transfers and discount vouchers for attractions, shops, and food and beverage outlets.

Other promotional packages were launched in regional countries, including Japan, Hong Kong and Indonesia.

SIA's policy of steady aircraft fleet renewal saw it continue to operate one of the most modern passenger fleets in the world, with an average aircraft age of 5 years 2 months as at 31 March 1998.

At the end of March 1998, SIA was operating 563 passenger flights a week out of Singapore. The Airline's route network covered 77 cities in 41 countries.



NEW DESTINATION – JEDDAH IN SAUDI ARABIA FROM AUGUST 1997

ARRIVAL OF 6 NEW JUBILEE 777s AND 4 CELESTAR A340s ENABLED INCREASES IN FLIGHT FREQUENCY AND CAPACITY ACROSS THE ROUTE NETWORK

SIA, AIR NEW ZEALAND, ANSETT AUSTRALIA & ANSETT INTERNATIONAL FORM THE LARGEST INTERNATIONAL ALLIANCE IN THE ASIA-PACIFIC REGION IN JUNE 1997

SIA & AIR NEW ZEALAND COMMENCED CODE-SHARING IN OCTOBER 1997 ON SERVICES BETWEEN SINGAPORE AND NEW ZEALAND

COMPREHENSIVE STRATEGIC ALLIANCE WITH LUFTHANSA ANNOUNCED IN NOVEMBER 1997

CODE-SHARING ON THE SINGAPORE-FRANKFURT-NEW YORK ROUTE IS EXPECTED TO BEGIN IN JULY 1998

PRODUCT AND SERVICE DEVELOPMENT

Global Innovation

Product and Service Development

SIA maintained its reputation for world-leading innovation by harnessing the latest technological advances to improve customer service, both inflight and on the ground.

During the year, the task of retrofitting SIA's fleet of MEGATOP 747s with *KrisWorld* was completed. The system is pre-installed in all newly-delivered aircraft. *KrisWorld* is now a feature on the entire MEGATOP 747, CELESTAR A340 and JUBILEE 777 fleets.

WISEMEN, the world's first inflight entertainment system to offer both audio and video on demand, was announced in September 1997. With *WISEMEN*, First and Raffles Class passengers will have the ability to fast-forward, rewind and pause video programmes as they please. Similar features on audio channels allow them to skip tracks, back-track and pause.

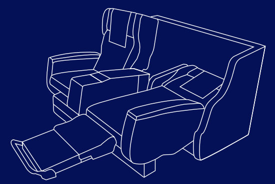
WISEMEN represents a powerful enhancement to *KrisWorld*, the most comprehensive interactive entertainment system available on any major airline, with features including personal video screens, a selection of movies, electronic games and in-seat telephones in all three classes.

KrisWorld costs US$3.5 million per aircraft to install, and *WISEMEN* a further US$1 million.

All SIA flights became smoke-free from 1 February 1998 when non-stop flights originating or terminating in Japan joined the rest of the SIA network as no-smoking services. Since it first introduced smoke-free travel on selected routes in 1988, SIA has been one of the leaders in the field, with its efforts recognised in 1995 when the World Health Organisation awarded it the World No-Tobacco Day Medal and Citation.

In September 1997, the Airline launched electronic ticketing on flights between Singapore and Kuala Lumpur, and Singapore and Penang.

At SIA, we have achieved something of a leadership position with our product and service innovations – Our *KrisWorld* and *Wisemen* entertainment systems have broken new ground in airline technology, and new initiatives are set to improve customer service and enhance the travel experience.



left: fully reclining Slumberette seats were introduced in March 1998

right: membership with the PPS Club rose to more than 23,000 during the year

MAJOR AWARDS WON BY SIA IN 1997-98

CONDE NAST TRAVELER 1997 READERS' CHOICE AWARDS – BEST AIRLINE

BUSINESS TRAVELER INTERNATIONAL AWARDS – BEST AIRLINE IN THE WORLD, BEST BUSINESS & ECONOMY CLASS

1992 ZAGAT AIRLINE SURVEY – BEST AIRLINE

ASIAN BUSINESS MAGAZINE SURVEY – ASIA's MOST ADMIRED COMPANY IN 1997

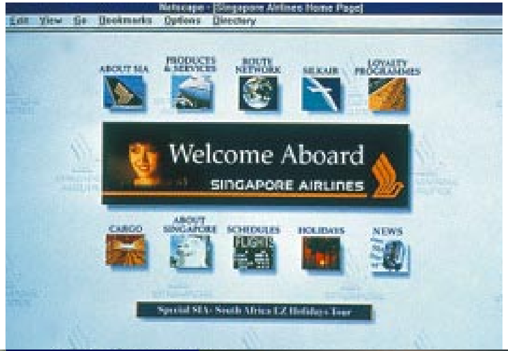
Fully-reclining Slumberette seats were introduced in the First Class cabin of an SIA MEGATOP 747 on 29 March 1998. The new seats, which convert from a comfortable armchair into a bed at the touch of a button, will be progressively installed on several MEGATOPs.

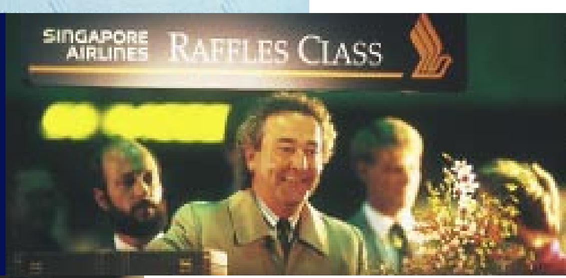
On the ground, technology also played an important role in providing increased choice and convenience for passengers. In September 1997, the Airline launched electronic ticketing on flights between Singapore and Kuala Lumpur, and Singapore and Penang. Passengers can book flights and effect payment via credit card through a telephone call to the local SIA reservations office; an electronic ticket is then created and stored in SIA's reservations system.

Membership of the PPS Club rose to more than 23,000 during the year, with the number of top-level Solitaire PPS Club members increasing to more than 2,200.

SIA continued to win major international awards for its service, product and management. These included the Best Airline award in *Conde Nast Traveler* magazine's 1997 Readers' Choice Awards, for the ninth time in the award's 10-year history; Best Airline in the World, Best Business Class and Best Economy Class in a readers' poll by *Business Traveler International*; Best Airline in the world, for the fourth successive year, in the 1997 *Zagat Airline Survey* of 10,000 frequent flyers; and Asia's Most Admired Company in the 1997 survey by *Asian Business* magazine.

SIA maintained its reputation for world-leading innovation by utilising the latest technology to improve customer service, both inflight and on the ground.





TECHNICAL INNOVATIONS LAUNCHED BY SIA

KRISWORLD

- PERSONAL VIDEO SCREENS
- A CHOICE OF 22 VIDEO AND 12 AUDIO CHANNELS
- ELECTRONIC GAMES & IN-SEAT TELEPHONES IN ALL THREE CLASSES
- DESTINATION VIDEOS
- TEXT NEWS, UPDATED HOURLY

WISEMEN

- ALL THE FEATURES OF KRISWORLD, PLUS:
- ABILITY TO FAST FORWARD, REWIND OR PAUSE VIDEO PROGRAMMES
- ABILITY TO SKIP TRACKS, BACK TRACK & PAUSE ON AUDIO CHANNELS

SLUMBERETTES

- FULLY RECLINING SLUMBERETTE SEATS WHICH CONVERT FROM A COMFORTABLE ARMCHAIR INTO A BED AT THE TOUCH OF A BUTTON
- INTRODUCED IN FIRST CLASS ON 29 MARCH 1998

E-TICKETING

- ELECTRONIC TICKETING LAUNCHED ON FLIGHTS BETWEEN SINGAPORE & KUALA LUMPUR AND SINGAPORE & PENANG
- ABILITY TO BOOK FLIGHTS AND PAY VIA CREDIT CARD ON THE TELEPHONE TO LOCAL SIA RESERVATIONS OFFICES

SMOKE-FREE FLIGHTS

- ALL SIA FLIGHTS BECAME SMOKE-FREE FROM 1 FEBRUARY 1998
- SINCE IT FIRST INTRODUCED SMOKE-FREE TRAVEL ON SELECTED ROUTES IN 1988, SIA HAS BEEN ONE OF THE LEADERS IN THE FIELD
- IN 1995, THE WORLD HEALTH ORGANISATION AWARDED SIA THE WORLD NO-TOBACCO DAY MEDAL AND CITATION

CARGO OPERATIONS

Global Carrier

SIA cargo currently moves more than $1.5 billion worth of cargo annually to 77 cities in 41 countries. Through the use of new technologies, our highly trained workforce ensures fast turnaround of all consignments.

left: an express cargo service, *Timerider*, was launched to provide customers with greater assurance of freight uplift and handling speed

right: SIA is the world's fourth largest cargo carrier

far right: Singapore Airlines Superhub (AFT5)

Cargo Operations

Cargo revenue increased 14.7 per cent to $1,519 million, representing 21.8 per cent of the Airline's total revenue. The load factor also improved, from 68.5 per cent to 68.9 per cent, helping SIA retain its ranking as the world's fourth-largest cargo carrier in terms of international freight tonne-kilometres.

From March 1998, the freighter service to Frankfurt, operated jointly with Lufthansa with a hub in Sharjah, was increased from four to five times weekly; the airlines intend to build this gradually to a daily service. In April 1997, the frequency of the joint service with Air France between Singapore and Paris was increased from three to five times a week. A twice-weekly service to Bangalore using a leased B727 freighter also began operations from April 1997, while the weekly B747 freighter service to Moscow was terminated in July.

In its second year of operations at the Singapore Airlines Superhub (Air Freight Terminal 5), SIA's cargo throughput at Changi increased 11.1 per cent to 621,038 tonnes, while the amount of cargo handled by Singapore Airport Terminal Services (SATS) at all five of its airfreight terminals combined went up 8.8 per cent to 1,116,147 tonnes.

In line with continuing efforts to use new technology to improve customer service, a facility was introduced in July 1997 to allow agents and freight forwarders to track the status of their shipments over the Internet.

In November 1997 a new product, *Timerider*, was launched. *Timerider* is an express cargo service, targeted at heavier freight, which provides greater assurance of freight uplift and handling speed than is available under standard cargo terms. At the same time, the premium *Swiftrider* product, which caters for time-critical shipments such as perishable goods, was enhanced to offer guaranteed availability of cargo within a specific time frame after scheduled flight arrival. If this deadline is not met for any reason other than those beyond SIA's control, a full refund of the freight charge is offered.

For the fifth straight year, SIA won the titles of Best Global Cargo Carrier and Best Air Cargo Carrier in Asia at the 12th Asian Freight Industry Awards, sponsored by *Cargonews Asia* magazine. At the same awards, SATS was named the Best Air Cargo Terminal Operator in Asia for the sixth time in eight years.

From 1 April 1998, SIA's Cargo Division has become a full profit centre and work is progressing on corporatisation of the division.

As at 31 March 1998, SIA's cargo route network covered 77 cities in 41 countries, including dedicated freighter services to 26 of these cities.

> In line with continuing efforts to use new technologies to improve customer service, a facility was introduced in July 1997 to allow agents and freight forwarders to track the status of their shipments over the Internet.

Whatever advancements technology may bring, we shall always put people first – employees and customers alike. SIA's strategy for future success is firmly entrenched in attracting and developing staff who are highly qualified, trained and motivated to achieving service excellence.

left: SIA now employs cabin crew from China, Indonesia, Japan, Korea, India and Taiwan as well as Malaysia and Singapore

right: the SIA Group remains Singapore's largest private-sector employer

Our People

The ongoing development of a highly skilled, motivated and flexible work-force committed to achieving the highest standards of quality and service excellence remained a priority across the SIA Group.

The SIA Group's staff strength as at 31 March 1998 was 28,196, an increase of 2.5 per cent compared with a year earlier. Of this number, the Airline employed 10,701 in Singapore and 3,003 overseas.

> A new post of Senior Manager Employee Communications was created in November 1997. The appointed executive... is responsible for explaining company policies to staff and channelling feedback to top management.

As part of initiatives to improve staff communication, an Internet website specifically for cabin crew was launched in May 1997. Through *CrewWeb*, cabin crew can access the latest circulars and other important information, and submit leave requests at any time from any place with an Internet connection.

In the latest human resources initiative to meet SIA's expansion and marketing needs, the Airline began recruiting cabin crew from India, with 67 in service or training by 31 March 1998. SIA now employs cabin crew from China, Indonesia, Japan, Korea, India and Taiwan, as well as Malaysia and Singapore.

New collective agreements were concluded with the Air Transport Executive Staff Union (AESU) which represents staff in the Administrative grade, and Singapore Airlines Staff Union (SIASU) which represents staff in the general grades, including cabin crew. The agreements provide for increases in salaries, salary ranges, allowances and improvements in benefits. About 9,000 staff will benefit from these new agreements.

New collective agreements were also concluded between SATS and the Singapore Airport Terminal Services Workers Union (SATSWU) and between the SIA Engineering Company and the SIAEC Executive Engineers Union (SEEU).

All these agreements are valid from 1997 to 2000.

A new post of Senior Manager Employee Communications was created in November 1997. The appointed executive, who has been given the task of creating an environment for open and effective communication within the Company, is responsible for explaining company policies to staff and channelling feedback to top management.

SIA GROUP STAFF STRENGTH

AS AT 31 MARCH 1998, SIA GROUP STAFF NUMBERED

28,196

AN INCREASE OF 2.5% ON 1997. OF THESE, THE AIRLINE EMPLOYED 10,701 IN SINGAPORE AND 3,003 OVERSEAS.

Contribution to the Community

The SIA Group remained Singapore's largest private-sector employer. Foreign earnings generated by the Group totalled $6,570 million, 9.5 per cent higher than the previous year. The Group's spending in Singapore rose 8.4 per cent to $3,071 million, and its value added to the economy increased 11.1 per cent to $3,898 million. The Group's contribution to the economy as a proportion of Singapore's Gross Domestic Product (GDP) was 2.7 per cent, and it accounted for 24.7 per cent of Singapore's transport and communications sector output.

To mark the Airline's 50th anniversary, SIA announced plans to contribute $4 million to the Movement for the Intellectually Disabled in Singapore (MINDS), to help fund the construction of a new headquarters and sheltered workshop. The workshop will create jobs for 400 intellectually disabled adults. SIA Group staff assisted MINDS to raise a further $800,000 for the project. Fund-raising initiatives during the period under review included a charity walk-a-jog in September 1997, which attracted 20,000 people and raised $200,000.

In addition, SIA supported a wide range of other welfare groups through a $150,000 donation to the Community Chest in Singapore. The Community Chest also benefited from contributions by SIA employees totalling $567,000 during the year.

As part of its support for Singapore's 1997 National Day Parade, SIA brought the Asian Youth Orchestra (AYO) to Singapore for a season of concerts in August. The 99 performers of the AYO included some of the most talented musicians from China, Japan, Malaysia, Thailand and Singapore.

Staff across the SIA Group are encouraged to become involved in voluntary community activities. The efforts of staff from Singapore Airport Terminal Services (SATS), who run a home for senior citizens and distribute food parcels to 200 needy families each month, were recognised when SATS was named Singapore's 1997 Outstanding Corporate Citizen by the National Council of Social Services.

Environment

The SIA Group is committed to ensuring that resources are used efficiently, and pollution is minimised throughout its operations.

In line with this commitment, SIA has been working since April 1996 on a comprehensive environmental management system (EMS) across the Group. SIA Engineering Division, SIA Engineering Company, SATS Catering and SATS Maintenance Centre have adopted EMS, which aims to implement processes and procedures to ensure resources are used in a more efficient and environmentally-friendly manner. The SIA Engineering Division was certified to ISO 14001 on 23 April 1997, and the SIA Engineering Company's Engine Overhaul Division received its certification on 21 November 1997. The rest are expected to seek similar certification in the coming year.

EMS will be introduced progressively in all remaining operating units within the SIA Group as part of a continuing programme.

SIA Group staff assisted MINDS to raise a further $800,000 for the project.

To mark the Airline's 50th anniversary, SIA announced plans to contribute $4 million to the Movement for the Intellectually Disabled in Singapore (MINDS), to help fund the construction of a new headquarters and sheltered workshop.

Year 2000 Compliance

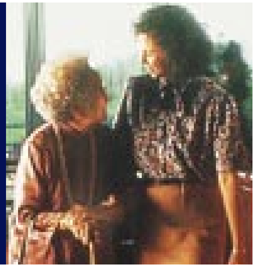
SIA management recognises the need for SIA's computer systems to be Year 2000-compliant and has assigned substantial resources to ensure this. A Year 2000 Programme Management Office has been set up to review Year 2000 issues across the SIA Group in a disciplined and structured manner. This office, which is being supported by external consultants, has compiled a detailed inventory of all the SIA Group's hardware and software and has identified the work required to modify or replace existing systems. The Group is well on target to complete compliance work by mid-1998 for most systems, including those developed and/or maintained in-house, and by the end of 1998 for the rest.

The aviation industry as a whole is addressing the Year 2000 issue with appropriate urgency.

The Air Transport Association of America (ATA) has initiated a US$13.5 million programme to ensure the preparedness of US government agencies, airports and suppliers. The International Air Transport Association (IATA) is closely involved in this programme, with the aim of extending its coverage worldwide. A special interest group of 19 IATA member airlines, including SIA, has been formed to spearhead a similar programme outside of the US.

The IATA special interest group will conduct a full assessment of 70 primary airports and, together with airport staff trained in data collection methodology, jointly assess 250 secondary airports. The group will also assess 185 air traffic systems. The estimated cost of this project is US$19.7 million, of which SIA's share is estimated to be US$320,000.

Staff across the SIA Group are encouraged to become involved in voluntary community activities.



Global Ventures

The SIA Group today has over 25 subsidiaries. From cargo to catering, baggage handling to engine overhauls, highly skilled operators help maintain a smooth-running system not only for Singapore Airlines but more than 50 other carriers as well.

above: SIA Engineering Company has a reputation for technical excellence in all aspects of aircraft maintenance

right: SATS continued to expand its joint-venture interests in catering and ground handling services

left: the SATS Group handled 54 scheduled airlines at Singapore Changi Airport

Singapore Airport Terminal Services

The Singapore Airport Terminal Services (SATS) Group, comprising SATS Airport Services, SATS Catering and SATS Security Services, handled 54 scheduled airlines at Singapore Changi Airport. New clients during the year included Kampuchea Airlines and National Jet Systems.

> Several new training courses were launched to improve service levels among front-line staff, and a training kitchen was established for culinary skills training.

The SATS Group serviced a total of 19.4 million passengers on 73,963 flights through Singapore Changi Airport, an increase of 4.0 per cent over the previous year. Cargo and mail handled increased by 9.3 per cent to 1.2 million tonnes, while catering production increased by 1.0 per cent to an average of 50,500 meals a day.

SATS spent $4.2 million on staff training and development. Training included staff familiarisation with a new baggage reconciliation system in Terminal 2, which ensures a passenger's baggage is loaded only if he has checked-in for his flight and facilitates the retrieval of baggage belonging to off-loaded passengers. Several new training courses were launched to improve service levels among front-line staff, and a training kitchen was established for culinary skills training.

This commitment to training was rewarded when SATS and individual staff won various service awards presented by the Civil Aviation Authority of Singapore, the Productivity and Standards Board, and airline clients.

SATS Airport Services invested more than $4 million in new ground support equipment during the year.

Overseas, SATS continued to expand its joint-venture interests in catering and ground handling services.

In June 1997, Evergreen Sky Catering Corporation, a joint venture between SATS (which has a 15 per cent equity stake), Evergreen International Corporation, EVA Airways and Malaysia Airlines, officially opened its new flight kitchen at Taipei's Chiang Kai Shek Airport. The kitchen has a capacity of 30,000 meals a day.

At Macau International Airport, Macau Catering Services moved into a new $6 million catering centre, capable of

THE SATS GROUP SERVICED A TOTAL OF

19.4

MILLION PASSENGERS ON 73,963 FLIGHTS THROUGH SINGAPORE CHANGI AIRPORT.

CARGO AND MAIL INCREASED BY 9.3% TO 1.2 MILLION TONNES WHILST CATERING PRODUCTION INCREASED TO AN AVERAGE OF 50,500 MEALS A DAY producing 3,000 meals a day. The joint venture company had been operating from temporary premises since commercial flights began from the airport in November 1995. In addition to SATS, shareholders in Macau Catering Services are Servair SA (a subsidiary of Air France) and three local companies.

In February 1998, SATS acquired a 20 per cent equity interest in a US$10 million flight kitchen at Manila's Ninoy Aquino International Airport. Its partners in the joint venture are aviation and logistics company MacroAsia Corporation and European-based flight catering company, Eurest International. The flight kitchen, which has a capacity of 5,500 meals a day, is expected to be operational in the second half of 1998.

SATS now has investments in facilities at 11 airports in addition to Singapore Changi – at Beijing, Hanoi, Ho Chi Minh City, Hong Kong, Kansai (Osaka), Karachi, Macau, Madras, Male, Manila, and Taipei. It continues to seek opportunities for similar joint ventures in other parts of the region.

SilkAir

SilkAir, the regional wing of Singapore Airlines, had a difficult year, marked tragically by the loss of a B737-300 carrying 104 passengers and crew over Indonesia on 19 December 1997.

> As at 31 March 1998, SilkAir operated a total of 109 scheduled flights each week to 20 regional destinations, using five B737-300s and two Fokker F-70s.

During September to November 1997, services to six destinations in Indonesia, Malaysia and southern Thailand were disrupted by a smoke haze caused by burning forests in Indonesia, which blanketed large tracts of Southeast Asia. From early July until 31 August, flights to Phnom Penh were suspended because of political instability in the Cambodian capital.

In October 1997, SilkAir signed a contract with Airbus Industrie for a new family of aircraft to take the Airline into the next century. SilkAir has placed a firm order for five 142-seat A320s and three A319s (with about 125 seats), with options for another 10 aircraft from the family (which also includes the A321). The aircraft commonality allows technical crew to operate interchangeably on any aircraft within the A320 family, and yields higher efficiency in aircraft maintenance. All aircraft will be powered by the V2500 from International Aero Engines, and deliveries are scheduled to begin in September 1998.

For the third consecutive year, SilkAir was named Best Regional Airline at the 1997 Asia-Pacific travel industry awards.

As at 31 March 1998, SilkAir operated a total of 109 scheduled flights each week to 20 regional destinations, using five B737-300s and two Fokker F-70s.

SIA Engineering Company

The SIA Engineering Company continued a successful strategy of forming partnerships with leading aerospace equipment manufacturers to strengthen its involvement in the aircraft servicing business.

In July, a memorandum of understanding was signed to form a joint venture with Pratt & Whitney (P&W) to overhaul and repair JT9D, PW4000 and CFM56 engines in Singapore. The joint venture will be P&W's exclusive Centre of Excellence facility for the Asia-Pacific and the Indian sub-continent. With all work from the region to be directed to Singapore, revenue is forecast to grow to about $500 million by 1999. SIA Engineering Company holds a 49 per cent equity stake, with P&W holding the remaining 51 per cent. Most employees in SIA Engineering Company's existing engine overhaul division will be transferred to the joint-venture company.

The above joint venture is one of several aviation engineering ventures, including companies set up to repair/overhaul engine fan blades (Asian Surface Technologies) and engine combustion chambers (Combustor Airmotive Services); SIA Engineering Company and P&W are partners in these two companies.

Another joint-venture company, Asian Compressor Technology Services, which repairs engine high pressure compressor stators and includes China Airlines among its shareholders, officially opened a new factory in Taiwan in June 1997.

In December 1997, SIA Engineering Company (with a 50 per cent stake), Rolls-Royce (30 per cent) and Hong Kong Aero Engine Services Ltd (20 per cent) signed a memorandum of understanding to form a new company to perform Trent engine overhaul and maintenance in the Asia-Pacific region. The new venture is expected to be formally launched in 1999 and fully operational the

THIRD PARTY WORK ACCOUNTED FOR

26.3%

OF SIA ENGINEERING COMPANY'S TOTAL REVENUE

MAJOR CUSTOMERS OUTSIDE THE SIA GROUP INCLUDED:
AIR FRANCE
AIR/GROUND EQUIPMENT SALES
AIR NUIGINI
CHINA AIRLINES
CHINA NORTHWEST AIRLINES
FEDERAL EXPRESS
GARUDA INDONESIA
MALAYSIAN AIRLINE SYSTEM
MERPATI
NORTHWEST AIRLINES
ROYAL BRUNEI AIRLINES
SYRIAN AIR
TOWER AIR
VIRGIN ATLANTIC

left: the A320: SilkAir has ordered five of the aircraft, as well as three A319s

right: the SIA Engineering Company serves over 60 other carriers and has operations in Singapore and abroad

The SIA Engineering Company continued a successful strategy of forming partnerships with leading aerospace equipment manufacturers to strengthen its involvement in the aircraft servicing business

following year, with new facilities sited near Changi Airport.

In March 1998, International Engine Component Overhaul, a joint venture between SIA Engineering and Rolls-Royce commenced operations at Loyang Industrial Park in Singapore, to repair engine turbine nozzle guide vanes and compressor stators. Each company has a 50 per cent equity stake in the venture.

When fully let, the 35-storey SIA Building, built at a cost of $175 million, will yield annual rentals totalling $25 million.

Taikoo Aircraft Engineering Company, the B747 heavy maintenance facility jointly owned by SIA Engineering Company and six partners, commenced development of another two-bay hangar next to its present one at Xiamen, China. The new hangar will enable the joint venture to capitalise on growth in the aircraft maintenance market, particularly in China.

Third party work accounted for 26.3 per cent of SIA Engineering Company's total revenue of $831.6 million. Major customers outside the SIA Group included Air France, Air/Ground Equipment Sales (AGES), Air Nuigini, China Airlines, China Northwest Airlines, Federal Express, Garuda Indonesia, Malaysian Airline System, Merpati, Northwest Airlines, Royal Brunei Airlines, Syrian Air, Tower Air and Virgin Atlantic.

SIA Properties

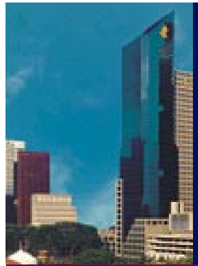
The SIA Group gained a new flagship property in the heart of downtown Singapore when the redeveloped SIA Building was officially opened in November 1997. The 35-storey tower, built at a cost of $175 million, is primarily a commercial investment for the Group which, when fully let, will yield annual rentals totalling $25 million. As at 31 March 1998, SIA Building had an occupancy rate of 74 per cent.

Investments by the SIA Group in infrastructure and ground support equipment at Singapore Changi Airport totalled $1,576 million in Financial Year 1997-98.

At the airport, construction commenced on two major new buildings for Singapore Airport Terminal Services (SATS). Construction of SATS Airfreight Terminal 6 started in October 1997, with the facility expected to be operational in 2001. The three-level terminal, estimated to cost $300 million, will have an annual cargo handling capacity of 750,000 tonnes, and will handle imports from SIA flights exclusively, while the existing Airfreight Terminal 5 will handle exports.

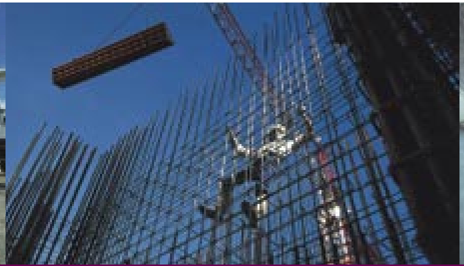
In August 1997, work began on a new 45,000 meals-a-day kitchen – SATS Inflight Catering Centre 3. The new kitchen, costing $200 million, will be ready by end-1999 and will replace SATS Inflight Catering Centre 1. It will incorporate state-of-the-art material handling and food processing systems.

Preliminary work also began on a third hangar for SIA Engineering Company,



left: the new SIA flagship property in the heart of downtown Singapore

right: when SATS Airfreight Terminal 6 becomes operational in 2001, it will boost the annual cargo handling capacity by 750,000 tonne



A TOTAL OF 76 SIA CADET PILOTS GRADUATED FROM THE COLLEGE DURING THE YEAR, BRINGING TO

486

THE TOTAL NUMBER OF GRADUATES SINCE 1988.

after the $84 million project received approval from the SIAEC Board in March 1998. Construction is expected to be completed in year 2000.

Overseas, work is proceeding on SIA cargo warehouses in San Francisco and Los Angeles, at a total cost of about $24 million.

SIA Properties managed the development or renovation of town offices for SIA in Calcutta, Delhi, Ho Chi Minh City, Hong Kong, Jakarta, Johor Bahru, Penang, and Manchester, and for SilkAir in Balikpapan, as well as the ticketing offices at SIA Building and Suntec City in Singapore.

The 250-room Sedona Manado Hotel in Indonesia, in which SIA Properties has a 20 per cent stake, has deferred its opening from April 1998, for review a year later, in view of the sharp decrease in tourist arrivals into Indonesia.

As at 31 March 1998, the SIA Group owned 19 commercial and 26 residential properties, and leased 414 properties in 124 cities in 46 countries.

Singapore Flying College

A total of 76 SIA cadet pilots graduated from the College during the year, bringing to 486 the total number of graduates since 1988. In November 1997, the college placed an order for five new Cessna 172R trainers to replace three existing Cessna 172Ps. The new aircraft arrived in March 1998, increasing the college's fleet to 19 aircraft: six in Singapore and 13 in Jandakot, Western Australia.

The year was marked by the tragic crash of a Learjet training aircraft in southern Thailand on 21 July 1997, resulting in the death of an instructor and a cadet pilot.

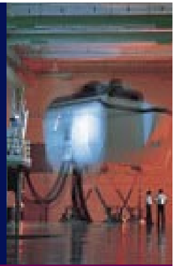
Auspice

Auspice Limited, a Channel Islands-based subsidiary, is responsible for the offshore portfolio investment activities of the SIA Group. Its funds are managed by seven external fund managers, with mandates to invest in quoted bonds and equities listed in the major capital markets around the world. The portfolios remain denominated in US Dollar (two portfolios), Japanese Yen (two portfolios), Deutschemark (two portfolios), and Sterling Pound (one portfolio).

In the year under review, funds under management grew by 33.3 per cent (in Singapore Dollar terms). This was underpinned by the strength in the United States and European equity markets even when the Asian markets succumbed to the regional currency crisis. The high growth rate was also partly attributed to the weakening Singapore Dollar against the US Dollar, Sterling Pound and, to some extent, the Japanese Yen.

left: cadet pilots are trained at Jandakot, Western Australia

right: flight simulators help pilots maintain the highest levels of skill



50TH ANNIVERSARY

Golden Celebrations

50th Anniversary

On 1 May 1997, Singapore Airlines officially turned 50 years old, triggering six months of Golden Jubilee celebrations involving the people of Singapore and SIA customers worldwide.

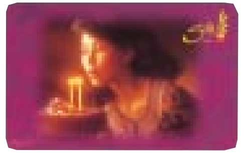
The Airline positioned the anniversary not as an occasion for self-congratulation, but as a time to thank all those associated with its growth and success over the years. The emphasis of anniversary activities was very much on community involvement.

The celebrations started on 1 May with a special exhibition depicting the past, present and future of SIA at the Changi International Exhibition and Convention Centre. More than 45,000 people viewed the exhibition over four days.

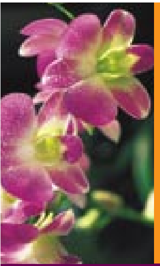
In July, a three-day Golden Celebration travel exposition attracted 71,000 people to the Singapore Exhibition and Convention Centre in downtown Singapore. The expo showcased tourism opportunities in many parts of the world, with 35 national tourism organisations among those exhibiting and bargain-priced holiday packages worth more than $20 million on offer.

Other anniversary activities included:

- A special television variety show in honour of the Airline, broadcast live on Singapore television from the Singapore Indoor Stadium in October 1997.
- The naming of a new orchid hybrid as the Singapore Girl Orchid. The purple-coloured orchid was specially cultivated over three years by Singapore's National Parks Board.
- A set of commemorative coins, produced and marketed by the Singapore Mint, featuring a MEGATOP 747 taking off.
- Two family entertainment shows for staff – Warner Brothers Family Ice Spectacular and The Sound of Music – in June 1997.
- A limited edition set of commemorative phone cards issued by Singapore Telecom.
- A successful attempt by SIA staff to enter the Guinness Book of World Records by producing the world's longest stuffed toy dragon, officially recorded at 508.915 metres.
- Special low air fares to destinations around the world for all Singaporeans born during May 1947, the month SIA began services (then as Malayan Airways).
- A return upgrade for all qualified PPS Club members on their next trip, with Solitaire members receiving an additional upgrade for a companion.



The Airline positioned the anniversary not as an occasion for self-congratulation, but as a time to thank all those associated with its growth and success over the years. The emphasis of anniversary activities was very much on community involvement.



1947 - 1997

Foresight, discipline and entrepreneurship have been key ingredients in the success of the Airline. As it plots its course for the next 50 years, SIA is confident of its ability to continue to improve and provide consumers with service that sets ever-higher standards of excellence.

far left: the Singapore Girl orchid

opposite left: a limited set of commemorative phone cards were issued

left: a special television variety show, which also featured a musical by SIA's cabin crew, was broadcast nationwide

top left: MINDS was the main beneficiary of SIA's contributions to the community in financial year 1997/98

centre left: celebrations as the first Jubilee 777 arrives at Changi Airport on 7 May 1997

below left: PPS card members enjoyed an upgrade on their next flight

above: SIA staff entered the Guinness Book of World Records with the world's longest stuffed toy dragon

right: a set of commemorative coins were issued to mark the anniversary

Financials

Financial Review

Earnings

The Company's operating profit for the financial year 1997-98 was $755 million, an increase of $101 million (+15.5%) over 1996-97. Revenue went up $450 million (+6.9%) to $6,969 million, while expenditure rose $348 million (+5.9%) to $6,214 million.

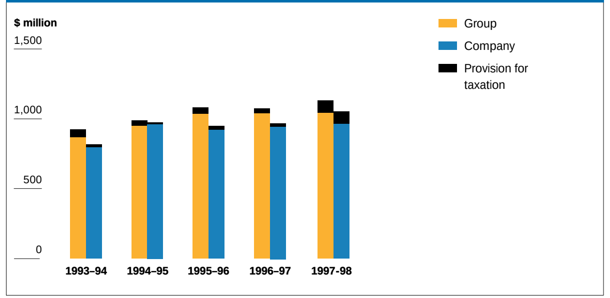
The Company's profit before tax was $99 million higher (+10.5%) at $1,032 million, after accounting for a surplus of $150 million from (1) the outright sale of one B747-300 Combi passenger aircraft, two A310-200 passenger aircraft and one B747-200 freighter aircraft, (2) the sale and leaseback of four B747-400 passenger aircraft, and (3) the sale of spares. Profit after tax increased by a smaller amount of $18 million (+2.0%) to $920 million as provision for tax rose $81 million (+252.5%) mainly because (1) a higher tax charge was incurred as a result of the sale and leaseback of four B747-400 passenger aircraft, and (2) there was a write-back of $23 million in 1996-97 of over provision for prior years.

The operating profit of the Company's subsidiaries fell $19 million (-8.2%) to $215 million. This was mainly due to (1) losses by SilkAir and SIA Properties, and (2) lower profits from Singapore Airport Terminal Services Group and SIA Engineering Group, partially offset by higher profit from Auspice. The profit after tax of the subsidiaries decreased $26 million (-13.1%) to $175 million.

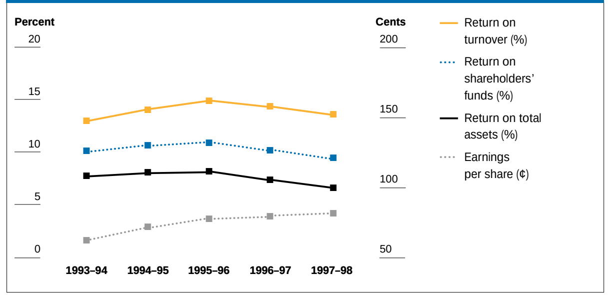
The Group's operating profit rose $103 million (+11.5%) to $999 million. Profit before tax was $96 million higher (+8.9%) at $1,172 million. Profit attributable to shareholders was $1,035 million, up $3 million (+0.3%) from 1996-97.

The Group's earnings per share was 81.0 cents, a gain of 0.6 cent (+0.7%) over the previous year. Return on turnover was 13.5%, a drop of 0.8 percentage point. Return on shareholders' funds fell 0.6 percentage point to 9.5% and return on total assets declined 0.6 percentage point to 6.9%.

Profit Before and After Tax



Group Profitability Ratios



Capacity, Traffic and Load Factors

The Company's capacity in 1997-98 increased 7.6% over 1996-97 to 14,534 million tonne-kilometres. The growth was mainly due to frequency increases during the year and the full year's effect of additional services introduced in 1996-97.

Traffic grew at a lower rate of 5.5% to 10,038 million tonne-kilometres and overall load factor fell 1.4 percentage points to 69.1%. Passenger seat factor was 3.9 percentage points lower at 70.5%, but cargo load factor gained 0.4 percentage point to 68.9%.

The Company carried 12.0 million passengers in 1997-98, a decrease of 0.5% from 1996-97, and uplifted 736 million kilograms of cargo, an increase of 9.2%.

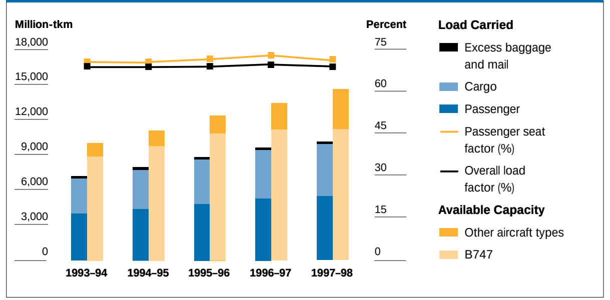
Yield, Unit Cost and Breakeven Load Factor

Overall yield improved 1.1% to 67.2 cents per load tonne-kilometre, with passenger and cargo yields rising 4.3% and 2.2% respectively. The increase in overall yield was attributable to a 2.6% weakening of the Singapore Dollar against a basket of foreign currencies and an improvement of 1.6% in local currency yields, partially offset by a higher proportion of cargo in the traffic mix (+2.7 percentage points).

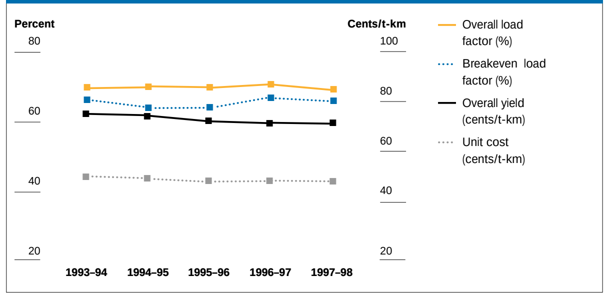
Unit cost was unchanged at 43.8 cents per capacity tonne-kilometre. With higher yield, breakeven load factor improved 0.7 percentage point to 65.2%.

The spread between overall and breakeven load factors narrowed from 4.6 percentage points in the previous year to 3.9 percentage points in 1997-98.

Available Capacity and Load Carried



Yield, Unit Cost and Load Factors



Financial Review continued

Revenue

In 1997-98, the Company's revenue rose $450 million (+6.9%) to $6,969 million. The Group's revenue was $7,724 million, an increase of $502 million (+7.0%) over 1996-97.

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

	$ million
7.6% growth in capacity	+491
1.4 percentage points decrease in overall load factor	–135
	+356
1.1% increase in overall yield	+ 71
Increase in scheduled services revenue	+427
Increase in non-scheduled services and incidental revenue	+ 23
	+450

The weakening of the Singapore Dollar against other currencies contributed a revenue gain of $134 million.

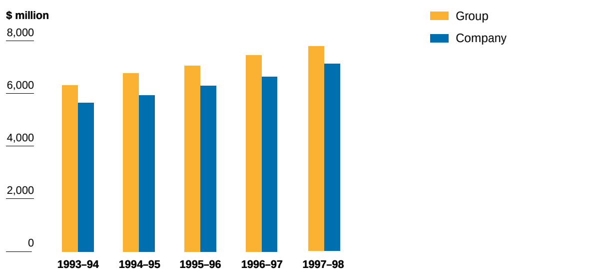
Passenger revenue grew $227 million (+4.6%) to $5,164 million, while cargo revenue went up $195 million (+14.7%) to $1,519 million. Passenger and cargo revenue accounted for 74.1% and 21.8% respectively of the Company's total revenue.

The increase in non-scheduled services and incidental revenue of $23 million (+12.0%) came mainly from (1) higher amount of unused tickets (+$13 million), (2) surplus from sale of one B747-400 flight simulator and two residential properties (+$7 million), (3) higher rental income from SIA properties (+$5 million), (4) receipt from insurance claim (+$5 million), and (5) non-scheduled services revenue (+$2 million). These were partially offset by lower income from lease of aircraft to other operators (-$10 million).

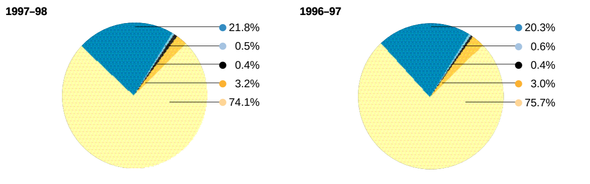
The sensitivity of the Company's revenue to a change of 1.0 percentage point in overall load factor, and to a change in overall yield of 1.0 cent per load tonne-kilometre is as follows:-

	$ million
1.0 percentage point change in overall load factor, if yield remains constant	98
1.0 cent per load tonne-kilometre change in overall yield, if load carried remains constant	100

Revenue



Company Revenue Composition



	1997–98 $ million	1997–98 %	1996–97 $ million	1996–97 %	Change %
Passenger	5,164	74.1	4,937	75.7	+ 4.6
Cargo	1,519	21.8	1,324	20.3	+14.7
Mail	39	0.5	38	0.6	+ 1.6
Excess baggage	28	0.4	24	0.4	+13.1
	6,750	96.8	6,323	97.0	+ 6.7
Non-scheduled services and incidental	219	3.2	196	3.0	+12.0
Total revenue	6,969	100.0	6,519	100.0	+ 6.9

Expenditure

The Company's expenditure in 1997-98 was $6,214 million, up $348 million (+5.9%) from 1996-97. The Group's expenditure grew $399 million (+6.3%) to $6,725 million.

The increase in the Company's expenditure came from:-

	$ million
Staff costs (+7.7%)	+ 83
Depreciation charges (+8.4%)	+ 75
Fuel costs (+6.0%)	+ 60
Sales costs (+8.6%)	+ 57
Landing and parking fees (+10.7%)	+ 39
Handling charges (+5.6%)	+ 38
Aircraft maintenance and overhaul costs (–2.4%)	– 11
Inflight meals and other passenger costs (-0.7%)	– 3
Net increase in other costs (+4.1%)	+ 10
	+348

Staff costs rose $83 million (+7.7%) mainly because of (1) provision for gratuities payable to male cabin crew and passenger relations officers under the new collective agreement, (2) service increments, (3) a 1.9% increase in staff strength, (4) wage adjustments, and (5) higher crew allowances. There was a charge for a special 50th anniversary bonus of $40 million in 1996-97.

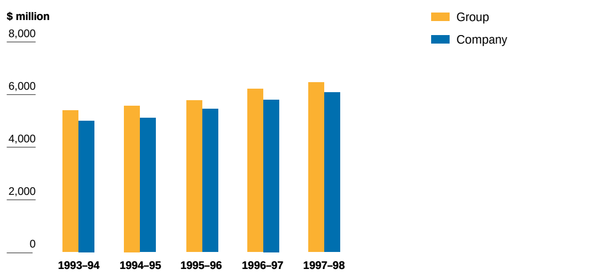
The increase of $75 million (+8.4%) in depreciation charges was mainly due to (1) the commissioning of six B777-200s and four A340-300s during 1997-98 and (2) the full year's impact of four B747-400s, eight A340-300s and two B747-400 freighters commissioned in the course of 1996-97. These were partially offset by savings in depreciation charges from (1) the sale and leaseback of four B747-400s, (2) the outright sale of one B747-200 freighter aircraft, and (3) two B747-300 Combis and two A310-300s which became fully depreciated to their residual values.

The increase of $60 million (+6.0%) in fuel costs was the result of:-

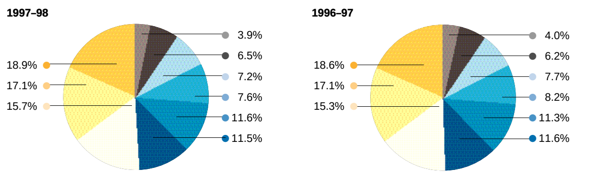
	$ million
An 8.2% weakening of Singapore Dollar against the United States Dollar	+ 75
A 6.2% rise in volume of fuel uplifted	+ 64
A 17.4% decrease in weighted average fuel price	–193
	– 54
Net cost of hedging of $79 million in 1997-98 against a gain of $35 million in 1996-97	+114
	+ 60

Sales costs rose $57 million (+8.6%) mainly because of higher commission payable on an increased revenue base and higher advertising expenditure.

Expenditure



Company Expenditure Composition



	1997–98 $ million	1997–98 %	1996–97 $ million	1996–97 %	Change %
Staff costs	1,174	18.9	1,091	18.6	+ 7.7
Fuel costs	1,065	17.1	1,005	17.1	+ 6.0
Depreciation charges	973	15.7	898	15.3	+ 8.4
Handling charges	716	11.5	678	11.6	+ 5.6
Sales costs	722	11.6	665	11.3	+ 8.6
Aircraft maintenance and overhaul costs	472	7.6	483	8.2	- 2.4
Inflight meals and other passenger costs	445	7.2	448	7.7	- 0.7
Landing and parking fees	404	6.5	365	6.2	+10.7
Other costs#	243	3.9	233	4.0	+ 4.1
	6,214	100.0	5,866	100.0	+ 5.9

Other costs include hire of aircraft and equipment, crew expenses, company accommodation costs, communication expenses, aircraft license and insurance, net interest receivable, gain/loss on exchange, write-back of provision for diminution in value of investments, and surplus from trust funds.

Financial Review continued

The rise in landing and parking fees (+$39 million or 10.7%) and handling charges (+$38 million or 5.6%) was due to higher flight frequencies, rate increases and a weaker Singapore Dollar.

Despite a 6.3% increase in flying hours, aircraft maintenance and overhaul costs fell $11 million (-2.4%) mainly because of a write-back of over provisions for heavy maintenance visits and zonal inspections in previous years.

The decrease of $3 million (-0.7%) in inflight meals and other passenger costs was mainly attributable to lower unit cost of inflight meals and reduced expenditure on inflight giveaways. These decreases were partially offset by higher expenditure on inflight entertainment, catering equipment, amenities, and laundry.

The net increase in other costs of $10 million (+4.1%) was due to (1) higher expenditure on hire of aircraft and equipment (+$53 million), (2) higher crew expenses (+$8 million), contract service fees (+$6 million), company accommodation costs (+$5 million), and other items of expenditure (+$19 million), and (3) a surplus of $43 million received in 1996-97 from the irrevocable trust for a B747-300 aircraft on expiry of the financial lease. These were partially offset by (1) an exchange gain of $56 million in 1997-98 against a loss of $34 million in 1996-97 on the Company's current assets held in foreign currencies, (2) higher net interest receivable (+$25 million), and (3) higher write-back of provision for diminution in value of investments (+$9 million).

The weaker Singapore Dollar resulted in an expenditure increase of $107 million.

Taxation

The Company's provision for taxation in 1997-98 rose $81 million (+252.5%) to $113 million mainly because (1) a higher tax charge was incurred as a result of the sale and leaseback of four B747-400 passenger aircraft, and (2) there was a write-back of $23 million in 1996-97 of over provision for prior years. No provision for deferred tax was made in 1997-98 and 1996-97 as the liabilities will not materialise in the foreseeable future.

The Group's provision for taxation in 1997-98 was $131 million, an increase of $88 million (+203.0%) from the previous year.

Dividends

An interim dividend of 7.5% or 7.5 cents per share less income tax at 26% (amounting to $71 million) was paid on 20 November 1997.

A final dividend of 15.0% or 15 cents per share less income tax at 26% (amounting to $143 million) is proposed. This brings the total dividend for 1997-98 to 22.5% or 22.5 cents per share less income tax at 26% (amounting to $214 million). The total dividend rate of 22.5% is 7.5 percentage points lower than for 1996-97 as a bonus dividend of 7.5% was declared in the previous year to commemorate the Company's 50th anniversary. Dividend cover in 1997-98 is 4.8 times and is the same as in 1996-97 (excluding the bonus dividend).

Financial Position

The SIA Group's financial position remains strong. At 31 March 1998, the Group's shareholders' funds stood at $11,380 million, a rise of $838 million (+7.9%) from a year ago.

The net tangible assets per share of the Group went up $0.65 (+7.9%) to $8.87 at 31 March 1998.

The Group's total assets grew $1,186 million (+8.2%) to $15,707 million.

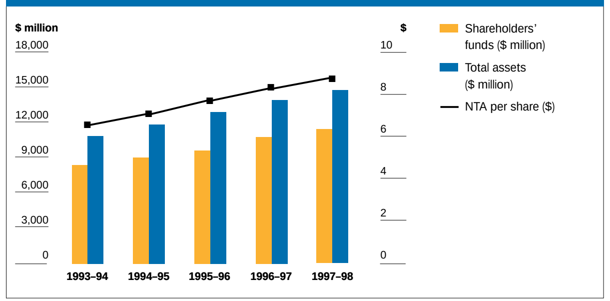
The net liquid assets of the Group increased $668 million (+79.2%) to $1,512 million at 31 March 1998. This was mainly because of higher proceeds from sale of aircraft.

Capital Expenditure and Cash Flow

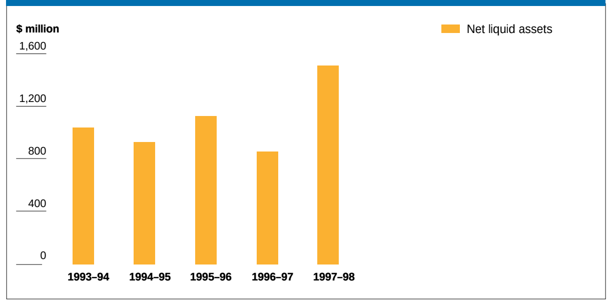
The Group's capital spending fell $329 million (-13.4%) to $2,121 million in 1997-98. $1,909 million or 90.0% of the capital expenditure was for six B777-200 and four A340-300 passenger aircraft delivered during 1997-98, plus progress payments for additional aircraft scheduled to arrive between 1998 and 2003, and for spare engines and spare parts.

Internally generated cash flow amounted to $3,144 million, an increase of $799 million (+34.1%) from the previous year. The self-financing ratio of cash flow to capital expenditure was up from 0.96:1 to 1.48:1 in the year under review.

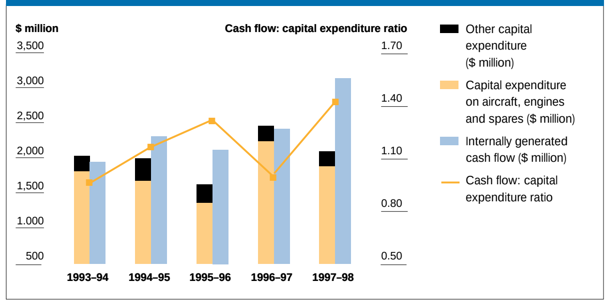
Shareholders' Funds, Total Assets and Net Tangible Assets Per Share



Net Liquid Assets



Capital Expenditure and Internally Generated Cash Flow



Financial Review continued

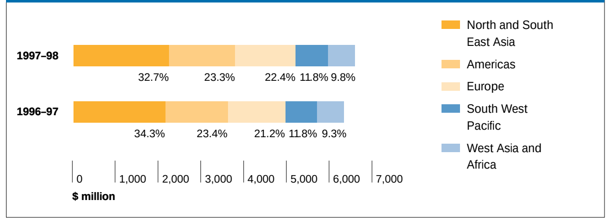
Company Route Performance

	Revenue ($ million)		Overall load factor (%)		Passenger seat factor (%)	
	1997–98	1996–97	1997–98	1996–97	1997–98	1996–97
North and South East Asia	2,207	2,167	57.9	61.5	63.0	70.5
Americas	1,572	1,482	70.6	73.4	72.6	77.8
Europe	1,512	1,342	76.8	76.6	76.1	77.7
South West Pacific	796	743	71.2	70.8	75.1	74.1
West Asia and Africa	663	589	63.8	63.6	66.6	68.3
Systemwide	6,750	6,323	69.1	70.5	70.5	74.4
Non-scheduled services and incidental revenue	219	196				
	6,969	6,519				

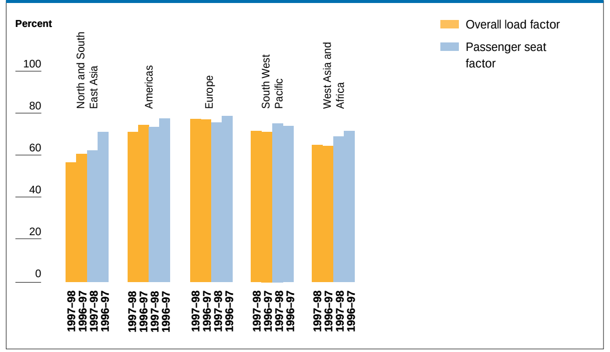
North and South East Asian routes remained the top contributor to revenue in 1997-98 at 32.7%, down 1.6 percentage points from 1996-97. Contribution from American routes was 23.3%, down 0.1 percentage point. European routes increased its share of revenue by 1.2 percentage points to 22.4%, while that of South West Pacific routes at 11.8% was unchanged from last year. Revenue from West Asian and African routes accounted for 9.8%, up 0.5 percentage point.

The Company's revenue collections were primarily in United States Dollars, Singapore Dollars, Japanese Yen, Australian Dollars, Sterling Pounds, Hong Kong Dollars, New Taiwan Dollars and Deutschemarks. These currencies comprised 76.7% of the Company's revenue collections in 1997-98.

Revenue Composition by Routes



Overall Load Factor and Passenger Seat Factor by Routes



North and South East Asian Routes

Revenue from North and South East Asian routes registered an increase of $40 million (+1.8%) to $2,207 million. Traffic grew only 0.5% against a capacity expansion of 6.5% as the economic turmoil and the haze over South East Asia dampened passenger traffic growth. Overall load factor slipped 3.6 percentage points to 57.9%. Capacity increase came mainly from (1) frequency increases during the year to Beijing, Taipei, Guangzhou, Seoul, Ho Chi Minh City and Jakarta, and (2) the full year's effect of additional frequencies introduced in the previous year. Overall yield improved 1.6% chiefly from higher local currency yields.

American Routes

The American routes recorded a revenue increase of $90 million (+6.0%) to $1,572 million. Traffic grew 1.0%, while capacity increase was higher at 5.1%. As a result, overall load factor dropped 2.8 percentage points to 70.6%. Capacity growth was due to (1) additional passenger service to Vancouver, and (2) the full year's effect of additional passenger service to San Francisco and freighter service to New York mounted in November 1996. Overall yield was up 4.9% mainly because of the weakening of the Singapore Dollar against the United States Dollar.

European Routes

Revenue for European routes grew $170 million (+12.7%) to $1,512 million following a traffic growth of 13.2%. Capacity expanded 13.0% and overall load factor gained 0.2 percentage point to 76.8%. Capacity was boosted by additional passenger services to Manchester and Athens and freighter services to Paris. Overall yield declined 0.6% primarily as a result of higher proportion of cargo carried.

South West Pacific Routes

Revenue from South West Pacific routes increased $53 million (+7.1%) to $796 million. Traffic grew 6.4% against a capacity growth of 5.7%. Overall load factor improved 0.4 percentage point to 71.2%. Capacity increase came principally from (1) the upgrading of some services to Sydney, Melbourne and Perth with bigger aircraft, and (2) the full year's impact of additional services introduced in 1996-97. Overall yield was higher by 0.7% mainly due to the weakening of the Singapore Dollar against the Australian Dollar and New Zealand Dollar.

West Asian and African Routes

Revenue from West Asian and African routes went up $74 million (+12.6%) to $663 million. Traffic grew 5.6%, while capacity rose 5.3%. Overall load factor was up 0.2 percentage point to 63.8%. The increase in capacity came from frequency increases during the year to Colombo, Delhi, Dhaka and Madras and the full year's effect of additional services introduced in the previous year. Overall yield rose 6.5% mainly because of the weaker Singapore Dollar against the Indian Rupee and South African Rand.

Statistical Breakdown by Business Types

Revenue, Profit and Employee Strength

	Revenue ($ million)		Profit before tax ($ million)	
	1997–98	1996–97	1997–98	1996–97
Airline operations	7,071	6,627	908	827
Airport terminal services	305	308	110	120
Engineering services and others	348	287	154	129
Group	7,724	7,222	1,172	1,076

	Profit after tax ($ million)		Average no. of employees	
	1997–98	1996–97	1997–98	1996–97
Airline operations	794	795	13,999	13,736
Airport terminal services	79	92	9,168	8,889
Engineering services and others	168	145	4,797	4,616
Group	1,041	1,032	27,964	27,241

Total Assets and Capital Expenditure

	Total assets ($ million) 31 March		Capital expenditure ($ million)	
	1998	1997	1997–98	1996–97
Airline operations				
– Aircraft, spares and spare engines	8,742	8,725	1,909	2,245
– Others	5,641	4,594	80	95
Airport terminal services	920	918	89	77
Engineering services and others	404	284	43	33
Group	15,707	14,521	2,121	2,450

All inter-company balances and transactions have been eliminated upon consolidation.

Financial Review continued

Performance by Subsidiaries

During 1997-98, two wholly-owned subsidiaries, SIAEC Services Pte Ltd and Asia-Pacific Star Pte Ltd, were incorporated. This brought the number of subsidiaries in the SIA Group to 25 as at 31 March 1998. The major subsidiaries are Singapore Airport Terminal Services (Private) Limited, SIA Engineering Company Private Limited and 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 Singapore Airport Terminal Services Group decreased $4.7 million (-4.1%) to $109.8 million in 1997-98. Profit after tax was $78.8 million, down $4.2 million (-5.1%).

Revenue grew $17.3 million (+2.5%) to $712.0 million. Revenue from other operators increased 7.7%, while revenue from SIA and SilkAir went up 5.2%.

Expenditure rose $22.0 million (+3.8%) to $602.2 million. The increase was mainly attributable to higher staff costs, depreciation charges, company accommodation and concession fees.

Total assets stood at $1,119 million, up $20 million (+1.9%) from a year ago.

Capital expenditure amounted to $89 million, mainly for the sixth airfreight terminal and the third inflight kitchen.

SIA Engineering Group

The operating profit of the SIA Engineering Group was $60.4 million, a decrease of $4.4 million (-6.8%) from 1996-97. Profit after tax was $1.0 million lower (-1.8%) at $51.5 million.

Revenue rose $113.4 million (+15.8%) to $832.2 million. Revenue from other operators increased 25.0%, while revenue from SIA and SilkAir rose 12.7%.

Expenditure went up $117.8 million (+18.0%) to $771.8 million mainly from higher material costs, staff costs, provision for doubtful debts and production overheads.

Total assets grew $55 million (+12.2%) to $508 million at 31 March 1998.

Capital expenditure was $37 million, largely for the construction of a test cell and engineering plant and equipment.

SilkAir

SilkAir made an operating loss of $4.0 million in 1997-98, $3.5 million higher than in the previous year. Loss after tax in 1997-98 was $0.2 million, after accounting for a surplus of $7.4 million from the sale of one A310-200 passenger aircraft and expenses of $3.9 million related to flight MI 185 19 December 1997. In 1996-97, SilkAir made a profit after tax of $15.1 million which included a surplus of $15.2 million from the sale and leaseback of two B737-300 passenger aircraft.

Revenue from scheduled services went up $2.1 million (+1.3%) to $163.8 million from a 1.2% increase in traffic and a 0.2% improvement in yield. Overall load factor dropped 5.0 percentage points to 51.1% as traffic (+1.2%) grew at a lower rate than capacity increase (+11.1%). Loads were adversely affected by the economic difficulties in the South East Asia region and by the cancellation of tour groups from other regions attributable to the haze from forest fires. Revenue from charters fell $0.9 million (-20.9%). Income from lease of aircraft to SIA dropped $5.9 million (-33.5%) following the sale in September 1997 of one of the two A310-200 passenger aircraft leased to SIA.

Expenditure fell $1.0 million (-0.5%) to $183.6 million mainly because of an exchange gain on funds held in United States Dollars. This was partially offset by higher fuel costs, aircraft maintenance and overhaul costs, staff costs and handling charges.

Unit cost fell 2.7% to 92.4¢/ctk with lower expenditure and increased capacity. Breakeven load factor improved 1.6 percentage points to 55.4%.

SilkAir's route network links 20 cities in 8 Asian countries.

Statement of Value Added and its Distribution in $ million

	1997–98	1996–97	1995–96	1994–95	1993–94
Total revenue	7,723.9	7,221.5	6,889.9	6,555.9	6,236.4
Less: Purchases of goods and services	(3,866.3)	(3,674.1)	(3,439.7)	(3,336.2)	(3,276.9)
Value added by the Group	3,857.6	3,547.4	3,450.2	3,219.7	2,959.5
Add: Surplus on sale of aircraft and spares	157.1	173.8	33.9	25.1	49.5
Net investment income	69.7	84.3	62.2	69.3	78.7
Share of profits of joint venture companies	7.1	1.9	1.2	0.4	–
Share of profits of associated companies	8.9	4.3	1.6	2.1	2.9
Total value added available for distribution	4,100.4	3,811.7	3,549.1	3,316.6	3,090.6
Applied as follows:					
To employees					
– Salaries and other staff costs	1,868.6	1,755.1	1,548.1	1,438.9	1,356.4
To government					
– Corporation taxes	130.9	43.2	54.9	39.7	69.7
To suppliers of capital					
– Dividends	213.6	284.8	215.9	210.6	210.6
– Minority interests	2.3	1.0	1.5	0.9	0.7
Retained for re-investment and future growth					
– Depreciation	1,063.9	980.9	919.3	919.6	862.8
– Retained profit	821.1	746.7	809.4	706.9	590.4
Total value added	4,100.4	3,811.7	3,549.1	3,316.6	3,090.6
Value added per $ revenue ($)	0.53	0.53	0.52	0.51	0.50
Value added per $ employment cost ($)	2.19	2.17	2.29	2.30	2.28
Value added per $ investment in fixed assets ($)	0.24	0.23	0.24	0.23	0.24

Value added is a measure of wealth created. The statement above shows the Group's value added from 1993-94 to 1997-98 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.

Value Added

The total value added of the Group grew $289 million (+7.6%) to $4,100 million in 1997-98. This came principally from higher revenue (+$502 million or 7.0%), partly offset by an increase of $192 million (+5.2%) in the purchase of goods and services, and lower surplus on sale of aircraft and spares (-$17 million or 9.6%).

$1,868 million (45.6%) was shared among employees in the form of salaries and other staff expenses. Shareholders received $214 million (5.2%) in dividends, while corporate taxes of $131 million (3.2%) were paid to governments. $1,887 million (46.0%) was set aside for future growth and replacement of assets.

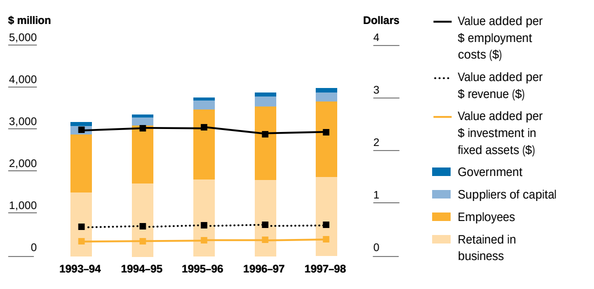
The value added for every dollar of revenue earned in 1997-98 was $0.53, unchanged from 1996-97.

For every dollar of employment costs, $2.19 in value added was created, an increase of $0.02 (+0.9%) against 1996-97.

The value added per dollar investment in fixed assets rose $0.01 (+4.3%) to $0.24 in 1997-98.

The Group's value added for the calendar year 1997 accounted for 2.7% of Singapore's Gross Domestic Product, unchanged from last year's contribution.

Value Added for the Group



Financial Review continued

Staff Strength and Productivity

In 1997-98, the Company employed an average of 13,506 staff, 248 (+1.9%) more than 1996-97. The increase was mainly in cabin (+193) and technical crew (+61) to cater to a 7.6% growth in capacity. The distribution of employee strength by category and location is as follows:-

	1997–98	1996–97	% change
Category			
Senior staff (administrative and higher ranking officers)	1,186	1,170	+1.4
Technical crew	1,444	1,383	+4.4
Cabin crew	5,881	5,688	+3.4
Other ground staff	4,995	5,017	–0.4
	13,506	13,258	+1.9
Location			
Singapore	10,518	10,301	+2.1
Rest of Asia	1,625	1,594	+1.9
Europe	596	594	+0.3
South West Pacific	412	411	+0.2
Americas	355	358	–0.8
	13,506	13,258	+1.9

The Company's staff productivity, measured by the average of changes in capacity produced, load carried, revenue earned, and value added per employee, improved 5.3% over 1996–97:

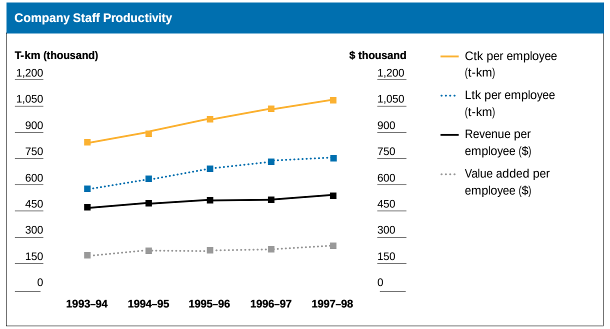
	1997–98	1996–97	% change
Capacity per employee (tonne-km)	1,076,107	1,018,336	+5.7
Load carried per employee (tonne-km)	743,196	717,454	+3.6
Revenue per employee ($)	515,985	491,726	+4.9
Value added per employee ($)	235,451	220,440	+6.8
Average productivity increase			+5.3

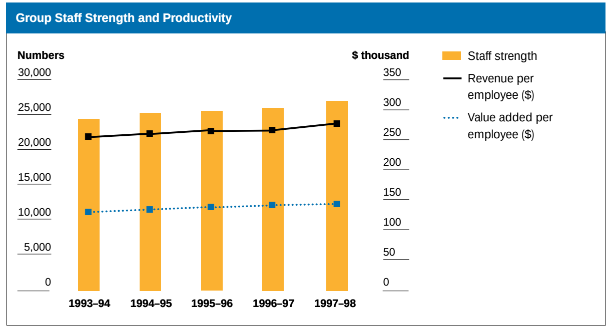
The average employee strength of the subsidiaries in 1997-98 was 14,458, up 475 (+3.4%) from 1996-97. The bulk of the increase came from SATS Group (+279) and SIA Engineering Group (+131).

The Group's staff strength grew 723 (+2.7%) to 27,964 employees. A breakdown of the Group staff strength is as follows:-

	1997–98	1996–97	% change
SIA	13,506	13,258	+1.9
SATS Group	9,168	8,889	+3.1
SIA Engineering Group	4,319	4,188	+3.1
SilkAir	493	478	+3.1
Others	478	428	+11.7
	27,964	27,241	+2.7

Group staff productivity, measured by revenue and value added per employee, improved 4.2% to $276,209, and 4.8% to $146,631 respectively.



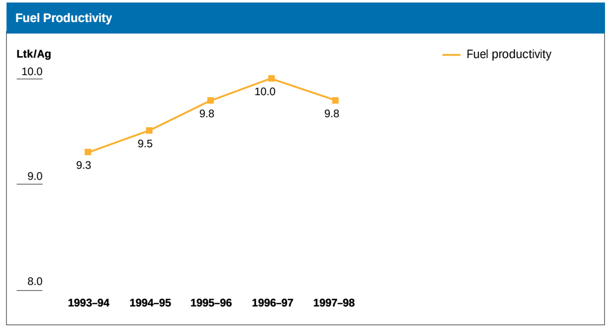


Fuel Productivity and Sensitivity Analysis

Fuel productivity achieved in 1997-98 was 9.8 ltk per American gallon, a drop of 0.2 ltk per American gallon (-2.0%) from 1996-97 as the average age of the Company's B747-400 passenger aircraft fleet increased from 3 years 11 months at 31 March 1997 to 5 years at 31 March 1998.

A change in fuel productivity of 1.0 percent impacts the Company's annual fuel costs by $10 million.

A change of US 1 cent per American gallon in fuel price affects the Company's fuel costs by $16 million per annum, assuming unchanged exchange rate for the United States Dollar and constant fuel volume.



Report by the Board of Directors

The directors have pleasure in presenting their report together with the audited accounts of the Group and of the Company for the year ended 31 March 1998.

1. Accounts (in $ million)

	The Group		The Company	
	1997–98	1996–97	1997–98	1996–97
Profit after taxation	1,040.9	1,032.5	919.5	901.8
Minority interests	(2.3)	(1.0)	–	–
Profit after taxation and minority interests	1,038.6	1,031.5	919.5	901.8
Extraordinary item – expenses related to SilkAir flight MI185 19 December 1997	(3.9)	–	–	–
Profit attributable to shareholders	1,034.7	1,031.5	919.5	901.8
Dividends	(213.6)	(284.8)	(213.6)	(284.8)
Retained profit	821.1	746.7	705.9	617.0

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been affected by any item, transaction or event of a material and unusual nature.

2. Transfers to/from Reserves and Provisions

There were no other material transfers to or from reserves or provisions during the financial year except as disclosed in the accounts.

3. Dividends

Final and bonus dividends paid during the year in respect of the previous year and included in the previous directors' report was $213.6 million.

An interim dividend of 7.5%, amounting to $71.2 million after tax, was paid on 20 November 1997. The directors propose that a final dividend of 15%, amounting to $142.4 million after tax, be paid.

4. Principal Activities

Principal activities of the Group and of the Company consist of air transportation, engineering services, airport terminal services, training of pilots, air charters and tour wholesaling and related activities. There have been no significant changes in the nature of these activities during the year under review.

5. Directors of the Company

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

S Dhanabalan – Chairman
Cheong Choong Kong – Deputy Chairman/Chief Executive Officer
Michael Y O Fam
Goh Yong Siang
Edmund Cheng Wai Wing
Lim Chee Onn
Tjong Yik Min
Moses Lee Kim Poo
Lim Boon Heng (appointed on 12 July 1997)
Bey Soo Khiang (appointed on 24 October 1997)

b. The following directors who held office at the end of the financial year have, according to the register required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in the ordinary shares of the Company, and in the shares, debentures and rights of the subsidiaries of the Company's holding company:-

	Direct interest			Deemed interest		
Name of Director	1.4.97	31.3.98	21.4.98	1.4.97	31.3.98	21.4.98
Interest in Singapore Airlines Limited						
(Ordinary shares of $1.00 each)						
S Dhanabalan	–	–	–	2,000	2,000	2,000
Cheong Choong Kong	480,800	480,800	480,800	20,000	20,000	20,000
Michael Y O Fam	240,000	240,000	240,000	8,000	8,000	8,000
Interest in Singapore Telecommunications Limited						
(Ordinary shares of $0.15 each)						
S Dhanabalan	700	750	750	10,700	10,750	10,750
Cheong Choong Kong	1,420	1,530	1,530	1,420	1,530	1,530
Michael Y O Fam	500	550	550	–	–	–
Goh Yong Siang	500	550	550	–	–	–
Lim Chee Onn	1,320	1,440	1,440	1,220	1,330	1,330
Tjong Yik Min	1,520	1,640	1,640	–	–	–
Moses Lee Kim Poo	1,460	1,580	1,580	1,360	1,470	1,470
Lim Boon Heng	1,320 *	1,440	1,440	1,220 *	1,330	1,330
Bey Soo Khiang	1,220 *	1,330	1,330	1,220 *	1,330	1,330
Interest in Singapore Technologies Marine Ltd						
(formerly known as Singapore Technologies Shipbuilding & Engineering Limited)						
(Ordinary shares of $0.25 each)						
S Dhanabalan	1,200**	–	–	–	–	–
Interest in Singapore Technologies Engineering Ltd						
(Ordinary shares of $0.10 each)						
S Dhanabalan	–	3,436 **	3,436**	–	–	–

* At date of appointment

** During the year, Singapore Technologies Aerospace Ltd, Singapore Technologies Automotive Ltd, Singapore Technologies Marine Ltd (formerly known as Singapore Technologies Shipbuilding & Engineering Limited) and Singapore Technologies Electronics Limited (formerly known as ST Electronic & Engineering Limited) ("the Scheme Companies") entered into a Scheme of Arrangement ("the Scheme") whereby Singapore Technologies Engineering Ltd shares were issued in exchange for previous holdings of shares in the Scheme Companies in accordance with the terms of the Scheme. The Scheme took effect on 6 December 1997.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

c. Since the end of the previous financial year, no director has received or has become entitled to receive benefits under contracts required to be disclosed by Section 201 (8) of the Companies Act, Cap. 50, except for $1.2 million (1996-97: $1.9 million) of loans to directors of the Company and its subsidiaries in accordance with schemes approved by shareholders of the Company.

6. Audit Committee

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

Michael Y O Fam (Chairman)
Edmund Cheng Wai Wing
Moses Lee Kim Poo
Tjong Yik Min (appointed on 10 September 1997)

The Committee meets periodically with the internal auditors and the auditors of the Company to review:-

a. the audit plans of the internal auditors and auditors of the Company and the results of their examination of the Company's system of internal accounting controls; and

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

The Committee has recommended to the Board of Directors the nomination of Ernst & Young for re-appointment as auditors of the Company at the forthcoming Annual General Meeting.

7. Incorporation of Subsidiaries

During the year the following companies were incorporated:-

Name of Company	No. of ordinary shares issued	Cost ($)	% of equity held by Group
SIAEC Services Pte Ltd	2	2	100
Asia-Pacific Star Pte Ltd	2	2	100

8. Share capital

During the year the following subsidiary of the Company issued shares:-

Name of Company	No. of ordinary shares issued	% of equity held by Group
SIA Properties (Pte) Ltd	4,000,000	100

9. Other Statutory Information

a. Before the accounts of the Group and of the Company were made out, the directors took reasonable steps:-
i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts, and
ii. to ensure that any current assets which were unlikely to realise their book value in the ordinary course of business were written down to an amount which they might be expected so to realise.

b. At the date of this report, the directors are not aware of any circumstances which would render:-
i. the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent, and
ii. the values attributed to current assets misleading.

c. At the date of this report, the directors are not aware of any circumstances which not otherwise dealt with in the report or accounts which would render any amount stated in the accounts of the Group and of the Company misleading.

d. As at the date of this report:-
i. there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person; and
ii. there are no material contingent liabilities which have arisen since the end of the financial year.

e. No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or its subsidiaries to meet their obligations as and when they fall due.

f. In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

10. Subsequent Events

The Company has sold and leased back one B747-400 passenger aircraft. SilkAir has sold one A310-200 passenger aircraft.

SilkAir issued an additional 115,000,000 ordinary shares of $1 each at par for cash thereby increasing its paid-up capital from $125 million to $240 million.

11. Auditors

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

On behalf of the Board,

S Dhanabalan
Chairman

Cheong Choong Kong
Deputy Chairman/Chief Executive Officer

Dated this 15th day of May 1998

Statement by the Directors Pursuant to Section 201 (15)

We, S Dhanabalan and Cheong Choong Kong, being two of the directors of Singapore Airlines Limited, do hereby state that in the opinion of the directors:-

i. the accompanying accounts set out on pages 53 to 66 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 1998, and of the results of the Group and of the Company, and the cash flows of the Group and of the Company for the year ended on that date;
ii. at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

S Dhanabalan
Chairman

Cheong Choong Kong
Deputy Chairman/Chief Executive Officer

Dated this 15th day of May 1998

Auditors' Report to the Members of Singapore Airlines Limited

We have audited the financial statements of Singapore Airlines Limited and its subsidiary companies set out on pages 53 to 66. These financial statements comprise the balance sheets of the Company and the Group as at 31 March 1998, and the profit and loss accounts of the Company and the Group and the cash flow statements of the Company and the Group for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:
a. the financial statements are properly drawn up in accordance with the provisions of the Companies Act and Statements of Accounting Standard and so as to give a true and fair view of:-
i. the state of affairs of the Company and of the Group as at 31 March 1998, the results of the Company and of the Group and the cash flows of the Company and of the Group for the year ended; and
ii. the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;

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

We have considered the financial statements and auditors' reports of all subsidiaries of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of those subsidiaries audited by our associated firms and those audited by other firms are stated in Note 14.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of subsidiaries incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

Ernst & Young
Certified Public Accountants

Dated this 15th day of May 1998, Singapore

Profit and Loss Accounts for the year ended 31 March 1998 ($ million)

	Notes	The Group 1997–98	The Group 1996–97	The Company 1997–98	The Company 1996–97
Revenue	3	7,723.9	7,221.5	6,968.9	6,519.3
Expenditure		(6,725.2)	(6,325.8)	(6,214.4)	(5,866.0)
Operating profit	4	998.7	895.7	754.5	653.3
Surplus on sale of aircraft and spares		157.1	173.8	150.1	158.5
Dividends from unquoted subsidiaries and associated companies, gross		–	–	127.7	122.0
Share of profits of joint venture companies		7.1	1.9	–	–
Share of profits of associated companies		8.9	4.3	–	–
Profit before taxation		1,171.8	1,075.7	1,032.3	933.8
Provision for taxation	6	(130.9)	(43.2)	(112.8)	(32.0)
Profit after taxation		1,040.9	1,032.5	919.5	901.8
Minority interests		(2.3)	(1.0)	–	–
Profit after taxation and minority interests		1,038.6	1,031.5	919.5	901.8
Extraordinary item – expenses related to SilkAir flight MI185 19 December 1997		(3.9)	–	–	–
Profit attributable to shareholders		1,034.7	1,031.5	919.5	901.8
Dividends paid and proposed					
Interim dividend of 7.5% (1997 – 7.5%) less 26% income tax		(71.2)	(71.2)	(71.2)	(71.2)
Proposed final dividend of 15.0% (1997 – 15.0%) less 26% income tax		(142.4)	(142.4)	(142.4)	(142.4)
Bonus dividend of 7.5% less 26% income tax		–	(71.2)	–	(71.2)
		(213.6)	(284.8)	(213.6)	(284.8)
Retained profit	9	821.1	746.7	705.9	617.0
Earnings per share (cents)	7	81.0	80.4	71.7	70.3

Note
The notes on pages 56 to 66 form an integral part of these accounts.

Balance Sheets at 31 March 1998 ($ million)

	Notes	The Group 1998	The Group 1997	The Company 1998	The Company 1997
Share capital					
Authorised	8	3,000.0	3,000.0	3,000.0	3,000.0
Issued and fully paid	8	1,282.6	1,282.6	1,282.6	1,282.6
Reserves	9				
Distributable		7,844.0	7,312.4	6,896.0	6,490.1
Non-distributable					
Share premium		447.2	447.2	447.2	447.2
Capital reserve		6.3	–	–	–
Special non-distributable reserve		1,800.0	1,500.0	1,800.0	1,500.0
		10,097.5	9,259.6	9,143.2	8,437.3
Share capital and reserves		11,380.1	10,542.2	10,425.8	9,719.9
Minority interests		14.1	11.9	–	–
Deferred accounts	10/11	618.6	430.4	542.9	365.8
Long-term liabilities	12	523.3	463.6	516.0	455.7
		12,536.1	11,448.1	11,484.7	10,541.4
Represented by:					
Fixed assets	13				
Aircraft, spares and spare engines		8,745.1	8,727.5	8,664.1	8,624.5
Land and buildings		954.2	828.3	446.9	294.8
Others		1,698.7	1,498.5	1,340.7	1,299.3
		11,398.0	11,054.3	10,451.7	10,218.6
Subsidiaries	14				
Investment in subsidiaries		–	–	340.0	345.8
Amount owing by subsidiaries		–	–	432.6	358.2
		–	–	772.6	704.0
Associated companies	15	102.8	94.9	11.1	11.1
Joint venture companies	16	125.5	72.8	97.4	70.4
Long-term investments	17	936.5	840.2	876.8	786.7
Current assets					
Trade debtors	18	1,348.4	1,279.1	1,201.7	1,105.7
Stocks	19	127.5	121.2	29.8	29.9
Investments	20	690.6	682.0	–	–
Cash and bank balances	21	978.0	376.6	773.4	237.8
		3,144.5	2,458.9	2,004.9	1,373.4
Less:					
Current liabilities					
Loans – repayable within one year		1.2	84.3	–	82.4
Bank overdrafts – unsecured		30.9	23.3	29.6	22.3
Trade creditors	22	2,097.2	1,988.2	1,717.3	1,608.6
Sales in advance of carriage		621.6	581.8	612.6	567.3
Provision for taxation		277.9	181.8	227.9	128.6
Proposed final dividend, less tax		142.4	213.6	142.4	213.6
		3,171.2	3,073.0	2,729.8	2,622.8
Net current liabilities		(26.7)	(614.1)	(724.9)	(1,249.4)
		12,536.1	11,448.1	11,484.7	10,541.4

Note

The notes on pages 56 to 66 form an integral part of these accounts.

Cash Flow Statements for the year ended 31 March 1998 ($ million)

	Notes	The Group 1997–98	The Group 1996–97	The Company 1997–98	The Company 1996–97
Net cash provided by operating activities	23	2,032.2	1,990.0	1,662.1	1,820.8
Cash flow from investing activities					
Capital expenditure	24	(2,077.8)	(2,389.0)	(1,860.7)	(2,297.0)
Proceeds from sale of aircraft and other fixed assets		1,069.6	367.6	1,045.3	299.8
Investments in associates		(13.0)	(17.8)	–	–
Purchase of long-term investments		(2.5)	–	(1.1)	–
Advances to associates		(3.9)	(1.4)	–	–
Loans to subsidiaries		–	–	(1.1)	(27.7)
Repayment of loans by subsidiaries		–	–	1.2	50.5
Proceeds from disposal of associates		0.1	–	–	–
Investments in subsidiaries		–	–	(4.0)	(6.8)
Investments in joint ventures		(32.6)	(29.0)	(27.0)	(29.0)
Proceeds from sale of long-term investments		–	12.4	–	7.7
Dividends from subsidiaries and associates		4.3	2.6	94.9	90.7
Net cash used in investing activities		(1,055.8)	(2,054.6)	(752.5)	(1,911.8)
Cash flow from financing activities					
Dividends paid		(284.8)	(216.9)	(284.8)	(216.9)
(Repayment of)/proceeds from borrowings		(83.3)	87.0	(82.0)	81.2
Increase in long-term lease liabilities		5.3	5.3	5.3	5.3
Net cash used in financing activities		(362.8)	(124.6)	(361.5)	(130.4)
Net cash inflow/(outflow)		613.6	(189.2)	548.1	(221.4)
Effect of exchange rate changes		(19.8)	(2.2)	(19.8)	(2.2)
Cash and cash equivalents at beginning of year		353.3	544.7	215.5	439.1
Cash and cash equivalents at end of year		947.1	353.3	743.8	215.5
Analysis of cash and cash equivalents					
Fixed deposits		795.9	294.3	653.3	177.8
Cash and bank		182.1	82.3	120.1	60.0
Bank overdrafts – unsecured		(30.9)	(23.3)	(29.6)	(22.3)
Cash and cash equivalents at end of year		947.1	353.3	743.8	215.5

Note

The notes on pages 56 to 66 form an integral part of these accounts.

Notes to the Accounts 31 March 1998

1. General
The Company is a subsidiary of Temasek Holdings (Private) Limited, incorporated in the Republic of Singapore.

The accounts of the Group and of the Company are expressed in Singapore Dollars.

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

a. Basis of Accounting
The accounts of the Group and of the Company are prepared under the historical cost convention.

b. Consolidation
The consolidated accounts incorporate the accounts of the Company and all its subsidiaries for the year ended 31 March. A list of the Group's subsidiary companies is shown in note 14 to the accounts.

c. Subsidiary, Joint Venture and Associated Companies
Shares in subsidiary, joint venture and associated companies are stated at cost. Provision is made for any permanent diminution in value.

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

The Group's share of the results of associated companies is included in the consolidated profit and loss account and the Group's share of the post-acquisition reserves is added to the value of investments in associated companies shown in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the company concerned, made up as appropriate, to the end of the financial year. A list of the Group's associated companies is shown in note 15 to the accounts.

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

The Group's share of the consolidated results of the joint venture companies and their subsidiaries are included in the consolidated accounts under the equity method on the same basis as associated companies. A list of the Group's joint venture companies is shown in note 16 to the accounts.

d. Fixed Assets
Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the assets to working condition for its intended use. The cost of all aircraft are stated net of manufacturers' credit, with subsequent expenditure stated at cost. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their costs and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

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

Aircraft Fleet
The Group depreciates its new passenger aircraft, spares and spare engines over 10 years to 20% residual values. For leased aircraft where ownership is not transferred to the Group at the end of the lease period, nil residual values are used.

For used passenger aircraft less than 5 years old, the Group depreciates them over the remaining life (10 years less age of aircraft) to 20% residual values. In the case of used aircraft more than 5 years old, they are depreciated over 5 years to 20% residual values.

The Company depreciates its new freighter aircraft over 15 years to 20% residual values. For used freighter aircraft, they are depreciated over 6 years to 20% residual values.

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

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

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

Other Fixed Assets
These are depreciated over 1 to 7 years to nil residual values.

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

f. Leased Assets
Where assets are financed by lease agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright at the values equivalent to the principal values of total rental payable during the periods of the leases and the corresponding lease commitments are included under liabilities. Lease payments are treated as consisting of capital and interest elements and the interest is charged to profit and loss account. Depreciation on the relevant assets is charged to profit and loss account.

Annual rentals on operating leases are charged to profit and loss account.

Gains arising from sale and operating leaseback of aircraft are determined based on fair values. Sale proceeds in excess of fair values are deferred and amortised over the minimum lease terms.

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

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

All foreign currency assets and liabilities are stated in the balance sheet at year-end exchange rates. Gains and losses arising from conversion of current assets and liabilities are dealt with in the profit and loss account.

For the purposes of the group accounts, the net assets of the foreign subsidiaries, associated companies and joint venture companies are translated into Singapore Dollars at the exchange rates ruling at the balance sheet date. The resulting profits or losses on exchange are taken to foreign currency translation reserves.

h. Stocks
Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis.

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

i. Aircraft Maintenance and Overhaul Costs
Provision for costs of engine overhaul and heavy maintenance visits is made on the basis that engine overhaul and heavy maintenance visits for aircraft are required every four years, and these are charged evenly throughout the period.

j. Taxation
The Group has adopted deferred tax accounting using the liability method. The amount of taxation deferred on account of all material timing differences is reflected in the deferred taxation account to the extent that it is probable that the liability will materialise.

k. Unquoted Investments
Unquoted investments are stated at cost and provisions are made for any diminution in value which is considered to be permanent.

l. Quoted Investments
Quoted investments held on a long-term basis are stated at cost and provisions are made for any diminution in value which is considered to be permanent.

Other quoted investments are stated at the lower of cost and net realisable value.

m. Forward Contracts
Profits and losses arising from forward contracts on foreign currencies and jet fuel swaps are recognised at dates of maturity.

n. Income From Investments
Dividend income is accrued on the basis of the date dividends are declared payable by the investee company.

Interest income from investments and fixed deposits is accrued on a day-to-day basis.

o. Training and Development Costs
Training and development costs which include start-up programme costs are charged to the profit and loss account in the year in which they are incurred.

p. Loan Interest
Interest on loans obtained for purchases of aircraft and related equipment and building projects is capitalised until the aircraft are commissioned for operation or the projects are completed. Interest costs incurred after commissioning of the aircraft and completion of building projects are charged to the profit and loss account. No interest was capitalised during the year (1997 — $ nil).

q. Properties Under Development
Properties under development are stated at cost (or directors' valuation based on an independent professional valuation, when applicable), which includes cost of land and construction, related overhead expenditure and financing charges incurred during the period of construction. Developments are considered complete upon the issue of temporary occupation permits.

Notes to the Accounts continued

r. Revenue

Passenger and cargo sales are recognised as operating revenue when the transportation is provided. The value of unused tickets and air waybills is included in current liabilities as sales in advance of carriage and recognised as revenue if unused within two years. Revenue from provision of airport terminal services is recognised upon services rendered. Revenue from engine overhaul, repair and maintenance of aircraft are recognised upon the percentage of completion of the projects.

s. Frequent Flyer Programme

The Company participates in a number of frequent flyer programmes, the most significant of which is an Asian frequent flyer programme named "Passages" which is administered by Asian Frequent Flyer Pte Limited ("AFFP") in which the Company holds one-third of the equity share capital.

As miles are earned under this frequent flyer programme, the Company accrues for this liability based upon agreed rates with AFFP. The amount is charged to profit and loss account.

3. Segment Information (in $ million)

a. Revenue

This represents revenue earned principally from the carriage of passengers, cargo and mail, the rendering of airport terminal services, aviation insurance, engineering services, air charters and tour wholesaling and related activities. It excludes dividends from subsidiaries, and in respect of the Group, inter-company transactions.

Revenue is analysed as follows:-

	The Group		The Company	
	1997–98	1996–97	1997–98	1996–97
External customers	7,723.9	7,221.5	6,903.0	6,460.8
Subsidiaries	–	–	65.9	58.5
	7,723.9	7,221.5	6,968.9	6,519.3

b. Analysis by Activity

	The Group					
	Revenue		Profit Before Tax		Assets 31 March	
	1997–98	1996–97	1997–98	1996–97	1998	1997
Airline operations	7,070.9	6,627.4	907.5	827.1	14,383.2	13,318.7
Airport terminal services	304.8	307.7	109.8	119.6	920.4	918.4
Engineering services and others	348.2	286.4	154.5	129.0	403.7	284.0
	7,723.9	7,221.5	1,171.8	1,075.7	15,707.3	14,521.1

c. Analysis of Revenue from Airline Operations by Routes

	The Group	
	1997–98	1996–97
North and South East Asia	2,370.9	2,329.0
Americas	1,571.7	1,482.5
Europe	1,512.5	1,342.3
South West Pacific	796.0	743.1
West Asia and Africa	662.5	588.5
Systemwide	6,913.6	6,485.4
Non-scheduled services and incidental revenue	223.2	200.5
	7,136.8	6,685.9
Inter-company transactions	(65.9)	(58.5)
	7,070.9	6,627.4

Assets, which consist principally of flight and ground equipment, support the entire worldwide transportation system. Expenses such as depreciation of fixed assets, fuel and salaries are incurred principally in Singapore. An analysis of assets and profits of the Group by geographical distribution has therefore not been included.

4. Operating Profit (in $ million)

Operating profit for the year is arrived at:-

	The Group		The Company	
	1997–98	1996–97	1997–98	1996–97
After charging/(crediting):				
Income from investments and deposits (note 5)	(107.5)	(118.3)	(100.7)	(115.1)
Surplus on sale of fixed assets other than aircraft and spares	(12.8)	(1.4)	(11.9)	(0.5)
Depreciation of fixed assets	1,063.9	980.9	973.5	898.3
Write-back of provision for diminution in value of investments	(58.6)	(38.8)	(41.4)	(31.6)
Hire of aircraft	108.0	56.6	95.0	60.0
Provision for aircraft maintenance and overhaul	35.7	86.8	29.4	81.3
Interest on borrowings	28.2	24.5	27.6	24.2
Provision/(write-back) for doubtful debts	25.1	6.2	4.0	(1.0)
Bad debts	1.1	1.4	1.1	1.4
(Surplus)/loss on sale of investments	(14.2)	(23.0)	–	1.4
Emoluments for directors of the Company	1.6	1.6	1.6	1.6
Auditors' remuneration				
Auditor of the Company				
Audit fees	0.6	0.6	0.4	0.4
Non-audit fees	0.5	0.3	0.3	0.2
Others	–	–	–	–
Exchange (gains)/losses, net	(81.3)	13.9	(55.8)	34.2

5. Income from Investments and Deposits (in $ million)

Gross income received during the financial year is made up of:-

	The Group		The Company	
	1997–98	1996–97	1997–98	1996–97
Fixed deposits	53.4	74.9	37.2	63.1
Quoted non-equity investments	36.7	29.6	17.2	15.2
Quoted equity investments	6.7	6.9	0.8	0.7
Unquoted trade investments	2.9	2.6	2.7	2.4
Unquoted non-equity investments	7.6	3.9	4.3	3.8
Interest receivable from subsidiaries	–	–	38.5	29.8
Interest receivable from associated companies	0.2	0.4	–	0.1
	107.5	118.3	100.7	115.1

6. Provision for Taxation (in $ million)

Taxation has been provided/(written back) in respect of:

	The Group		The Company	
	1997–98	1996–97	1997–98	1996–97
Current year	122.6	61.3	112.8	54.6
Prior years	(4.9)	(22.8)	–	(22.6)
Deferred taxation	11.1	3.7	–	–
Joint venture companies	1.0	0.6	–	–
Associated companies	1.1	0.4	–	–
Taxation charged in the current year	130.9	43.2	112.8	32.0

The current year's taxation charge for the Group and the Company is computed after taking into account income not subject to Singapore tax and therefore differs from the amount determined by applying the statutory tax rate to the year's profit. See also note 11 on deferred taxation.

7. Earnings per Share

Earnings per share is computed on the profit for the year after taxation and minority interests of the Group divided by 1,282.6 million fully paid shares in issue during the year.

8. Share Capital (in $ million)

	The Company 31 March	
	1998	1997
Authorised share capital		
3,000,000,000 ordinary shares of $1 each	3,000.0	3,000.0
Issued share capital		
1,282,546,222 ordinary shares of $1 each fully paid	1,282.6	1,282.6

9. Reserves (in $ million)

	The Group 31 March		The Company 31 March	
	1998	1997	1998	1997
General reserve				
Balance at 1 April	7,312.4	6,565.7	6,490.1	5,873.1
Retained profit	821.1	746.7	705.9	617.0
Dilution of joint venture company's post acquisition reserves	(3.4)	–	–	–
Write-off of goodwill paid on acquisition of associated companies	(0.7)	–	–	–
Transfer to special non-distributable reserve	(300.0)	–	(300.0)	–
Balance at 31 March	7,829.4	7,312.4	6,896.0	6,490.1
Foreign currency translation reserve				
Balance at 1 April	–	–	–	–
Currency re-alignment	14.6	–	–	–
Balance at 31 March	14.6	–	–	–
Total distributable reserves	7,844.0	7,312.4	6,896.0	6,490.1
Share premium				
Balance at 1 April and 31 March	447.2	447.2	447.2	447.2
Capital reserve				
Balance at 1 April	–	–	–	–
Share of joint venture company's capital reserve	6.3	–	–	–
Balance at 31 March	6.3	–	–	–
Special non-distributable reserve				
Balance at 1 April	1,500.0	1,500.0	1,500.0	1,500.0
Transfer from general reserve	300.0	–	300.0	–
Balance at 31 March	1,800.0	1,500.0	1,800.0	1,500.0
Total non-distributable reserves	2,253.5	1,947.2	2,247.2	1,947.2
Total reserves	10,097.5	9,259.6	9,143.2	8,437.3

In compliance with Statement of Accounting Standard 20 (Revised) — "The Effects of Foreign Exchange Rates", the cumulative balance of the foreign currency translation reserve as at 1 April 1997 has not been separately classified as it is not reasonably determinable. Accordingly, the Group's general reserve as at 1 April 1997 included the cumulative translation reserve as at that date.

The distributable reserves of the Company will be available for distribution as dividends subject to the payment of income tax of approximately $2,261.0 million (1997 — $2,077.4 million). These potential tax payments are substantially covered by $365.8 million which has been provided in the deferred tax account in the balance sheet and an additional $1,800.0 million set aside in the special non-distributable reserve, as explained in the following paragraph.

Notes to the Accounts continued

Special Non-Distributable Reserve

An amount of $1,800.0 million has been transferred from the general reserve to a special non-distributable reserve to meet deferred tax liabilities that have not been fully provided for in these accounts (refer note 11 to the accounts).

The special non-distributable reserve will be applied if the Group is required to change from its existing policy to providing such deferred tax.

The amount required to be maintained in this reserve will be reviewed on a regular basis.

10. Deferred Accounts (in $ million)

	The Group 31 March 1998	The Group 31 March 1997	The Company 31 March 1998	The Company 31 March 1997
Deferred income on sale and leaseback transactions	177.1	–	177.1	–
Deferred taxation	441.5	430.4	365.8	365.8
	618.6	430.4	542.9	365.8

11. Deferred Taxation (in $ million)

	The Group 31 March 1998	The Group 31 March 1997	The Company 31 March 1998	The Company 31 March 1997
Balance at 1 April	430.4	426.7	365.8	365.8
Provided during the year	11.1	3.7	–	–
Balance at 31 March	441.5	430.4	365.8	365.8
Full deferred tax potential liability	2,229.6	2,068.5	2,153.9	2,003.9
Liability provided for	(441.5)	(430.4)	(365.8)	(365.8)
Liability not provided for	1,788.1	1,638.1	1,788.1	1,638.1

The liability not provided for is not expected to materialise in the foreseeable future as capital allowances available from acquisition of new aircraft are available for set off against future profits.

12. Long-Term Liabilities (in $ million)

	The Group 31 March 1998	The Group 31 March 1997	The Company 31 March 1998	The Company 31 March 1997
Loans – unsecured	8.5	92.2	–	82.4
Repayable within one year	(1.2)	(84.3)	–	(82.4)
Repayable after one year	7.3	7.9	–	–
Lease commitments	516.0	455.7	516.0	455.7
Repayable within one year (included in trade creditors)	–	–	–	–
Repayable after one year	516.0	455.7	516.0	455.7
	523.3	463.6	516.0	455.7

Interest rates on the finance lease commitments are charged at a margin above the London Interbank Offer Rate (LIBOR). These are expected to range from 5.19% to 5.21% per annum. These lease commitments are repayable within 10 years.

The future lease payments under finance leases are as follows:-

	The Group 31 March 1998	The Group 31 March 1997	The Company 31 March 1998	The Company 31 March 1997
1997 – 1998	–	18.8	–	18.8
1998 – 1999	20.7	18.7	20.7	18.7
1999 – 2000	22.9	20.6	22.9	20.6
2000 – 2001	26.0	23.3	26.0	23.3
2001 – 2002	26.2	23.6	26.2	23.6
Remaining years	675.4	604.1	675.4	604.1
Total future lease payments	771.2	709.1	771.2	709.1
Amounts representing interest	(255.2)	(253.4)	(255.2)	(253.4)
Principal value of commitments	516.0	455.7	516.0	455.7
Amounts due within one year (included in trade creditors)	–	–	–	–
Principal value of long-term commitments under finance leases	516.0	455.7	516.0	455.7

As at 31 March 1998, there are lease obligations amounting to $2,108.6 million (1997 — $2,301.6 million) which are covered by funds amounting to $2,121.6 million (1997 — $2,323.8 million) placed with financial institutions under defeasance and other arrangements which have not been included in these accounts.

The Company continues to remain the primary obligor under the lease agreements and as such, there are contingent liabilities (secured) of $2,108.6 million (1997 — $2,301.6 million) in respect of unpaid lease commitments.

In addition, the Company holds aircraft on operating leases. Future lease payments under non-cancellable operating leases are as follows:-

	The Group 31 March 1998	The Group 31 March 1997	The Company 31 March 1998	The Company 31 March 1997
1997 – 1998	–	–	–	–
1998 – 1999	96.4	–	96.4	–
1999 – 2000	96.4	–	96.4	–
2000 – 2001	96.4	–	96.4	–
2001 – 2002	96.4	–	96.4	–
Remaining years	367.2	–	367.2	–
Total commitment	752.8	–	752.8	–

13. Fixed Assets (in $ million)

The Group

	1 April 1997	Additions	Disposals/ transfers	31 March 1998
Cost				
Aircraft	12,692.1	1,354.0	(1,299.4)	12,746.7
Aircraft spares	1,175.9	166.3	(150.8)	1,191.4
Aircraft spare engines	484.7	127.7	0.1	612.5
Freehold land and buildings	129.0	–	1.2	130.2
Leasehold land and buildings	1,148.7	174.8	(2.7)	1,320.8
Plant and equipment	801.6	47.7	(44.5)	804.8
Office and computer equipment	357.0	35.0	(7.4)	384.6
	16,789.0	1,905.5	(1,503.5)	17,191.0
Advances and progress payments	1,164.5	2,008.9	(1,793.9)	1,379.5
	17,953.5	3,914.4	(3,297.4)	18,570.5
Accumulated depreciation				
Aircraft	4,778.8	841.5	(630.1)	4,990.2
Aircraft spares	626.9	54.7	(113.0)	568.6
Aircraft spare engines	219.5	26.6	0.6	246.7
Freehold land and buildings	71.6	3.3	(0.4)	74.5
Leasehold land and buildings	377.8	45.7	(1.2)	422.3
Plant and equipment	532.1	63.2	(39.2)	556.1
Office and computer equipment	292.5	28.9	(7.3)	314.1
	6,899.2	1,063.9	(790.6)	7,172.5
Net book value	11,054.3			11,398.0

	Depreciation 1997–98	Depreciation 1996–97	Net book value 31 March 1998	Net book value 31 March 1997
Aircraft	841.5	777.4	7,756.5	7,913.3
Aircraft spares	54.7	54.7	622.8	549.0
Aircraft spare engines	26.6	23.7	365.8	265.2
Freehold land and buildings	3.3	3.2	55.7	57.4
Leasehold land and buildings	45.7	33.7	898.5	770.9
Plant and equipment	63.2	61.2	248.7	269.5
Office and computer equipment	28.9	27.0	70.5	64.5
	1,063.9	980.9	10,018.5	9,889.8
Advances and progress payments			1,379.5	1,164.5
			11,398.0	11,054.3

The Company

	1 April 1997	Additions	Disposals/ transfers	31 March 1998
Cost				
Aircraft	12,447.3	1,354.5	(1,217.0)	12,584.8
Aircraft spares	1,142.2	161.8	(150.8)	1,153.2
Aircraft spare engines	473.8	125.1	0.1	599.0
Freehold land and buildings	132.8	–	1.2	134.0
Leasehold land and buildings	453.0	170.5	(2.2)	621.3
Plant and equipment	252.3	23.9	(35.4)	240.8
Office and computer equipment	290.0	27.0	(3.6)	313.4
	15,191.4	1,862.8	(1,407.7)	15,646.5
Advances and progress payments	1,154.4	1,830.9	(1,790.7)	1,194.6
	16,345.8	3,693.7	(3,198.4)	16,841.1
Accumulated depreciation				
Aircraft	4,608.3	832.4	(564.2)	4,876.5
Aircraft spares	616.0	53.0	(113.0)	556.0
Aircraft spare engines	214.5	25.3	0.6	240.4
Freehold land and buildings	71.0	3.2	(0.4)	73.8
Leasehold land and buildings	220.0	15.2	(0.6)	234.6
Plant and equipment	156.2	21.2	(30.1)	147.3
Office and computer equipment	241.2	23.2	(3.6)	260.8
	6,127.2	973.5	(711.3)	6,389.4
Net book value	10,218.6			10,451.7

	Depreciation 1997–98	Depreciation 1996–97	Net book value 31 March 1998	Net book value 31 March 1997
Aircraft	832.4	763.6	7,708.3	7,839.0
Aircraft spares	53.0	51.0	597.2	526.2
Aircraft spare engines	25.3	22.8	358.6	259.3
Freehold land and buildings	3.2	3.2	60.2	61.8
Leasehold land and buildings	15.2	11.4	386.7	233.0
Plant and equipment	21.2	23.1	93.5	96.1
Office and computer equipment	23.2	23.2	52.6	48.8
	973.5	898.3	9,257.1	9,064.2
Advances and progress payments			1,194.6	1,154.4
			10,451.7	10,218.6

Notes to the Accounts continued

	The Group 31 March 1998	The Group 31 March 1997	The Company 31 March 1998	The Company 31 March 1997
Net book value of fixed assets acquired under finance leases	1,010.9	1,389.4	1,010.9	1,389.4

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

14. Subsidiaries (in $ million)

	The Company 31 March 1998	The Company 31 March 1997
Investment in subsidiaries (unquoted, at cost)	349.8	345.8
Write-down for diminution in value	(9.8)	–
	340.0	345.8
Loans to subsidiaries	702.4	671.9
Amount owing by subsidiaries	29.4	10.0
	1,071.8	1,027.7
Funds from subsidiaries	(209.4)	(245.7)
Amount owing to subsidiaries	(89.8)	(78.0)
	772.6	704.0

Loans to subsidiaries are unsecured and the majority of these have repayment terms of up to 10 years. Funds from subsidiaries are unsecured and have varying terms of repayment. Interest on funds from subsidiaries is computed using prevailing market rates which range from 0.32% to 7.44% per annum. Interest on loans to subsidiaries is at a margin of 0.35% to 2.21% per annum above the prevailing interbank offer rates.

Amounts owing to / by subsidiaries are trade related and are interest free.

The subsidiaries at 31 March 1998 were:-

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 1998	Cost (in $ million) 1997	% of equity held by the Group 1998	% of equity held by the Group 1997
Singapore Airport Terminal Services (Private) Limited	Investment holding company	Singapore	100.00	100.00	100	100
SATS Apron Services Pte Ltd	In voluntary liquidation	– do –	6.00	6.00	100	100
SATS Airport Services Pte Ltd	Airport cargo, apron and passenger ˆservices	– do –	16.50	16.50	100	100
SATS Catering Pte Ltd	Catering services	– do –	14.00	14.00	100	100
SATS Security Services Private Limited	Security services	– do –	3.00	3.00	100	100
SilkAir (Singapore) Private Limited	Air transportation	– do –	125.00	125.00	100	100
Tradewinds Tours & Travel Private Limited	Tour wholesaling	– do –	4.00	4.00	100	100
Singapore Aviation and General Insurance Company (Pte) Limited	Aviation insurance	– do –	20.00	20.00	100	100
SIA Engineering Company Private Limited	Engineering services	– do –	51.84	51.84	100	100
SIA Properties (Pte) Ltd	Provision of building management	– do –	20.00	16.00	100	100
Singapore Airport Duty-Free Emporium (Private) Limited	Dormant company	– do –	11.73	11.73	100	100
Singapore Flying College Pte Ltd	Training of pilots	– do –	8.00	8.00	100	100
Aero Laundry & Linen Services Private Limited	Laundry services	– do –	2.52	2.52	100	100
Asia-Pacific Star Pte Ltd	Dormant company	– do –	–	–	100	–
SIAEC Services Pte Ltd	Dormant company	– do –	–	–	100	–
Abacus Travel Systems Pte Ltd	Marketing of Abacus reservations systems	– do –	2.44	2.44	61	61
Singapore Jamco Private Limited	Manufacture of aircraft cabin equipment	– do –	1.84	1.84	51	51
Cargo Community Network Pte Ltd	Provision and marketing of Cargo Community Systems	– do –	3.06	3.06	51	51
Star Kingdom Investment Limited *	Real estate	Hong Kong	8.61	8.61	100	100
SATS (Curacao) N.V. *	In voluntary liquidation	Netherlands Antilles	–	2.51	–	100
SH Tours Ltd *	Dormant company	United Kingdom	0.87	0.87	100	100
Auspice Limited	Investment company	Channel Islands	0.03	0.03	100	100
Singapore Airlines (Mauritius) Ltd *	Aircraft leasing	Mauritius	–	–	100	100
SIA Mauritius Ltd *	Pilot recruitment	– do –	–	–	100	100
Aviation Software Development Consultancy India Limited @	Airline software development	India	0.82	0.82	51	51

* Audited by associated firms of Ernst & Young, Singapore.
@ Audited by another firm.

15. Associated Companies (in $ million)

	The Group 31 March 1998	The Group 31 March 1997	The Company 31 March 1998	The Company 31 March 1997
Investment in associated companies (unquoted, at cost)	92.0	74.9	11.1	11.1
Write-down for diminution in value	(5.8)	–	–	–
	86.2	74.9	11.1	11.1
Share of post acquisition profits less losses of associated companies	11.1	4.5	–	–
	97.3	79.4	11.1	11.1
Loans to associated companies	5.2	11.1	–	–
Amount owing by associated companies	0.3	4.4	–	–
	102.8	94.9	11.1	11.1

Loans to associated companies are unsecured and bear prevailing market interest rates.

Amounts owing to / by associated companies are trade related and are interest free.

The associated companies at 31 March 1998 were:-

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 1998	Cost (in $ million) 1997	% of equity held by the Group 1998	% of equity held by the Group 1997
Service Quality (SQ) Centre Pte Ltd	Quality service training	Singapore	–	–	50	50
Asian Frequent Flyer Pte Ltd	Provision and marketing of frequent flyer programme	– do –	0.05	0.05	33.3	33.3
Combustor Airmotive Services Pte Ltd	Repair of engine combustion chambers	– do –	8.41	8.41	49	49
Asian Surface Technologies Pte Ltd	Fan blade repair and coatings services	– do –	6.38	6.38	29	29
Servair-SATS Holding Company Pte Ltd	Investment holding company	– do –	0.49	0.49	49	49
Maldives Inflight Catering Private Limited	Catering services	Maldives	0.29	0.29	40	40
Beijing Airport Inflight Kitchen Limited	Catering services	People's Republic of China	13.88	5.86	40	40
Beijing Aviation Ground Services Company Ltd	Ground handling	– do –	5.71	5.71	40	40
Asia Leasing Limited	Aircraft leasing	Bermuda	10.88	10.88	21	21
PT Purosani Sri Persada	Hotel ownership and management	Indonesia	5.80	5.80	20	20
PT Pantai Indah Tateli	Hotel ownership and management	– do –	7.10	4.23	20	20
Aviserv Ltd	Catering services	Pakistan	3.31	3.31	49	49
Pan Asia Pacific Aviation Services Limited	Engineering services	Hong Kong	5.37	2.26	47.1	47.1
Asia Airfreight Terminal Company Ltd	Cargo handling services	– do –	16.16	14.49	24.5	24.5
Tan Son Nhat Cargo Services Ltd	Cargo handling services	Vietnam	1.96	1.96	30	30
Taj Madras Flight Kitchen Private Limited	Catering services	India	–	–	30	30
DSS World Sourcing Ltd	Sourcing of supplies	Switzerland	0.12	0.12	33.3	33.3
Asian Compressor Technology Services Company Ltd	Repair of aircraft engines and compressors	Taiwan	4.10	4.10	24.5	24.5
MacroAsia-Eurest Catering Services #	Catering services	Philippines	2.04	–	20	–

\# SATS participated in the associated company on 10 February 1998 and has not commenced operations.

Notes to the Accounts continued

16. Joint Venture Companies (in $ million)

	The Group 31 March 1998	1997	The Company 31 March 1998	1997
Investment in joint venture companies				
(unquoted, at cost)	102.9	70.4	97.4	70.4
Share of post acquisition profit				
of joint venture companies	22.6	2.4	–	–
	125.5	72.8	97.4	70.4
Amount owing by joint venture companies	–	–	–	–
	125.5	72.8	97.4	70.4

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

	The Group 31 March 1998	1997
Profit before taxation	7.1	1.9
Taxation	1.0	0.6
	6.1	1.3

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

	The Group 31 March 1998	1997
Fixed and other assets	318.3	202.2
Current assets	41.8	22.5
Current liabilities	(32.0)	(19.5)
Long-term liabilities	(202.6)	(132.4)
	125.5	72.8

The joint venture companies at 31 March 1998 were:-

	Principal activities	Country of incorporation and place of business	Cost (in $ million) 1998	1997	% of equity held by the Group 1998	1997
Singapore Aircraft Leasing Enterprise Pte Ltd	Aircraft leasing	Singapore	97.40	70.40	35.5	50
International Engine Component Overhaul Pte Ltd#	Repair of aircraft components	– do –	5.42	–	50	50

The company was incorporated on 13 March 1997 and has not commenced operations.

17. Long-Term Investments (in $ million)

	The Group 31 March 1998	1997	The Company 31 March 1998	1997
Quoted at cost				
Equity investments	417.6	417.6	417.6	417.6
Non-equity investments	285.1	255.0	285.1	255.0
	702.7	672.6	702.7	672.6
Write-down for diminution in value				
Equity investments	–	(51.2)	–	(51.2)
	702.7	621.4	702.7	621.4
Unquoted investments at cost				
Trade investments	118.7	117.7	101.4	100.3
Non-equity investments	72.7	65.0	72.7	65.0
	191.4	182.7	174.1	165.3
Long-term loan	42.4	36.1	–	–
	936.5	840.2	876.8	786.7
Market value of quoted investments				
Equity investments	621.8	385.7	621.8	385.7
Non-equity investments	277.0	245.1	277.0	245.1
	898.8	630.8	898.8	630.8

Trade investments include a convertible loan of $37.5 million (1997 — $36.4 million) made to a third party in connection with the development of a hotel in Singapore. The loan is interest free and will be converted into equity in a company to be set up in the next financial year.

In 1996-97, it was reported that the Company signed a conditional agreement with DBS Land Limited and its wholly-owned subsidiaries Raffles Holdings (1995) Pte Ltd and Prime Equities Pte Ltd to sell the Company's entire 5.37% interest in the issued share capital of both Raffles City (Private) Limited and RC Hotels (Pte) Ltd. The conditional sale agreement was allowed to lapse in view of the uncertain stock market arising from the economic turmoil in the region. DBS Land is now considering the option of offering the Company to exchange the Raffles City (Private) Limited and RC Hotels (Pte) Ltd shares for new RH95 shares in anticipation of RH95's initial public offer when market conditions are favourable.

18. Trade Debtors (in $ million)

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

	The Group 31 March 1998	1997	The Company 31 March 1998	1997
Balance at 1 April	86.6	80.4	53.8	54.8
Charged/(write-back) to profit and loss account	25.1	6.2	4.0	(1.0)
Balance at 31 March	111.7	86.6	57.8	53.8
Bad debts written off directly to				
profit and loss account	1.1	1.4	1.1	1.4

Loans to directors of the Company and its subsidiaries in accordance with schemes approved by shareholders of the Company amounted to $1.2 million (1997 —$1.9 million).

19. Stocks (in $ million)

	The Group 31 March 1998	1997	The Company 31 March 1998	1997
Technical stocks and stores	45.7	23.5	3.6	4.6
Catering and general stocks	33.9	32.5	26.2	25.3
Work-in-progress	47.9	65.2	–	–
	127.5	121.2	29.8	29.9

20. Investments (in $ million)

	The Group 31 March 1998	1997	The Company 31 March 1998	1997
Quoted at cost				
Government securities	172.0	168.3	–	–
Equity investments	363.0	396.4	–	–
Non-equity investments	157.2	124.2	–	–
	692.2	688.9	–	–
Write-back/(down) for diminution in value				
Government securities	–	(20.5)	–	–
Equity investments	(1.0)	9.0	–	–
Non-equity investments	(0.6)	(3.3)	–	–
	(1.6)	(14.8)	–	–
	690.6	674.1	–	–
Unquoted investments at cost	–	7.9	–	–
	690.6	682.0	–	–
Market value of quoted investments				
Government securities	167.3	147.8	–	–
Equity investments	451.9	424.6	–	–
Non-equity investments	159.4	122.5	–	–
	778.6	694.9	–	–

21. Cash and Bank Balances (in $ million)

	The Group 31 March 1998	1997	The Company 31 March 1998	1997
Fixed deposits	795.9	294.3	653.3	177.8
Cash and bank	182.1	82.3	120.1	60.0
	978.0	376.6	773.4	237.8

22. Trade Creditors (in $ million)

	The Group 31 March 1998	1997	The Company 31 March 1998	1997
Trade creditors	1,798.6	1,717.8	1,433.0	1,353.7
Provision for aircraft maintenance and overhaul	298.6	270.4	284.3	254.9
	2,097.2	1,988.2	1,717.3	1,608.6

23. Cash Flow from Operating Activities (in $ million)

	The Group 1997–98	1996–97	The Company 1997–98	1996–97
Operating profit	998.7	895.7	754.5	653.3
Adjustments for:				
Depreciation of fixed assets	1,063.9	980.9	973.5	898.3
Income from investments and deposits	(107.5)	(118.3)	(100.7)	(115.1)
Interest expenses	28.2	24.5	27.6	24.2
Write-back of diminution in value				
of long-term investments	(40.2)	(31.6)	(41.4)	(31.6)
(Surplus)/loss on sale of fixed assets,				
long-term investments and associates	(12.9)	0.5	(11.9)	0.1
Exchange differences	32.0	5.7	31.6	28.3
Amortisation of deferred gain				
on sale of aircraft	(11.7)	–	(11.7)	–
Operating profit before working capital				
changes	1,950.5	1,757.4	1,621.5	1,457.5
Increase in trade creditors and deferred				
accounts	58.2	250.9	67.8	178.8
Increase in investments	(8.6)	(38.8)	–	–
Increase in sales in advance of carriage	39.8	67.4	45.3	67.7
Decrease/(increase) in debtors	32.6	(53.6)	4.6	(24.5)
(Increase)/decrease in stocks	(6.3)	(6.6)	0.1	3.2
Increase / (decrease) in amounts owing				
to subsidiaries and associates	4.2	(1.9)	(32.7)	90.6
Cash generated from operations	2,070.4	1,974.8	1,706.6	1,773.3
Interest paid	(27.7)	(24.2)	(27.0)	(23.9)
Income taxes paid	(113.1)	(77.1)	(77.7)	(43.1)
Interest/dividends received from				
investments and deposits	102.6	116.5	60.2	114.5
Net cash provided by operating activities	2,032.2	1,990.0	1,662.1	1,820.8

Notes to the Accounts continued

24. Analysis of Capital Expenditure Cash Flow (in $ million)

	The Group 1997–98	The Group 1996–97	The Company 1997–98	The Company 1996–97
Purchase of fixed assets	2,120.5	2,449.5	1,903.0	2,330.1
Less: Assets acquired under credit terms	(42.7)	(60.5)	(42.3)	(33.1)
Cash invested in capital expenditure	2,077.8	2,389.0	1,860.7	2,297.0

25. Capital and Other Commitments (in $ million)

a. The following commitments for capital expenditure have not been provided for in the accounts:-

	The Group 31 March 1998	The Group 31 March 1997	The Company 31 March 1998	The Company 31 March 1997
Authorised and contracted for	10,268.2	11,131.3	9,532.5	11,016.0
Authorised but not contracted for	843.5	579.4	3.1	12.0
	11,111.7	11,710.7	9,535.6	11,028.0

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

	Joint venture company 31 March 1998	Joint venture company 31 March 1997
Authorised and contracted for	774.2	1,006.0
Authorised but not contracted for	–	–
	774.2	1,006.0

The commitments relate principally to the acquisition of aircraft fleet and related equipment. Included in the Group's share of capital commitments of the joint venture company are certain commitments assigned by the Company to the joint venture company. The Company remains contingently liable for the whole commitment amount of $1,318.6 million.

b. Forward contracts outstanding as at 31 March 1998 are as follows:-

	The Group 31 March 1998	The Group 31 March 1997	The Company 31 March 1998	The Company 31 March 1997
Foreign currency contracts	677.4	87.0	615.8	33.6
Jet fuel swap contracts	431.1	276.0	427.0	269.8
	1,108.5	363.0	1,042.8	303.4

c. Commitments of subsidiaries in respect of non-cancellable operating leases for premises are as follows:-

	The Group 31 March 1998	The Group 31 March 1997
1997 – 1998	–	3.3
1998 – 1999	3.2	3.2
1999 – 2003	12.7	12.7
Remaining years	59.7	59.7
	75.6	78.9

26. Contingent Liabilities

Following the crash of flight MI 185 en route from Jakarta to Singapore on 19 December 1997, which resulted in the tragic loss of the aircraft and all its 104 passengers and crew, the directors have considered its likely impact on the financial position of the Company and the Group. Taking into account the actual and potential claims which may arise on the one hand and the insurance cover carried on the other, the directors do not consider that the final settlement of all such claims, including the loss of the aircraft, will result in a material adverse financial effect on the Company and the Group.

There are contingent liabilities (unsecured) in respect of guarantees given by the Group and the Company at 31 March 1998 amounting to $52.2 million (1997 — $38.5 million) and $9.8 million (1997 — $34.8 million) respectively.

27. Comparative Figures

Certain figures relating to the previous year have been reclassified for comparative purposes.

Additional information required by Stock Exchange of Singapore

1. Directors' Remuneration

The number of directors of the Company whose emoluments fall in the following bands:-

	The Company 1997–98	The Company 1996–97
$500,000 and above	1	1
$250,000 to $499,999	–	–
Below $250,000	9	7
	10	8

2. Interested Persons Transactions (in $ million)

Interested persons transactions under the shareholders' mandate for the year are as follows:-

	Aggregated Transactions	Total
Property–based transactions		
Pidemco Property Management Services Pte Ltd	0.7	
DBS Bank Ltd	2.9	3.6
Other services and products transactions		
Sembawang Engineering & Construction Pte Ltd	125.7	
Indeco Engineers Pte Ltd	10.2	135.9
Total interested persons transactions		139.5

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

Half-Yearly Results of the Group

		First Half	Second Half	Total
Total Revenue				
1997–98	($ million)	3,904.4	3,819.5	7,723.9
	(%)	50.5	49.5	100.0
1996–97	($ million)	3,527.1	3,694.4	7,221.5
	(%)	48.8	51.2	100.0
Total Expenditure				
1997–98	($ million)	3,324.6	3,400.6	6,725.2
	(%)	49.4	50.6	100.0
1996–97	($ million)	3,059.5	3,266.3	6,325.8
	(%)	48.4	51.6	100.0
Operating Profit				
1997–98	($ million)	579.8	418.9	998.7
	(%)	58.1	41.9	100.0
1996–97	($ million)	467.6	428.1	895.7
	(%)	52.2	47.8	100.0
Profit Before Tax				
1997–98	($ million)	689.8	482.0	1,171.8
	(%)	58.9	41.1	100.0
1996–97	($ million)	594.4	481.3	1,075.7
	(%)	55.3	44.7	100.0
Profit After Tax and Minority Interests				
1997–98	($ million)	615.9	422.7	1,038.6
	(%)	59.3	40.7	100.0
1996–97	($ million)	560.5	471.0	1,031.5
	(%)	54.3	45.7	100.0
Profit Attributable to Shareholders				
1997–98	($ million)	615.9	418.8	1,034.7
	(%)	59.5	40.5	100.0
1996–97	($ million)	560.5	471.0	1,031.5
	(%)	54.3	45.7	100.0
Earnings (After Tax) Per Share				
1997–98	(cents)	48.0	33.0	81.0
	(%)	59.3	40.7	100.0
1996–97	(cents)	43.7	36.7	80.4
	(%)	54.4	45.6	100.0

Five-Year Financial Summary of the Group in Singapore Dollars

	1997-98	1996-97	1995-96	1994-95	1993-94
Profit and Loss Account ($ million)					
Total revenue	7,723.9	7,221.5	6,889.9	6,555.9	6,236.4
Total expenditure	6,725.2	6,325.8	5,844.9	5,625.4	5,417.4
Operating profit	998.7	895.7	1,045.0	930.5	819.0
Surplus on sale of aircraft and spares	157.1	173.8	33.9	25.1	49.5
Share of profits of joint venture companies	7.1	1.9	1.2	0.4	–
Share of profits of associated companies	8.9	4.3	1.6	2.1	2.9
Profit before tax	1,171.8	1,075.7	1,081.7	958.1	871.4
Profit after tax and minority interests	1,038.6	1,031.5	1,025.3	917.5	801.0
Profit attributable to shareholders	1,034.7	1,031.5	1,025.3	917.5	801.0
Balance Sheet ($ million)					
Share capital	1,282.6	1,282.6	1,282.6	1,282.6	1,282.6
Distributable reserves	7,844.0	7,312.4	6,565.7	6,256.3	5,549.4
Non-distributable reserves					
Share premium	447.2	447.2	447.2	447.2	447.2
Capital reserve	6.3	–	–	–	–
Special non-distributable reserve	1,800.0	1,500.0	1,500.0	1,000.0	1,000.0
Shareholders' funds	11,380.1	10,542.2	9,795.5	8,986.1	8,279.2
Minority interests	14.1	11.9	10.1	8.6	7.7
Deferred income	177.1	–	–	19.4	53.8
Deferred taxation	441.5	430.4	426.7	404.1	399.2
Fixed assets	11,398.0	11,054.3	9,791.7	9,169.8	8,298.9
Associated companies	102.8	94.9	72.5	54.3	22.5
Joint venture companies	125.5	72.8	42.5	0.8	–
Long-term investments	936.5	840.2	812.2	837.3	525.8
Current assets	3,144.5	2,458.9	2,475.8	2,065.2	2,107.4
Total assets	15,707.3	14,521.1	13,194.7	12,127.4	10,954.6
Long-term liabilities	523.3	463.6	441.5	439.1	–
Current liabilities	3,171.2	3,073.0	2,520.9	2,270.1	2,214.7
Total liabilities	3,694.5	3,536.6	2,962.4	2,709.2	2,214.7
Net liquid assets	1,511.8	843.5	1,101.0	877.8	1,014.1
Cash Flow Statement ($ million)#					
Cash flow from operations	2,070.4	1,974.8	1,976.0	2,022.9	1,777.7
Internally generated cash flow	3,144.3	2,345.0	2,006.3	2,231.0	1,867.9
Capital expenditure	2,120.5	2,449.5	1,572.8	1,970.4	2,011.0

Note

With effect from 1995–96, 'Statement of Changes in Financial Position' has been replaced by 'Cash Flow Statement' in compliance with revised Statement of Accounting Standard 7 issued by the Institute of Certified Public Accountants of Singapore. Internally generated cash flow comprises cash generated from operations, dividends from associated companies, and proceeds from sale of aircraft and other fixed assets.

	1997-98	1996-97	1995-96	1994-95	1993-94
Per Share Data					
Earnings before tax (cents)	91.4	83.9	84.3	74.7	67.9
Earnings after tax (cents)	81.0	80.4	79.9	71.5	62.5
Cash earnings ($)@	1.64	1.57	1.52	1.43	1.30
Net tangible assets ($)	8.87	8.22	7.64	7.01	6.46
Share Prices					
SIA Local – High	9.65	8.15	8.60	9.00	8.60
– Low	6.40	7.00	7.50	7.05	6.50
– Closing	9.30	7.05	8.10	8.50	7.20
SIA Foreign – High	13.90	15.00	15.70	15.10	14.10
– Low	9.20	11.40	11.80	11.00	8.45
– Closing	11.50	11.60	14.60	14.10	11.30
Dividends					
Gross dividends (cents)	22.5	30.0*	22.5	22.5	22.5
Dividend cover (times)	4.8	4.8	4.7	4.4	3.8
Profitability Ratios (%)					
Return on shareholders' funds	9.5	10.1	10.9	10.6	10.0
Return on total assets	6.9	7.5	8.1	8.0	7.6
Return on turnover	13.5	14.3	14.9	14.0	12.9
Productivity and Employee Data					
Value added ($ million)	4,100.4	3,811.7	3,549.1	3,316.6	3,090.6
Value added per employee ($)	146,631	139,925	134,813	130,791	126,783
Revenue per employee ($)	276,209	265,097	261,715	258,534	255,831
Average employee strength	27,964	27,241	26,326	25,358	24,377
US$/S$ exchange rate as at 31 March	1.6155	1.4449	1.4075	1.4170	1.5690

Notes

@ Cash earnings is defined as profit after tax and minority interests plus depreciation.

* Including a 7.5% bonus dividend.

Ten-Year Statistical Record of the Company

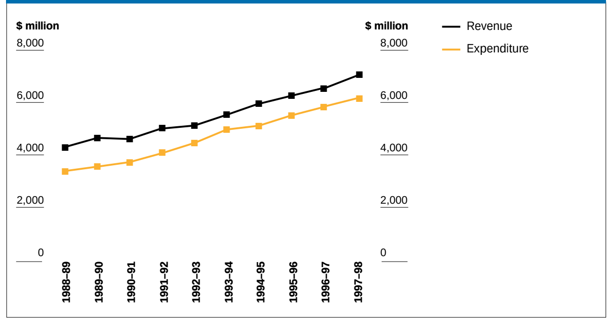
	1997–98	1996–97	1995–96	1994–95	1993–94	1992–93	1991–92	1990–91	1989–90	1988–89
Financial										
Total revenue ($ million)	6,968.9	6,519.3	6,252.4	5,940.7	5,560.5	5,134.6	5,012.7	4,601.7	4,730.7	4,271.8
Total expenditure ($ million)	6,214.4	5,866.0	5,496.5	5,124.2	5,026.4	4,479.6	4,149.0	3,760.2	3,601.8	3,406.7
Operating profit ($ million)	754.5	653.3	755.9	816.5	534.1	655.0	863.7	841.5	1,128.9	865.1
Profit before tax ($ million)	1,032.3	933.8	903.3	950.5	733.0	794.2	1,085.2	1,124.2	1,397.8	1,025.4
Profit after tax ($ million)	919.5	901.8	875.9	939.0	722.6	741.1	920.7	886.8	1,176.8	928.4
Internally generated cash flow+ ($ million)	2,846.8	2,163.8	1,779.2	1,942.3	1,695.5	1,366.4	1,604.7	1,814.2	1,703.8	1,834.4
Capital disbursements ($ million)	1,934.0	2,365.9	1,395.1	1,790.7	1,835.4	1,619.0	1,620.2	1,077.3	1,140.0	912.6
Yield (¢/ltk)	67.2	66.5	69.7	73.6	76.0	81.3	90.8	95.2	99.2	99.2
Unit cost (¢/ctk)	43.8	43.8	43.6	46.0	49.8	50.6	54.9	58.4	57.8	58.3
Breakeven load factor (%)	65.2	65.9	62.6	62.5	65.5	62.2	60.5	61.3	58.3	58.8
Fleet										
Aircraft (no.)	86	80	71	66	64	57	48	43	40	37
Average age (months)	62	63	68	60	60	61	61	57	55	54
Production										
Destination cities (no.)	77	77	77	75	73	70	67	63	57	57
Distance flown (million km)	274.2	251.8	228.5	205.9	188.8	165.0	142.3	123.6	117.0	105.8
Time flown (hours)	345,715	325,085	294,880	264,096	241,346	211,435	180,744	157,039	149,355	136,632
Overall capacity (million tonne-km)	14,533.9	13,501.1	12,481.3	11,167.3	10,155.6	8,982.3	7,624.4	6,644.3	6,280.3	5,682.7
Passenger capacity (million seat-km)	77,219.3	73,507.3	68,529.4	64,074.0	59,290.4	53,077.6	47,454.3	41,701.2	39,236.4	36,461.6
Cargo capacity (million tonne-km)	6,908.6	6,203.9	5,585.1	4,773.6	4,231.3	3,630.0	2,898.3	2,494.5	2,380.7	2,080.8
Traffic										
Passengers carried ('000)	11,957	12,022	11,057	10,082	9,468	8,640	8,131	7,065	6,793	6,182
Passengers carried (million pax-km)	54,441.2	54,692.5	50,045.4	45,414.2	42,328.3	37,860.6	34,893.5	31,332.2	30,737.0	28,785.1
Passenger seat factor (%)	70.5	74.4	73.0	70.9	71.4	71.3	73.5	75.1	78.3	78.9
Cargo carried (million kg)	735.9	674.2	603.8	550.5	483.4	399.1	342.8	295.7	278.1	241.3
Cargo carried (million tonne-km)	4,760.9	4,249.4	3,820.1	3,389.4	2,973.4	2,411.5	1,954.8	1,705.7	1,679.4	1,448.6
Cargo load factor (%)	68.9	68.5	68.4	71.0	70.3	66.4	67.4	68.4	70.5	69.6
Mail carried (million tonne-km)	98.2	99.2	89.4	72.7	64.3	55.2	55.0	41.8	50.3	42.1
Overall load carried (million tonne-km)	10,037.6	9,512.0	8,662.0	7,789.3	7,058.8	6,086.3	5,331.2	4,715.0	4,643.5	4,223.3
Overall load factor (%)	69.1	70.5	69.4	69.8	69.5	67.8	69.9	71.0	73.9	74.3
Staff*										
Average strength	13,506	13,258	12,966	12,557	12,363	11,990	11,418	10,818	10,052	9,246
Capacity per employee (tonne-km)	1,076,107	1,018,336	962,618	889,329	821,451	749,149	667,753	614,189	624,781	614,612
Load carried per employee (tonne-km)	743,196	717,454	668,055	620,315	570,962	507,615	466,912	435,848	461,948	456,770
Revenue per employee ($)	515,985	491,726	482,215	473,099	449,769	428,240	441,592	428,046	473,458	465,142
Value added per employee ($)	235,451	220,440	209,332	214,351	195,381	186,681	215,116	205,851	242,768	221,891

Notes

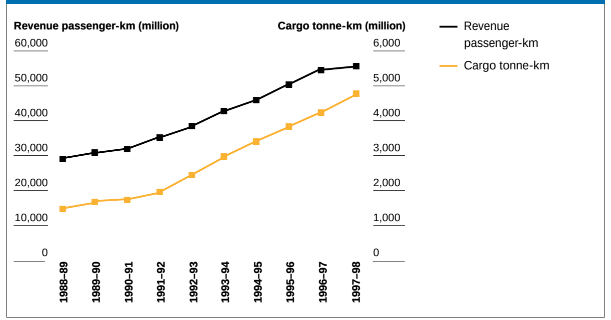
+ Internally generated cash flow comprises cash generated from operations, dividends from subsidiaries and associated companies and proceeds from sale of aircraft and other fixed assets.

* Figures for 1991–92 and prior years have been adjusted to exclude SIA Engineering departments which became part of SIA Engineering Company from 1 April 1992.

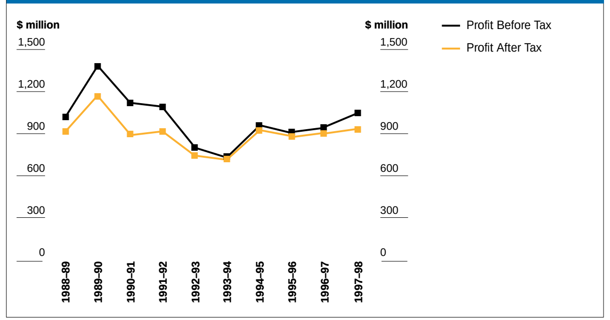
Company Revenue and Expenditure



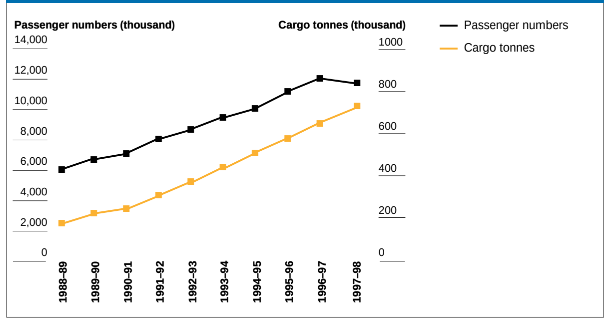
Passengers and Cargo Carried



Company Profit Before and After Tax



Passengers and Cargo Carried



SIA's Fleet as at 31 March 1998

Aircraft	Engine	In operation	On firm order	On option	On lease to other carriers
B747-400 (MEGATOP)	PW 4056	37	8	10	–
B747-300 (BIG TOP)	PW JT9D-7R4G2	4	–	–	3
B747-300 Combi	PW JT9D-7R4G2	2	–	–	–
B747-400 (MEGA ARK)	PW 4056	6	2	–	–
B777-200 (JUBILEE)	ROLLS ROYCE TRENT 800 SERIES	6	24*	31**	–
A310-300	PW 4152	17	–	–	–
A310-200	PW JT9D-7R4E1	2	–	–	–
A340-300 (CELESTAR)	CFM 56-5C4	12	5	7	–
Total		86	39	48	3

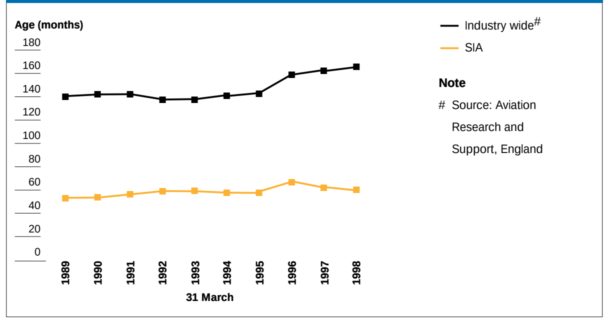
Average age of passenger fleet: 5 years 2 months

Notes

* Excludes 6 aircraft intended for Singapore Aircraft Leasing Enterprise Pte Ltd.

** Excludes 10 aircraft intended for Singapore Aircraft Leasing Enterprise Pte Ltd.

Average Fleet Age SIA and Industry-Wide



Note

\# Source: Aviation Research and Support, England

Group Corporate Structure at 31 March 1998

Singapore Airlines Limited

- **100%** Singapore Airport Terminal Services (Private) Limited
  - **100%** SATS Catering Pte Ltd
  - **100%** SATS Airport Services Pte Ltd
  - **100%** SATS Security Services Private Limited
  - **100%** Aero Laundry & Linen Services Private Limited
  - **40%** Beijing Airport Inflight Kitchen Limited
  - **40%** Beijing Aviation Ground Services Company Ltd
  - **49%** Aviserv Ltd
  - **30%** Tan Son Nhat Cargo Services Ltd
  - **30%** Taj-Madras Flight Kitchen Private Ltd
  - **40%** Maldives Inflight Catering Private Limited
  - **24.5%** Asia Airfreight Terminal Company Ltd
  - **49%** Servair-SATS Holdings Co Pte Ltd
  - **100%** Asia-Pacific Star Pte Ltd
  - **20%** MacroAsia-Eurest Catering Services Pte Ltd
  - **24%** Singapore Airport Duty-Free Emporium (Private) Limited
- **100%** SilkAir (Singapore) Private Limited
  - **100%** Tradewinds Tours and Travel Private Ltd
  - **100%** SH Tours Ltd
  - **5%** Abacus Travel Systems Pte Ltd
- **100%** SIA Engineering Company Private Limited
  - **49%** Combustor Airmotive Services Pte Ltd
  - **29%** Asian Surface Technologies Pte Ltd
  - **47.1%** Pan Asia Pacific Aviation Services Limited
  - **24.5%** Asian Compressor Technology Services Company Ltd
  - **51%** Singapore Jamco Private Limited
  - **50%** International Engine Component Overhaul Pte Ltd
  - **100%** SIAEC Services Pte Ltd
- **100%** SIA Properties (Pte) Ltd
  - **20%** PT Purosani Sri Persada
  - **20%** PT Pantai Indah Tateli
- **100%** Singapore Aviation and General Insurance Company (Pte) Limited
- **100%** Singapore Flying College Pte Ltd
- **51%** Cargo Community Network Pte Ltd
- **100%** Star Kingdom Investment Limited
- **100%** Auspice Limited
- **50%** Service Quality (SQ) Centre Pte Ltd
- **33.3%** Asian Frequent Flyer Pte Ltd
- **35.5%** Singapore Aircraft Leasing Enterprise Pte Ltd
- **21%** Asia Leasing Limited
- **100%** Singapore Airlines (Mauritius) Ltd
- **33.3%** DSS World Sourcing Limited
- **51%** Aviation Software Development Consultancy India Limited
- **100%** SIA Mauritius Ltd
- **56%** Abacus Travel Systems Pte Ltd
- **76%** Singapore Airport Duty-Free Emporium (Private) Limited

Note

SATS Apron Services Pte Ltd and SATS (Curacao) N.V. are under voluntary liquidation and are not included in this chart.

Information on Shareholdings as at 7 May 1998

Authorised share capital: $3,000,000,000
Issued and fully paid capital: $1,282,546,222
Class of shares: Ordinary shares of $1.00 each

Range of shareholdings	No. of shareholders	%	No. of shares	%
1 – 1,000	3,890	26.52	3,453,421	0.27
1,001 – 10,000	8,976	61.20	34,163,239	2.66
10,001 – 1,000,000	1,774	12.09	83,545,463	6.52
1,000,001 and above	28	0.19	1,161,384,099	90.55
Total	14,668	100.00	1,282,546,222	100.00

Location of accounts	No. of shares	%	No. of accounts	%
Singapore	962,573,889	75.05	15,101	90.14
United Kingdom	137,171,348	10.70	187	1.12
United States	94,077,538	7.33	203	1.21
Others	88,723,447	6.92	1,262	7.53
Total	1,282,546,222	100.00	16,753	100.00

Major shareholders	No. of shares	%
1 Temasek Holdings (Private) Limited	690,055,172	53.80
2 Raffles Nominees Pte Ltd	104,014,388	8.11
3 DBS Nominees Pte Ltd	78,239,590	6.10
4 HSBC (Singapore) Nominees Pte Ltd	53,774,937	4.19
5 Oversea-Chinese Bank Nominees Pte Ltd	36,285,774	2.83
6 Delta Air Lines Holdings, Inc.	35,186,330	2.74
7 Citibank Nominees Singapore Pte Ltd	31,065,766	2.42
8 United Overseas Bank Nominees Pte Ltd	28,798,813	2.25
9 Post Office Savings Bank of Singapore	19,201,200	1.50
10 DB Nominees (S) Pte Ltd	11,804,417	0.92
11 NTUC Income Insurance Co-operative Limited	10,390,000	0.81
12 The Great Eastern Life Assurance Co Ltd	9,815,000	0.77
13 Swissair Swiss Air Transport Company Limited	8,000,000	0.62
14 Overseas Union Bank Nominees Pte Ltd	7,337,400	0.57
15 Smith New Court (Singapore) Pte Ltd	7,052,000	0.55
16 Chang Shyh Jin	4,459,000	0.35
17 Prudential Assurance Company Singapore (Pte) Limited – Life Fund	3,692,000	0.29
18 Vickers Ballas & Co Pte Ltd	3,612,985	0.28
19 SIMBL Nominees Pte Ltd	3,071,000	0.24
20 ABN Amro Nominees Singapore Pte Ltd	3,003,200	0.24
Total	1,148,858,972	89.58

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

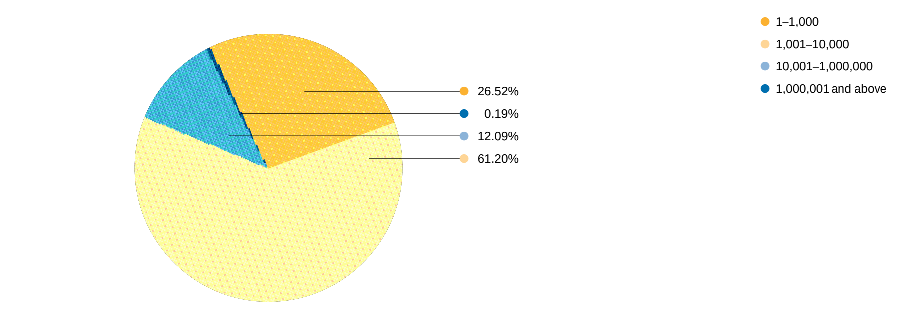
	No. of shares	%
Temasek Holdings (Private) Limited	696,990,172*	54.34

The limit on foreign shareholding is 27.51%.

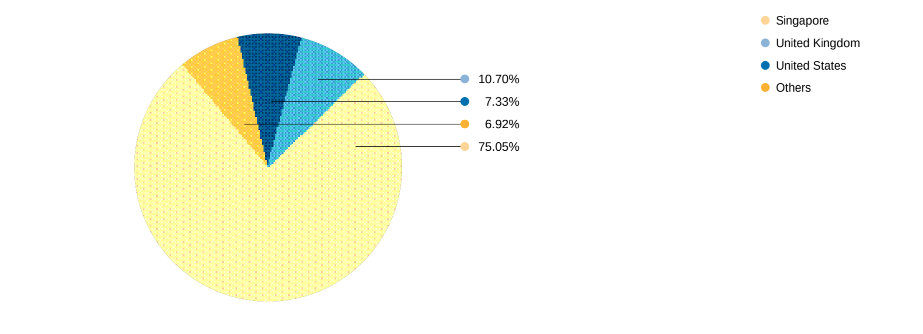
Note

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

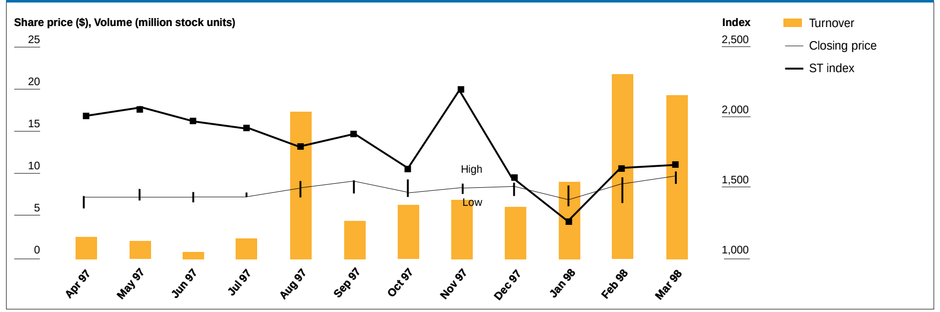
Range of Shareholdings



Location of Accounts



Share Prices and Turnover, SIA Local



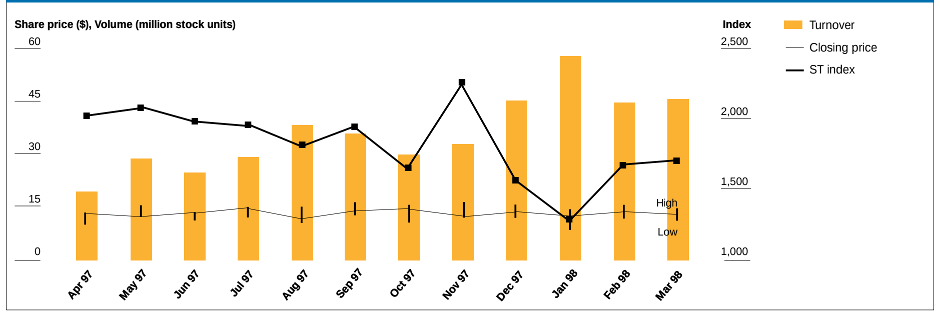
	SIA local 1997–98	1996–97
Share price ($)		
Highest closing price	9.65	8.15
Lowest closing price	6.40	7.00
31 March closing price	9.30	7.05
Market value ratios*		
Price/earnings	11.48	8.77
Price/book value	1.05	0.86
Price/cash earnings@	5.67	4.49

Notes

* Based on closing price on 31 March 1998.

@ Cash earnings is defined as profit after tax and minority interests plus depreciation.

Share Prices and Turnover, SIA Foreign



	SIA foreign 1997–98	1996–97
Share price ($)		
Highest closing price	13.90	15.00
Lowest closing price	9.20	11.40
31 March closing price	11.50	11.60
Market value ratios*		
Price/earnings	14.20	14.43
Price/book value	1.30	1.41
Price/cash earnings@	7.01	7.39

Notes

* Based on closing price on 31 March 1998.

@ Cash earnings is defined as profit after tax and minority interests plus depreciation.

Singapore Airlines Limited (incorporated in the Republic of Singapore)

Notice of Annual General Meeting

Notice is hereby given that the Twenty-Sixth Annual General Meeting of the Company will be held at the Mandarin Court D, 4th Floor, Main Wing, Mandarin Hotel, 333 Orchard Road, Singapore 238867 on Saturday, 11 July 1998 at 11.00 am to transact the following business:-

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended 31 March 1998 and the Auditors' Report thereon.

2. To declare a Final Dividend of 15 cents per share (less tax of 26%) for the year ended 31 March 1998.

3. To approve Directors' Fees.

4. To pass the following resolution under Section 153(6) of the Companies Act, Cap 50:-
"That pursuant to Section 153 (6) of the Companies Act, Cap 50, Dr Michael Y O Fam be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting of the Company."

[Note: Dr Michael Y O Fam is an independent member of the Company's Audit Committee.]

5. To re-elect the following directors retiring by rotation in accordance with Article 85 of the Company's Articles of Association:-
a. Mr Lim Chee Onn
b. Mr Tjong Yik Min

[Note: Mr Tjong Yik Min is an independent member of the Company's Audit Committee.]

6. To re-elect the following Directors retiring in accordance with Article 90 of the Company's Articles of Association:-
a. Mr Lim Boon Heng
b. Lieutenant-General Bey Soo Khiang

7. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business
8. To consider and, if thought fit, to pass with or without any modifications, the following resolutions as Ordinary Resolutions:-

8.1 "That pursuant to Section 161 of the Companies Act, Cap 50, approval be and is hereby given to the Directors to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit PROVIDED ALWAYS THAT the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10 per cent of the total issued share capital of the Company for the time being."

8.2 "That for the purposes of Chapter 9A of the Listing Manual of the Stock Exchange of Singapore Limited:-

.1 approval be and is hereby given for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Company's Circular to Members dated 19 June 1997 (the "Circular") with any party who is of the class of Interested Persons described in the Circular, provided that such transactions are made on an arm's length basis and on normal commercial terms;

.2 such approval (the "Mandate") shall, unless revoked or varied by the Company in General Meeting, continue in force until the next Annual General Meeting of the Company; and

.3 the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interest of the Company to give effect to the Mandate and/or this Resolution."

9. To transact any other business.

By order of the Board
Mathew Samuel
Company Secretary

1 June 1998, Singapore

Explanatory notes on Special Business to be transacted
a. Ordinary Resolution No. 8.1 is to allow the Directors to issue shares in the Company up to an amount not exceeding in aggregate 10% of the issued share capital of the Company. This authority will expire at the next Annual General Meeting.
b. Ordinary Resolution No. 8.2 is to renew the mandate to allow the Company, its subsidiaries and target associated companies or any of them to enter into certain interested person transactions with persons who are considered "interested persons" (as defined in Chapter 9A of the Listing Manual of the Stock Exchange of Singapore Limited).

Notes:
1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote in his stead and such proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the Company's registered office at Airline House, 25 Airline Road, Singapore 819829 at least 48 hours before the time of the Meeting.

Notice of Closure of Books

Notice is hereby given that the Transfer Books and the Register of Members of the Company will be closed from 21 July 1998 to 22 July 1998 (both dates inclusive) for the preparation of dividend warrants. The final dividend, if approved at the Twenty-Sixth Annual General Meeting, will be paid on 29 July 1998 to members on the Register as at 20 July 1998.

Duly completed transfers received by the Share Registrars, KPMG Peat Marwick, 16 Raffles Quay, #23-01, Hong Leong Building, Singapore 048581 up to 5.00 pm on 20 July 1998 will be registered to determine shareholders' entitlements to the final dividend.

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