

**ANNOUNCEMENT**

The Board of Directors of SIA Engineering Company Limited wishes to make the following announcement:-

**1 AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2002**

	THE GROUP			THE COMPANY		
	2001-02 S\$M	2000-01 S\$M	Change %	2001-02 S\$M	2000-01 S\$M	Change %
Revenue	835.6	654.4	+27.7	830.9	650.9	+27.7
Interest income	5.7	7.7	-26.0	5.7	7.7	-26.0
	841.3	662.1	+27.1	836.6	658.6	+27.0
Less :Expenditure	(631.9)	(539.9)	+17.0	(627.7)	(536.2)	+17.1
<b>OPERATING PROFIT</b>	209.4	122.2	+71.4	208.9	122.4	+70.6
Interest on borrowings	-	(0.1)	-100.0	-	-	-
Surplus on sale of fixed assets	1.8	0.1	N.M.	3.4	0.1	N.M.
Dividend income from joint ventures and associated companies	-	-	-	3.7	1.9	+94.2
Gain on sale of long term investment	-	3.0	-100.0	-	3.0	-100.0
Write-off of goodwill	(1.1)	-	N.M.	-	-	-
Share of profits/(losses) of joint venture companies	(3.7)	0.7	N.M.	-	-	-
Share of profits of associated companies	46.1	3.3	N.M.	-	-	-
<b>PROFIT BEFORE TAXATION</b>	252.5	129.2	+95.4	216.0	127.4	+69.6
Taxation	(29.3)	(13.4)	+118.7	(25.4)	(13.9)	+83.4
<b>PROFIT AFTER TAXATION</b>	223.2	115.8	+92.7	190.6	113.5	+67.9
Minority interest	(0.2)	0.1	N.M.	-	-	-
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>	223.0	115.9	+92.4	190.6	113.5	+67.9

Note

N.M. = Not meaningful

	THE GROUP			THE COMPANY		
	2001-02 S\$M	2000-01 S\$M	Change %	2001-02 S\$M	2000-01 S\$M	Change %
NOTES:						
(a) Operating profit is arrived at after accounting for:						
Depreciation of fixed assets	21.2	20.8	+1.9	20.9	20.4	+2.2
Foreign exchange gain:						
- realised	0.6	0.1	N.M.	0.5	0.1	N.M.
- unrealised	1.4	4.5	-68.9	1.4	4.5	-68.9
(b) Revenue:						
First half year	417.5	307.2	+35.9	415.5	305.4	+36.1
Second half year	418.1	347.2	+20.4	415.4	345.5	+20.2
	<u>835.6</u>	<u>654.4</u>	<u>+27.7</u>	<u>830.9</u>	<u>650.9</u>	<u>+27.7</u>
(c) Profit after taxation:						
First half year	97.7	60.4	+61.8	84.5	56.5	+49.6
Second half year	125.5	55.4	+126.5	106.1	57.0	+86.1
	<u>223.2</u>	<u>115.8</u>	<u>+92.7</u>	<u>190.6</u>	<u>113.5</u>	<u>+67.9</u>

		THE GROUP		
		2001-02	2000-01	Change
(d)	Profit after taxation as a percentage of revenue (%)	26.7	17.7	+9.0 points
(e)	Profit after taxation and minority interests as a percentage of issued capital and reserves at the end of the year (%)	32.7	23.9	+8.8 points
(f)	Basic earnings per share (cents)	22.3	11.6	+92.4%
(g)	Diluted earnings per share (cents) *	22.2	11.6	+91.4%
(h)	Net tangible assets per share (cents)	68.3	48.5	+40.8%

\* Based on the weighted average number of ordinary shares in issue, after adjusting for dilution of shares under the employee share option plan, amounting to 1,005,114,978 (FY 2000-01 : no dilutive effect).

## 2 REVENUE BY BUSINESS ACTIVITY

	THE GROUP		THE COMPANY	
	2001-02 S\$M	2000-01 S\$M	2001-02 S\$M	2000-01 S\$M
<u>Business Activity</u>				
Airframe and component overhaul services	511.4	392.1	506.7	388.6
Line maintenance and technical ground handling	324.2	262.3	324.2	262.3
	<u>835.6</u>	<u>654.4</u>	<u>830.9</u>	<u>650.9</u>

Note:

The Company operates in Singapore in one business segment, that of maintenance, repair and overhaul of aircraft and aircraft engines.

## 3 AUDITED SUMMARISED BALANCE SHEETS AS AT 31 MARCH 2002

	THE GROUP		THE COMPANY	
	2002 S\$M	2001 S\$M	2002 S\$M	2001 S\$M
Fixed assets	189.4	164.5	185.4	160.5
Subsidiary companies	-	-	5.5	4.5
Associated companies	203.6	167.8	152.4	156.6
Joint venture companies	45.4	35.0	50.5	36.9
Long term investments	29.3	29.2	29.3	29.2
Current assets	438.5	335.2	435.3	333.0
Less: Current liabilities	(207.4)	(239.0)*	(206.0)	(237.5)*
	<u>698.8</u>	<u>492.7</u>	<u>652.4</u>	<u>483.2</u>
Share capital	100.0	100.0	100.0	100.0
Reserves	582.7	385.1*	538.5	377.9*
Shareholders' funds	682.7	485.1	638.5	477.9
Minority interest	2.0	2.3	-	-
Deferred taxation	14.1	5.3	13.9	5.3
	<u>698.8</u>	<u>492.7</u>	<u>652.4</u>	<u>483.2</u>

\* In FY 2001-02, the Group and Company has adopted the revised SAS 10 (2000) – Events after the Balance Sheet Date. Under the revised SAS 10, final dividends are recognized when they are declared payable. This has resulted in the Group and Company reversing the liability for proposed final dividends. The change has been applied retrospectively by adjusting the revenue reserves as at 31 March 2001; comparatives have been restated. In consequence, revenue reserves of the Group and the Company as at 31 March 2001 is \$18.9M higher than previously reported.

#### 4 GROUP BORROWINGS

	<b>Loans – unsecured</b>	
	<b>31 March 2002</b>	<b>31 March 2001</b>
	<b>S\$M</b>	<b>S\$M</b>
Repayable within one year	1.0	1.1
Repayable after one year	-	-

#### 5 COMMENTS ON RESULTS

- 5.1 Notwithstanding the events of September 11 and the general downturn in the global airline industry, the Company's operating profit for the financial year 2001-02 was \$208.9 million, an increase of \$86.5 million (or 70.6%) from FY 2000-01. Revenue increased \$180.0 million (or 27.7%) to \$830.9 million. Significant improvement in productivity was achieved from improved allocation of resources and enhanced work processes. Workload increased as a result of additional capacity from the new hangar 3 from October 2001. Expenditure increased at a lower rate of 17.1% to \$627.7 million because of productivity improvements and cost cutting measures. In addition, there were cost savings from non-payment of profit-sharing bonus, in line with the profit-sharing agreement, which is based on profits of the SIA Group and is applicable until the end of FY 2003-04. A payment equivalent to 4.54 months basic wage (\$58.2 million) was made for FY 2000-01.
- 5.2 The Company's profit before tax was \$216.0 million, an increase of \$88.6 million (or 69.6%). The Company's profit after tax was \$190.6 million, an increase of \$77.1 million (or 67.9%).
- 5.3 The Group's operating profit rose by \$87.2 million (or 71.4%) to \$209.4 million. Profit before tax increased by \$123.3 million (or 95.4%) to \$252.5 million, assisted by an increase of \$38.4 million in share of profits from associated companies and joint venture companies. Our 16 associated companies and joint ventures in Singapore, China, Hong Kong, Taiwan and Ireland generate about \$1.7 billion in revenue, with 83% derived from airlines outside the Singapore Airlines Group, and employ about 4,300 staff.
- 5.4 The Group's shareholders' funds rose 40.8% to \$682.7 million. Return on average shareholders' funds was 38.2%, an increase of 11.9 percentage points over FY 2000-01. Basic earnings per share was 22.3 cents, an increase of 92.4% over FY 2000-01.
- 5.5 The Group's taxation increased by \$15.9 million (or 118.7%) over FY 2000-01, a result of an increase in the provision for deferred tax arising from timing differences relating to fixed assets, and additional tax from the increase in share of profits of associated companies and joint venture companies.
- 5.6 The increased investment in Singapore Jamco Pte Ltd, from 51% to 65%, gave rise to a pre-acquisition profit of \$0.1 million. There were no gains or losses arising from disposals of investments.

- 5.7 No transaction or event of a material and unusual nature has arisen between 31 March 2002 and the date of this report that would substantially affect the results of the Company or the Group.

## **6 OUTLOOK FOR FINANCIAL YEAR 2002-2003**

- 6.1 The beginning of the year saw early encouraging signs of recovery in the airline industry. Uncertainties in oil prices and the pace of global economic recovery, however, cloud the overall outlook. The difficult environment has hastened the need for airlines to improve the operating efficiency of their fleets by seeking maintenance, repair and overhaul (MRO) providers who can offer total, value-based solutions with competitive turnaround times. The Company is well positioned to tap this growing demand, offering comprehensive in-house capabilities and critical support services that our joint-venture technology partners bring.
- 6.2 Barring unforeseen circumstances, the Company expects its revenue to remain strong in FY 2002-03.

## **7 SUBSEQUENT EVENTS**

- 7.1 On 17 April 2002, the Company entered into a conditional agreement to acquire the entire 25% stake in Guangzhou Aircraft Maintenance Engineering Company (GAMECO) held by U.S. aerospace firm Lockheed Martin Aeronautics Service International. SIA Engineering Company and Lockheed Martin Aeronautics Service International will proceed to negotiate detailed terms of the definitive agreement.
- 7.2 On 3 May 2002, the Singapore Finance Minister announced the revision in the Singapore corporate tax rate from 24.5% to 22.0%. The revised rate will apply for the financial year ended 31 March 2002. The provisions for current and deferred tax in FY 2001-02 have not been adjusted to reflect the change in the tax rate. Had they been adjusted, the profit after tax would increase by \$2.8 million to \$225.8 million for the Group, and by \$2.7 million to \$193.3 million for the Company. The resulting provision for current tax for the Group and Company would amount to \$26.1 million, and the provision for deferred tax for the Group and Company would amount to \$12.6 million and \$12.5 million respectively.

## **8 DIVIDENDS**

- 8.1 An interim dividend of 1.5 cents per share less income tax at 24.5% (amounting to \$11.3 million) was paid on 28 November 2001.
- 8.2 A final dividend of 3 cents per share (1.2 cents less income tax at 22% and 1.8 cents tax exempt), amounting to \$27.4 million, is proposed for FY 2001-02.

## **9 OPTIONS ON SHARES IN THE COMPANY**

- 9.1 On 2 July 2001, options were granted under the SIA Engineering Company Limited Employee Share Option Plan ("Plan") to eligible employees to subscribe for 15,638,700 ordinary shares of \$0.10 each of the Company ("Shares"), out of which options in respect of 15,516,700 shares were accepted by the employees. The exercise periods of the said options will commence on 2 July 2002 for Senior Executives (as defined under the Plan) or 2 July 2003 for other employees, and will expire on 1 July 2011. The exercise price of the Shares under the said options is \$1.41 per share. As at 31 March 2002, options to subscribe for a total of 44,578,400 shares are outstanding under the Plan (Option to subscribe for a total of 365,100 shares lapsed pursuant to Rule 8.3 of the Plan). None of the options granted on 28 March 2000, 3 July 2000 or 2 July 2001 have been exercised to date.

## **10 SHARE CAPITAL**

- 10.1 During the financial year, there was no change in the Company's authorised and issued share capital.

## **11 CLOSURE OF BOOKS**

- 11.1 Notice is hereby given that, subject to approval being obtained at the Twentieth Annual General Meeting of the Company for the payment of the final dividend, which will be paid on 26 July 2002, the Share Transfer Books and Register of Members of the Company will be closed from 15 July 2002 to 16 July 2002 (both dates inclusive) to determine shareholders' entitlements to the final dividend.
- 11.2 Duly completed transfers received by the Company's Share Registrars, KPMG, at 138 Robinson Road, #17-00, The Corporate Office, Singapore 068906, up to 5 p.m. on 12 July 2002 will be registered to determine shareholders' entitlements to the proposed final dividend.

## **12 ANNUAL GENERAL MEETING**

- 12.1 The Twentieth Annual General Meeting of the Company will be held at the Mandarin Ballroom 1 and 2, 6th floor - South Tower, Mandarin Singapore, 333 Orchard Road, Singapore 238867 on Saturday, 6 July 2002 at 10.00 a.m.

BY ORDER OF THE BOARD

Devika Rani Davar  
Company Secretary

17 May 2002  
Singapore

Also available in SIAEC's website : <http://www.SIAEC.com.sg>