

**ANNOUNCEMENT**

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

**1 AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2003**

	<b>GROUP</b>		
	<b>2002-03</b>	<b>2001-02</b>	<b>Change</b>
	<b>S\$M</b>	<b>S\$M</b>	<b>%</b>
Revenue	878.1	835.6	+5.1
Less: Expenditure	(737.1)	(631.9)	+16.6
<b>OPERATING PROFIT</b>	141.0	203.7	-30.8
Interest Income	3.7	5.7	-34.8
Surplus on sale of fixed assets	0.5	1.8	-72.2
Dividend income from long-term investment	0.4	-	N.M.
Amortisation of goodwill on acquisition of associated companies	(0.3)	-	N.M.
Write-off of goodwill on acquisition of subsidiary and associated companies	-	(1.1)	N.M.
Share of profits/(losses) of joint venture companies	1.8	(3.7)	N.M.
Share of profits of associated companies	69.3	46.1	+50.3
<b>PROFIT BEFORE TAXATION</b>	216.4	252.5	-14.3
Current taxation	(13.8)	(29.3)	-52.9
Adjustment for reduction in Singapore corporate tax rate	2.7	-	N.M.
<b>PROFIT AFTER TAXATION</b>	205.3	223.2	-8.0
Minority interest	(0.1)	(0.2)	-50.0
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>	205.2	223.0	-8.0

Note

N.M. = Not meaningful

**THE GROUP**

	<b>2002-03</b>	<b>2001-02</b>	<b>Change</b>
	<b>S\$M</b>	<b>S\$M</b>	<b>%</b>
NOTES:			
(a) Operating profit is arrived at after accounting for:			
Depreciation	23.0	21.2	+8.5
Foreign exchange (gain)/loss:			
- realised	-	(0.6)	N.M.
- unrealised	5.6	(1.4)	N.M.
(b) Basic earnings per share (cents)	20.5	22.3	-8.0
(c) Diluted earnings per share (cents) *	20.4	22.2	-8.1
(d) Net asset value per share (cents)	83.7	68.3	+22.7

\* 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 1,004,962,547 (FY 2001-02: 1,005,114,978).

## **2 REVENUE BY BUSINESS ACTIVITY**

The Group operates in Singapore in one business segment, that of maintenance, repair and overhaul of aircraft and aircraft engines. A breakdown of revenues by airframe and component overhaul and line maintenance and technical ground handling activities is as follows:

	<b>GROUP</b>	
	<b>2002-03</b>	<b>2001-02</b>
	<b>S\$M</b>	<b>S\$M</b>
<u>Business Activity</u>		
Airframe and component overhaul services	548.4	511.4
Line maintenance and technical ground handling	329.7	324.2
	<u>878.1</u>	<u>835.6</u>

### 3 AUDITED SUMMARISED BALANCE SHEETS AS AT 31 MARCH 2003

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>S\$M</b>	<b>S\$M</b>	<b>S\$M</b>	<b>S\$M</b>
Fixed assets	194.8	189.4	190.6	185.4
Subsidiary companies	-	-	5.3	5.4
Associated companies	244.4	203.6	160.7	152.4
Joint venture companies	52.6	45.4	57.5	50.5
Long term investments	23.6	29.3	23.6	29.3
Current assets	574.4	438.5	570.4	435.4
Less: Current liabilities	(239.4)	(207.4)	(237.0)	(206.0)
	<b>850.4</b>	<b>698.8</b>	<b>771.1</b>	<b>652.4</b>
Share capital	100.0	100.0	100.0	100.0
Reserves	737.7	582.7	660.4	538.5
Shareholders' funds	837.7	682.7	760.4	638.5
Minority interest	2.0	2.0	-	-
Deferred taxation	10.7	14.1	10.7	13.9
	<b>850.4</b>	<b>698.8</b>	<b>771.1</b>	<b>652.4</b>

### 4 GROUP BORROWINGS

	<b>Loans – unsecured</b>	
	<b>31 March 2003</b>	<b>31 March 2002</b>
	<b>S\$M</b>	<b>S\$M</b>
Repayable within one year	1.0	1.0
Repayable after one year	-	-

## **5 COMMENTS ON RESULTS**

- 5.1 The Group's operating profit for the financial year 2002-03 was \$141.0 million, a decrease of \$62.7 million (or 30.8%) from 2001-02. Revenue increased \$42.5 million (or 5.1%) to \$878.1 million. Workload increased as a result of both more SIA and non-SIA work. Expenditure increased at a higher rate of 16.6% to \$737.1 million, contributed mainly by provision for profit-sharing bonus, higher aviation insurance premium and lower recovery of doubtful debts.
- 5.2 Profit before tax decreased at a lower rate of 14.3% or \$36.1 million to \$216.4 million, mainly due to an increase of \$28.7 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 generated about \$2.0 billion in revenue, with 73.0% derived from airlines outside the Singapore Airlines Group, and employ about 4,300 staff. The Group's share of profits of associated companies, which amounted to \$71.1 million, was 32.9% of its pre-tax profit.
- 5.3 The Group's operating profit and profit after tax were significantly impacted by a \$51.2 million provision for profit-sharing bonus. If there had been no such provision, as was the case in the year before, operating profit would have declined by 5.6% and profit after tax, aided by a higher profit contribution from associated companies, would have risen by 15.0%.
- 5.4 The Group's shareholders' funds rose 22.7% to \$837.7 million as compared to 31 March 2002. Return on average shareholders' funds was 27.0%, a decrease of 11.2 percentage points from 2001-02. Basic earnings per share was 20.5 cents, a decrease of 8.0% over the year ended 31 March 2002.
- 5.5 There were no gains or losses arising from the acquisitions or disposals of investments.
- 5.6 No transaction or event of a material and unusual nature has arisen between 31 March 2003 and the date of this report that would substantially affect the results of the Group.

## **6 OUTLOOK FOR FINANCIAL YEAR 2003/2004**

- 6.1 SARS (Severe Acute Respiratory Syndrome) is inflicting a heavy toll on the aviation industry. Asian carriers in particular, located at the epicentre of the SARS outbreak, are facing a rapid decline in air travel demand. In response, airlines are making drastic cuts to services in the region. This has an immediate and corresponding impact on our line maintenance business at Changi Airport. In the months of March and April, line maintenance workload fell 30%. Airlines are scaling back maintenance work, which will have a growing impact on our airframe and component maintenance businesses. As a result of cost-cutting measures by airlines and surplus capacity in the market, rates have declined by double-digit percentage points.
- 6.2 In response to the deteriorating business environment, the Company is taking prompt measures to improve operating efficiencies and cut costs.

6.3 Given the severity and extent of the SARS outbreak in Asia, the outlook for FY2003-04 remains uncertain. In the near term, with falling demand and softening of rates, we expect revenue in Q1FY2003-04 to be significantly lower than Q1FY2002-03, with an adverse impact on profitability.

## 7 DIVIDENDS

7.1 An interim dividend of 2.0 cents per share (with a par value of 10 cents) less income tax at 22.0% (amounting to \$15.6 million) was paid on 27 November 2002.

7.2 A final dividend of 2.5 cents per share (1.2 cents less income tax at 22% and 1.3 cents tax-exempt), amounting to \$22.4 million, is proposed for FY 2002-03. This brings the total dividend for FY2002-03 to 4.5 cents per share, unchanged from FY2001-02.

## 8 SHARE CAPITAL AND OPTIONS ON SHARES IN THE COMPANY

8.1 The issued and paid-up capital of the Company increased from \$100,000,000 as at 31 March 2002 to \$100,043,700 as at 31 March 2003. The increase is due to new shares allotted and issued pursuant to the exercise of share options granted under the SIA Engineering Company Limited Employee Share Option Plan, which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees.

8.2 On 1 July 2002, options were granted under the SIA Engineering Company Limited Employee Share Option Plan ("Plan") to eligible employees to subscribe for 16,679,200 ordinary shares of \$0.10 each of the Company ("shares") out of which, options in respect of 16,594,800 shares were accepted by the employees. The exercise periods of the said options will commence on 1 July 2003 for senior executives (as defined under the Plan) or 1 July 2004 for other employees, and will expire on 30 June 2012. The exercise price of the shares under the said options is \$2.38 per share. As at 31 March 2003, options to subscribe for a total of 60,301,000 shares are outstanding under the Plan (Options to subscribe for a total of 800,300 shares lapsed pursuant to Rule 8.3 of the Plan).

8.3 The movement of share options of the Company during the financial year ended 31 March 2003 is as follows:

Date of grant	Balance at 1.4.2002 / date of grant	Cancelled	Exercised	Adjustment	Balance at 31.03.2003	Exercise price	Expiry date
28.03.2000	15,079,650	(158,200)	(216,700)	–	14,704,750	\$2.05	27.03.2010
03.07.2000	14,067,750	(133,000)	(207,100)	–	13,727,650	\$1.95	02.07.2010
02.07.2001	15,431,000	(80,800)	(13,200)	–	15,337,000	\$1.41	01.07.2011
01.07.2002	16,679,200	(63,200)	–	(84,400)	16,531,600	\$2.38	30.06.2012
	<u>61,257,600</u>	<u>(435,200)</u>	<u>(437,000)</u>	<u>(84,400)</u>	<u>60,301,000</u>		

## **9. CLOSURE OF BOOKS**

- 9.1 Subject to approval being obtained at the 21st Annual General Meeting of the Company for the payment of the final dividend, notice is hereby given that duly completed transfers received by the Share Registrars, KPMG, at 138 Robinson Road, #17-00, The Corporate Office, Singapore 068906 up to 5 p.m. on 18 July 2003 will be registered to determine shareholders' entitlements to the final dividends. Thereafter the Share Transfer Books and the Register of Members of the Company will be closed from 21 July 2003 to 22 July 2003 (both dates inclusive) for the preparation of dividend warrants. The final dividend will be paid on 31 July 2003 to members on the Register as at 18 July 2003.

## **10. ANNUAL GENERAL MEETING**

- 10.1 The Twenty-First 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, 12 July 2003 at 10.00 a.m.

BY ORDER OF THE BOARD

Devika Rani Davar  
Company Secretary

21 May 2003  
Singapore

Also available in SIAEC's website : [http : //www.siaec.com.sg](http://www.siaec.com.sg)