

CORPORATE PROFILE

Today, SIA Engineering provides TOTAL SUPPORT maintenance, repair and overhaul (MRO) services to an expanding client base of international air carriers.

The Company combines specialised expertise developed over the years with extensive experience as an airline engineering service provider to offer a high level of service and commitment to its customers.

In addition, SIA Engineering actively seeks alliances and partnerships with industry specialists and original equipment manufacturers to extend the breadth and depth of its services.

Investments in both staff and processes have earned the Company the People Developer Award from SPRING Singapore, along with ISO 9002, ISO 14001 and ISO 18001 certifications, as well as approvals from 23 airworthiness authorities worldwide.



STATISTICAL HIGHLIGHTS

FINANCIAL STATISTICS

	2001-2002	2000-2001	% Change
Group (\$ million)			
Revenue	835.6	654.4	+ 27.7
Interest income	5.7	7.7	- 26.0
Expenditure	841.3	662.1	+ 27.1
Operating profit	631.9	539.9	+ 17.0
Profit before tax	209.4	122.2	+ 71.4
Profit attributable to shareholders	252.5	129.2	+ 95.4
Share capital	223.0	115.9	+ 92.4
Distributable reserves	100.0	100.0	–
Shareholders' funds	582.7	385.1	+ 51.3
Return on shareholders' funds (%)	682.7	485.1	+ 40.8
Total assets	38.2	26.3	+ 11.9 points
Net liquid assets	906.2	731.7	+ 23.8
Value added	279.0	187.6	+ 48.7
Per Share Data	536.1	458.0	+ 17.1
Earnings before tax (cents)	25.3	12.9	+ 95.4
Earnings after tax (cents)	22.3	11.6	+ 92.4
Net tangible assets (cents)	68.3	48.5	+ 40.8
Dividends			
Interim dividend (cents)	1.5	1.5	–
Proposed final dividend (cents)	3.0	2.5	+ 20.0
Company (\$ million)			
Revenue	830.9	650.9	+ 27.7
Interest income	5.7	7.7	- 26.0
Expenditure	836.6	658.6	+ 27.0
Operating profit	627.7	536.2	+ 17.1
Profit before tax	208.9	122.4	+ 70.6
Profit attributable to shareholders	216.0	127.4	+ 69.6
Value added	190.6	113.5	+ 67.9
Employee Productivity - Company	501.6	454.3	+ 10.4
Average number of employees	4,245	3,993	6.3
Revenue per employee (\$)	195,735	163,014	20.1
Value added per employee (\$)	118,177	113,787	3.9
Employee Productivity - Group			
Average number of employees	4,293	4,037	6.3
Revenue per employee (\$)	194,652	162,095	20.1
Value added per employee (\$)	124,892	113,463	10.1

Notes

- 1 SIA Engineering's 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 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.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am heartened to note that despite the turbulence in the airline industry, precipitated by the tragic events of September 11 last year, SIA Engineering Company Limited has managed to prove its resilience by reporting another set of good results.

For the year ended 31 March 2002, the Group's net earnings rose 92.4% to \$223.0 million, on the back of a 27.7% increase in turnover to \$835.6 million.

Revenue from airframe and component overhaul grew by 30.4% to \$511.4 million, supported by strong workload increase in base maintenance activities and our specialised workshops.

For line maintenance, there was an increase of 23.6% in turnover to \$324.2 million due to work scope and volume expansion at Singapore Changi Airport.

In addition, a tenfold increase in the share of profits from the Group's associated companies and joint ventures contributed a total of \$42.4 million, which forms 19% of the Group's net profit.

Because our business varies with aircraft flying hours and not payloads uplifted, we were spared the full brunt of plunging passenger and cargo loads that followed the events of 11 September 2001.



“... we will stick to the charted course of steadily expanding capacity in Singapore while growing our external wing.”

Nevertheless, we immediately put in place an action plan that involved, among other things, measures to reduce operating costs and improve productivity.

MAKING SACRIFICES

Crises bring out the best in people. During aviation industry's worst-ever downturn, our Board, management and staff agreed to a wage cut, which helped the Company reduce operating overheads, leading to improved performance in the midst of a very tough business environment. To everyone, particularly our people, I express my deepest appreciation and gratitude.

STAYING ON GROWTH PATH

While there are early, encouraging signs to show that the ailing airline industry is recovering, it may still be too early to draw definite conclusions, but we will stick to the charted course of steadily expanding capacity in Singapore while growing our external wing.

In October 2001, we commenced operations in our new hangar 3, which increased our airframe maintenance capacity by 15%. Plans are underway for the construction of two additional single-bay hangars that will be ready by 2003 and 2004.

China's aviation industry, which is undergoing consolidation, is experiencing strong growth in spite of the 9-11 shake-up, propelled by the country's recent entry into the World Trade Organisation. To tap this fast-growing market, the Company is working towards concluding an agreement to buy a stake in a leading Chinese maintenance, repair and overhaul (MRO) company, Guangzhou Aircraft Maintenance Engineering Company (GAMECO). We look forward to a partnership with the dominant shareholder, China Southern Airlines.

We already have 3 joint ventures in China, namely, Taikoo Aircraft Engineering Company in Xiamen, and Pan Asia Pacific Aviation Services and Hong Kong Aero Engine Services Limited (HAESL) in Hong Kong. With GAMECO, SIA Engineering will be able to offer a comprehensive spectrum of MRO services in China.

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STRATEGIC JOINT VENTURES

Staying on the cutting edge of technology has been the hallmark of SIA Engineering. While maintaining SIA's modern fleet has allowed us to move up the technology ladder and acquire new skills in maintaining new aircraft types, our joint ventures with key original equipment manufacturers (OEM) have brought critical support services to our maintenance hub in Singapore.

In February this year, we announced our 16th joint venture, IAT-Asia, a collaboration with Pratt & Whitney and Tube Processing Corporation. IAT-Asia will be the first in Asia to offer repair services for engine tubes, ducts and manifolds, enabling airlines in Asia to significantly reduce repair cost and turnaround time.

In that same month, two of our other joint ventures opened their facilities in Singapore. Singapore Aero Engine Services Limited, our joint venture with Rolls-Royce and HAESL, commissioned its \$185 million Centre of Excellence for Trent engines in Asia-Pacific, while Turbine Coating Services, our joint venture with Pratt & Whitney and ST Aerospace, launched the only facility outside the US with the specialised equipment to repair and overhaul PW4000 engine first and second stage turbine airfoils.

The combined revenue from all our joint ventures in FY2001/02 amounted to approximately \$1.7 billion, with 83% contributed by non-SIA customers. These joint ventures collectively employ 4,300 engineers, technicians and executives, nearly half of the Group's workforce. Taking into account SIA Engineering's equity holding in these joint ventures and weighting their contribution to the SIA Engineering Group accordingly, non-SIA customers contributed approximately 34% of the Group's business.

NEW CONTRACTS

In spite of the industry downturn, we successfully won over several new customers into our fold. Major long-term contracts included a 3-year fleet technical management (FTM) agreement with Dragonair and a 5-year maintenance contract with Cameroon Airlines. The FTM agreement with Dragonair covers innovative knowledge-based services such as engineering planning and management.

Under the 5-year contract with Cameroon Airlines, we will provide airframe and component maintenance for its B747-300 aircraft, together with value-added services that include training, planning, emergency breakdowns and the setting up of workshop facilities in Douala, Cameroon.

In line maintenance, two new arrivals at Singapore Changi Airport, Hainan Airlines and Swiss Air Lines, were added to our customer base of 60 airlines.

LONG-TERM STRATEGY

Alliances are central to our long-term growth strategy. Leveraging on our unique competitive strengths from our links with an airline and OEMs, we will continue to offer innovative products and services that meet the growing airline demand for total, integrated solutions. The fusion of our extensive in-house capabilities in Singapore with the technology that our OEM joint venture partners bring will enable us to deliver value-based solutions with turn-times that are among the lowest in the industry. The need for airlines to achieve higher fleet operating efficiency and utilisation has taken greater impetus in the current difficult operating environment. Our strategy to strengthen SIA Engineering's competitiveness in meeting this growing demand will help position the Company at the vanguard of aviation growth in Asia-Pacific.

DIVIDEND

The Directors have recommended a final dividend of 3 cents per 10-cent share. This brings the total dividend for FY2001/02 to 4.5 cents per share, which is 12.5% higher than the dividend declared for the previous financial year. The total dividend for FY2001/02 translates into a gross dividend yield of 2.2% (based on the closing price of \$2.07 on 31 March 2002) and a payout ratio of 20.3%.

ACKNOWLEDGEMENTS

Once again, I thank management, staff and my colleagues on the Board for their diligence and commitment to the Company.



Cheong Choong Kong
Chairman

17 May 2002

*"We are **pleased** with the 3 'A' checks for AirTours and were **impressed** with the competence of all staff, the '**can do**' attitude, and the **thoroughness** of the engineers."*

Andrew Young, Manager, British Airways

*"...Our A310 aircraft A40-OC arrived back from Singapore after engine change at 0210 hours local time on 20th August 2001 and was immediately put into service...your **excellent coordination** and **workmanship** of your engineering staff has helped us in the recovery of the aircraft in the **shortest possible time**."*

Salim Al-Kindy, Engineering & Maintenance Manager, Oman Air



*"Air Canada is **appreciative of the quality effort** put into their aircraft AC341. Since the aircraft left on 31 January 2002 after 'M' check, there were no adverse maintenance lapses."*

Pierre Giroux, Team Leader Inspector, Air Canada

*"...Thank you for your **support** in recovering 507 out of QPG. We knew that the **talents of SIAEC** would come through and ensure a minimal delay..."*

Markus Schleich, Director of Maintenance, Atlas Air

CORPORATE CALENDAR

18 May 2001	Announcement of FY 2000/2001 results
21 May 2001	Analyst/media briefing on FY 2000/2001 results
4 June 2001	Despatch of Summary Financial Statement to shareholders
21 June 2001	Despatch of Annual Report to shareholders
7 July 2001	Annual General Meeting
27 July 2001	Payment of FY 2000/2001 final dividend
26 October 2001	Announcement of FY 2001/2002 half-year results
29 October 2001	Analyst/media briefing on FY 2001/2002 half-year results
17 May 2002	Announcement of FY 2001/2002 results
20 May 2002	Analyst/media briefing on FY 2001/2002 results
3 June 2002	Despatch of Summary Financial Statement to shareholders
20 June 2002	Despatch of Annual Report to shareholders
6 July 2002	Annual General Meeting
26 July 2002	Payment of FY 2001/2002 final dividend
25 October 2002	Announcement of FY 2002/2003 half-year results
28 October 2002	Analyst/media briefing on FY 2002/2003 half-year results



BOARD OF DIRECTORS

DR CHEONG CHOONG KONG

Dr Cheong joined Singapore Airlines in 1974, serving in various departments before becoming Managing Director in 1984, and Deputy Chairman and CEO in August 1996. Dr Cheong has degrees in Mathematics from the University of Adelaide and Australian National University in Canberra. He was an Associate Professor at the University of Malaya, and was Chairman of the Singapore Broadcasting Corporation and its immediate successor, the Singapore International Media. Dr Cheong is on the Board of Governors of the Singapore International Foundation and Vice Chairman of the Singapore-United States Business Council. Dr Cheong is also the Chairman of the Council of the National University of Singapore and Singapore Airport Terminal Services Ltd, Vice Chairman of Oversea-Chinese Banking Corporation Ltd, and a director of Singapore Press Holdings Ltd, Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Virgin Travel Group Limited.

MR CHEW LENG SENG

Mr Chew joined Singapore Airlines as an apprentice engineer in 1958 and graduated as a Licensed Aircraft Engineer in 1963. He was made Chief Planning Engineer in 1970, Assistant Director of Engineering in 1972 and Director of Engineering in 1975. He became Deputy Managing Director (Technical) in 1988 and was re-titled Executive Vice President (Technical) in July 1998. Mr Chew is the Deputy Chairman of SIAEC and was appointed Chief Executive Officer of the Company effective April 1, 2000. On May 1, 2001 Mr Chew retired as the Company's Chief Executive Officer.

LT-GEN (NS) BEY SOO KHIANG

Lt-Gen (NS) Bey was Chief of Air Force from 1992 to 1995 and Chief of Defence Force in the Ministry of Defence from 1995 to 2000. He was appointed Executive Vice-President (Technical) of Singapore Airlines on July 1, 2000 and became



Cheong Choong Kong



Chew Leng Seng



Bey Soo Kiang



N Varaprasad

its Senior Executive Vice-President (Technical and Human Resources) on April 1, 2002. Lt-Gen (NS) Bey graduated with a Bachelor of Arts (First Class Honours) degree in Engineering and has a Master of Arts degree in Engineering from the University of Cambridge. He also earned a Master of Public Administration degree from Harvard University. Lt-Gen (NS) Bey was appointed a director of SIAEC on March 1, 2000.

DR N VARAPRASAD

Dr N Varaprasad is a Deputy President at the National University of Singapore. He joined SIAEC as a director on March 1, 2000. Dr Varaprasad graduated with a Bachelor of Engineering (First Class Honours) in Mechanical Engineering from the University of Canterbury (NZ), earned a Master of Engineering (First Class) degree from the University of Auckland and a PhD in Transport Studies from the Cranfield Institute of Technology, UK. He attended the Stanford Executive Program in 1998. He serves on the Health Promotion Board and the National Medical Ethics Committee. Dr Varaprasad currently sits on the Enhancing Human Capital Sub-Committee of the Economic Review Committee. He was a recipient of the Public Administration Award (Gold) in 1996.

CORPORATE DATA

BOARD OF DIRECTORS

Chairman

Cheong Choong Kong

Deputy Chairman

Chew Leng Seng

Directors

Bey Soo Khiang
Maurice de Vaz
N Varaprasad
Thio Su Mien
Wong Nang Jang
Wong Ngit Liong
Jimmy Phoon Siew Heng
(appointed on 21 May 2002)

Company Secretary

Devika Rani Davar

AUDIT COMMITTEE

Chairman

Wong Nang Jang

Members

Chew Leng Seng
N Varaprasad
Thio Su Mien

NOMINATING COMMITTEE

Chairman

Wong Ngit Liong

Members

Cheong Choong Kong
Wong Nang Jang

COMPENSATION COMMITTEE

Chairman

N Varaprasad

Members

Cheong Choong Kong
Wong Ngit Liong

BOARD COMMITTEE

Members

Cheong Choong Kong
Chew Leng Seng

Alternates

Thio Su Mien
Maurice de Vaz

EXECUTIVE MANAGEMENT



William Tan
Chief Executive Officer



Oh Wee Khoon
Senior Vice-President
(Commercial)



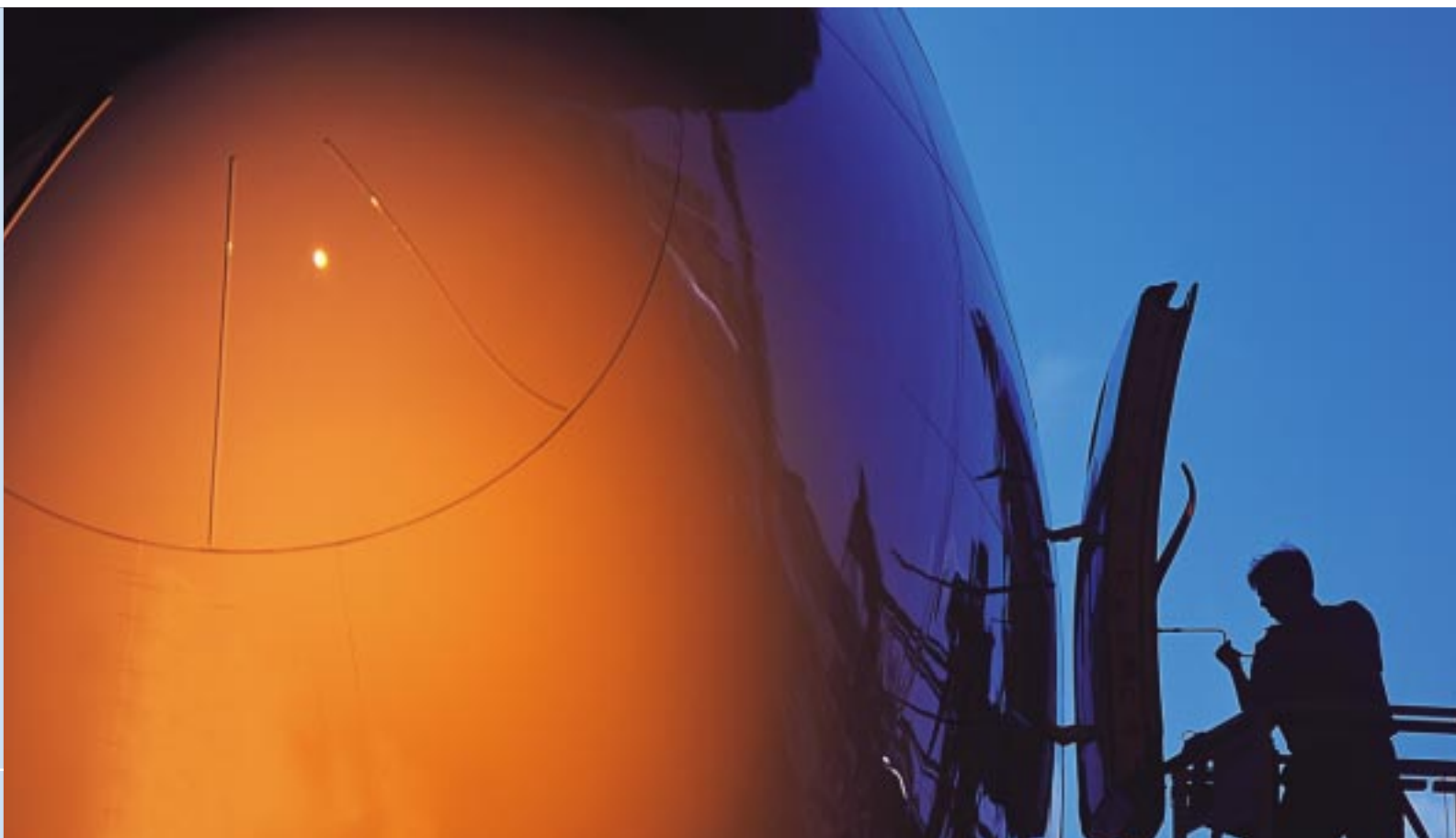
Chan Seng Yong
Senior Vice-President
(Operations)



Png Kim Chiang
Senior Vice-President
(Services)

THE MACRO ENVIRONMENT IN 2001/02





A TURBULENT TIME FOR THE GLOBAL AVIATION INDUSTRY

**MRO companies like SIA Engineering have benefited from
a more stable business environment and remain resilient.**



The year 2001 has been marred by economic recession and war against terrorism, which in turn has dented consumer confidence in air travel on a scale never seen before in recent times.

In the midst of the most dramatic downturn in aviation history, most of the world's airlines were trying desperately to find ways to deal with the problem. Airlines in the United States, Europe, even Asia, had to contend with severe cuts in operating costs immediately. Some even had to consider painful and extreme options either to hard-park their excess aircraft in the desert for long-term storage or to reduce seat capacity gradually and soft-park excess aircraft in selected airports.

Hard-parking refers to an aircraft that is removed from service and left at a long-term storage facility in the desert. All avionics and computerised equipment are removed and stored, while the fuselage is left exposed to the dry, arid environment. This is a very drastic option, which airlines take only when they know that their capacity reduction plans will be in place for a long period, and these hard-parked aircraft are not required back on service for a year or more. When faced with this option, airlines often choose to desert park their older, less fuel-efficient aircraft.

If airlines are considering short-term reduction in fleet utilisation, or if they wish to be able to take quick advantage of the recovery when it comes, then a cheaper option would be to park the plane at a designated airport for a limited period of time, a measure called soft-parking, until it is commercially viable for the plane to resume operations.

While airlines, aircraft manufacturers and related businesses faced the full brunt of spiraling passenger and cargo load factors, SIA Engineering did not see droves of customers seeking to



cancel their maintenance orders. There is usually a six-month to one-year lag before an aviation downturn is more significantly felt by MRO companies, giving them time to plan ahead and manage the challenges.

While it may be too early to draw definite conclusions, the early signs of recovery in the airline industry in 2002 are encouraging. In addition, as SIA Engineering services mainly newer aircraft types, which are more fuel-efficient, the Company has been less impacted by airlines' moves to desert-park or reduce aircraft utilisation.



Facing page from left:
Performing engine changes
during night-stops at Changi
Airport saves time for airlines.

Besides international airlines,
cargo carriers from as far away
as the U.S. are also attracted to
SIA Engineering's Total Support
services.

Trent 800 engine maintenance
on an SIA B777. SIA has a fleet
of 33 B777s, one of the largest
in the world.

Above: The \$35 million fully-
computerised engine test
facility, one of the most
advanced in the world, is built
to handle the high-thrust
engines of new-generation
aircraft.

RESILIENCE OF THE MRO INDUSTRY

MROs benefit from a more stable business environment as maintenance is mandatory and dependent on flying hours, not payloads. Airline operators have to ensure that their fleets are sent regularly to MRO companies in order to comply with mandatory international airworthiness requirements.

Typically, a 747-400 is required to undergo an 'A' check every 2,000 hours flown, approximately every 4 months. A 'C' check is required when it has clocked some 6,200 hours of flying time, about every 12 months. The comprehensive 'D' check, which takes about one month to complete, is required after 30,000 flying hours, about every four to five years.

Even if an aircraft is not fully utilised, it will still need to be scheduled for mandatory maintenance checks. There may be a longer time lapse between maintenance checks due to the reduced flight frequencies, but a trip to the hangar cannot be avoided if the aircraft is to continue flying.

REGISTRAR

KPMG
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

AUDITORS

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

Audit Partner

Winston Ngan

EXECUTIVE MANAGEMENT

Chief Executive Officer
(up to 30 April 2001)
Chew Leng Seng

Chief Executive Officer
(from 1 May 2001)
William Tan Seng Koon

Senior Vice-President
(Commercial)
Oh Wee Khoon

Senior Vice-President
(Operations)
Chan Seng Yong

Senior Vice-President
(Services)
Png Kim Chiang

Chief Financial Officer
Kwok Puay Nee

REGISTERED OFFICE

SIA Engineering Company
31 Airline Road
Singapore 819831
E-mail: siaec@singaporeair.com.sg
Website: www.siaec.com.sg
Tel: (65) 6542 3333
Fax: (65) 6546 0679

Contact Persons:
Devika Rani Davar
Company Secretary/Vice-President
Corporate
E-mail: devikarani_davar@singaporeair.com.sg
Tel: (65) 6541 5151

Chia Peck Yong
Manager Public Affairs
E-mail: peckyong_chia@singaporeair.com.sg
Tel: (65) 6541 5134
Fax: (65) 6546 0679

DIVISION HEADS

Tony Wang
Vice-President
Workshops



Lee Siew Kong
Vice-President
Line Maintenance



Arthur Lim
Vice-President
Base Maintenance



Kwok Puay Nee
Chief Financial
Officer/Vice-
President Finance



Devika Rani Davar
Vice-President
Corporate



Graeme Gilmore
Vice-President
Planning



Lim-Ho Geok Choo
Vice-President
Human Resources



Ivan Neo
Vice-President
Quality & Safety



Lee Kok Foong
Vice-President
Business
Development/
Partnership
Management



Lee Huan Shang
Vice-President
Facilities &
Materials



Lim Yeow Khee
Vice-President
Productivity/
Engineering
Training



Chew Siong Hee
Vice-President
Engineering/
Information
Technology



Lim Lin Eng
Vice-President
Marketing & Sales

DR THIO SU MIEN

Dr Thio Su Mien is a Senior Executive Director of TSMP Law Corporation. She became a director of SIAEC on March 1, 2000. She was Dean of the Faculty of Law, University of Singapore before she entered into private practice. She has served as a director of various companies as well as on professional bodies like the Board of Legal Education and disciplinary committees of the Public Service Commission and the Law Society. She holds an LL.B and LL.M degree from the University of Malaya in Singapore and a Ph.D (laws) degree from the London School of Economics and Political Science. Dr Thio currently serves as Senior Vice-President on the World Bank Administrative Tribunal. She was also a member of the Asian Development Bank Administrative Tribunal during the period 1997 - 2001.

MR WONG NANG JANG

Mr Wong Nang Jang graduated from the University of Singapore with an economics degree. He is a director of Oversea-Chinese Banking Corporation Ltd, Bank of Singapore Ltd, PacificMas Berhad, Banking Computer Services Pte Ltd, BCS Information System Pte Ltd and WBL Corporation Ltd. Mr Wong was appointed director of SIAEC on March 24, 2000.

MR WONG NGIT LIONG

Mr Wong is the Managing Director of Venture Corporation Limited and joined SIAEC as a director on March 1, 2000. Mr Wong graduated with a first class honours degree in Electrical Engineering from the University of Malaya and earned a Master of Science electrical engineering degree from the University of California at Berkeley, where he was a Fulbright Scholar. He gained an additional Master of Business Administration degree from McGill University under the Canadian Commonwealth Fellowship. Mr Wong is also a director of Singapore Exchange Ltd, k1 Ventures Ltd (up to May 15, 2002) and the Economic Development Board of Singapore.



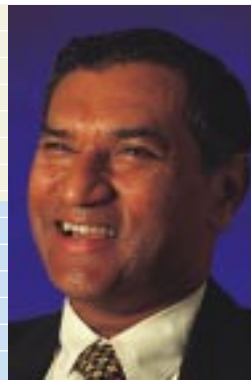
Thio Su Mien



Wong Nang Jang



Wong Ngit Liong



Maurice de Vaz



Jimmy Phoon

CAPT MAURICE DE VAZ

Captain de Vaz joined Singapore Airlines as a cadet pilot in 1963 and attained the rank of captain in 1969. He was promoted to Chief Pilot of Singapore Airlines in 1979, Acting Assistant Director of Flight Operations in 1980 and Senior Vice President of Flight Operations in 1981, a position from which he retired on January 15 this year. He is currently Senior Vice President Projects. He is also the Chairman of Singapore Flying College Pte Ltd. Captain de Vaz became a director of SIAEC on February 17, 2000.

MR JIMMY PHOON

Mr Jimmy Phoon is a Managing Director of Corporate Stewardship in Temasek Holdings (Private) Limited. He was previously an Executive Director of Standard Chartered Merchant Bank Asia Limited (SCMBA) where he worked for 7 years. Mr Phoon was a Deputy Director of the Ministry of Finance from 1988 to 1992 before joining SCMBA. He holds a Bachelor of Economics (Honours) degree from Monash University, Australia. Mr Phoon is currently a Director of SMRT Corporation Ltd and Singapore Airport Terminal Services Limited. He was appointed a director of SIAEC on May 21, 2002.

STRATEGIES TO STAY ON COURSE





RESPONDING TO A MOST CHALLENGING BUSINESS ENVIRONMENT

Expanding capacity, enhancing capabilities and extending market reach.



As a leading MRO company with a reputation for technical expertise and operational excellence, SIA Engineering remains singularly focused on its growth plans.

ORGANIC GROWTH - EXPANDING CAPACITY

Our brand-new third hangar, which handled its first heavy maintenance for an SIA B777-200 aircraft on 10 October 2001, increased our airframe MRO capacity by approximately 15%.

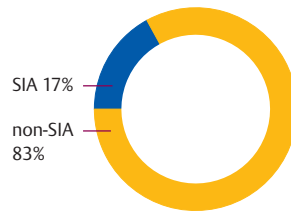
To cope with increasing work demand, plans are underway for the construction of another two single-bay hangars. The fourth hangar will be ready in 2003 and the fifth hangar the following year.

STRATEGIC ALLIANCES - ENHANCING CAPABILITIES

One of our strategies to stay ahead of global competition is by forging strategic alliances with the best equipment manufacturers in the industry. This strategy has seen the emergence of 16 such alliances in Singapore, China, Hongkong, Taiwan and Ireland, covering the entire spectrum of aircraft maintenance services, namely, airframe maintenance, line maintenance, and overhaul of components and engines.

The fusion of capabilities developed in-house, together with our original equipment manufacturer (OEM) partners such as Pratt & Whitney and Rolls-Royce, has enabled SIA Engineering to build a comprehensive suite of services to meet the most demanding needs of our airline customers, and at the most competitive prices and turnaround times.

Combined revenue of joint ventures is \$1.7 billion with 83% contributed by non-SIA customers



On 22 February 2002, SIA Engineering formed its 16th joint venture company, IAT-Asia, which will principally be involved in the repair of tubes, ducts and manifolds. Our collaboration with International Aerospace Tubes (a joint venture between Pratt & Whitney and Tube Processing Corporation) is the first in Asia to offer such services, and will significantly reduce turnaround time for airlines based in the region.

Another joint venture, Singapore Aero Engine Services Ltd (SAESL), officially opened its \$185 million Trent engine overhaul facility on 27 February 2002. SIA Engineering has a 50% stake in SAESL while its joint venture partners Rolls-Royce has 30% and Hong Kong Aero Engine Services Ltd, 20%. As Asia-Pacific's Centre of Excellence for Trent engines, SAESL hopes to capture a larger share of the growing engine overhaul market in a region where air traffic is expected to grow the fastest.



Facing page from left: SIA Engineering collaborates with Rolls-Royce and Pratt & Whitney, two of the world's largest engine makers, by setting up their respective Asia-Pacific centres of excellence for engine overhaul right here in Singapore.

Laser vectoring of tubes will be one of the many services offered at our new joint venture, IAT-Asia.

Another of our joint ventures, TCS, brings cutting-edge coating technology to Singapore.

Above: Hangar 3, equipped with a specialised B777 docking system, one of the first in the world, gives SIA Engineering an early and firm foothold in the B777 market.

The repair and overhaul of SIA's Trent 800 engines was transferred from Hong Kong Aero Engine Services Ltd to SAESL in October 2001. We hope to extend our engine overhaul testing capabilities to include Rolls-Royce Trent 500 engines which will power SIA's Airbus 340-500 fleet as well as the Roll-Royce Trent 900 engines that will power the new-generation super-jumbo — the Airbus A380s — that SIA and several other airlines have ordered to meet the projected demand for long-haul air travel.

Turbine Coating Services (TCS), in which SIA Engineering has a 24.5% stake, was also officially opened on 27 February. TCS is the only facility outside the United States that has the specialised equipment to carry out the repair and overhaul of PW4000 engine first and second stage turbine airfoils. The other partners of TCS are Pratt & Whitney (51%) and ST Aerospace (24.5%)

The combined revenue from all of our joint ventures in FY2001/02 amounted to \$1.7 billion, with 83% contributed by non-SIA customers. These joint ventures collectively employ 4,300 engineers, technicians and executives, nearly half of the Group's workforce.

We also intend to increase the proportion of business from outside the SIA Group. Taking into account SIA Engineering's equity holding in its joint ventures, non-SIA customers currently contribute 34% of our Group's business.

Location	Name of JV	JV Partners	Area of Expertise
Singapore	Singapore Jamco	Jamco Japan; Itochu Japan	Manufacture of cabin equipment and refurbishment of aircraft galley, lavatory and cabin equipment
	Messier Services Asia	Messier Services	Overhaul and repair of Boeing and Airbus landing gears
	Rohr Aero Services - Asia	Goodrich Aerospace Aerostructures Group	Repair and overhaul of nacelles, thrust reversers and pylons for Boeing and Airbus aircraft
	Combustor Airmotive Services	Pratt & Whitney	Repair and overhaul of JT9D series and PW4000 series combustion chambers
	Asian Surface Technologies	Praxair; Pratt & Whitney	Repair and overhaul of JT9D series and PW4000 series fan blades
	International Engine Component Overhaul	Rolls-Royce	Repair and overhaul of RB211 and Trent engine nozzle guide vanes and compressor stators
	Eagle Services Asia	Pratt & Whitney	Repair and overhaul of JT9D, PW4000 and CFM56-5 series engines and modules
	Singapore Aero Engine Services Ltd	Rolls-Royce; Hong Kong Aero Engine Services Ltd	Repair and overhaul of Trent series engines
	Turbine Coating Services	Pratt & Whitney; Singapore Technologies Aerospace	Repair and overhaul of PW4000 turbine airfoils
	Fuel Accessory Service Technologies	Hamilton Sundstrand	Repair and overhaul of fuel component accessories for JT9D, PW4000 and CFM56 engines, and PWA901 APU
	IAT - Asia	International Aerospace Tubes	Repair of engine tubes, ducts and manifolds
China	Taikoo (Xiamen) Aircraft Engineering Company	Hong Kong Aircraft Engineering Company; Cathay Pacific Airways; Japan Airlines; Xiamen Aviation Industry; The Boeing Company; Beijing Kai Lan Technology Development Services	General aircraft maintenance and overhaul
Hongkong	Pan Asia Pacific Aviation Services	Malaysian Airline System; Garuda Indonesia; Royal Brunei Airlines	Line maintenance services, including technical and non-technical handling
	Hong Kong Aero Engine Services Ltd	Rolls-Royce; Hong Kong Aircraft Engineering Company	Repair and overhaul of Rolls-Royce Trent and RB211-series engines
Taiwan	Asian Compressor Technology Services	Pratt & Whitney; China Airlines	Repair and overhaul of PW4000 high-pressure compressor stators
Ireland	PWA International	Pratt & Whitney	Repair and overhaul of engine cases



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GAMECO is the premier maintenance base of China Southern Airlines, the largest airline in China, with a fleet of 80 aircraft.

EXTENDING MARKET OUTREACH

As a result of the downturn in the aviation industry post-Sept11, we have had to reassess our plans to grow inorganically in mature MRO markets such as North America and Europe, as these have gone through tremendous crises. In re-identifying new areas of growth, China — the most populous country in the world — has emerged as the economic powerhouse of the new millennium. This is strengthened by its recent entry into the World Trade Organisation and Beijing's win as the host city for the 2008 Olympic Games. China's aviation industry, which is undergoing rationalisation and consolidation, has experienced strong growth and, more importantly, withstood the Sept11 shakeup. During that tumultuous period, quipped as the darkest in aviation industry, when public confidence in the safety of commercial air travel was shaken to the very core, the growth of Chinese carriers continued unabated.

April 2002 is a significant milestone for SIA Engineering. As we crossed our 10th year of being corporatised as a subsidiary of Singapore Airlines, we took another bold step in growing our external wing. The Company entered into a conditional agreement to acquire the 25% stake in Guangzhou Aircraft Maintenance Engineering Company (GAMECO) held by US aerospace firm, Lockheed Martin Aeronautics Service International.

TOTAL SUPPORT



OPERATIONS REVIEW



CORPORATE GOVERNANCE

The Company's standards of corporate governance are generally consistent with the Singapore Code of Corporate Governance (the "Code"). The Board will continue to uphold good corporate governance practices within the Company.

BOARD OF DIRECTORS

The Board comprises nine non-executive Directors, four of whom are independent as determined in accordance with the guidance notes of the Code.

The Company benefits from the diverse background, qualities, expertise and experience of its Board members. Four of the Board members also hail from an airline background, giving the Company an intimate understanding of the high expectations and demands of airline customers in the competitive MRO business. Collectively, we have Directors with airline business knowledge, financial background, legal expertise, investment experience and human resource development expertise.

The Board supervises the Management of the Company. It meets at least bi-monthly and focuses on strategies and policies, with particular attention paid to strategic growth opportunities, major investments and financial performance. Seven Board meetings were held between April 2001 and March 2002.

The Board also reviews and approves major financial transactions according to internal guidelines. Such transactions include the following that are valued at above \$5 million: capital expenditures, appointment of consultants and advisers in respect of professional services, asset disposals, write-offs of loss of funds/properties, joint-ventures, new business and partnerships, warranty claims, payment or waiver of liquidated damages, sale/write-offs of obsolete spares, write-offs of debts and issue of credit notes. Other transactions that the Board reviews and approves include reinstatement of suspended credit facilities above \$10 million, as well as potential interested person transactions equal to or above 3% of net asset value for those that are non-mandated, and above \$30 million for those that are mandated.

The Board is supported in its duties by four Board Committees, which are the Audit Committee, the Nominating Committee, the Compensation Committee and the Board Committee. The composition of these Committees is detailed in the table on page 39. These Committees are also described in detail below.

Board procedures enable Directors, either individually or as a group, to seek independent professional advice at the Company's expense, if necessary, in the furtherance of their duties.

Key decisions of the Board are communicated to a Management Committee that comprises senior executive officers and is chaired by the Chief Executive Officer. The Management Committee meets weekly on operational and policy matters.

MISSION STATEMENT

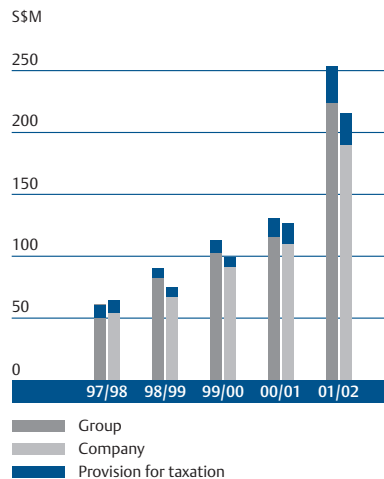
SIA Engineering Company is engaged in providing aviation engineering services of the highest quality, at competitive prices for customers and a profit to the Company.

FINANCIAL STATEMENTS

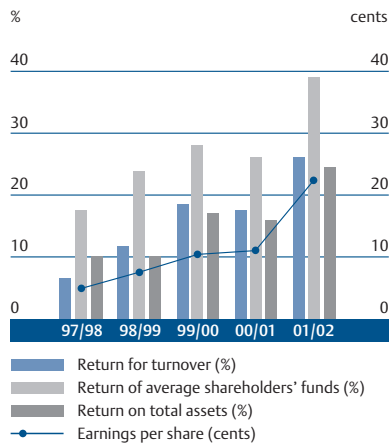
48	Financial Review	67	Statement of Changes in Shareholders' Equity	97	Five-year Financial Summary of the Group
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FINANCIAL REVIEW

Profit Before and After Tax



Group Profitability Ratios



EARNINGS

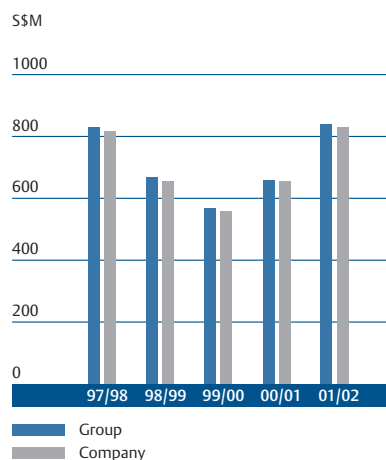
The Company's operating profit for the financial year 2001-2002 was \$208.9 million, an increase of \$86.5 million (+ 70.6%) from 2000-2001. Revenue increased \$180.0 million (+ 27.7%) to \$830.9 million. Significant improvement in productivity was achieved from improved allocation of resources and enhanced 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 2003-2004. A payment equivalent to 4.54 months basic wage (\$58.2 million) was made for 2000-2001.

The Company's profit before tax was \$216.0 million, an increase of \$88.6 million (+ 69.6%). The Company's profit after tax was \$190.6 million, an increase of \$77.1 million (+ 67.9%).

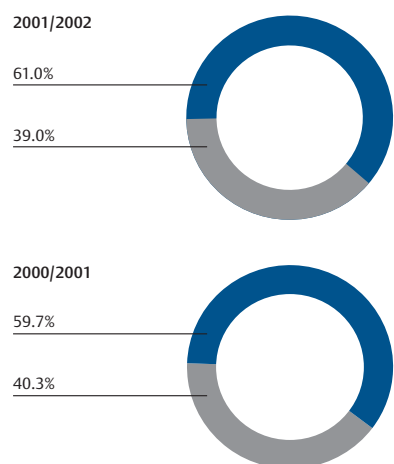
The Group's operating profit rose by \$87.2 million (+ 71.4%) to \$209.4 million. Profit before tax increased by \$123.3 million (+ 95.4%) to \$252.5 million, assisted by an increase of \$38.4 million in share of profits from associated companies and joint venture companies. Our 16 associated companies and joint ventures in Singapore, China, Hong Kong, Taiwan and Ireland generated about \$1.7 billion in revenue, with 83% derived from airlines outside the Singapore Airlines Group and employ about 4,300 staff. Profit attributable to shareholders was up \$107.1 million (+ 92.4%) to \$223.0 million.

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 2000-2001. Basic earnings per share was 22.3 cents, an increase of 92.4% over 2000-2001. Return on turnover was 26.7%, 9.0 percentage points higher while return on total assets was 24.6%, an increase of 8.8 percentage points over last year.

Revenue by Group and Company



Company Revenue Composition



	2001-2002		2000-2001		Change
	\$M	%	\$M	%	%
● Airframe and component overhaul services	506.7	61.0	388.6	59.7	30.4
● Line maintenance and technical ground handling	324.2	39.0	262.3	40.3	23.6
	830.9	100.0	650.9	100.0	27.7

REVENUE

The Company's revenue totalled \$830.9 million, an increase of \$180.0 million (+ 27.7%) over 2000-2001. The Group's revenue increased \$181.2 million (+ 27.7%) to \$835.6 million.

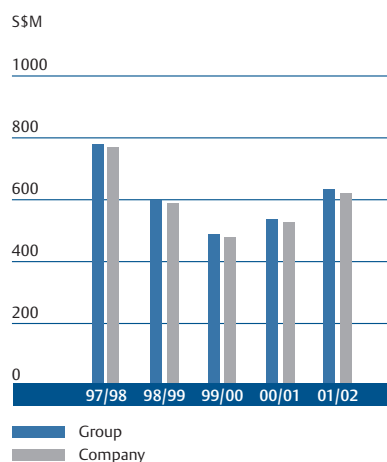
The rise in the Company's revenue was the result of:

	\$million
Airframe and component overhaul services	+ 118.1
Line maintenance and technical ground handling	+ 61.9
	+ 180.0

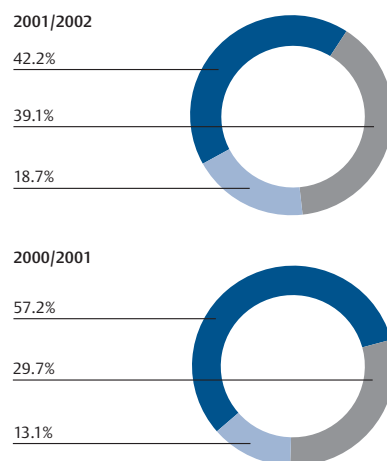
Airframe and component overhaul revenue was \$506.7 million, an increase of \$118.1 million (+ 30.4%) due to workload increase. The additional capacity generated from our third hangar coupled with productivity improvements enabled us to support the strong workload increase. Line maintenance and technical ground handling revenue was \$324.2 million, up \$61.9 million (+ 23.6%), mainly due to expanded work scope and volume. Airframe and component overhaul revenue and line maintenance and technical ground handling contributed 61.0% and 39.0% respectively to total revenue of the company.

FINANCIAL REVIEW

Expenditure by Group and Company



Company Expenditure Composition



	2001-2002		2000-2001		Change
	S\$M	%	S\$M	%	%
● Staff cost	264.8	42.2	306.5	57.2	-13.6
● Material cost	245.3	39.1	159.5	29.7	53.8
● Overheads	117.6	18.7	70.2	13.1	67.7
	627.7	100.0	536.2	100.0	17.7

EXPENDITURE

The Company's expenditure in the year rose \$91.5 million (+ 17.1%) to \$627.7 million. The Group's expenditure was \$631.9 million, up \$92.0 million (+ 17.0%).

The increase in Company's expenditure came from:

	\$million
Staff costs	- 41.8
Material costs	+ 85.8
Overheads	+ 47.5
	+ 91.5

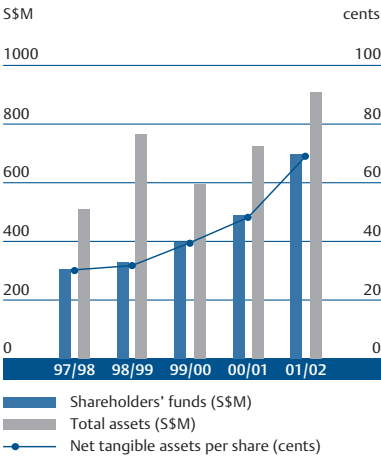
Staff cost decreased to \$264.8 million (- 13.6%). Productivity improvement achieved through improved manpower allocation and enhanced work processes enabled the Company to rein in staff costs. There were also cost savings from non-payment of profit-sharing bonus, in line with the profit-sharing agreement, which is based on profits of the SIA Group and is applicable until the end of FY 2003-2004. A payment equivalent to 4.54 months basic wage (\$58.2 million) was made for 2000-2001. Material costs increased to \$245.3 million (+ 53.8%) in tandem with increased sales. Overheads rose to \$117.6 million (+ 67.7%) due to an increase in subcontract costs to meet our increased workload, and a drop in doubtful debt recovery.

TAXATION

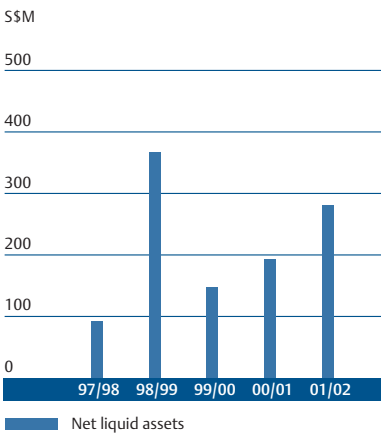
The Company's taxation increased by \$11.5 million (+ 83.4%) over FY 2000-2001.

The Group's provision for taxation was \$29.3 million, up \$15.9 million (+ 118.7%) from last year, due to 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.

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



Net Liquid Assets



DIVIDENDS

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.

A final dividend of 3.0 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 2001-2002.

FINANCIAL POSITION

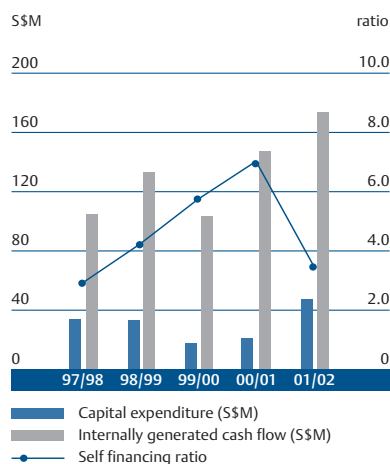
At 31 March 2002, the shareholders' funds of the Group was \$682.7 million, an increase of \$197.6 million (+40.8%) from a year ago.

The net tangible assets per share of the Group rose 19.8 cents (+ 40.8%) to 68.3 cents at 31 March 2002.

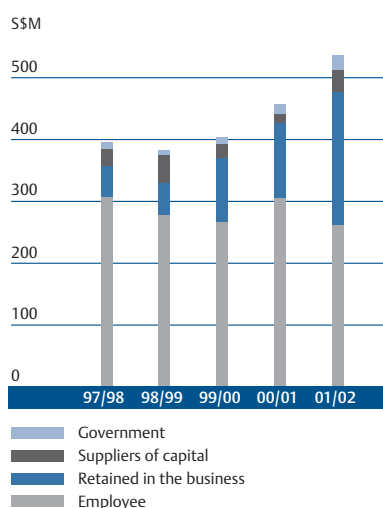
The Group's total assets stood at \$906.2 million on 31 March 2002, up \$174.5 million (+ 23.8%) due mainly to increases in deposits placed with external financial institutions and additional investments in fixed assets, associated and joint venture companies.

The net liquid assets of the Group increased \$91.4 million (+ 48.7%) to \$279.0 million at 31 March 2002.

Capital Expenditure, Internally Generated Cashflow and Self Financing Ratio



Value Added for the Group



CAPITAL EXPENDITURE AND CASH FLOW

In 2001-2002, the Group's capital expenditure of \$47.2 million was \$27.0 million (+ 133.7%) more than in the preceding year. The bulk of the capital expenditure was for the construction of the third hangar and project implementation of an enterprise resource planning system SAP as well as engineering plant and equipment.

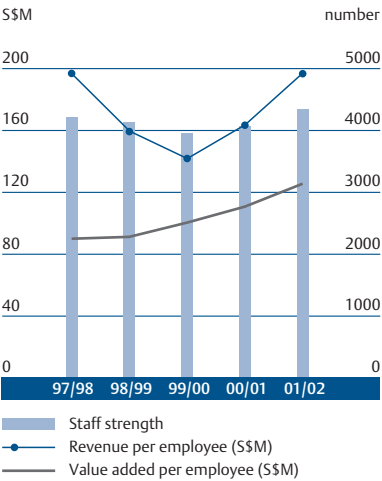
Internally generated cash flow amounted to \$173.8 million, an increase of \$35.0 million (+ 25.2%) compared to last year. The self financing ratio of cash flow to capital expenditure was down to 3.68 : 1 from 6.87 : 1 in 2000-2001.

Statement of Value Added and its Distribution (in \$ million)

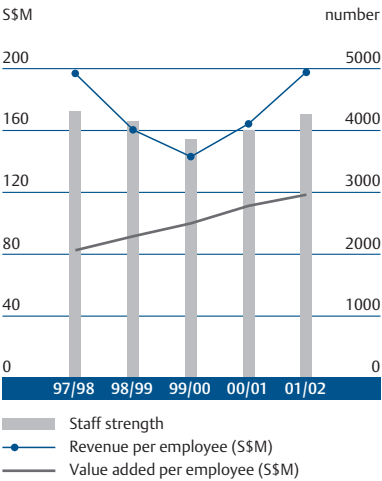
	2001-2002	2000-2001
Revenue	835.6	654.4
Less: Purchase of goods and services	(345.7)	(211.6)
Value added by the Group	489.9	442.8
Add:		
Gain on sale of long-term investment	-	3.0
Net interest income	5.7	7.7
Surplus on sale of fixed assets	1.8	0.1
Share of profits of associated/joint venture companies	38.7	4.4
Total value added available for distribution	536.1	458.0
Applied as follows:		
To employees		
- Salaries and other staff costs	266.1	307.6
To government		
- Corporate taxes	25.6	13.8
To suppliers of capital		
- Dividends	30.2	11.2
- Minority interests	0.2	(0.1)
Retained for future capital requirements		
- Depreciation	21.2	20.8
- Retained profit	192.8	104.7
Total value added	536.1	458.0

Value added is a measure of wealth created. The statement above shows the Group's value added from 2000-2001 to 2001-2002 and its distribution by way of payments to employees, government, and to those who have provided capital. It also indicates the portion retained in the business for future capital requirements.

Group Staff Strength and Productivity



Company Staff Strength and Productivity



VALUE ADDED

The total value added of the Group was \$536.1 million, an increase of \$78.1 million (+ 17.1%) from 2000-2001.

Of the total value added of \$536.1 million, \$266.1 million (49.6%) went to salaries and other staff costs. Corporate taxes accounted for \$25.6 million (4.8%), while dividend to shareholders and minority interests was \$30.4 million (5.7%). The remaining \$214.0 million (39.9%) will be retained for future capital requirements.

STAFF STRENGTH AND PRODUCTIVITY

In 2001-2002, the Company's average staff strength was 4,245 employees, an increase of 252 (+ 6.3%) over the previous year.

The Company's staff productivity, measured by the average of changes in revenue earned, and value added per employee, increased 12.0% over 2000-2001:

	2001-2002	2000-2001	% Change
Revenue per employee (\$)	195,735	163,014	+ 20.1
Value added per employee (\$)	118,177	113,787	+ 3.9
Average productivity increase			+ 12.0

The Group's staff strength increased 256 (+ 6.3%) to 4,293.

Group revenue per employee increased 20.1% to \$194,652, and value added improved 10.1% to \$124,892.

REPORT BY THE BOARD OF DIRECTORS

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2002.

1. RESULTS FOR THE FINANCIAL YEAR (IN THOUSANDS OF S\$)

	The Group 2001-2002	The Company 2001-2002
Profit after taxation	223,202	190,583
Minority interest	(174)	-
Profit attributable to shareholders	223,028	190,583

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, other than as disclosed in the financial statements and the notes thereto.

2. TRANSFERS TO/FROM RESERVES AND PROVISIONS

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

3. DIVIDENDS

During the financial year, a final dividend of 2.5 cents per \$0.10 ordinary share less income tax at 24.5%, amounting to \$18,875,000, was paid in respect of the last financial year as proposed in the previous directors' report.

An interim dividend of 1.5 cents per \$0.10 ordinary share less income tax at 24.5%, amounting to \$11,325,000, was paid on 28 November 2001. The directors propose a final dividend of 3.0 cents (1.2 cents less income tax at 22.0% and 1.8 cents tax exempt) per \$0.10 ordinary share, amounting to \$27,360,000.

4. PRINCIPAL ACTIVITIES

The principal activities of the Company are the maintenance, repair and overhaul of aircraft, the provision of engine and component overhaul, the provision of line maintenance and technical ground handling services, and investment holding. The principal activities of the subsidiary companies include the manufacturing of aircraft cabin equipment, refurbishment of aircraft galleys and investment holding. There have been no significant changes in the nature of these activities during the financial year.

5. DIRECTORS OF THE COMPANY

(a) The names of the directors in office at the date of this report are:

Cheong Choong Kong – Chairman
 Chew Leng Seng – Deputy Chairman
 Bey Soo Khiang
 Maurice de Vaz
 N Varaprasad
 Thio Su Mien
 Wong Nang Jang
 Wong Ngit Liong

(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 and share options of the Company, and in the shares, debentures and rights of the Company's immediate holding company and the subsidiary companies of the Company's immediate and ultimate holding company:

Name of Director	Direct interest		Deemed interest	
	1.4.2001	31.3.2002	1.4.2001	31.3.2002
Interest in Singapore Airlines Limited				
(Ordinary shares of \$0.50 each)				
Cheong Choong Kong	480,800	480,800	24,000	24,000
Chew Leng Seng	173,000	90,000	–	–
Maurice de Vaz	185,000	185,000	44,000	44,000
N Varaprasad	2,000	2,000	–	–
Options to subscribe for ordinary shares of \$0.50 each				
Cheong Choong Kong	480,000	708,000	–	–
Chew Leng Seng	110,000	110,000	–	–
Bey Soo Khiang	–	114,000	–	–
Maurice de Vaz	134,750	201,250	–	–
Fixed Rate Notes 2011 of \$250,000 each				
Cheong Choong Kong	–	1	–	–
Interest in SIA Engineering Company Limited				
(Ordinary shares of \$0.10 each)				
Cheong Choong Kong	58,000	58,000	3,000	3,000
Chew Leng Seng	18,000	18,000	–	–
Bey Soo Khiang	13,000	13,000	–	–
Maurice de Vaz	13,000	13,000	–	–
N Varaprasad	10,000	10,000	–	–
Thio Su Mien	13,000	13,000	–	–
Wong Nang Jang	13,000	13,000	17,000	17,000
Wong Ngit Liong	13,000	13,000	–	–

REPORT BY THE BOARD OF DIRECTORS

Name of Director	Direct interest		Deemed interest	
	1.4.2001	31.3.2002	1.4.2001	31.3.2002
Options to subscribe for ordinary shares of \$0.10 each				
Chew Leng Seng	380,000	380,000	–	–
Interest in Singapore Airport Terminal Services Limited (Ordinary shares of \$0.10 each)				
Cheong Choong Kong	56,000	56,000	3,000	3,000
Bey Soo Khiang	–	–	1,000	1,000
Interest in Singapore Telecommunications Limited (Ordinary shares of \$0.15 each)				
Cheong Choong Kong	1,690	121,690	1,690	1,690
Chew Leng Seng	1,690	11,690	1,690	1,690
Bey Soo Khiang	1,490	1,490	1,490	1,490
Maurice de Vaz	1,690	1,690	2,690	2,690
N Varaprasad	–	5,000	1,690	1,690
Thio Su Mien	1,490	1,490	1,490	1,490
Wong Nang Jang	1,690	1,690	1,690	1,690
Wong Ngit Liong	1,490	1,490	850	850
Interest in Singapore Food Industries Ltd (Ordinary shares of \$0.05 each)				
Maurice de Vaz	–	–	20,000	20,000
Wong Ngit Liong	60,000	60,000	–	–
Interest in SMRT Corporation Ltd (Ordinary shares of \$0.10 each)				
Chew Leng Seng	–	100,000	–	–
Bey Soo Khiang	3,000	3,000	3,000	3,000
N Varaprasad	4,000	4,000	–	–
Interest in CapitalLand Limited (Ordinary shares of \$1.00 each)				
Maurice de Vaz	2,750	2,750	10,250	10,250
N Varaprasad	6,000	6,000	–	–
Fixed Rate Notes 2003 of \$250,000 each				
Cheong Choong Kong	–	1	–	–

REPORT BY THE BOARD OF DIRECTORS

Name of Director	Direct interest		Deemed interest	
	1.4.2001	31.3.2002	1.4.2001	31.3.2002
Interest in Raffles Holdings Limited				
(Ordinary shares of \$0.50 each)				
Maurice de Vaz	16,000	16,000	–	–
N Varaprasad	2,000	2,000	–	–
Interest in Chartered Semiconductor Manufacturing Ltd				
(Ordinary shares of \$1.00 each)				
Bey Soo Khiang	–	–	10,000	10,000
N Varaprasad	4,000	4,000	–	–
Thio Su Mien	–	–	10,000	30,000
Wong Ngit Liong	135,000	135,000	–	–
Interest in ST Assembly Test Services Ltd				
(Ordinary shares of \$0.25 each)				
N Varaprasad	2,000	2,000	–	–
Interest in Sembawang Corporation Industries Ltd				
(Ordinary shares of \$0.25 each)				
Chew Leng Seng	–	6,000	–	–

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 and share options in, or debentures of, the Company or any other body corporate, other than pursuant to the SIA Engineering Company Limited Employee Share Option Plan.

- (c) There was no change in any of the above-mentioned interests between the balance sheet date and 21 April 2002.
- (d) No directors who held office at the end of the financial year had an interest in shares or debentures of the Company's ultimate holding company or any of the subsidiary companies of the Company's holding companies other than those disclosed in paragraph 5(b) above.
- (e) 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 other than those disclosed in paragraph 5(b) above.
- (f) 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.

6. AUDIT COMMITTEE

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

Wong Nang Jang (Independent) - Chairman
Chew Leng Seng
N Varaprasad (Independent)
Thio Su Mien (Independent)

The Committee carried out its functions in accordance with Section 201B(5) of the Companies Act, Cap. 50. The Committee holds quarterly meetings with the internal auditors and the external auditors of the Company, and performs the following functions:-

- (a) reviews the audit plans of the internal and external auditors of the Company, the results of the auditors' examination of the Company's internal financial, accounting and compliance controls and the co-operation given by the Company's officers to the auditors;
- (b) reviews the half-yearly and full-year announcements of results and annual financial statements of the Group and the Company and the external auditors' report thereon before their submission to the Board of Directors;
- (c) reviews the independence of the external auditors of the Company and the nature and extent of non-audit services provided by the external auditors;
- (d) nominates the external auditors for re-appointment;
- (e) reviews the adequacy and effectiveness of the internal audit function;
- (f) reviews the Company's risk management processes and provides oversight to the work of the Operation Risks Management Committee (ORMC); and
- (g) reviews interested party transactions.

The Committee has nominated Ernst & Young, Certified Public Accountants, for re-appointment as the Company's auditors by shareholders for the ensuing financial year.

7. ACQUISITION/DISPOSAL OF SUBSIDIARY COMPANIES

During the financial year, the Company increased its interest in the issued capital of its subsidiary company, Singapore Jamco Private Limited, from 51% to 65% through the acquisition of 420,000 ordinary shares, representing a 10.5% interest, from minority shareholders and subscribed for 400,000 new ordinary shares of \$1.00 each at par, representing a 3.5% interest. The Company paid \$560,000 for the 10.5% interest for which the share of net tangible assets acquired amounted to \$475,000.

There were no disposals of subsidiary companies by the Company during the financial year.

8. ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares and debentures during the financial year.

During the financial year, the subsidiary company, Singapore Jamco Private Limited, increased its issued and paid-up share capital through the issue of 400,000 new ordinary shares of \$1.00 each at par for cash to the Company. The issue was to provide working capital.

9. OPTIONS ON SHARES IN THE COMPANY

The SIA Engineering Company Limited Employee Share Option Plan (“the Plan”), which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees, was approved by shareholders on 9 February 2000.

Under the Plan, all options to be issued will have a term no longer than 10 years from the date of grant. The exercise price of the option will be the average of the closing prices of the ordinary shares on the SGX-ST for the five market days immediately preceding the date of grant.

Under the Employee Share Option Scheme, options will vest two years after the date of grant. Under the Senior Executive Share Option Scheme, options will vest:-

- (a) one year after the date of grant for 25% of the ordinary shares subject to the options;
- (b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;
- (c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options;
and
- (d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

The Committee administering the Plan comprises the following directors:-

Cheong Choong Kong
N Varaprasad
Chew Leng Seng (up to 26 March 2002)
Wong Ngit Liong (from 26 March 2002)

No options have been granted to controlling shareholders or their associates, or parent group employees.

No employee has received 5% or more of the total number of options available under both the Employee Share Option Scheme and the Senior Executive Share Option Scheme.

REPORT BY THE BOARD OF DIRECTORS

During the financial year, in consideration of the payment of \$1.00 for each offer accepted, offers of options were granted pursuant to the Employee Share Option Scheme and the Senior Executive Share Option Scheme in respect of 15,638,700 unissued shares of \$0.10 each in the Company at an offering price of \$1.41 per share.

At the end of the financial year, options to take up 44,578,400 unissued shares of \$0.10 each in the Company were outstanding:-

Date of grant	Number of unissued ordinary shares of \$0.10 each					Exercise price	Expiry date
	Balance at 1.4.2001 / date of grant	Cancelled	Exercised	Adjustment	Balance at 31.3.2002		
28.03.2000	15,204,050	(124,400)	–	–	15,079,650	\$2.05	27.03.2010
03.07.2000	14,135,550	(67,800)	–	–	14,067,750	\$1.95	02.07.2010
02.07.2001	15,638,700	(85,700)	–	(122,000)	15,431,000	\$1.41	01.07.2011
	44,978,300	(277,900)	–	(122,000)	44,578,400		

The details of options granted to and exercised by directors of the Company:-

Name of participant	Options granted during financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Options lapsed	Aggregate options outstanding at end of financial year under review
Chew Leng Seng	–	380,000	–	–	380,000
	–	380,000	–	–	380,000

10. OTHER STATUTORY INFORMATION

- (a) Before the financial statements 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 not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements 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.

11. SUBSEQUENT EVENTS

On 17 April 2002, the Company entered into a conditional agreement to acquire the entire 25% stake in Guangzhou Aircraft Maintenance Engineering Company Limited (GAMECO), incorporated in the People's Republic of China, held by U.S. aerospace firm Lockheed Martin Aeronautics Service International. SIA Engineering Company and Lockheed Martin Aeronautics Service International will proceed to negotiate the detailed terms of the definitive agreement.

The financial effect arising from the above transaction cannot be reasonably determined as at the date of this report.

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 these financial statements 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.

REPORT BY THE BOARD OF DIRECTORS

12. AUDITORS

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

On behalf of the Board,

CHEONG CHOONG KONG
Chairman

CHEW LENG SENG
Deputy Chairman

Dated this 14th day of May 2002

STATEMENT BY THE DIRECTORS

Pursuant to Section 201(15) of the Companies Act, Cap 50

We, Cheong Choong Kong and Chew Leng Seng, being two of the directors of SIA Engineering Company Limited, do hereby state that, in the opinion of the directors:

- (a) the accompanying financial statements set out on pages 65 to 94 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 2002, the results, the changes in shareholders' equity of the Group and of the Company and the cash flows of the Group for the financial year then ended;
- (b) 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,

CHEONG CHOONG KONG
Chairman

CHEW LENG SENG
Deputy Chairman

Dated this 14th day of May 2002

AUDITOR'S REPORT

to the members of SIA Engineering Company Limited

We have audited the financial statements and consolidated financial statements of SIA Engineering Company Limited and its subsidiary companies set out on pages 65 to 94. These financial statements comprise the balance sheets of the Group and the Company as at 31 March 2002, and the profit and loss accounts, the statements of changes in shareholders' equity of the Group and the Company and cash flows of the Group for the financial 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 and consolidated financial statements are properly drawn in accordance with the provisions of the Companies Act, Cap. 50 ("Act") and Singapore Statements of Accounting Standard and so as to give a true and fair view of:
 - (i) the state of affairs of the Group and of the Company as at 31 March 2002, the results, the changes in shareholders' equity of the Group and of the Company and cash flows of the Group for the financial year then 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 subsidiary companies incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provision of the Act.

We are satisfied that the financial statements of the subsidiary companies 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 subsidiary companies were not subject to any qualification and did not include any comment made under section 207(3) of the Act.

ERNST & YOUNG
Certified Public Accountants
(Partner: Winston Ngan)

Dated this 14th of May 2002
Singapore

PROFIT AND LOSS ACCOUNTS

For the financial year ended 31 March 2002

(In thousands of S\$)	Notes	The Group		The Company	
		2001-2002	2000-2001	2001-2002	2000-2001
REVENUE	4	835,642	654,379	830,897	650,916
Interest income	5	5,732	7,745	5,732	7,745
		841,374	662,124	836,629	658,661
EXPENDITURE					
Staff costs	29	266,124	307,565	264,762	306,545
Material costs		246,623	160,456	245,325	159,511
Depreciation	12	21,172	20,770	20,878	20,429
Company accommodation		38,160	39,090	38,063	38,987
Other operating expenses		59,809	12,012	58,667	10,724
		631,888	539,893	627,695	536,196
OPERATING PROFIT	6	209,486	122,231	208,934	122,465
Interest on external borrowings		(31)	(52)	–	–
Surplus on sale of fixed assets		1,819	63	3,428	63
Dividend from associated/joint venture companies		–	–	3,659	1,884
Gain on sale of long-term investment		–	2,964	–	2,964
Write-off of goodwill		(1,116)	–	–	–
Share of profits of associated companies		46,091	3,327	–	–
Share of (losses)/ profits of joint venture companies		(3,732)	738	–	–
PROFIT BEFORE TAXATION		252,517	129,271	216,021	127,376
Provision for taxation	7	(29,315)	(13,485)	(25,438)	(13,870)
PROFIT AFTER TAXATION		223,202	115,786	190,583	113,506
Minority interest		(174)	139	–	–
PROFIT ATTRIBUTABLE TO SHAREHOLDERS FOR THE FINANCIAL YEAR		223,028	115,925	190,583	113,506
BASIC EARNINGS PER SHARE (CENTS)	8	22.3	11.6		
DILUTED EARNINGS PER SHARE (CENTS)	8	22.2	11.6		

BALANCE SHEETS

As at 31 March 2002

(In thousands of S\$)	Notes	The Group		The Company	
		2002	2001	2002	2001
SHARE CAPITAL					
Authorised	10	300,000	300,000	300,000	300,000
Issued and fully paid	10	100,000	100,000	100,000	100,000
RESERVES					
General reserve		569,672	376,844	537,681	377,298
Foreign currency translation reserve		12,991	8,314	800	580
Distributable reserves		582,663	385,158	538,481	377,878
SHAREHOLDERS' EQUITY		682,663	485,158	638,481	477,878
MINORITY INTEREST		1,955	2,275	–	–
DEFERRED TAXATION	11	14,162	5,284	13,937	5,284
		698,780	492,717	652,418	483,162
Represented by :-					
FIXED ASSETS	12	189,387	164,557	185,369	160,497
SUBSIDIARY COMPANIES	13	–	–	5,498	4,533
ASSOCIATED COMPANIES	14	203,620	167,787	152,399	156,638
JOINT VENTURE COMPANIES	15	45,426	35,034	50,483	36,847
LONG-TERM INVESTMENTS	16	29,289	29,211	29,289	29,211
CURRENT ASSETS					
Trade and other debtors	17	54,652	54,751	53,660	54,451
Immediate holding company	18	56,376	63,948	56,288	63,777
Related companies	19	20,255	12,255	20,407	12,187
Stocks	20	10,326	7,670	9,337	6,883
Work-in-progress	21	16,814	7,904	15,971	7,689
Short-term deposits	22	208,929	178,485	208,929	178,485
Cash and bank balances	23	71,069	10,178	70,703	9,503
		438,421	335,191	435,295	332,975
Less:					
CURRENT LIABILITIES					
Trade and other creditors	24	179,016	220,240	178,518	219,816
Bank loans	25	950	1,100	–	–
Provision for taxation		27,397	17,723	27,397	17,723
		207,363	239,063	205,915	237,539
NET CURRENT ASSETS		231,058	96,128	229,380	95,436
		698,780	492,717	652,418	483,162

The accounting policies and explanatory notes on pages 70 to 94 form an integral part of the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the financial year ended 31 March 2002

(In thousands of S\$)	Share capital	General reserve	Foreign currency translation reserve	Total
The Group				
Balance at 31 March 2000	100,000	294,300	3,285	397,585
Foreign currency translation differences	–	–	5,029	5,029
Goodwill written-off to reserve	–	(22,206)	–	(22,206)
Profit attributable to share-holders for the financial year	–	115,925	–	115,925
Dividends (note 9)	–	(11,175)	–	(11,175)
Balance at 31 March 2001	100,000	376,844	8,314	485,158
Balance at 31 March 2001 as previously stated	100,000	357,969	8,314	466,283
Effect of adopting - SAS 10 (note 2(a))	–	18,875	–	18,875
As restated	100,000	376,844	8,314	485,158
Foreign currency translation differences	–	–	4,677	4,677
Profit attributable to share-holders for the financial year	–	223,028	–	223,028
Dividends (note 9)	–	(30,200)	–	(30,200)
Balance at 31 March 2002	100,000	569,672	12,991	682,663

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the financial year ended 31 March 2002

(In thousands of S\$)	Share capital	General reserve	Foreign currency translation reserve	Total
The Company				
Balance at 31 March 2000	100,000	274,967	–	374,967
Foreign currency translation differences	–	–	580	580
Profit attributable to share-holders for the financial year	–	113,506	–	113,506
Dividends (note 9)	–	(11,175)	–	(11,175)
Balance at 31 March 2001	100,000	377,298	580	477,878
Balance at 31 March 2001 as previously stated	100,000	358,423	580	459,003
Effect of adopting - SAS 10 (note 2(a))	–	18,875	–	18,875
As restated	100,000	377,298	580	477,878
Foreign currency translation differences	–	–	220	220
Profit attributable to share-holders for the financial year	–	190,583	–	190,583
Dividends (note 9)	–	(30,200)	–	(30,200)
Balance at 31 March 2002	100,000	537,681	800	638,481

The accounting policies and explanatory notes on pages 70 to 94 form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 March 2002

(In thousands of S\$)	Notes	The Group	
		2001-2002	2000-2001
NET CASH PROVIDED BY OPERATING ACTIVITIES	26	164,797	135,528
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to fixed assets		(47,183)	(20,185)
Proceeds from sale of fixed assets		4,631	71
Issues of new shares/additional investment in subsidiary		(560)	–
Investments in associated companies		(1,050)	(45,768)
Dividends from associated/joint venture companies		3,077	1,770
Proceeds from capital reduction of associated companies		5,397	–
Investments in joint venture companies		(13,636)	(19,320)
Additions to long-term investments		–	(37)
Proceeds from sale of long-term investments		6,051	–
Repayment of loan from investee company		738	–
Loans to investee companies		(577)	(784)
NET CASH USED IN INVESTING ACTIVITIES		(43,112)	(84,253)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term borrowings		(150)	(250)
Dividends paid (note 9)		(30,200)	(11,175)
NET CASH USED IN FINANCING ACTIVITIES		(30,350)	(11,425)
NET CASH INFLOW		91,335	39,850
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		188,663	148,813
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		279,998	188,663
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Short-term deposits	22	208,929	178,485
Cash and bank balances	23	71,069	10,178
		279,998	188,663

NOTES TO THE FINANCIAL STATEMENTS

31 March 2002

1. GENERAL

The consolidated financial statements of SIA Engineering Company Limited (“the Company”) for the financial year ended 31 March 2002 were authorised for issue in accordance with a resolution of the directors on 14th May 2002.

The Company is a limited liability company incorporated in the Republic of Singapore. Its immediate holding company is Singapore Airlines Limited, and its ultimate holding company is Temasek Holdings (Private) Limited. Both are incorporated in Singapore. Related companies in these financial statements refers to members of the Singapore Airlines Limited group of companies.

The registered office of the Company is at SIA Engineering Company Hangar, 31 Airline Road, Singapore 819831.

The principal activities of the Company are the maintenance, repair and overhaul of aircraft, the provision of engine and component overhaul, the provision of line maintenance and technical ground handling services, and investment holding. The principal activities of the subsidiary companies include the manufacturing of aircraft cabin equipment, refurbishment of aircraft galleys and investment holding. There have been no significant changes in the nature of these activities during the financial year.

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 financial statements of the Group and of the Company, which are expressed in Singapore dollars, are prepared under the historical cost convention and in accordance with Singapore Statements of Accounting Standard and applicable requirements of the Companies Act, Cap 50.

Change in accounting policies

During the financial year, the Group and the Company complied with the new/revised Statements of Accounting Standard, which were effective from 1 April 2001 and resulted in the modification of certain accounting policies. The effects of these changes on the financial statement were:

SAS 10 (2000) Events after the Balance Sheet Date

Under SAS 10 (2000), dividends proposed or declared after the balance sheet date are no longer recognised as a liability at the balance sheet date.

SAS 22 (2000) Business Combinations

Goodwill arising from business combinations on or after 1 April 2001 is capitalised and amortised over a useful period not exceeding twenty years. Such goodwill was previously written-off directly to reserves in the year of acquisition. As SAS 22 (2000) has been applied on a prospective basis, the gain or loss arising from the disposal of a subsidiary or associated company will include the attributable goodwill that was previously written-off directly to reserves.

Further information on the effects of adopting the new/revised SAS is disclosed in the Statements of Changes in Equity.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies for the financial year ended 31 March.

The Group's share of the consolidated results of associated companies for the financial year or period 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 associated companies concerned, adjusted as appropriate to the end of the financial year or period.

The Group's share of the consolidated results of the joint venture companies is included in the consolidated financial statements using the equity method on the same basis as associated companies.

(c) Goodwill

When subsidiary companies or interests in joint venture and associated companies are acquired, any excess of the consideration over the fair value of the net assets as at the date of acquisition represents goodwill. Goodwill is amortised using the straight-line method over a period not exceeding twenty years. When determining goodwill, assets and liabilities of the acquired interest are translated using the exchange rate at the date of acquisition if the financial statements of the acquired interest are not denominated in Singapore dollars.

(d) Revenue

Revenue from repair and maintenance of aircraft, engine and component overhaul is recognised in accordance with the percentage of completion method. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated hours for each contract.

(e) Income from investments

Dividend income from investments is recognised when the shareholders' right to receive the payment is established.

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

(f) Training and development costs

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

(g) Foreign currencies

Foreign currency transactions are converted at exchange rates closely approximating those ruling on the transaction date. Foreign currency monetary assets and liabilities are converted into Singapore dollars at financial year-end exchange rates. All foreign currency exchange differences arising from conversion are included in the profit and loss account except for those arising on, monetary items that, in substance, form part of the Group's and the Company's net investments in foreign entities. These are taken directly to the foreign currency translation reserve.

For the purposes of consolidation, the net assets of associated companies and joint ventures companies, either foreign or local whereby a foreign currency has been adopted as their functional currency are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date. The resulting conversion adjustments are included in the foreign currency translation reserve.

(h) 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 asset to working condition for its intended use. Expenditure for additions, improvements and renewals is capitalised and expenditure for maintenance and repairs is charged to the profit and loss account. When assets are sold or retired, their costs and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amount, and if the carrying values exceed this recoverable amount, assets are written-down. In determining the recoverable amount for fixed assets, the higher of the net selling price and the value in use of the fixed assets is considered.

(i) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis at rates which are calculated to write-down their cost over their estimated useful lives. The estimated useful lives are as follows:

Leasehold land and buildings

Leasehold land and buildings are amortised over the lease period or 30 years, whichever is the shorter.

Plant, equipment and tooling

These are depreciated over 3 to 7 years, with the exception of the test cell which is depreciated over 15 years.

Other fixed assets

This covers engine overhaul tooling, office furniture and equipment, and motor vehicles. These are depreciated over 1 to 7 years.

Fully-depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(j) Subsidiary, associated and joint venture companies

Shares in subsidiary, associated and joint venture companies are stated at cost, less provision for impairment in value.

A subsidiary company is defined as a company, not being an associated company or joint venture company, in which the Group has a long-term interest of more than 50% in the equity and in whose financial and operating policy decisions the Group exercises control. A list of the Group's subsidiary companies is shown in note 13 to the financial statements.

An associated company is defined as a company, not being a subsidiary or a joint venture company, in which the Group has a long-term interest of not less than 20% or more than 50% in the equity and in whose financial and operating policy decisions the Group exercises significant influence. A list of the Group's associated companies is shown in note 14 to the financial statements.

A joint venture company is defined as a company, not being a subsidiary company, in which the Group has a share in the control of the Company's financial and operating affairs. A list of the Group's joint venture companies is shown in note 15 to the financial statements.

(k) Long-term investments

These are stated at cost and provisions are made for any diminution in value which is considered to be permanent.

(l) Bad and doubtful debts

Specific provision for doubtful debts is made when management has evidence that the realisation of the outstanding amount is unlikely.

(m) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Provision is made when necessary for obsolete, slow moving and defective stocks.

(n) Trade debtors

Trade debtors, which generally have 30-90 day credit terms, are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Amounts owing by related parties are recognised and carried at cost.

(o) Work-in-progress

Work-in-progress is stated at cost plus a proportion of the estimated profit earned to-date, based upon the degree of completion of the projects. Cost comprises direct materials, direct labour and other direct overheads. Progress claims are made for work performed. Anticipated losses, if any, are provided for in full as and when they are determined.

(p) Warranty claims

Provision for warranty claims is made for engine overhaul and repair and maintenance of aircraft (excluding line maintenance) based on past experience of the level of repairs.

(q) Deferred taxation

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary, joint venture and associated companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and losses, can be utilised. For deductible temporary differences associated with investments in subsidiary, joint venture and associated companies, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

(r) Loans and borrowings

Loans and borrowings are recognised at cost.

The fair value of long-term loans and borrowings is based on the present value of the estimated future cash flow payments. The fair value of short-term loans and borrowings approximates the carrying value at the balance sheet date.

(s) Borrowing costs

Borrowing costs are recognised as expenses in the financial period in which they are incurred.

(t) Employee Benefits

Equity compensation plan

The Company has in place the SIA Engineering Company Limited Employee Share Option Plan for granting share options to senior executives and all other employees. There are no charges to the profit and loss account upon the grant or exercise of the options as the exercise price approximates the market value of the shares at the date of grant. Details of the plans are disclosed in Note 29 to the financial statements.

Defined contribution plan

As required by law, the Company and its subsidiary companies make contributions to the state pension scheme, the Central Provident Fund (CPF), for the benefit of its employees. The Company also contributes to its immediate holding company's group pension scheme, the SIA Singapore Provident Fund (SIA SPF) for the benefits of certain of its employees. Such contributions are recognised as compensation expenses in the same period as the employment that gave rise to the contributions.

(u) Trade creditors

Liabilities for trade creditors, which are settled on 30 day terms, are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Amounts owing to related parties are carried at cost.

(v) Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and time and short-term deposits, less bank overdrafts.

3. SEGMENT REPORTING

The Company and its subsidiary companies operate in Singapore in one business segment, that of maintenance, repair and overhaul of aircraft and aircraft engines.

4. REVENUE

Revenue comprised:

(In thousands of S\$)	The Group		The Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Airframe and component overhaul services	511,488	392,055	506,743	388,592
Line maintenance and technical ground handling	324,154	262,324	324,154	262,324
	835,642	654,379	830,897	650,916

5. INTEREST INCOME

Interest income comprised:-

(In thousands of S\$)	The Group		The Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Deposits placed with immediate holding company	4,076	4,627	4,076	4,627
Deposits placed with banks	633	1,581	633	1,581
Loans to subsidiary companies	–	–	7	14
Loans to associated companies	363	680	356	666
Loans to long-term investees	332	489	332	489
Staff loans	328	368	328	368
	5,732	7,745	5,732	7,745

NOTES TO THE FINANCIAL STATEMENTS

6. OPERATING PROFIT

The operating profit for the financial year is derived after charging/(crediting):-

(In thousands of S\$)	The Group		The Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Auditors' remuneration				
- Audit fees	95	92	80	80
- Non-audit fees	249	133	242	133
Bad debts recovered	(2,142)	(7,019)	(2,142)	(7,019)
Consultancy fee paid to a director	253	-	253	-
Depreciation of fixed assets	21,172	20,770	20,878	20,429
Emoluments for directors:				
- of the Company	512	1,120	507	1,120
- of the subsidiary companies	43	121	-	-
Exchange gains, net	(2,004)	(4,617)	(1,942)	(4,622)
Operating lease expenses	124	131	-	-
Provision for obsolete stock, net	1,742	783	1,636	833
Provision/ (writeback) for warranty claims, net	404	(2,075)	404	(2,075)
Write-back of provision for doubtful debts, net	(13,012)	(23,377)	(13,012)	(23,377)

7. PROVISION FOR TAXATION

Taxation has been provided in respect of:-

(In thousands of S\$)	The Group		The Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Current taxation	12,745	10,504	12,745	10,504
Prior year taxation	4,040	-	4,040	-
Deferred taxation (note 11)	8,878	3,366	8,653	3,366
Share of associated companies' taxation/(benefit)	3,601	(430)	-	-
Share of joint venture companies' taxation	51	45	-	-
	29,315	13,485	25,438	13,870

The Company has been granted expansion incentive under the Economic Expansion Incentives (Relief from Income Tax Act) till May 2004, subject to the Company complying with the conditions imposed by the law. Profits from qualifying activities in excess of a pre-determined base profit will be tax-exempt during the expansion period.

NOTES TO THE FINANCIAL STATEMENTS

The current year's taxation charge for the Group and the Company is computed after taking into account income not assessable to tax and is, therefore, lower than the amount determined by applying the statutory tax rate to the financial year's profit. A reconciliation of the statutory tax rate to the Group and the Company's effective tax rate applicable to pre-tax profits is as follows:

(In thousands of S\$)	The Group		The Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Profit before taxation for the year	252,517	129,271	216,021	127,376
Taxation at statutory tax rate of 24.5% (2001: 24.5%)	61,867	31,671	52,925	31,207
Adjustment for:				
Qualifying income under Economic Expansion Incentives	(35,415)	(14,643)	(35,415)	(14,643)
Other income not subject to tax	(6,059)	(1,874)	(13)	(742)
Expenses not deductible for tax purposes	731	335	731	335
Lower effective tax rates of other countries	(1,309)	(834)	–	–
Others	9,500	(1,170)	7,210	(2,287)
Current financial year's taxation charge	29,315	13,485	25,438	13,870

8. EARNINGS PER SHARE

(In thousands of S\$)	The Group	
	2001-2002	2000-2001
Profit attributable to shareholders	223,028	115,925
Weighted average number of ordinary shares in issue used for computing basic earnings per share	1,000,000,000	1,000,000,000
Adjustment for share options	5,114,978	–
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	1,005,114,978	1,000,000,000
Basic earnings per share (cents)	22.3	11.6
Diluted earnings per share (cents)	22.2	11.6

Basic earnings per share is calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the financial year.

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect on the exercise of all outstanding share options granted to employees. This dilutive effect is computed based on the difference between the number of shares under option and the number of shares that could have been issued at fair value.

NOTES TO THE FINANCIAL STATEMENTS

9. DIVIDENDS PAID AND PROPOSED

(In thousands of S\$)	The Group		The Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Dividends Paid:				
Final dividend of 2.5 cents per \$0.10 ordinary shares less 24.5% tax in respect of previous financial year (2000: nil)	18,875	–	18,875	–
Interim dividend of 1.5 cents per \$0.10 ordinary share less 24.5% tax (2001: 1.5 cents per \$0.10 ordinary share less 25.5% tax)	11,325	11,175	11,325	11,175
	30,200	11,175	30,200	11,175

The directors propose a final dividend of 3.0 cents (1.2 cents less income tax at 22.0% and 1.8 cents tax exempt) per \$0.10 ordinary share, amounting to \$27,360,000 (2001: \$18,875,000), be paid for the financial year ended 31 March 2002.

10. SHARE CAPITAL

(In thousands of S\$)	The Group and Company 31 March	
	2002	2001
Authorised:		
Balance at beginning and end of the financial year		
3,000,000,000 ordinary shares of \$0.10 each	300,000	300,000
Issued and fully-paid:		
Balance at beginning and end of the financial year		
1,000,000,000 ordinary shares of \$0.10 each	100,000	100,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

During the financial year, in consideration of the payment of \$1.00 for each offer accepted, options were granted pursuant to the Employee Share Option Scheme and the Senior Executive Share Option Scheme in respect of 15,638,700 unissued shares of \$0.10 each in the Company at an offering price of \$1.41 per share.

At the end of the financial year, share options granted to employees under the SIA Engineering Company Limited Employee Share Option Plan to take up 44,578,400 unissued shares of \$0.10 each in the Company were outstanding as follows:-

NOTES TO THE FINANCIAL STATEMENTS

Number of unissued ordinary shares of \$0.10 each

Date of grant	Balance at 1.4.2001 / date of grant	Cancelled	Exercised	Adjustment	Balance at 31.3.2002	Exercise price	Expiry date
28.03.2000	15,204,050	(124,400)	–	–	15,079,650	\$2.05	27.03.2010
03.07.2000	14,135,550	(67,800)	–	–	14,067,750	\$1.95	02.07.2010
02.07.2001	15,638,700	(85,700)	–	(122,000)	15,431,000	\$1.41	01.07.2011
	44,978,300	(277,900)	–	(122,000)	44,578,400		

11. DEFERRED TAXATION

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Balance at 1 April	5,284	1,918	5,284	1,918
Provided during the financial year (note 7)	8,878	3,366	8,653	3,366
Balance at 31 March	14,162	5,284	13,937	5,284
The deferred taxation arises as a result of:-				
Excess of net book value over tax written-down value of fixed assets	16,254	9,267	16,254	9,267
Undistributed reserves of associated companies	225	–	–	–
Other timing differences	(2,317)	(3,983)	(2,317)	(3,983)
	14,162	5,284	13,937	5,284

12. FIXED ASSETS

(In thousands of S\$)	Balance at 1 April 2001	Additions	Disposals/ Transfers	Balance at 31 March 2002
Group				
Cost				
Leasehold land and buildings	121,299	15,454	423	137,176
Plant, equipment and tooling	150,005	17,461	2,162	169,628
Engine overhaul tooling	6,433	1,554	(3,443)	4,544
Office furniture and equipment	18,616	756	2,683	22,055
Motor vehicles	5,491	525	(180)	5,836
	301,844	35,750	1,645	339,239
Advance and progress payments	11,789	11,433	(8,754)	14,468
	313,633	47,183	(7,109)	353,707
Accumulated depreciation				
Leasehold land and buildings	26,170	4,383	–	30,553
Plant, equipment and tooling	101,625	12,483	(2,569)	111,539
Engine overhaul tooling	3,171	996	(2,841)	1,326
Office furniture and equipment	14,582	2,714	(326)	16,970
Motor vehicles	3,528	596	(192)	3,932
	149,076	21,172	(5,928)	164,320
Net book value	164,557			189,387

NOTES TO THE FINANCIAL STATEMENTS

(In thousands of S\$)	Depreciation		Net Book Value 31 March	
	2001-2002	2000-2001	2002	2001
Leasehold land and buildings	4,383	4,074	106,623	95,129
Plant, equipment and tooling	12,483	12,713	58,089	48,380
Engine overhaul tooling	996	932	3,218	3,262
Office furniture and equipment	2,714	2,491	5,085	4,034
Motor vehicles	596	560	1,904	1,963
Advance and progress payments	–	–	14,468	11,789
	21,172	20,770	189,387	164,557

(In thousands of S\$)	Balance at 1 April 2001	Additions	Disposals/ Transfers	Balance at 31 March 2002
Company				
Cost				
Leasehold land and buildings	116,351	15,417	423	132,191
Plant, equipment and tooling	147,809	17,355	2,241	167,405
Engine overhaul tooling	6,433	1,554	(3,443)	4,544
Office furniture and equipment	18,317	729	2,740	21,786
Motor vehicles	5,292	525	(71)	5,746
	294,202	35,580	1,890	331,672
Advance and progress payments	11,789	11,351	(8,754)	14,386
	305,991	46,931	(6,864)	346,058
Accumulated depreciation				
Leasehold land and buildings	25,081	4,209	–	29,290
Plant, equipment and tooling	99,531	12,415	(2,490)	109,456
Engine overhaul tooling	3,171	996	(2,841)	1,326
Office furniture and equipment	14,342	2,674	(269)	16,747
Motor vehicles	3,369	584	(83)	3,870
	145,494	20,878	(5,683)	160,689
Net book value	160,497			185,369

(In thousands of S\$)	Depreciation		Net Book Value 31 March	
	2001-2002	2000-2001	2002	2001
Leasehold land and buildings	4,209	3,902	102,901	91,270
Plant, equipment and tooling	12,415	12,604	57,949	48,278
Engine overhaul tooling	996	932	3,218	3,262
Office furniture and equipment	2,674	2,443	5,039	3,975
Motor vehicles	584	548	1,876	1,923
Advance and progress payments	–	–	14,386	11,789
	20,878	20,429	185,369	160,497

NOTES TO THE FINANCIAL STATEMENTS

Details of leasehold land and buildings are as follows:

Description	Land Area/Gross Floor Area	Title
(i) Hangar 2 at 31 Airline Road, Singapore	13,759 sqm/44,510 sqm	48 years commencing 9 January 1992
(ii) Hangar 3 at 21 Airline Road, Singapore	10,047 sqm/12,444 sqm	37 years commencing 12 Jan 2001
(iii) Engine Overhaul Facility at 30 Loyang Ave, Singapore	12,465 sqm/4,774 sqm	41 years commencing 8 May 1997
(iv) Factory at 8 Loyang Lane, Singapore	6,961 sqm/4,055 sqm	30 years commencing 16 November 1994

13. SUBSIDIARY COMPANIES

(In thousands of S\$)	2002	The Company 31 March 2001
Unquoted shares, at cost	5,277	4,317
Term-loan to a subsidiary company	221	216
	5,498	4,533

The term-loan to SIAEC Services Pte Ltd is unsecured and bears interest between 2.1% and 5.3% (2001: 5.5% and 7.0%) per annum. The term-loan principal of US\$180,000 was drawn down on 8 September 1999 and is repayable in 3 equal instalments. The first principal repayment was made in March 2000. The balance is to be repaid in 2 instalments in March 2003 and December 2003. The loan forms part of the Company's loan to its associated company, Eagle Services Asia Private Limited (see Note 14).

Details of the subsidiary companies at 31 March 2002 are as follows:-

Name of company (Country of incorporation and business)	Principal activities	Cost 2002	2001	Percentage of equity held by the Company 2002	2001
Singapore Jamco Pte Ltd * (Singapore)	Manufacturing aircraft cabin equipment and refurbishment of aircraft galleys	3,816	2,856	65.0	51.0
SIAEC Services Pte Ltd * (Singapore)	Investment holding	1,461	1,461	100.0	100.0
		5,277	4,317		

* Audited by Ernst & Young, Singapore

NOTES TO THE FINANCIAL STATEMENTS

During the financial year, the Company increased its interest in the issued capital of Singapore Jamco Private Limited from 51% to 65% through the acquisition of 420,000 ordinary shares, representing a 10.5% interest, from minority shareholders and subscribed for 400,000 new ordinary shares of \$1.00 each at par, representing a 3.5% interest. The Company paid \$560,000 for the 10.5% interest for which the share of net tangible assets acquired amounted to \$475,000. The goodwill arising from the acquisition and subscription for new shares of \$66,000 was written-off to the profit and loss during the financial year.

14. ASSOCIATED COMPANIES

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Unquoted shares, at cost	148,558	152,905	147,098	151,445
Share of post-acquisition profits	64,020	24,892	–	–
Goodwill written-off	(24,095)	(23,045)	–	–
Translation adjustment	9,726	7,734	–	–
Term-loan receivables	5,411	5,301	5,301	5,193
	203,620	167,787	152,399	156,638

During the financial year, pursuant to the satisfaction of conditions stipulated in the sale and purchase agreement by the vendor, the consideration was adjusted and an additional \$1,050,000 was paid for the Company's acquisition of its 30% interest in Rohr Aero Services-Asia Pte Ltd. The additional consideration paid gave rise to a goodwill of \$1,050,000 which was written-off to the profit and loss during the financial year.

During the financial year, Combuster Airmotive Services Pte Ltd returned \$5,397,000 to the Company pursuant to a capital reduction exercise.

The term-loan due from an associated company, Eagle Services Asia Private Limited, is unsecured and bears interest at between 2.1% and 5.3% (2001: 5.5% and 7.0%) per annum. The term-loan principal totalling US\$8,820,000 was provided in two parts, US\$8,640,000 by the Company and US\$180,000 by SIAEC Services Pte Ltd (note 13), on 8 September 1999 and is repayable in 3 equal instalments. The first repayment was made in March 2000 and the balance of 2 instalments are repayable in March 2003 and December 2003. Details of the term-loan receivable are as follows:

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Term-loan receivable from				
Eagle Services Asia Pte Ltd	10,822	10,601	10,601	10,385
Less: Current portion due within				
12 months (note 19)	(5,411)	(5,300)	(5,300)	(5,192)
Non-current portion due later than 12 months	5,411	5,301	5,301	5,193

NOTES TO THE FINANCIAL STATEMENTS

Details of the associated companies at 31 March 2002 are as follows:-

(In thousands of S\$)

Name of company (Country of incorporation and business)	Principal activities	Cost		Percentage of equity held by the Group	
		2002	2001	2002	2001
Asian Compressor Technology Services Co Ltd (The Republic of China)	Research and development, manufacture and repair of aircraft engines and compressors	4,104	4,104	24.5	24.5
Asian Surface Technologies Pte Ltd (Singapore)	Repair of aircraft fan blades and supply of wear -resistance coating	6,376	6,376	29.0	29.0
Combustor Airmotive Services Pte Ltd (Singapore)	Servicing of aircraft engines and sale of aircraft engines and part	3,011	8,408	49.0	49.0
Eagle Services Asia Private Limited (Singapore)	Repair and overhaul of aircraft engines	71,588	71,588	49.0	49.0
Fuel Accessory Service Technologies Pte Ltd (Singapore)	Repair and overhaul of engine fuel components and accessories	5,071	5,071	49.0	49.0
Messier Services Asia Private Limited (Singapore)	Repair and overhaul of Boeing and Airbus series landing gears	13,971	13,971	40.0	40.0
Pan Asia Pacific Aviation Services Ltd (Hong Kong, Special Administrative Region)	Operation of aircraft maintenance facilities	5,373	5,373	47.1	47.1
PWA International Limited (Ireland)	Re-manufacture of aircraft turbine engine cases, component thereof and related parts	6,217	6,217	49.0	49.0
Rohr Aero Services-Asia Pte Ltd (Singapore)	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	27,176	26,126	30.0	30.0
Turbine Coating Services Private Limited (Singapore)	Repair of PW4000 turbine airfoils	5,671	5,671	24.5	24.5
		148,558	152,905		

NOTES TO THE FINANCIAL STATEMENTS

15. JOINT VENTURE COMPANIES

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Unquoted equity shares, at cost	50,483	36,847	50,483	36,847
Share of post acquisition losses	(7,522)	(1,813)	–	–
Translation adjustment	2,465	–	–	–
	45,426	35,034	50,483	36,847

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

	The Group 31 March	
	2002	2001
Revenue	8,388	7,308
Expenditure	(12,120)	(6,570)
(Loss)/profit before taxation	(3,732)	738
Taxation	(51)	(45)
	(3,783)	693

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

	The Group 31 March	
	2002	2001
Fixed and other assets	49,723	21,015
Current assets	18,214	15,781
Current liabilities	(22,511)	(1,762)
	45,426	35,034

Details of the joint venture companies at 31 March 2002 are as follows:-

(In thousands of S\$)					
Name of company (Country of incorporation and business)	Principal activities	Cost		Percentage of equity held by the Group	
		2002	2001	2002	2001
International Engine Component Overhaul Pte Ltd (Singapore)	Repair of nozzle guide vanes and compressor stators of Rolls-Royce RB 211 and Trent aero-engines and other aircraft components	11,967	11,967	50.0	50.0
Singapore Aero Engine Services Pte Ltd (Singapore)	Repair and maintenance of Trent aero-engines	38,516	24,880	50.0	50.0
		50,483	36,847		

During the financial year, the Company made an additional capital contribution of \$13,636,000 to Singapore Aero Engine Services Pte Ltd in accordance with the joint venture agreement.

16. LONG-TERM INVESTMENTS

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Unquoted equity investments, at cost	17,323	17,323	17,323	17,323
Long-term loans to investee companies	11,966	11,888	11,966	11,888
	29,289	29,211	29,289	29,211

The Company holds a 5.0% (2001: 5.0%) equity interest in Taikoo (Xiamen) Aircraft Engineering Company Limited which is incorporated and operates in the People's Republic of China.

The Company also holds a 10.0% (2001: 10.0%) interest in the equity of Hong Kong Aero Engine Services Limited which is incorporated and operates in Hong Kong Special Administrative Region of the People's Republic of China.

The long-term loan to Taikoo (Xiamen) Aircraft Engineering Company Limited of US\$500,000 (2001: US\$909,000) is unsecured, interest-free and is expected to be repayable in 2003, subject to further review with the investee company.

The Company has also provided Hong Kong Aero Engine Services Limited with a shareholders' loan of US\$6,001,000 (2001: US\$5,685,000) which is unsecured, of which US\$1,290,000 (2001: US\$1,290,000) is interest-free and the balance of US\$4,711,000 (2001: US\$4,395,000) bears interest between 2.4% and 6.2% (2001: 5.7% and 7.3%) per annum. The loan has no fixed repayment term and is not expected to be repayable within the next 12 months.

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17. TRADE AND OTHER DEBTORS

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Trade debtors	30,075	32,105	29,110	31,840
Other debtors	24,577	22,646	24,550	22,611
	54,652	54,751	53,660	54,451

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

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Balance at 1 April	20,128	43,505	20,128	43,505
Bad debts written-off	(968)	–	(968)	–
Write-back to profit and loss	(13,012)	(23,377)	(13,012)	(23,377)
Balance at 31 March	6,148	20,128	6,148	20,128
Bad debts recovered and credited directly to profit and loss	(2,142)	(7,019)	(2,142)	(7,019)

NOTES TO THE FINANCIAL STATEMENTS

Other debtors consist of:

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Staff loans	7,880	9,269	7,880	9,269
Deposits and prepayments	1,233	5,854	1,209	5,823
Others	15,464	7,523	15,461	7,519
	24,577	22,646	24,550	22,611

At the end of the financial year, there are no outstanding loans to the Company's staff who are directors of its subsidiary companies (2001: \$7,000).

18. IMMEDIATE HOLDING COMPANY

The amounts due from the immediate holding company are trade in nature and normal commercial terms apply.

19. RELATED COMPANIES

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Amounts receivable on current account	14,844	6,955	15,107	6,995
Current portion of term-loan due from an associated company (Note 14)	5,411	5,300	5,300	5,192
	20,255	12,255	20,407	12,187

The amounts receivable on current account from related companies are trade in nature and normal commercial terms apply.

20. STOCKS

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Aircraft and component spares	8,504	5,600	8,504	5,600
Raw materials	989	787	–	–
Consumable stores and stocks	833	1,283	833	1,283
	10,326	7,670	9,337	6,883

NOTES TO THE FINANCIAL STATEMENTS

Aircraft and component spares and raw materials are stated after deducting provision for stock obsolescence. An analysis of the provision for stock obsolescence is as follows:

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Balance at 1 April	863	80	833	–
Charge to profit and loss, net	1,742	783	1,636	833
Provision utilised during the year	(134)	–	–	–
Balance at 31 March	2,471	863	2,469	833

Stocks are stated at:

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Cost	8,827	4,489	8,827	4,489
Net realisable value	1,499	3,181	510	2,394
	10,326	7,670	9,337	6,883

21. WORK-IN-PROGRESS

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Cost to date and attributable profits	17,597	8,115	16,754	7,900
Less: Progress payments received and receivable	(783)	(211)	(783)	(211)
	16,814	7,904	15,971	7,689

22. SHORT-TERM DEPOSITS

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Deposits placed via the immediate holding company	206,657	176,313	206,657	176,313
Fixed deposits	2,272	2,172	2,272	2,172
	208,929	178,485	208,929	178,485

Funds surplus to the Company's working capital requirements are placed in short-term deposits with external financial institutions through the immediate holding company. These deposits earn interest ranging from 0.7% to 4.3% (2001: 1.1% to 6.5%) per annum and can be withdrawn on demand.

NOTES TO THE FINANCIAL STATEMENTS

23. CASH AND BANK BALANCES

These balances are placed in interest bearing current accounts earning interest ranging from 0.1% to 4.3% (2001: 0.1% to 6.0%) per annum.

24. TRADE AND OTHER CREDITORS

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Trade	109,717	97,112	109,586	96,938
Accruals	38,530	34,815	38,311	34,815
Payroll and staff related expenses	29,537	87,235	29,389	87,235
Provision for warranty claims	1,232	828	1,232	828
Sundry	–	250	–	–
	179,016	220,240	178,518	219,816

An analysis of the provision for warranty claims is as follows:

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Balance at 1 April	828	2,903	828	2,903
Charge/ (Write-back) to profit and loss	404	(2,075)	404	(2,075)
Balance at 31 March	1,232	828	1,232	828

25. BANK LOANS

(In thousands of S\$)	The Group 31 March	
	2002	2001
Revolving credit facility	950	1,100

The revolving credit facility taken by Singapore Jamco Pte Ltd is unsecured, repayable 31 March 2003 and bears interest between 2.1% and 3.6% (2001: 3.3% and 3.9%) per annum.

26. CASH FLOW FROM OPERATING ACTIVITIES

(In thousands of S\$)		The Group	
	2001-2002	2000-2001	
Profit before taxation	252,517	129,271	
Adjustment for :-			
Income from investments and deposits	(5,732)	(7,745)	
Interest expense	31	52	
Depreciation of fixed assets	21,172	20,770	
Share of profits of joint venture/associated companies	(42,359)	(4,065)	
Gain on sale of long-term Investment	-	(2,964)	
Write-off of goodwill	1,116	-	
Surplus on sale of fixed assets	(1,819)	(63)	
Exchange differences	(2,004)	(4,617)	
Operating profit before working capital changes	222,922	130,639	
(Increase)/decrease in debtors	(3,384)	(19,858)	
(Increase)/decrease in stock/work-in-progress	(11,567)	1,506	
Increase/(decrease) in trade creditors and deferred accounts	(41,224)	48,665	
Increase in amounts owing from related companies	(636)	(24,007)	
Cash generated from operations	166,111	136,945	
Interest received from deposits	5,829	7,401	
Interest paid	(31)	(52)	
Income taxes paid	(7,112)	(8,766)	
Net cash provided by operating activities	164,797	135,528	

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27. CAPITAL AND OTHER COMMITMENTS

(a) The following commitments for capital expenditure have not been provided for in the financial statements:-

	The Group 31 March		The Company 31 March	
(In thousands of S\$)	2002	2001	2002	2001
Capital call in associated/joint venture companies	7,362	24,784	7,362	24,784
Commitments in respect of contracts placed for purchase of fixed assets	127,073	91,747	127,038	91,747
Other amounts approved by directors but not committed, for the purchase of fixed assets	51,100	149,500	51,100	149,500
	185,535	266,031	185,500	266,031

NOTES TO THE FINANCIAL STATEMENTS

(b) Commitments of subsidiary companies in respect of non-cancellable operating leases for premises are as follows:-

	The Group 31 March	
	2002	2001
Within one year	183	135
After one year but less than 5 years	525	503
More than 5 years	2,457	2,457
	3,165	3,095

The Group leases certain property under lease agreements that are non-cancellable within a year. The leases expire at various dates until 2024 and contain provisions for rental adjustments.

28. CONTINGENT LIABILITIES, UNSECURED

Contingent liabilities in respect of guarantees given by the Group and the Company are as follows:-

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2002	2001	2002	2001
Guarantees given to banks in connection with credit facilities granted to investee companies	1,883	3,496	1,883	3,496
Bankers guarantees given with respect to securing foreign work permits for staff and their accommodation	181	392	131	307
Performance bond given to a third party customer	1,785	1,749	1,785	1,749
	3,849	5,637	3,799	5,552

As stated in the previous financial year, the Company received notice of a claim on 16 January 2001 from an airline customer for damages arising from maintenance work. The claim is for US\$4.6 million (S\$8.3 million), and is fully covered by insurance. The parties have agreed to proceed with arbitration. The Directors are of the opinion that based on information made available up to the date of this report, the matter is not likely to have a material adverse effect on the results of the Company or its liquidity. In view of the foregoing, no provision for the claim has been made in the financial statements.

29. EMPLOYEE BENEFITS

(In thousands of S\$)	The Group		The Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Average number of employees	4,293	4,037	4,245	3,993
Staff costs				
(including Executive Directors):-				
Salaries, bonuses and other costs	237,641	284,207	236,360	283,247
CPF contributions	28,483	23,358	28,402	23,298
	266,124	307,565	264,762	306,545

Share Option Plan

The SIA Engineering Company Limited Employee Share Option Plan (“the Plan”), which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees, was approved by shareholders on 9 February 2000.

Under the Plan, all options to be issued will have a term no longer than 10 years from the date of grant. The exercise price of the option will be the average of the closing prices of the ordinary shares on the SGX-ST for the five market days immediately preceding the date of grant.

Under the Employee Share Option Scheme, options will vest two years after the date of grant. Under the Senior Executive Share Option Scheme, options will vest:-

- (a) one year after the date of grant for 25% of the ordinary shares subject to the options;
- (b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;
- (c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and
- (d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

Information with respect to the number of options granted under the Plan is as follows:

	2001-2002	2000-2001
Outstanding at 1 April	29,339,600	15,337,950
Granted	15,638,700	14,246,950
Exercised	–	–
Cancelled	(277,900)	(87,200)
Adjustments	(122,000)	(158,100)
Outstanding at 31 March	44,578,400	29,339,600
Exercisable at 31 March	14,997,514	326,513

NOTES TO THE FINANCIAL STATEMENTS

Details of share options granted during the financial year:-

	2001-2002	2000-2001
Expiry date	01.07.2011	02.07.2010
Exercise price	\$1.41	\$1.95
Aggregate proceeds from shares issued (\$)	–	–

Terms of share options outstanding as at 31 March 2002:

Exercise period	Exercise price (\$)	Number outstanding	Number exercisable
28.03.2001 - 27.03.2010	2.05	322,013	322,013
28.03.2002 - 27.03.2010	2.05	14,113,613	14,113,613
28.03.2003 - 27.03.2010	2.05	322,012	–
28.03.2004 - 27.03.2010	2.05	322,012	–
03.07.2001 - 02.07.2010	1.95	561,888	561,888
03.07.2002 - 02.07.2010	1.95	12,382,088	–
03.07.2003 - 02.07.2010	1.95	561,887	–
03.07.2004 - 02.07.2010	1.95	561,887	–
02.07.2002 - 01.07.2011	1.41	772,550	–
02.07.2003 - 01.07.2011	1.41	13,113,350	–
02.07.2004 - 01.07.2011	1.41	772,550	–
02.07.2005 - 01.07.2011	1.41	772,550	–
		44,578,400	14,997,514

30. FINANCIAL INSTRUMENTS

Credit risk exposures and significant concentrations of credit risk

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet as of 31 March 2002.

Concentrations of credit risk with respect to trade debtors are limited to the entities comprising the Group's customer base. The Group carefully assesses the financial strength of its customers and generally does not require any collateral. As at 31 March 2002, the only trade debtor exceeding 10% of the Group's trade debtors was an amount of \$56,376,000 due from its immediate holding company, Singapore Airlines Limited.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term deposits with the immediate holding company and loans to associated and investee companies.

Foreign currency risk

The Group is exposed to movements in foreign currency exchange rates through its normal course of business. Billings for services provided to certain third party customers are denominated in United States dollars. Ordinarily, the Group does not enter into foreign currency forward exchange contracts to protect against the volatility associated with the fluctuations of foreign currency exchange rates as the

net foreign currency balances are not significant to the Group. The Group does not use foreign currency forward exchange contracts or purchased currency options for trading purposes.

The Group is also exposed to foreign exchange movements on its net investment in foreign associated companies. The Group does not use any foreign currency borrowings to hedge against such investments.

Fair values

The carrying values of current financial assets and liabilities approximate their fair values due to their short maturities.

The carrying values of the long-term loans to our subsidiary and associated companies and investee companies, except for the US\$1,290,000 and US\$500,000 interest-free loans to Hong Kong Aero Engine Services Limited and Taikoo (Xiamen) Aircraft Engineering Company Limited respectively, approximate their fair values, which is calculated based on the discounted cash flow analysis based on market rate.

It is not practical to compute the fair value of the interest-free loans to investee companies as there are no fixed term of repayment.

31. RELATED COMPANIES TRANSACTIONS

The significant transactions between the Company, its subsidiary companies and related companies and the effects of these transactions on terms agreed among the companies are as follows:-

(In thousands of S\$)	The Group		The Company	
	2001-2002	2000-2001	2001-2002	2000-2001
Income				
Sales of services and related materials to immediate holding and related companies	694,971	532,371	693,098	531,002
Rental of office space charged to immediate holding company	2,001	2,001	2,001	2,001
Interest income from immediate holding company	4,076	4,627	4,076	4,627
Equipment fee charged to immediate holding company	5,626	5,196	5,626	5,196
Expense				
Management fees charged by the immediate holding company for corporate, general and administrative, technical and insurance services and equipment leases	7,611	4,469	7,611	4,469
Rental of workshop and office space charged by immediate holding company	25,493	25,830	25,493	25,830
Land rental for hangar, office space and test cell facility charged by a related company	7,252	7,552	7,252	7,552
Purchases of materials from the immediate holding company	242,198	159,511	242,198	159,511
Service rendered by immediate holding company	8,368	8,015	8,368	8,015
Service rendered by related company	1,352	1,046	1,352	1,046

32. SUBSEQUENT EVENTS

On 17 April 2002, the Company entered into a conditional agreement to acquire the entire 25% stake in Guangzhou Aircraft Maintenance Engineering Company Limited (GAMECO), incorporated in the People's Republic of China, held by U.S. aerospace firm Lockheed Martin Aeronautics Service International. SIA Engineering Company and Lockheed Martin Aeronautics Service International will proceed to negotiate the detailed terms of the definitive agreement.

The financial effect arising from the above transaction cannot be reasonably determined as at the date of this report.

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 these financial statements 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.

33. COMPARATIVE FIGURES

Certain comparative figures have been adjusted in order to provide proper comparison with the current financial year's presentation.

The comparatives have been extended to take into account the requirements of the revised Statements of Accounting Standard.

ADDITIONAL INFORMATION

1. DIRECTORS' EMOLUMENTS

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

	The Company 2001-2002	2000-2001
\$500,000 and above	–	1
\$250,000 - \$499,999	1	–
Below \$250,000	7	7
	8	8

The directors' emoluments for the financial year ended 31 March 2002 include directors' fees of \$291,260 which are derived using the following rates:-

(In thousands of S\$)	The Company 2001-2002
Type of Appointment	
(i) Board of Directors	
- Basic Fee	24
- Chairman's Allowance	24
(ii) Board Committee	
- Member's Allowance	6
(iii) Audit Committee	
- Chairman's Allowance	14
- Member's Allowance	7
(iv) Other Board Committees	
- Chairman's Allowance	7
- Member's Allowance	4

2. INTERESTED PERSONS TRANSACTIONS

Other than the transactions disclosed in note 31, between the Company and members of the Singapore Airlines Limited group of companies, interested persons transactions under the shareholders' mandate for the financial year are as follows:-

(In thousands of S\$)	Total
ST Aviation Services Co Pte Ltd	203
asprecise.com Pte Ltd	7,500
Keppel Engineering Pte Ltd	2,900
Invo-Tech Engineering Pte Ltd	132
Mr Chew Leng Seng (2-year contract)	552
Total interested persons transactions	11,287

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

HALF-YEARLY RESULTS OF THE GROUP

		First half year	Second half year	Total
Revenue:				
2001-2002	(S\$million)	417.5	418.1	835.6
	(%)	50.0	50.0	100.0
2000-2001	(S\$million)	307.2	347.2	654.4
	(%)	46.9	53.1	100.0
Expenditure:				
2001-2002	(S\$million)	331.4	300.5	631.9
	(%)	52.4	47.6	100.0
2000-2001	(S\$million)	249.9	290.0	539.9
	(%)	46.3	53.7	100.0
Operating Profit:				
2001-2002	(S\$million)	89.7	119.7	209.4
	(%)	42.8	57.2	100.0
2000-2001	(S\$million)	60.7	61.5	122.2
	(%)	49.7	50.3	100.0
Profit before taxation:				
2001-2002	(S\$million)	104.6	147.9	252.5
	(%)	41.4	58.6	100.0
2000-2001	(S\$million)	67.7	61.5	129.2
	(%)	52.4	47.6	100.0
Profit after taxation:				
2001-2002	(S\$million)	97.7	125.5	223.2
	(%)	43.8	56.2	100.0
2000-2001	(S\$million)	60.4	55.4	115.8
	(%)	52.2	47.8	100.0
Earnings (after tax) per share:				
2001-2002	(cents)	9.8	12.5	22.3
	(%)	43.8	56.2	100.0
2000-2001	(cents)	6.0	5.6	11.6
	(%)	52.2	47.8	100.0

FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

	2001-02	2000-01	1999-00	1998-99	1997-98
Profit and loss account (\$\$ million)					
Revenue	835.6	654.4	567.4	661.8	831.6
Interest income	5.7	7.7	9.5	12.0	4.4
Total revenue	841.3	662.1	576.9	673.8	836.0
Expenditure	631.9	539.9	480.1	599.6	776.2
Operating profit	209.4	122.2	96.8	74.2	59.8
Other income (loss)	43.1	7.0	17.9	9.4	(0.5)
Exceptional item	-	-	202.6	-	-
Profit before tax	252.5	129.2	317.3	83.6	59.3
Profit attributable to shareholders	223.0	115.9	306.4	76.8	51.0
Balance sheet (\$\$ million)					
Paid up capital	100.0	100.0	100.0	50.3	50.3
Distributable reserves	582.7	385.1	297.6	285.3	256.3
Non-distributable reserves	-	-	-	-	-
Shareholders' funds	682.7	485.1	397.6	335.6	306.6
Minority interest	2.0	2.3	2.4	2.4	1.6
Deferred taxation	14.1	5.3	1.9	2.3	4.3
Deferred gain	-	-	-	192.1	-
Fixed assets	189.4	164.5	165.2	171.1	216.8
Associated companies	203.6	167.8	137.4	119.5	24.5
Joint venture companies	45.4	35.0	15.0	9.3	4.2
Long-term investments	29.3	29.2	29.9	6.5	6.5
Current assets	438.5	335.2	246.7	462.7	256.1
Total assets	906.2	731.7	594.2	769.1	508.1
Long-term liabilities	-	-	1.4	1.4	2.0
Current liabilities	207.4	239.0	190.9	235.3	193.6
Total liabilities	207.4	239.0	192.3	236.7	195.6
Net liquid assets	279.0	187.6	147.5	369.5	92.8
Cash flow statement (\$\$ million)					
Cash flow from operations	166.1	136.9	102.8	134.2	105.9
Internally generated cash flow #	173.8	138.8	106.0	134.2	106.5
Capital expenditure	47.2	20.2	18.5	31.9	36.8

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

	2001-02	2000-01	1999-00	1998-99	1997-98
Profitability ratios (%)					
Return on shareholders' funds	38.2	26.3	28.3	23.9	17.3
Return on total assets	24.6	15.8	17.5	10.0	10.0
Return on turnover	26.7	17.7	18.3	11.6	6.2
Productivity and employee data					
Value added (\$\$ million)	536.1	458.0	403.5	381.6	396.1
Value added per employee (\$\$)	124,892	113,463	103,485	91,864	91,669
Revenue per employee (\$\$)	194,652	162,095	145,475	159,400	192,453
Average number of employees	4,293	4,037	3,900	4,152	4,321

GROUP CORPORATE STRUCTURE

as at 31 March 2002



INFORMATION ON SHAREHOLDINGS

as at 16 May 2002

Authorised share capital : 3,000,000,000 ordinary shares of S\$0.10 each
 Issued and fully paid : 1,000,000,000 ordinary shares of S\$0.10 each

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	%	Amount of Shareholdings	%
1 – 1,000	13,937	74.94	13,937,000	1.39
1,001 – 10,000	4,323	23.25	14,256,000	1.43
10,001 – 1,000,000	326	1.75	12,896,127	1.29
1,000,001 and above	11	0.06	958,910,873	95.89
Total	18,597	100.00	1,000,000,000	100.00

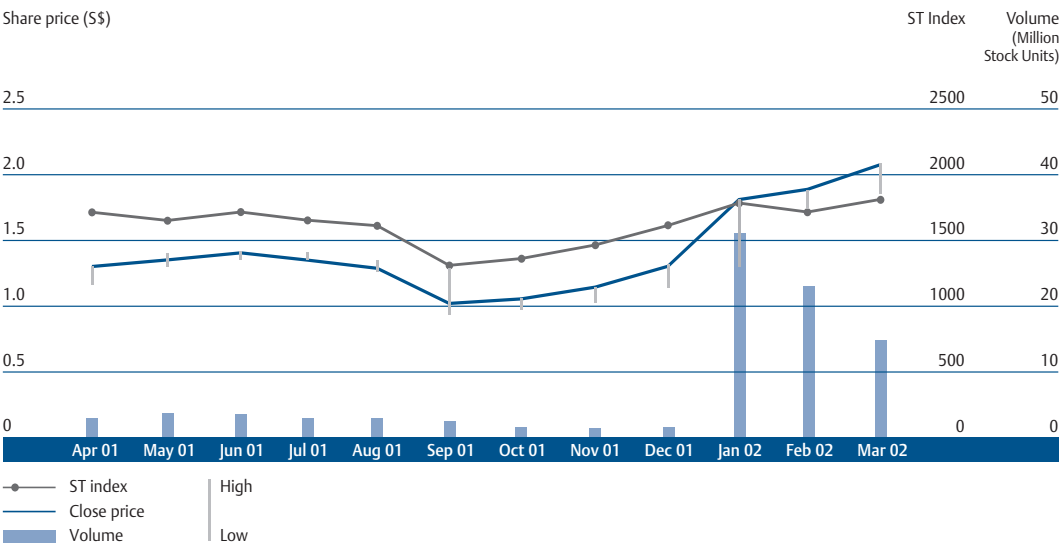
MAJOR SHAREHOLDERS

No	Name	Number of Shares Held	%
1	SINGAPORE AIRLINES LIMITED	870,000,000	87.00
2	RAFFLES NOMINEES PTE LTD	24,218,000	2.42
3	DBS NOMINEES PTE LTD	16,550,013	1.66
4	CITIBANK NOMINEES SINGAPORE PTE LTD	12,654,500	1.27
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	9,165,000	0.92
6	NTUC INCOME INSURANCE CO-OPERATIVE LIMITED	8,193,000	0.82
7	OVERSEA-CHINESE BANK NOMINEES PTE LTD	6,636,000	0.66
8	DB NOMINEES (S) PTE LTD	3,302,360	0.33
9	KIM ENG ONG ASIA SECURITIES PTE LTD	3,268,000	0.33
10	HSBC (SINGAPORE) NOMINEES PTE LTD	2,969,000	0.30
11	THE ASIA LIFE ASSURANCE SOCIETY LTD - S'PORE LIFE FUND	1,955,000	0.20
12	OVERSEAS UNION BANK NOMINEES PTE LTD	692,000	0.07
13	ING NOMINEES (S'PORE) PTE LTD	611,000	0.06
14	MORGAN STANLEY ASIA (S'PORE) SEC PTE LTD	443,000	0.04
15	OCBC SECURITIES PRIVATE LTD	369,000	0.04
16	ZHONG-HSIN (SINGAPORE) PTE LTD	350,000	0.04
17	CHANG SHYH JIN	335,000	0.03
18	MEADOWSPRING PTE LTD	300,000	0.03
19	REALTY & INVESTMENT HOLDINGS PTE LTD	300,000	0.03
20	CITIBANK CONSUMER NOMINEES PTE LTD	272,000	0.03
	Total	962,582,873	96.26

SUBSTANTIAL SHAREHOLDERS (as shown in the Register of Substantial Shareholders)

Name	Direct Interest	Indirect Interest	Total Interest	%
Temasek Holdings (Pte) Ltd	-	871,827,000	871,827,000	87.18
Singapore Airlines Ltd	870,000,000	-	870,000,000	87.00

SHARE PRICES AND TURNOVER



	2001-2002	2000-2001
Share price (S\$)		
Highest closing price	2.09	1.94
Lowest closing price	0.93	1.18
31 March closing price	2.07	1.18
Market value ratios*		
Price/earnings	9.28	10.18
Price/book value	3.03	2.43
Price/cash earnings**	8.48	8.63

Notes

* Based on closing price on 31 March

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

NOTICE OF ANNUAL GENERAL MEETING

SIA Engineering Company Limited

NOTICE IS HEREBY GIVEN that the 20th Annual General Meeting of SIA Engineering Company Limited (“the Company”) will be held at the Mandarin Ballroom 2, 6th Floor, South Tower, Mandarin Singapore, 333 Orchard Road, Singapore 238867 on Saturday, 6 July 2002 at 10.00 am to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and Audited Accounts of the Company for the year ended 31 March 2002 and the Auditors’ Report thereon.
2. To declare a final dividend of 3 cents per share (1.2 cents less income tax at 22% and 1.8 cents tax exempt) for FY2001/02.
3. To re-elect Dr N Varaprasad, a Director retiring pursuant to Article 83 of the Company’s Articles of Association and who, being eligible, will offer himself for re-election as a Director.

Note: Dr N Varaprasad will, upon re-election, remain as a member of the Audit Committee and as Chairman of the Compensation Committee. He will be considered independent for the purposes of Clause 902(4) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-elect Mr Wong Ngit Liong, a Director retiring pursuant to Article 83 of the Company’s Articles of Association and who, being eligible, will offer himself for re-election as a Director.

Note: Mr Wong Ngit Liong, an independent Director, will upon re-election, remain as a member of the Compensation Committee and as Chairman of the Company’s Nominating Committee.

5. To re-elect Dr Cheong Choong Kong, a Director retiring pursuant to Article 83 of the Company’s Articles of Association and who, being eligible, will offer himself for re-election as Director.

Note: Dr Cheong Choong Kong, a non-independent Director, will upon re-election, remain as Chairman of the Board and a member of the Board Committee, Nominating Committee and Compensation Committee.

6. To re-elect Mr Jimmy Phoon Siew Heng, a Director retiring pursuant to Article 90 of the Company’s Articles of Association and who, being eligible, will offer himself for re-election as a Director.

7. To re-appoint Messrs Ernst & Young as auditors of the Company and to hold office until the next Annual General Meeting and to authorise the Directors to fix their remuneration.

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolutions as ordinary resolutions with or without any modifications:
 - 8.1 “That the Directors’ Fees of \$291,260.00 (FY2000/2001: \$353,644.00) for the year ended 31 March 2002 be and are hereby approved for payment.”
 - 8.2 “That pursuant to Section 161 of the Companies Act (Cap.50) and the Articles of Association of the Company, the Directors of the Company be and are hereby authorised to allot and issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons 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 50 per cent, of the total issued share capital of the Company for the time being, of which the aggregate number of shares that may be issued other than on a pro-rata basis to existing shareholders shall not exceed 20 per cent, of the total issued share capital of the Company for the time being, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law or the Articles of Association of the Company to be held, whichever is earlier.”
 - 8.3 “That, for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited:-
 - 8.3.1 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 appendix 3 to the Company’s Circular dated 15 June 2001 (“the Circular”) any party who is of the class of interested persons described in appendix 3 of the Circular (the “IPT Mandate”), provided that such transactions are made at arm’s length and on normal commercial terms;
 - 8.3.2 such approval shall, unless revoked or varied by the Company in General Meeting, continue in force until the next Annual General Meeting of the Company; and
 - 8.3.3 the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation executing all such documents as may be required), as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorized by the IPT Mandate and/or this Resolution.”

NOTICE OF ANNUAL GENERAL MEETING

8.4 “That the Board of Directors of the Company be and is hereby authorised to offer and grant options in accordance with the provisions of the SIA Engineering Company Limited Employee Share Option Plan (the “Plan”) and to allot and issue from time to time such number of ordinary shares of S\$0.10 each in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Plan PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to the Plan shall not exceed 15 per cent of the total issued share capital of the Company from time to time.”

9. To transact any other business of the Company which may arise and can be transacted at an Annual General Meeting.

NOTICE IS HEREBY GIVEN that, subject to approval being obtained at the 20th 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 to 16 July 2002 (both dates inclusive) to determine Shareholders’ entitlements to the final dividend.

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 pm on 12 July 2002 will be registered to determine shareholders’ entitlement to the proposed final dividend.

BY ORDER OF THE BOARD

DEVIKA RANI DAVAR

Company Secretary

3 June 2002

Singapore

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED

- i. Ordinary Resolution No. 8.1 is to approve the payment of Directors' fees of \$291,260.00 (FY2000/2001:- \$353,644.00) for the year ended 31 March 2002, for services rendered by Directors on the Board as well as various Board Committees.

The Directors will be paid a basic annual fee and will get additional annual allowance for their services in other Board committees. The proposed fees are shown below:

		Fees per annum (\$)
Board of Directors	Member's Fees (Basic Fee)	1 X Basic Fee = 23,800
	Chairman's Fees	2 X Basic Fee = 47,600
Board Committee	Member's Fees	0.25 X Basic Fee = 5,950
Audit Committee	Member's Fees	0.30 X Basic Fee = 7,140
	Chairman's Fees	0.60 X Basic Fee = 14,280
Other Board Committees	Member's Fees	0.15 X Basic Fee = 3,570
	Chairman's Fees	0.30 X Basic Fee = 7,140

- ii. Ordinary Resolution No. 8.2 is to empower the Directors from the date of the above Annual General Meeting until the date of the next Annual General Meeting to issue shares in the Company. The number of shares, which the Directors may issue under the Resolution, would not exceed 50 per cent of the issued share capital of the Company for the time being. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed 20 per cent of the existing issued share capital of the Company.
- iii. Ordinary Resolution No. 8.3 is to renew the IPT Mandate (first adopted in connection with the initial public offering of shares of the Company in year 2000 and modified and restated and approved by shareholders at a general meeting held on 7 July 2001) 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 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited) in accordance with the terms of the IPT Mandate.
- iv. Ordinary Resolution No. 8.4 is to authorise the Directors to grant options and to allot and issue shares upon the exercise of such options in accordance with the provisions of the Company's Employee Share Option Plan (the "Plan"). The Plan was approved at the Extraordinary General Meeting held on 24 March 2000, prior to the Company's initial public offering and was modified and restated at the Extraordinary General Meeting held on 7 July 2001.

Notes

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at Robinson Road Post Office, P.O. Box 314, Singapore 900614 not less than 48 hours before the time appointed for the Annual General Meeting.

1. For investors who have used their CPF monies to buy the Company's shares, this report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR THEIR INFORMATION ONLY.

2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM-
ANNUAL GENERAL MEETING

SIA ENGINEERING COMPANY LIMITED
(Incorporated in the Republic of Singapore)

*I/We _____ (NRIC / Passport No.) _____

of _____

being a *member/members of SIA Engineering Company Limited, hereby appoint

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (No. of Shares)
and/or (delete as appropriate)			

Or failing *him/her, the Chairman of the Annual General Meeting (“AGM”) of the Company, as *my/our *proxy/proxies to attend and to vote for *me/us and on *my/our behalf and, if necessary, to demand a poll, at the AGM of the Company to be held on 6 July 2002 and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the AGM shall be *my/our *proxy/proxies to vote, for or against the Ordinary Resolutions to be proposed at the AGM as indicated hereunder, for *me/us and on *my/our behalf at the AGM and at any adjournment thereof.

Ordinary Business	**For	**Against
Adoption of the Directors’ Report, Audited Accounts and the Auditors’ Report		
Declaration of final dividend		
Re-election of Dr N Varaprasad retiring in accordance with Article 83		
Re-election of Mr Wong Ngit Liong retiring in accordance with Article 83		
Re-election of Dr Cheong Choong Kong retiring in accordance with Article 83		
Re-election of Mr Jimmy Phoon Siew Heng retiring in accordance with Article 90		
Re-appointment and remuneration of Auditors		
Special Business		
Approval of Directors’ Fees		
Authority for Directors to issue shares pursuant to Section 161 of the Companies Act (Cap 50)		
Renewal of IPT Mandate		
Authority for Directors to offer and grant options and issue shares in accordance with the provisions of the SIAEC Employee Share Option Plan		

* Delete Accordingly ** Please indicate your vote “For” or “Against” with a “✓” within the box provided

Dated this _____ day of _____ 2002

Total number of OrdinaryShares held

Signature(s) of Shareholder(s) or Common Seal

IMPORTANT: Please read Notes on the reverse.



NOTES

1. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member appoints two proxies, he must specify the proportion of his shareholding to be represented by each proxy.
3. The instrument appointing a proxy must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney.
4. A corporation which is a member may also appoint by resolution of its directors or other governing body an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act (Cap 50), to attend and vote on its behalf.
5. The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof) must be deposited at Robinson Road Post Office, P.O. Box 314, Singapore 900614, at least 48 hours before the time appointed for the AGM.
6. A member should insert the total number of Ordinary Shares held. If the member has Ordinary Shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act (Cap 50), he should insert that number of Ordinary Shares. If the member has Ordinary Shares registered in his name in the Register of Members, he should insert that number of Ordinary Shares. If the member has Ordinary Shares entered against his name in the Depository Register as well as Ordinary Shares registered in his name in the Register of Members, he should insert the aggregate number of Ordinary Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Ordinary Shares held by the member.
7. The Company shall be entitled to reject this instrument of proxy if it is incomplete, or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of a member whose Ordinary Shares are entered in the Depository Register, the Company shall be entitled to reject this instrument of proxy which has been lodged if such member is not shown to have Ordinary Shares entered against his name in the Depository Register at least 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

a. Fold along this line



Affix
Postage
Stamp

The Company Secretary
SIA Engineering Company Limited
Robinson Road Post Office
P O Box 314
Singapore 900614

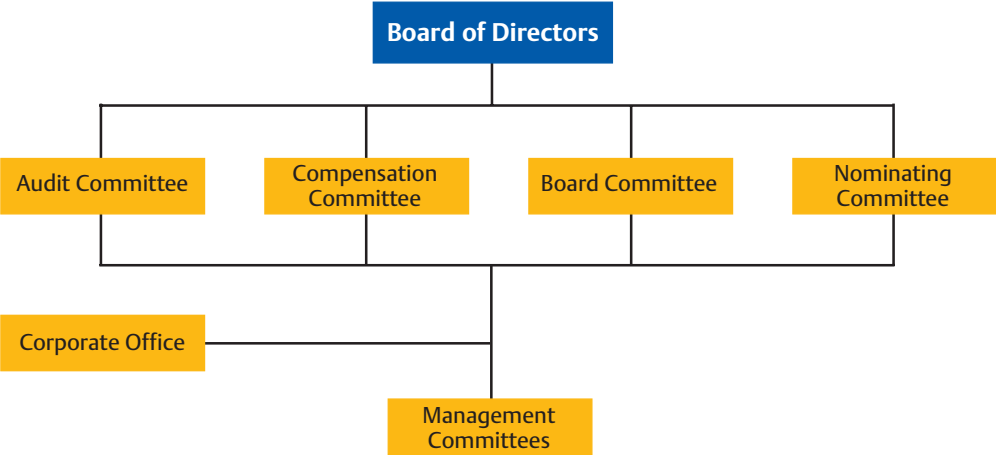
b. Fold along this line

Name of Director	Status	Main Board	Audit Committee	Nominating Committee	Compensation Committee	Board Committee
Cheong Choong Kong (last re-appointed on 14 Jul 2000, first appointed on 1 Aug 1984)	Non-Independent	Chairman		Member	Member +	Member
Chew Leng Seng (last re-appointed on 7 Jul 2001, first appointed on 16 Mar 1982)	Non-Independent	Deputy Chairman	Member		(Member *)	Member
Maurice de Vaz (last re-appointed on 14 Jul 2000, first appointed on 17 Feb 2000)	Non-Independent	Member				Alternate
Bey Soo Khiang (last re-appointed on 7 Jul 2001, first appointed on 1 Mar 2000)	Non-Independent	Member				
N Varaprasad (last re-appointed on 14 Jul 2000, first appointed on 1 Mar 2000)	Independent	Member	Member		Chairman +	
Thio Su Mien (last re-appointed on 14 Jul 2000, first appointed on 1 Mar 2000)	Independent	Member	Member			Alternate
Wong Ngit Liong (last re-appointed on 14 Jul 2000, first appointed on 1 Mar 2000)	Independent	Member		Chairman	Member*	
Wong Nang Jang (last re-appointed on 7 Jul 2001, first appointed on 24 Mar 2000)	Independent	Member	Chairman	Member		
Jimmy Phoon Siew Heng (first appointed on 21 May 2002)	Non-Independent	Member				

Note:

- i) The Board does not consist of any Executive Director.
- ii) The Compensation Committee, formerly known as the Senior Officers' Remuneration Committee, was renamed on 26 March 2002.
- iii) The Board Committee does not conduct physical meetings as described further below.
- + Cheong Choong Kong was Chairman of the Compensation Committee till 26 March 2002 when N Varaprasad took over the chairmanship.
- * Wong Ngit Liong replaced Chew Leng Seng as a member of the Compensation Committee with effect from 26 March 2002.

COMMITTEE STRUCTURE



CORPORATE GOVERNANCE

Under Article 83 of the Company's Articles of Association, at each Annual General Meeting ("AGM"), 1/3 of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest 1/3 are required to retire from office. Retiring Directors are selected on the basis of those who have been longest in office since their last election, failing which they shall be selected by agreement or by lot. They are eligible for re-election under Article 84.

The Directors standing for re-election at the AGM for FY01/02 are N Varaprasad, Wong Ngit Liong and Cheong Choong Kong. The Nominating Committee recommends their re-election, after assessing their contributions (including their attendance, preparedness, participation and candour), and in the case of N Varaprasad and Wong Ngit Liong, their qualification as independent Directors. In addition, the Nominating Committee recommended, and the Board approved, the appointment of Jimmy Phoon Siew Heng, as a Director with effect from 21 May 2002; in accordance with Article 90, he will be seeking re-election at the AGM.

AUDIT COMMITTEE

The Audit Committee comprises four non-executive Directors, three of whom (including the Chairman) are independent. The members of the Audit Committee at the date of this report are:

Chairman	Wong Nang Jang
Members	Chew Leng Seng
	N Varaprasad
	Thio Su Mien

All the members were in attendance at each of the Committee's four meetings during the year with the internal and external auditors of the Company. In the course of the year, the Committee performed, inter alia, the following functions:

- (a) reviewed the audit plans of the internal and external auditors of the Company, the results of the auditors' examination of the Company's internal financial, accounting and compliance controls;
- (b) reviewed the half-yearly and full-year announcements of results and annual financial statements of the Group and the Company and the external auditors' report thereon before their submission to the Board of Directors;
- (c) reviewed the independence of the external auditors of the Company and the nature and extent of non-audit services provided by the external auditors;
- (d) nominated the external auditors of the Company for reappointment;
- (e) reviewed the adequacy and effectiveness of the internal audit functions;
- (f) reviewed the Company's risk management processes and the work of the Operation Risks Management Committee (ORMC); and
- (g) reviewed interested party transactions.

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

During the year, the Committee has met with the external auditors without the presence of the Company's Management.

Minutes of the Committee's meetings are circulated to the Directors of the Company by the Company Secretary.

The Company intends to commence quarterly reporting of its unaudited financial results with effect from financial year 2003/2004.

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

NOMINATING COMMITTEE

Three non-executive Directors, two of whom are independent, make up the Nominating Committee, which was formed in June 2001. The members of the Nominating Committee are:

Chairman	Wong Ngit Liong
Members	Cheong Choong Kong
	Wong Nang Jang

The Committee conducted two meetings via telephone conference. Prior to the printing of this report, the Committee performed the following functions:

- (a) reviewed the strengths and attributes of existing Directors;
- (b) established the criteria and desirable attributes of new appointees to the Board;
- (c) identified the specific qualities of future appointees that will support the Company's global growth efforts and increase the proportion of independent Directors on the Board;
- (d) determined the independence/non-independence of Directors based on each Director's declaration; and
- (e) considered and made recommendation on Directors to retire by rotation and seek re-election at the 2002 AGM.

The Committee gives due regard to the principles of corporate governance in the Code in considering Board membership. At this stage, the Board has not implemented a formal process for assessing the effectiveness of the Board as a whole, nor the contributions by each Director to the effectiveness of the Board. The duties of the Nominating Committee do not include, for now, deciding how the Board's performance may be evaluated and proposing performance criteria for the Board or for individual Directors. The Board is considering introducing a formal assessment process.

COMPENSATION COMMITTEE

First established as the Senior Officers' Remuneration Committee ("SORC") on 17 February 2000 to administer the Company's Employee Share Option Plan, the Committee's functions were expanded in April 2001 to include the appointment of the Chief Executive Officer, recommendation of compensation and benefits of senior officers (those holding the rank of Vice President or higher), executive recruitment and selection, leadership development, top management succession and distribution of talent within the Group. Subsequently, the functions of the Staff Committee were also absorbed by the SORC, whereupon the Staff Committee was disbanded.

The composition of the SORC prior to 26 March 2002 included:

Chairman	Cheong Choong Kong
Members	Chew Leng Seng N Varaprasad (replacing Maurice de Vaz, who resigned as a member on 30 January 2002)

The functions of the Company's SORC were further expanded on 26 March 2002 to cover the functions of the Remuneration Committee prescribed under the Code. These included the development of the remuneration policy for Directors' remuneration. The SORC was then renamed the "Compensation Committee".

The membership of the Compensation Committee was reconstituted to comprise a majority of independent Directors, as follows:

Chairman	N Varaprasad
Members	Cheong Choong Kong Wong Ngit Liong

In the course of the year, the SORC (now renamed "Compensation Committee") performed the following functions:

- (a) appointed the new Chief Executive Officer, Mr William Tan, with effect from 1 April 2001 and determined the terms and conditions of his appointment;
- (b) monitored the status of previous Employee Share Option Plan ("ESOP") grants (1st and 2nd grants);
- (c) determined the eligibility and guidelines of the 3rd ESOP grant;
- (d) considered the provision under the ESOP Rules to allow staff, who were transferred to an associated company, Singapore Aero Engine Services Limited ("SAESL"), to exercise their ESOP grants up to 5 years from the cessation of their employment with the Company (provided they are still employees of SAESL at the time of exercising their share options);
- (e) conducted the annual salary review and promotion exercise of senior staff; and
- (f) recruited a suitable candidate for the post of Vice-President Business Development.

The Compensation Committee regularly reviews the Company’s base salary ranges and benefits package for senior officers based on market data provided by recognised surveys of comparative groups in the aerospace maintenance, repair and overhaul sector.

BOARD COMMITTEE

To facilitate day-to-day administration and expedite action on operational matters of the Company, a two-member Board Committee was set up to deputise for the Board in routine matters, including opening of bank accounts, granting Powers of Attorney, affixing the Company’s seal on documents requiring the Company’s seal, and authorising specific officers to sign pertinent documents on behalf of the Company. Formed on 16 May 2000, the Committee comprises:

Members	Cheong Choong Kong Chew Leng Seng
Alternates to either of the above	Thio Su Mien Maurice de Vaz

The Board Committee does not conduct physical meetings. In practice, resolutions are passed by the Board Committee by circulation in writing. Resolutions approved by the Board Committee are noted by the Board at the Board Meeting following the circulation.

The Board Committee has been useful in relieving the Board from decisions on routine matters. The swiftness of their deliberation and decision-making also enabled the Company to be more efficient in its daily operations.

COMPANY SECRETARY

The Directors have separate and independent access to the Company Secretary. The role of the Company Secretary has been defined by the Board to include supervising, monitoring and advising on compliance by the Company with its Memorandum and Articles of Association, laws and regulations, and the Listing Manual of the SGX-ST, communicating with the SGX-ST, the Registry of Companies and Businesses and with Shareholders on behalf of the Company, and performing such other duties of a Company Secretary, as required under laws and regulations or as specified in the SGX-ST Listing Manual or the Articles of Association of the Company, or as required by the Chairman of the Board or the Chairman of any Board Committee or the Directors (or any of them), as the case may be.

REMUNERATION REPORT

The proposed fees and allowances to be paid to Directors for FY01/02 are as follows:

Type of Appointment	Existing Fee (Paid in FY00/01) \$	Proposed Fee* (For FY01/02) \$
Board of Directors		
Member's Fees (Basic)	28,000	23,800 (1 x Basic Fee)
Chairman's Allowance	28,000	47,600 (2 X Basic Fee)
Board Committee		
Member's Allowance	7,000	5,950 (0.25 x Basic Fee)
Audit Committee		
Chairman's Allowance	14,000	14,280 (0.60 x Basic Fee)
Member's Allowance	7,000	7,140 (0.30 x Basic Fee)
Other Board Committees		
Chairman's Allowance	14,000	7,140 (0.30 x Basic Fee)
Member's Allowance	7,000	3,570 (0.15 x Basic Fee)

* The proposed fees and allowances in this column are based on guidelines provided by Temasek Holdings in respect of the Directors Fee structure to ensure that their compensation is commensurate with the responsibility and accountability of Directors. These fees and allowances are also based on a 15% reduction of the basic fee for Directors, in the light of the general economic downturn and the events of 11 September 2001 which occurred during FY01/02. These will be subject to Shareholders' approval at the Company's AGM to be held on 6th July 2002.

Every Director on the Board during FY01/02 will receive the Basic Fee. In addition, he will receive the Chairman's Allowance if he is Chairman of the Board as well as the relevant Allowance (depending on whether he is Chairman or Member of the relevant Board Committee) for each position he holds on a Board Committee, subject to an overall cap on the total fees and allowances to be received by him. If he occupied a position for part of FY01/02, the Fee or Allowance payable will be prorated accordingly.

Based on the proposed formula set out above, our fees and allowances for Directors are within the guidelines of Temasek Holdings.

INTERNAL AUDIT

The Company has an internal audit function, which is undertaken by the Internal Audit Department of Singapore Airlines Limited (SIA Internal Audit Department), the Company's holding company. It is designed to provide reasonable assurance about the effectiveness and efficiency of operations, reliability of financial information and compliance with the Company's policies and procedures, applicable laws and regulations. The internal auditors report to the Company's Audit Committee. In situations where the audit work to be carried out by SIA Internal Audit Department could give rise to potential conflicts of interest, such as audit work relating to transactions between the Company and Singapore Airlines Limited, the Audit Committee may authorise such audit work to be carried out by an independent third party as it deems appropriate. The Company's internal audit function meets the standards set by the Institute of Internal Auditors and Control Objectives set by The Information Systems And Control Foundation.

RISK MANAGEMENT

The Company has implemented policies and procedures to identify, mitigate and monitor risks across the organisation. These policies and procedures are communicated to staff. The risk management process flows from the Board down to staff at shopfloor levels. The Board ensures that the Company addresses risk management issues, while Management is accountable to the Board for maintaining the effectiveness of the risk management policies and procedures.

The Company has various Management Committees that meet regularly, ranging from a daily basis to a monthly basis, that help to identify and evaluate specific risks within their functions. Generally, the risks of the Company fall under three categories: strategic risks, operational risks and financial risks.

In April last year, the Company set up the Investments Committee and the Partnership Review Committee, both of which are chaired by Deputy Chairman. The Committees meet weekly and report directly to the Board.

The Investments Committee develops and implements the Company's investment strategy. In evaluating potential investments, the Committee follows a set of investment criteria approved by the Board. Strategic risks are carefully reviewed and steps are identified for mitigating these risks before the Company proceeds with negotiations. When necessary, the Committee also seeks the advice of consultants such as financial advisers, lawyers and accounting firms.

The Partnership Review Committee regularly reviews the performance of joint venture companies and communicates with joint venture companies to improve their overall performance. It also reviews relationships with joint venture partners and ensures that steps are taken to avoid potential conflicts. The Committee submits regular reports to the Company and the Board on these companies' performance.

Operational risks are risks that may arise in the course of the Company's business. The Operation Risks Management Committee ("ORMC"), which reports twice-yearly to the Audit Committee, oversees matters relating to operational risks. The ORMC is responsible for identifying and quantifying risks, developing appropriate controls to manage these risks, and monitoring the implementation of controls throughout the Company.

The Company had engaged two consultants to conduct independent studies of the business risks of the Company. The ORMC has evaluated the risks identified by these consultants with the process owners and have taken steps to mitigate these risks. The ORMC will continue to monitor the measures implemented to ensure that these are effective.

Over the course of the year, the ORMC held 7 meetings. One of the accomplishments of the ORMC is the implementation of a risk register, which allows the Committee to track the progress of mitigating risks identified.

The Company also launched various campaigns to reinforce safe work practices and procedures that help to reduce operational risks. In February this year, the Company launched a year-long Quality Program to revitalise the quality consciousness of staff. An Information Security Awareness

CORPORATE GOVERNANCE

Programme (ISAP) was also launched in April this year to raise staff awareness of information security and to help them practice good information security habits in their everyday work.

Financial checks and balances in the Company are governed by a set of operating procedures with different levels of approving authorities. These are set out in the Finance Manual. The Finance Manual sets out the asset accounting procedures, guidelines for capital expenditure applications, credit control policies and procedures, expenditure accounting procedures, procedures for purchasing peculiar spares for third party work and write-off of surplus spares, budget procedures and guidelines, budgetary control procedures and investment of surplus funds.

MANAGEMENT COMMITTEES

The Company's Management Committees provide an intermediate and objective avenue for reviewing the Company's policies and procedures. More importantly, these Committees enable the Management to closely monitor the entire expanse of the Company's business and operations. Each Management Committee is tasked to oversee very specific areas that affect the operations of the Company. These Committees hold meetings with varying frequency, from daily, weekly, biweekly to monthly.

The functions of the various Committees include reviewing operational efficiency and effectiveness; managing operational risks and maintaining internal controls; recommending and approving capital expenditures; evaluating IT system projects; ensuring occupational safety and health; reviewing staff development and progression; developing investor relations strategies; approving tender exercises and tender awards; and addressing issues relating to service standards, quality and productivity.

COMMUNICATIONS WITH SHAREHOLDERS

The Company strives to convey to Shareholders pertinent information in a clear, detailed and timely manner and on a regular basis. The Company's Investor Relations department communicates with analysts regularly and monitors the dissemination of material information to ensure that it is disclosed to the market in a timely manner and on a non-selective basis.

The Company's Articles currently do not provide for Shareholders to vote at General Meetings in absentia such as by mail, email or fax. The Company will consider implementing the relevant amendment to the Articles if the Board is of the view that there is a demand for the same, and after the Company has evaluated and put in place the necessary security and other measures to facilitate absentia voting and protection against errors, fraud and other irregularities.

The Chairmen of the Audit, Nominating and Compensation Committees, and members of the respective Committees, as well as the external auditors, will be present and available to address questions at the Company's General Meetings.

SECURITIES TRANSACTIONS

The Company has clear policies and guidelines on trading of its shares by Board Directors and employees, which are in conformity with the guidelines of the SGX-ST.



HOW WE STEERED CLEAR OF STORM CLOUDS

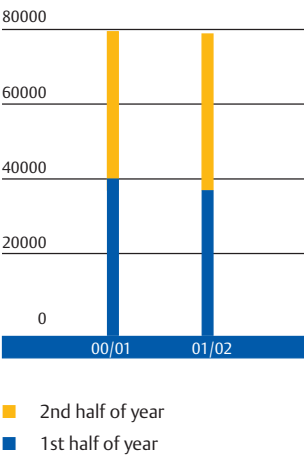
Despite a challenging business environment, SIA Engineering managed to increase both turnover and net profit for FY01/02.



LINE MAINTENANCE

During the year in review, Line Maintenance revenue was \$324.2 million, a 23.6% increase year-on-year. Its operations, which accounted for 38.8% of the Group’s revenue, benefited from increased work scope and volume at Singapore Changi Airport.

Total No. of Flights Handled



While the post-Sept11 fallout affected airlines and airports worldwide, we were gratified that the number of flights handled in the second half of the year regressed by less than 3% compared to the same period last year. By the fourth quarter, most of our customers, including Singapore Airlines, had planned to reinstate many of the flights they had cut back. During the year in review, Line Maintenance serviced a total of 79,055 flights. Despite the industry downturn, flights handled for the whole year declined by less than 1%.

We have a team of 331 licensed aircraft engineers and 1,129 well-trained technicians to provide aircraft certification and technical ground handling services to 60 airlines at Singapore Changi Airport, including Singapore Airlines and SilkAir. This year, we welcomed two new customers, Swiss Air Lines and Hainan Airlines.

In addition to the core services provided, Line Maintenance has also introduced new revenue streams such as ‘A’ checks and engine changes. On average, we have been doing about three to four engine changes a month.



Airlines concerned about the external appearance of their aircraft have increasingly been using our aircraft washing services. We have also benefited from the strict agricultural regulations that require all aircraft landing in Australia and New Zealand to be ‘disinfected’ prior to arrival. Since January 1999, we are one of the few companies that meet the stringent requirements of both countries and have received their stamps of approval.

In the last two years, Line Maintenance has been providing specialised maintenance services for SIA’s inflight entertainment and cabin management systems. This business is expected to grow, especially with the highly-interactive cabin environment of next-generation aircraft such as the A380 super jumbo which SIA is expected to take delivery in 2006. Not only will there be more seats than a typical B747-400, a host of amenities never seen before in a commercial liner will be standard onboard features.



Facing page from left:
Light 'A' check is one of the new services introduced at Line Maintenance.

Dedicated maintenance services for inflight entertainment and cabin systems.

Our Line Maintenance services focus on delivering on-time, high despatch reliability.

Above: SIA Engineering provides line maintenance services to 60 airlines at Changi Airport. In FY01/02, we welcomed 2 new customers, strengthening our dominant position at Changi.

During the year, we invested in capital equipment that helped boost productivity and work efficiency: a platform for window change operations as well as fuel tank purging equipment - a staff idea that was implemented. Previously, an aircraft fuel tank had to be purged for a day before the crew could get into the tank to conduct repairs. With this purging equipment, jet fuel fumes could be suctioned out in only four hours and the tank would be ready for servicing.

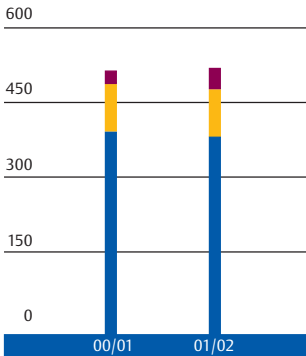
LINE MAINTENANCE CAPABILITIES

Aircraft Models	Engine Models
<ul style="list-style-type: none">• A300 B4• A300-600• A310-200/300• A319/320/321• A330-300• A340-300• B727• B737-200/300/400/800• B747-100/200/300/400/SP• B757 SERIES• B767-200/300• B777-200/300/ER• Fokker 70• Learjet L31 & L45• DC10	<ul style="list-style-type: none">• CFM56-3/-5C4• GE CF6-50/80A/80C2• IAE V2500• PW 2037• PW 4000 Series• PW JT8D• PW JT9D 7A/7Q/7R4G2/7R4E1• RB211 Series• RR TRENT 700• RR TRENT 800• TFE 731

Revenue from airframe and component overhaul grew by 30.4% to \$511.4 million in FY01/02. This business segment which comprises our base maintenance activities as well as our 22 workshops, accounted for 61.2% of SIA Engineering’s revenue.

AIRFRAME MAINTENANCE & COMPONENT OVERHAUL

Total Checks Performed



	FY01/02	FY00/01
D Checks	35	16
C Checks	111	105
A Checks	378	400

10 October 2001 marked the first heavy maintenance, on a SIA B777-200 aircraft, in our brand-new third hangar in Singapore Changi Airport. The 85-metre wide hangar 3, which is equipped with a specialised docking system for the B777 aircraft, has enabled SIA Engineering to establish an early and firm presence in the heavy maintenance of this new-generation aircraft that is fast becoming one of the world’s most popular.

As we build up our component overhaul support and expertise for the B777, we have reduced its ‘D’ check duration from 31 to 20 days. We are working on reducing this further. The shortened maintenance downtime will greatly benefit customers by cutting down maintenance costs and improving fleet utilisation.

Hangar 3 increased our airframe MRO capacity by approximately 15%, relieving our two other hangars from capacity squeeze.

Encouraged by the early signs of recovery in the airline industry, we are proceeding with the construction of our fourth and fifth hangars, scheduled for completion in 2003 and 2004.



With a staff strength of 1,351, our Base Maintenance division offers a comprehensive range of maintenance capabilities such as airframe structural repair & modification, cabin overhaul & refurbishment and major avionics retrofit. As its name implies, Base Maintenance is the hub where major scheduled maintenance activities are carried out. In addition to handling scheduled checks, Base Maintenance supports Line Maintenance division from time to time in major aircraft component changes and rectification of defects, not only in Changi Airport but wherever there is an aircraft-on-ground (AOG) situation overseas.

Our AOG team, which attends to emergency aircraft breakdowns around the world, was mobilised on several occasions. One of these was to perform an unscheduled B777 engine change at Darwin, which they completed in just 14 hours.



Facing page from left:
Every part receives careful
attention from our crew.

Gaining access to components
in the landing gear area.

Inspection in progress on an
aircraft horizontal stabiliser.

Above: Turnaround times in the
hangars and workshops are
among the lowest in the world.

During the year, three new customers — Region Air, SIA Cargo and Biman Bangladesh - were added to our list of clientele which includes Atlas Air, Air Canada, Asiana Airlines, Air Niugini, Federal Express, as well as Singapore Airlines and its regional subsidiary SilkAir.

We carried out two major modifications in accordance with airworthiness directives for Atlas Air's B747 aircraft during their 'D' checks and Section 41 inspections. This involved the conversion of the analogue Fuel Quantity System to a digital one, as well as the upgrade of its Digital Flight Data Recorder system. Besides these modifications, structural inspections and repairs, some 500 components were either replaced or overhauled.

AIRFRAME MAINTENANCE & OVERHAUL SERVICES

- A, B, C and D maintenance checks
- Zonal and supplementary structural inspections
- Major and minor airframe repairs
- Corrosion prevention and control
- Ageing aircraft inspection and modification
- Aircraft modification in compliance with regulatory Airworthiness Directives and Service Bulletins
- Refurbishment and conversion of cabin interiors
- Installation and modification of inflight entertainment systems
- Aircraft weighing
- Painting of aircraft exteriors
- Non-destructive tests

Our engineers are certified on:

- A300-600
- A300 B4
- A310-200/300
- A319/320
- A340-300
- B737
- B747-100/200/300/400
- B747F
- B767
- B777-200/300
- F70
- L45

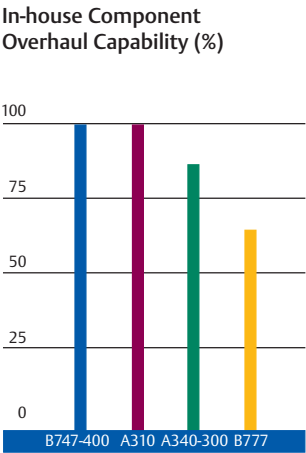
COMPONENT MAINTENANCE AND OVERHAUL

Our Workshops division provides inspection, overhaul, repair, modification and testing of aircraft and engine components. Comprising 22 separate workshops with a combined floor area exceeding 22,000 square metres, the division is supported by modern facilities, computerised equipment and highly-trained professionals.

The division’s nine state-of-the-art automatic test stations analyse and test a large variety of aircraft auto-flight, communication, navigation and radio computers from a wide range of Airbus and Boeing aircraft. Our 918 staff in the division include 102 workshop engineers who are trained to perform release-to-service certifications. The division holds the approved repair station certifications from regulatory authorities such as Civil Aviation Authority of Singapore (CAAS), Federal Aviation Administration (FAA) of the United States and Europe’s Joint Aviation Authority (JAA).

The introduction of Standard Work Implementation in October last year has improved our division’s productivity as cycle times are reduced through the use of improved processes.

We have achieved a component capability of 65% for the B777 even though our first B777 ‘D’ check commenced only last year. This is a very competitive level for a new aircraft type in the market. Our aim is to increase our capability level in the next 12 months, which will further reinforce our position as the market leader in Asia-Pacific for airframe maintenance and component overhaul of the B777.



From March to July 2002, Workshops division embarked on a modification programme to improve the reliability of video and audio in-seat entertainment systems (System 2000E) on board SIA’s B777, B747-400 and A340 aircraft.

Our value-added services to SIA are not limited to airframe and component maintenance. Besides operating a dedicated workshop for the maintenance and overhaul of “Skysuite” seats used on SIA’s B747-400 fleet, our division also provides technical support for SIA’s flight simulators round-the-clock so as to ensure that its pilot training programme goes on smoothly.



A cluster of 22 specialised workshops provide comprehensive overhaul support. This reduces turnaround time for maintenance checks in the hangars, which saves costs for customers and increases aircraft utilisation. Examples of the myriad of workshop activities (facing page from left):

- Working on a landing gear
- Repair of cockpit seats

Above: Providing round-the-clock support for SIA's 8 flight simulators.

In the fourth quarter of the year, another A320 flight simulator was added, while a Learjet 45 unit was relocated to Maroochydore in Western Australia where SIA has a pilot-training facility there. We also assisted SIA in procuring a B747-400 door trainer due for delivery in June 2002.

OUR 22 WORKSHOPS

- Aircraft Unit Load Devices (AULD)
- Airframe Accessories
- Cleaning Bay
- Composite
- Electrical
- Electronic
- Engine Accessories
- Engine Test Facility
- Flight Simulator
- Hydraulic
- Instrument
- Interior Refurbishment
- Landing Gear
- Machine
- Paint
- Pneumatic
- Radio
- Safety Equipment
- Seat Refurbishment & Electrical Support
- Sheetmetal
- Welding
- Wheels & Brakes

RETAINING OUR COMPETITIVE EDGE

An aviation engineering company such as SIA Engineering that caters to new-generation aircraft has to continually stay on the leading edge of technology. Improving our customer service and efficiency is also key in retaining our competitive edge.

Last year, we initiated the development of a business-to-business (B2B) exchange that provides vital information to customers via the Internet.

With this Internet-based exchange, customers have direct access to real-time information on the repair status, turnaround time and delivery status of their aircraft and components undergoing maintenance and repair at our facilities. They can also place repair orders, check on the type and cost of materials used, approve invoices and exchange technical information with our team of MRO specialists.

As this is an ongoing project, modules for component servicing and aircraft maintenance were released to selected customers for trial since the first quarter of the year.

In early December 2001, we released another B2B module for fleet technical management (FTM) specifically designed to support our FTM customers such as Hong Kong Dragon Airlines Limited. With the FTM module, our customers can access on-line information related to aircraft reliability, configuration and inventory management.



Our corporate initiative to integrate all of our various engineering information technology systems through the SAP enterprise resource planning (ERP) platform has been ongoing since July 2000.

SIA Engineering's existing engineering information technology systems currently run on specialised, disparate systems residing on mainframe and Unix platforms. The integration of these systems under a common SAP platform will allow for better process control, management reporting and resource accountability. Costing \$35 million, the SAP implementation is expected to be completed in FY02/03.



Our engineers use the latest, state-of-the-art computerised equipment to test a large range of new-generation aircraft avionic computers, including (facing page from left):

- satellite data unit
- advanced weather radar systems
- navigation computers

Above: Training in flight simulators enable our engineers to upgrade and hone their skills.

SAP, the leading provider of ERP solutions and the third largest independent software vendor in the world, will provide a system to support the planning, execution and control of business processes in SIA Engineering. In addition, SAP will give a consistent and overall view of real-time information on resources and costs .

With SAP, our operations will be given a strong productivity boost. Our staff will be able to share information and communicate with one another more easily. The streamlined work processes will free staff from mundane, routine tasks and enable them to focus on more value-added services and operational efficiency. SAP, which covers all aspects of administration and operations, will progressively cut-over to all departments and is scheduled for completion by the end of this year.

OUR HUMAN CAPITAL

Our human resource management philosophy is inextricably aligned with our corporate business objectives. We place a very high priority on attracting, developing, motivating and retaining our human assets, which as at 31 March 2002, totalled 4,782 individuals. Our human-capital strategies are focused on inculcating a strong corporate culture of quality consciousness and commitment. We are continually reviewing our human resources (HR) policies to reflect the change in our operating landscape. One of the many programmes we have introduced, the Maintenance Manager Enrichment Programme, provides opportunities for overseas-posted staff to share their experiences with those at home base.

SAP tools will be used to enable our HR division to serve its internal customers more efficiently and cost effectively. In June 2002, our SAP HR Services and Employee Self-Service will come online, enabling staff to perform HR administrative processes in a paperless environment.

We continue to maintain effective labour-management relationships with our employee unions - Singapore Airlines Staff Union (SIASU), SIA Engineering Company Engineers & Executives Union (SEEU) and the Air Transport Executive Staff Union (AESU). Regular meetings and informal dialogues facilitated the sharing of information and mutual problem solving. These sessions forged a relationship based on the welfare and interests of our staff while adhering to a common goal of increasing productivity and shareholder value.



STAYING ON THE CUTTING-EDGE

Our affiliation to SIA and our 16 strategic alliances with original equipment manufacturers have allowed us to continually stay on the cutting-edge of aerospace technology.

The highly-regulated MRO industry requires all engineers to be trained and certified on each aircraft and engine type. Whenever a new aircraft type, such as the B777, is added to SIA's fleet, our engineers and instructors are trained by the aircraft manufacturer. This has always been SIA Engineering's forte, having access to the latest technology from the world's leading aircraft manufacturers.



Facing page from left:
Computer-based training
allows better learning through
its interactive modules.

Sharing an idea with
colleagues. A Staff-Idea-in-
Action (S-I-A) scheme
encourages staff to submit
their ideas, many of which
have improved work processes
and saved costs.

Gaining practical experience
through on-the-job training.

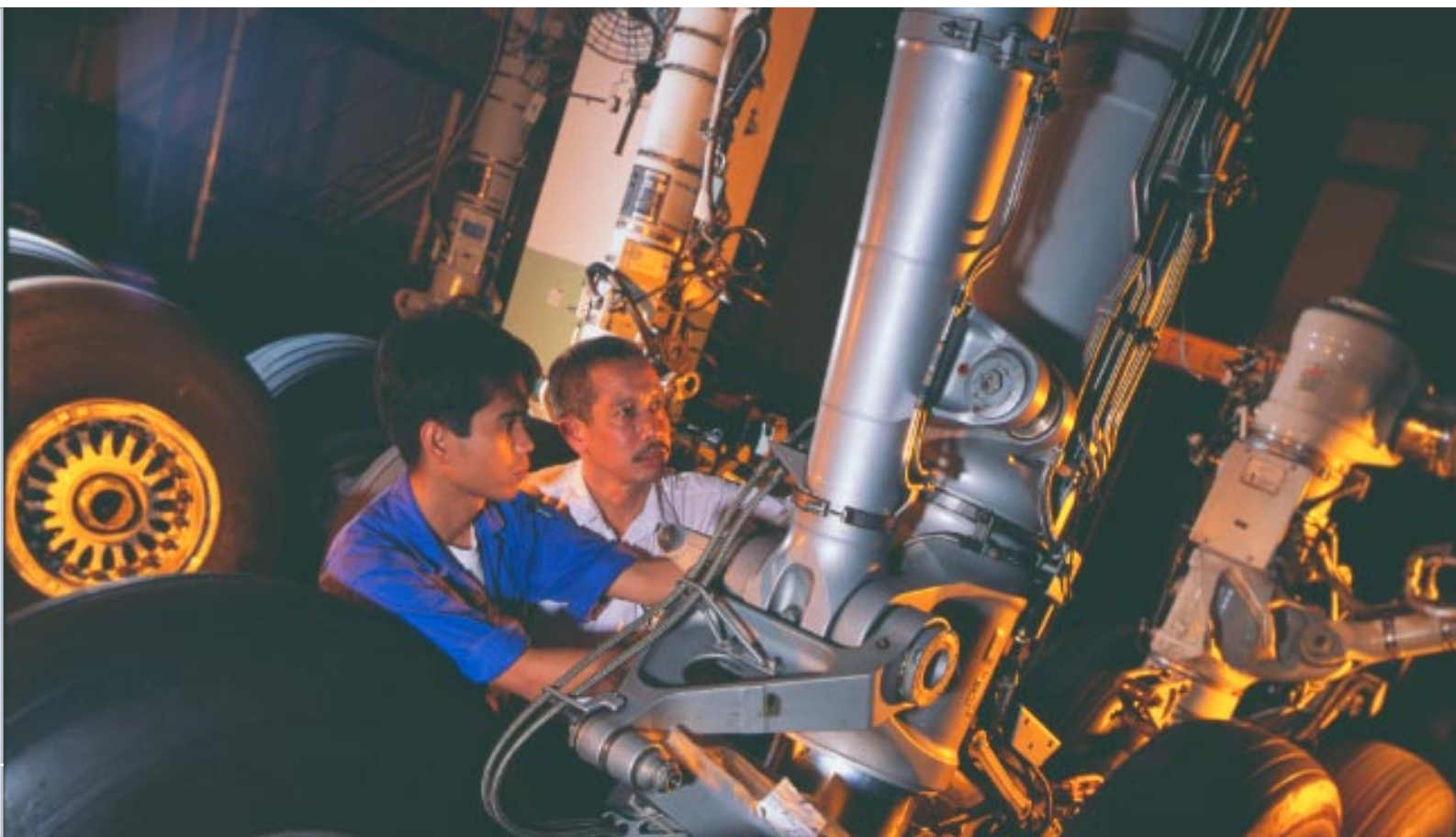
Above: Our experienced
instructors train and guide
apprentices in both hands-on
skills and technical knowledge.

In February this year, we launched a new Internet web-site for staff. Called TASK, or “Training in Aerospace Skills & Knowledge”, it provides the latest training information for employees. TASK also allows staff to access web-based training courseware. In April, the first course on Maintenance Documentation was launched.

At SIA Engineering, we place a very high priority on developing our people capital. During the year in review, the Company invested a total of \$11.3 million, or 4.2% of our annual payroll, on staff training. With a total of 42,885 man-days invested in training, each employee received an average of 68 hours of training, excluding on-the-job training.

Productivity for Achieving Competitive Excellence (PACE), a company-wide initiative to improve our competitive edge, has been implemented across all the operational divisions. The programme involved training staff on Continuous Improvement (CI) skills and tools, setting up CI Committees in various work areas and monitoring the results of their activities.

We are seeing positive results - a significant improvement in the working environment in terms of safety, cleanliness and direct production improvement in the various work units. Through PACE’s ongoing processes, we aim to strengthen our culture of continuous improvement in the Company.



VALUE PROPOSITIONS FOR OUR CUSTOMERS

Total solutions, faster turnaround and lower maintenance costs.



Aircraft maintenance today involves much more than just the manufacturer-prescribed tasks of overhauling airframes, components and engines. In striving for more efficiency, airlines are increasingly focused on cost reduction, with emphasis shifting from individual maintenance checks to the management of total life-cycle costs. To achieve this, airlines are looking to MROs for total solutions to support the efficient use of their fleets, resulting in faster turnaround times and lower maintenance costs.

SIA Engineering's Total Support services, a comprehensive package tailored to fit the specific needs of each customer, ensures maximum aircraft availability and high maintenance quality at reasonable costs, with a resulting high degree of preserved aircraft value.

Leveraging on our extensive experience in managing the entire SIA fleet, including those of its subsidiaries SilkAir and SIA Cargo, we entered the field of fleet technical management with a 3-year contract with Hong Kong Dragon Airlines Limited in April 2001.

Besides fleet technical management, SIA Engineering also managed the conversion project of two B747 passenger planes to freighters. When the freighters entered service, SIA Engineering provided engineering planning and management services, which include the management of inventory spares to support the two aircraft as well as monitoring fleet performance.

In March 2002, we signed a 5-year maintenance contract with Cameroon Airlines to provide airframe and component maintenance services for its B747-300 aircraft, as well as training, planning and emergency services. We will also assist in setting up its workshop facilities in Douala, Cameroon.



To complement our already comprehensive suite of capabilities, SIA Engineering has forged strategic alliances and joint ventures, 16 in total, enmeshing its own in-house expertise with those of leading original equipment manufacturers.

As the operating environment gets more challenging for airline operators, SIA Engineering has also devised innovative, value-added solutions for our customers:

POWER-BY-THE-HOUR

Airlines seeking full technical support to comply with international airworthiness requirements will welcome our Power-By-The-Hour package, a maintenance programme tailor-made to meet customers' maintenance and regulatory needs. The programme allows aircraft owners to pay, on



Facing page from left:
Our 700 engineers and executives, with an average of 17 years experience, certified more than 2,700 aircraft checks in the last 5 years.

In April 2001, a 3-year fleet technical management contract was signed with Dragonair.

Despite the downturn, the number of flights Line Maintenance handled at Changi Airport remained as high as in previous years.

Above: As part of our on-site technical support services, our Quality Engineers inspect work processes at aircraft assembly plants.

a monthly basis, for the number of hours the aircraft has been in the air instead of a charge each time the aircraft undergoes a maintenance check. As such, it allows airlines to cap their costs and ease cashflow. In addition to performing the maintenance work, SIA Engineering will plan and manage the maintenance schedules as well as keep technical records on behalf of the client.

ON-SITE TECHNICAL SUPPORT SERVICES

With an increasing number of airline operators not wanting to be bogged down with assets, leasing aircraft is becoming a more attractive option. For both new leases as well as de-leases, SIA Engineering will be called in to provide On-Site Technical Support Services so as to ensure that the aircraft documentation and records are in order. Quality Engineers will be deployed to aircraft assembly plants to inspect and audit work processes as well as technical records.

We signed a long-term technical support service agreement with Singapore Aircraft Leasing Enterprise (SALE), a leading aircraft leasing company based in Asia. SALE has a fleet of 40 aircraft and plans to take delivery of another 32 new aircraft up to 2008. SIA Engineering will provide maintenance checks on SALE's aircraft before they are leased out as well as in between lease arrangements. We will also conduct major modification work as and when specified by our client and provide quality inspection of its aircraft undergoing production at the manufacturers' assembly plants.