

engineering

growth

ANNUAL REPORT 2004/05



SIA ENGINEERING COMPANY

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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.

CORPORATE PROFILE

As a leading maintenance, repair and overhaul (MRO) company with a reputation for technical and operational excellence, SIA Engineering Company offers TOTAL SUPPORT solutions to an expanding client base of international air carriers.

Coupled with the specialised expertise that it has developed over the years, SIA Engineering Company offers its customers a high level of service and commitment, as well as faster turnaround and better cost-efficiencies.

The Company also actively seeks alliances and partnerships with industry specialists and original equipment manufacturers to extend the breadth and depth of its services in Singapore and beyond.

Certified a "People Developer" by Spring Singapore, SIA Engineering Company places a very high priority on attracting, developing, motivating and retaining its human capital.

The Company holds certifications from 22 airworthiness authorities worldwide, such as the Civil Aviation Authority of Singapore, the Federal Aviation Administration and the European Aviation Safety Agency.

Hangar 1

Commissioned in 1982
18,500 square metres
3 B747-size bays



Hangar 2

Commissioned in 1994
9,000 square metres
2 B747-size bays



Hangar 3

Commissioned in 2001
6,000 square metres
1 B747-size bay



Hangar 4

Commissioned in 2005
3,700 square metres
1 B747-size bay



Hangar 5

Commissioned in 2005
6,000 square metres
1 B747-size bay



C O N T E N T S

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Engineering Growth: With our fourth and fifth hangars completed, SIA Engineering Company Limited has added some 30% to our existing maintenance capacity to meet the upswing in the regional and global aviation business, and launch new aftermarket services, including Passenger-to-Freighter conversions and aircraft interior modifications.

OUR MRO SERVICES



NOW MORE THAN EVER - A TRULY WORLD-CLASS MRO SERVICE PROVIDER

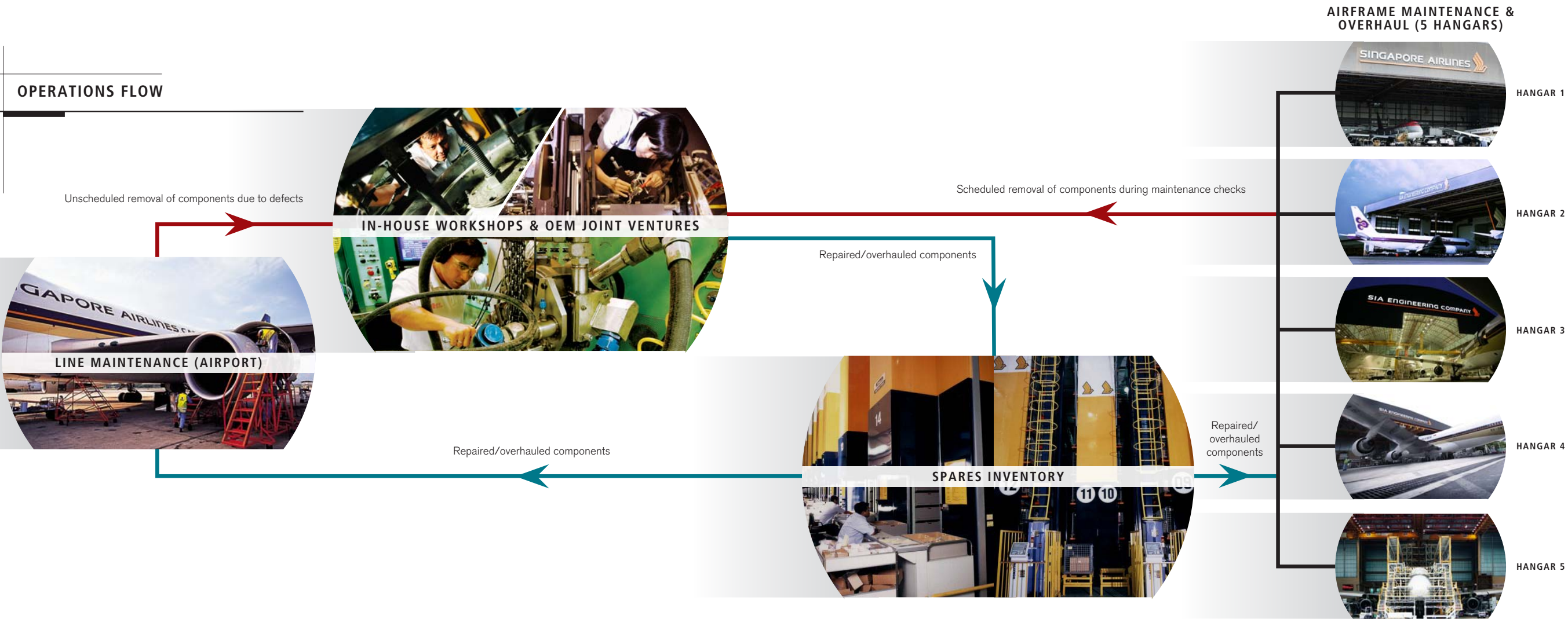
The global MRO industry comprises five main sectors: Line Maintenance, Airframe Maintenance, Component Overhaul, Engine Overhaul and lastly, Conversions/Modifications.

SIA Engineering Company's latest line of business – Conversions/Modifications – completes our MRO pie of service offerings and elevates us onto the world stage.

In 2004, we announced plans to be among the first in the world to convert B747-400 passenger planes to freighters. In addition, we also sought fresh opportunities in the growing aircraft cabin retrofit and reconfiguration market through our joint venture with JAMCO America and JAMCO Corporation. The joint venture, JADE (JAMCO Aero Design & Engineering Pte Ltd) will be one of the first in the region to provide initial conceptual design and certification, right through to installation.

With a more complete suite of global service offerings, SIA Engineering Company has become a truly one-stop MRO partner to our airline customers, who can be assured that we are ever so committed and focused on optimising cost efficiencies and achieving the fastest turnaround-times in the global industry.

OPERATIONS FLOW



LINE MAINTENANCE (AIRPORT)

Aircraft Type	Engine Type
• A300B4	• GE CF6-50
• A300-600	• PW 4000 SERIES / GE CF6-80C2
• A310 SERIES	• PW JT9D-7R4E1 / PW 4000 SERIES / GE CF6-80C2
• A320 SERIES	• IAE V2500 / CFM56
• A330 SERIES	• PW 4000 SERIES / RR TRENT 700
• A340 SERIES	• CFM56-5C4
• B727	• PW JT8D
• B737 SERIES	• PW JT8D / CFM56-3
• B747-400	• PW 4000 SERIES / RR RB211-524GH / T / GE CF6 80C2
• B747 SERIES / B747SP	• PW JT9D-7A / -7Q / -7R4G2 / RR RB211-524D4 / GE CF6-50 / -80A
• B757 SERIES	• PW2037 / RB211-535E
• B767 SERIES	• PW JT9D / PW 4000 SERIES / GE CF6-80C2
• B777 SERIES	• RR TRENT 800 / PW 4000 SERIES
• FOKKER 70	• RR-TAY
• LEARJET M31 & M45	• TFE 731
• DC10	• GE CF6-50

IN-HOUSE 23 WORKSHOPS

- Instrument Workshop
- Electronic Workshop
- Radio Workshop
- Electrical Workshop
- Pneumatic Workshop
- Airframe Accessories Workshop
- Hydraulic Workshop
- Engine Accessories Workshop
- Machine Workshop
- Seat Refurbishment Workshop
- Safety Equipment Workshop
- Electrical Support Workshop
- AULD Workshop
- Landing Gear Workshop
- Cleaning Bay Workshop
- Wheels & Brakes Workshop
- Composite Workshop
- Painting Workshop
- Interior Refurbishment Workshop
- Sheetmetal Workshop
- Welding Workshop
- Flight Simulator Maintenance Workshop
- Engine Test Facility

SINGAPORE AND OVERSEAS JOINT VENTURES

- SINGAPORE**

 - Aerospace Component Engineering Services
 - Asian Surface Technologies
 - Combustor Airmotive Services
 - Eagle Services Asia
 - Fuel Accessory Service Technologies
 - International Aerospace Tubes-Asia
 - International Engine Component Overhaul
 - JAMCO Aero Design & Engineering
 - Messier Services Asia
 - Rohr Aero Services – Asia
 - Singapore Aero Engine Services Limited
 - Singapore JAMCO
 - Turbine Coating Services
- OVERSEAS**

Engine & Engine Component Overhaul

 - Hong Kong: Hong Kong Aero Engine Services Limited
 - Ireland : PWA International
 - Taiwan : Asian Compressor Technology Services

Line Maintenance

 - China: Pan Asia Pacific Aviation Services
 - Indonesia: PT JAS Aero Engineering Services
 - Philippines: Aviation Partnership (Philippines) Corporation

AIRFRAME MAINTENANCE & OVERHAUL

- A, B, C and D maintenance checks
- Zonal and supplementary structural inspections
- Major and minor airframe repairs
- Corrosion prevention and control
- Ageing 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
- Modifications

CHAIRMAN S STATEMENT



Dear Shareholders,

The rebound in the global aviation industry in 2004 has been encouraging. The Asia-Pacific region, underpinned by resilient economic performance, led the recovery with growth in both passenger and cargo traffic. Going forward, continued economic growth in China and India is expected to provide a further lift to aviation prospects in the region.

With the recovery in traffic, the maintenance, repair and overhaul (MRO) industry had started to gain momentum in the second half of FY2004/2005. The pace of recovery is expected to improve in the current financial year.

ENGINEERING GROWTH

Gearing up for a busier year ahead, the timely commissioning of our fourth and fifth hangars in 2005 will give us an increase of 30% in hangar space to take on more maintenance orders. In addition, the expanded capacity will enable us to embark on new service offerings — aircraft interior modifications and passenger-to-freighter conversions.

Competition among airlines has extended from the marketplace to the aircraft cabin, with airlines working hard to differentiate their in-flight products through innovations in in-flight entertainment and

As we unfold our strategies and business plans to meet these new challenges, we are further aligning ourselves with the value chain of our customers - instead of just working on getting optimum ground time for aircraft checks, we are focusing on improving customers aircraft utilisation and operating efficiencies by delivering the maximum air time for their fleets.

cabin comfort. Leveraging on this trend, in July 2004, we announced our acquisition of a 45% equity shareholding in a joint venture with JAMCO Corporation and JAMCO America, Inc to provide turnkey solutions for aircraft interior modifications. The joint venture, JAMCO Aero Design & Engineering, will be one of the first in the region to offer airlines a one-stop service for cabin modifications, from conceptualisation to design and certification, right through to installation.

With the pickup in cargo traffic and the large global B747-400 fleet size, there is a potentially strong market for conversion of B747-400 passenger aircraft to freighters. Our proven track record and expertise in maintaining the aircraft gives us a competitive edge to tap the B747-400 conversion and post-conversion fleet management programme markets. When launched in 2006, we will be among the first in the world to offer B747-400 passenger-to-freighter conversions.

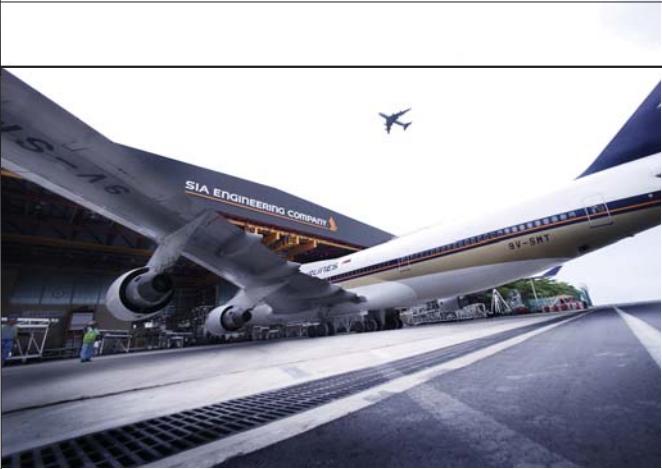
These new service offerings — modifications and conversions — will augment the Group s comprehensive range of line and airframe maintenance, and component and engine overhaul services. This will put us in an exclusive class of MRO players that offer a complete spectrum of services to meet the engineering needs of airlines.

In rapid succession, in April 2005, the Group formed its 18th and 19th joint ventures with strategic partners. A joint venture agreement was signed with Cebu Pacific Air, in which SIA Engineering Company holds 51 percent in a unit that will offer line maintenance and light maintenance checks in the Philippines. With this initiative, the Group will be operating line maintenance at up to 30 airports in four countries — Singapore, China, Indonesia and the Philippines.

We also sealed a joint venture agreement with Parker Aerospace, a unit of the Parker Hannifin Corporation, a world leader in motion and control technologies, to develop a Centre of Excellence in Asia for Parker Aerospace hydro-mechanical components, which are used in aircraft hydraulic, flight control and landing gear systems.

New paradigms are evolving in the increasingly competitive MRO business. Business cycles are becoming shorter and customer needs are changing rapidly, with operating efficiencies and fleet utilisation becoming critical success factors for airlines. As we unfold our strategies and business plans to meet these new challenges, we are further aligning ourselves with the value chain of our customers - instead of just working on getting optimum ground time for aircraft checks, we are focusing on improving customers aircraft utilisation and operating efficiencies by delivering the maximum air time for their fleets.

We will continue to pursue the growth of our global footprint, with particular focus on the Asia-Pacific, which is poised to be at the vanguard of growth in the global aviation industry.



OUR PERFORMANCE IN FY2004/2005

During the financial year 2004/2005, the Group's revenue gained 19.0% to \$807.5 million, as a result of an increase in the number of flights handled by our Line Maintenance division, as well as higher workload for airframe and component overhaul business.

Group expenditure rose 17.0% to \$702.0 million, largely due to higher staff costs, which increased 25.9% as a result of providing for profit-sharing bonus, overtime costs due to increased workloads and once-off payments to staff under the new collective agreements, which have reformed wage structures to incorporate higher variable components and lower maximum salary limits.

As a result, the Group's net profit increased by 25.2% to \$175.1 million.

Flight movements at Changi Airport are at an all-time high. In 2004, a record number of 30 million passengers passed through Changi, representing a 23.0% increase over 2003. This increase helped to boost our line maintenance business, which grew 11.8% to \$277.6 million.

Revenue from airframe and component overhaul grew by 23.1% to \$529.9 million, due to a pickup in workload at Base Maintenance division and our 23 workshops.

Our associated companies and joint ventures continued to perform well, increasing their contribution to profits by 54.7% to \$75.5 million. These accounted for 37.9% of the Group's pre-tax profits.

NEW CONTRACTS

Our tireless efforts to pursue third-party customers continue to pay off. The latest customers to join our growing airframe/component overhaul customer base include Air Caledonie International, Air China Cargo, Dubai Air Wing, Japan Airlines Domestic and Virgin Atlantic Airways.

Air Atlanta Icelandic, Cebu Pacific Air, SilkAir and Tiger Airways signed up for our Fleet Management Programmes (FMP), which bundles MRO with engineering management services. As we move up the MRO value chain, FMP is poised to become a key growth area for the Group.

DIVIDEND

The Directors have recommended a final dividend of 4.5 cents per 10-cent share. This brings the total dividend for FY2004/2005 to 7.5 cents per share, and translates to a gross dividend yield of 3.2% (based on the closing price of \$2.33 on 31 March 2005) and a payout ratio of 43.5%.

BUSINESS OUTLOOK

Asia is set for economic growth, characterised by brisk trade between countries in the region and beyond, and further liberalisation of its aviation sector. With more air routes opening up in tandem with growing passenger and cargo traffic, we may see more investments in aircraft and airport infrastructure.

Against this positive outlook, rising costs and the volatility of the US dollar, coupled with intense competition in the region, continue to pose significant challenges for airlines, MRO suppliers and other aviation players.

Our sustainable competitive edge in the global MRO industry depends on our early access and first-mover advantage in the latest aircraft types, such as the Boeing B777, the Airbus A340-500/600 and the soon-to-be-launched Airbus A380. Our aim is to continually climb the technology ladder, specialising in the most advanced commercial aircraft.

We will continue to pursue the growth of our global footprint, with particular focus on the Asia-Pacific, which is poised to be at the vanguard of growth in the global aviation industry.

ACKNOWLEDGEMENTS

I would like to express my deepest appreciation to Mr Jimmy Phoon, who retired from the Board in July 2004.

I would also like to take this opportunity to thank staff, unions, management and my colleagues on the Board for their outstanding effort and impassioned commitment to the Group, and all our customers for their support.

KOH BOON HWEE
Chairman

STATISTICAL HIGHLIGHTS

CORPORATE CALENDAR

FINANCIAL STATISTICS	2004-05	2003-2004	% Change
Group (\$ million)			
Revenue	807.5	678.7	+19.0
Expenditure	702.0	599.8	+17.0
Operating profit	105.5	78.9	+33.7
Exceptional item	9.0	(3.1)	—
Profit before tax	199.0	128.9	+54.4
Profit attributable to shareholders	175.1	139.9	+25.2
Share capital	101.8	100.5	+1.3
Distributable reserves	731.1	818.9	-10.7
Non-distributable reserves:			
Share premium	25.6	6.4	—
Shareholders' funds	858.5	925.8	-7.3
Return on shareholders' funds (%)	19.6	15.9	+3.7 points
Total assets	1,100.4	1,120.2	-1.8
Net liquid assets	325.2	473.7	-31.3
Value added	577.0	453.6	+27.2
Per Share Data			
Earnings before tax (cents)	19.7	12.9	+52.7
Earnings after tax (cents)	17.3	14.0	+23.6
Net asset value (cents)	84.4	92.1	-8.4
Dividends			
Interim dividend (cents)	3.0	2.0	+50.0
Proposed final dividend - ordinary (cents)	4.5	2.5	+80.0
- special (cents)	—	20.0	—
Company (\$ million)			
Revenue	802.8	670.7	+19.7
Expenditure	698.0	592.0	+17.9
Operating profit	104.8	78.7	+33.2
Exceptional item	9.3	(3.1)	—
Profit before tax	155.2	111.3	+39.4
Profit after tax	136.4	125.3	+8.9
Value added	532.4	416.0	+28.0
Employee Productivity - Company			
Average number of employees	4,525	4,577	-1.1
Revenue per employee (\$)	177,404	146,547	+21.1
Value added per employee (\$)	117,652	90,881	+29.5
Employee Productivity - Group			
Average number of employees	4,663	4,652	+0.2
Revenue per employee (\$)	173,173	145,889	+18.7
Value added per employee (\$)	123,751	97,508	+26.9

14 May 2004	Announcement of FY 2003/2004 results
17 May 2004	Analyst/media briefing on FY 2003/2004 results
11 Jun 2004	Despatch of Summary Financial Statement to shareholders
02 Jul 2004	Despatch of Annual Report to shareholders
26 Jul 2004	22 nd Annual General Meeting & Extraordinary General Meeting
30 Jul 2004	Announcement of FY 2004/2005 first-quarter results
11 Aug 2004	Payment of FY2003/2004 final dividend
29 Oct 2004	Analyst/media briefing on FY 2004/2005 second-quarter results
26 Jan 2005	Announcement of FY 2004/2005 third-quarter results
11 May 2005	Announcement of FY 2004/2005 results
12 May 2005	Analyst/media briefing on FY 2003/2004 results
10 Jun 2005	Despatch of Summary Financial Statement to shareholders
01 Jul 2005	Despatch of Annual Report to shareholders
25 July 2005	23 rd Annual General Meeting & Extraordinary General Meeting
29 Jul 2005	Announcement of FY 2005/2006 first-quarter results
10 Aug 2005	Payment of FY 2004/2005 final dividend

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SIA Engineering Company

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4 Earnings per share is computed by dividing the profit after taxation and minority interests by the weighted average number of fully paid shares in issue.

BOARD OF DIRECTORS



Koh Boon Hwee

Chew Choon Seng



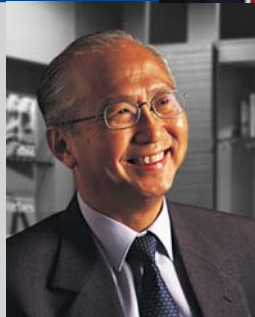
Wong Nang Jang



N Varaprasad



Wong Ngit Liong



Chew Leng Seng



Bey Soo Kiang



Thio Su Mien



Tan Bian Ee



Jimmy Phoon Siew Heng

BOARD OF DIRECTORS

MR KOH BOON HWEE, CHAIRMAN

Mr Koh was appointed Chairman of SIA Engineering Company with effect from 22 May 2003. Among other board appointments, he is the Chairman of Singapore Airlines as well as the Nanyang Technological University Council, a Director of Agilent Technologies Inc, Four Soft Ltd and Norelco UMS Holdings Ltd, Executive Director of MediaRing Limited and Tech Group Asia Limited. He serves on the boards of several private companies, including Temasek Holdings Private Limited as a Director, AAC Acoustic Technologies Holdings Ltd and Infiniti Solutions Private Limited as Chairman. He is also a Council Member of the Singapore Business Federation.

He has previously served on the Boards of SPH AsiaOne Limited, Innovalues Precision Ltd, Citiraya Industries Ltd, QAD Inc, USA and Intelsat Ltd, Bermuda.

Mr Koh holds a degree in Mechanical Engineering (First Class Honours) from the Imperial College of Science and Technology, University of London, and an MBA (Distinction) from the Harvard Business School.

MR CHEW CHOON SENG, DEPUTY CHAIRMAN

Mr Chew was appointed Deputy Chairman of SIA Engineering Company with effect from 22 May 2003.

Mr Chew is the CEO and a Director of Singapore Airlines, which he joined in 1972. He is the Chairman of Singapore Aircraft Leasing Enterprise, the Deputy Chairman of Singapore Airport Terminal Services Limited, and a Director of the Singapore Exchange and Virgin Atlantic Airways.

He graduated with a Bachelor in Mechanical Engineering degree (First Class Honours) from the University of Singapore, and a Master of Science in Operational Research and Management Studies from Imperial College, University of London.

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 was appointed CEO of SIA Engineering Company effective 1 April 2000. On 1 May 2001, Mr Chew retired as the Company s CEO.

Mr Chew is also the Chairman of Pan Asia Pacific Aviation Services Pte Ltd and Singapore JAMCO Pte Ltd. He is also a Director of Singapore Aero Engine Services Pte Ltd.

MR WONG NANG JANG

Mr Wong was appointed a Director of SIA Engineering Company on 24 March 2000.

He is also a Director of Oversea-Chinese Banking Corporation Limited, Bank of Singapore Limited, PacificMas Berhad, Banking Computer Services Private Limited, BCS Information System Private Limited, WBL Corporation Limited and Singapore Symphonia Co. Ltd.

Mr Wong was previously a Director of Keppel Capital Holdings Ltd, Keppel TatLee Bank Limited and Global Investment Holdings Ltd. He was also a trustee of the Institute of Southeast Asian Studies.

Mr Wong graduated from the University of Singapore with an honours degree in Economics.

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 1 July 2000, Senior Executive Vice-President (Technical and Human Resources) on 1 April 2002 and Senior Executive Vice-President (Operations & Services) on 19 April 2004.

Lt Gen (NS) Bey was appointed a Director of SIA Engineering Company on 1 March 2000. He is also the Chairman of SilkAir (Singapore) Private Limited, Singapore Flying College Pte Ltd and SIA Properties (Pte) Ltd and a Director in All Good Gifts Ministries Ltd.

He was previously Chairman of SATS Airport Services, a Director of Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Virgin Travel Group Limited.

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. In 1988, he earned a Master of Public Administration degree from Harvard University. Prior to assuming his appointment in SIA, Lt Gen (NS) Bey attended the Advanced Management Programme at the Harvard Business School in Spring 2000.

DR N VARAPRASAD

Dr Varaprasad is the Chief Executive of the National Library Board, Singapore. Prior to that, he was Deputy President of the National University of Singapore and Principal/CEO of Temasek Polytechnic respectively. He joined SIA Engineering Company as a Director on 1 March 2000. He has also served on various statutory boards as well as professional and social organisations. His background and area of expertise is in education and human resource development. He sits on the Singapore Advisory Council of the Singapore HR Institute.

Dr Varaprasad graduated with a Bachelor of Engineering (First Class Honours) in Mechanical Engineering from the University of Canterbury (NZ), earned a Master in Engineering (First Class) from the University of Auckland and a PhD in Transport Studies from the Cranfield Institute of Technology, UK. He attended the Stanford Executive Programme in 1998.

Dr Varaprasad currently serves on the Health Promotion Board and chairs its Audit Committee and serves on the Civil Service College Board of Directors as well as on the Board of Trustees of SIM University.

He received the Public Administration Award (Gold) in 1996.

MR WONG NGIT LIONG

Mr Wong is the Chairman & CEO of Venture Group. He joined SIA Engineering Company as a Director on 1 March 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 DBS Bank Ltd and DBS Group Holdings Ltd, International Enterprise Singapore, and Royal Philips Electronics. He is also Chairman of the National University of Singapore Board of Trustees. He was previously on the Boards of Singapore Exchange Limited and the Economic Development Board.

BOARD OF DIRECTORS

DR THIO SU MIEN

Dr Thio was appointed a Director of SIA Engineering Company on 1 March 2000. She currently holds various directorships including one at MobileOne Limited and Manulife (Singapore) Pte Ltd. She is an Advocate and Solicitor of the Supreme Court of Singapore and is currently a Senior Executive Director of TSMP Law Corporation.

Previously Dean of the Faculty of Law at the University of Singapore, Dr Thio has held varied positions in professional bodies and institutions, and sat on the Boards of subsidiaries of multinational corporations in Singapore. She was also on the Board of Goodpack Limited.

Dr Thio has served on the Board of Legal Education, chaired one of the Disciplinary Committees set up by the Chief Justice. She is an Accredited Arbitrator at the Singapore International Arbitration Centre and is a member of the Asian Development bank Administrative Tribunal.

MR TAN BIAN EE

Mr Tan was appointed a Director of SIA Engineering Company with effect from 15 April 2004. Among other board appointments, he is the Director of Singapore Workforce Development Agency under Singapore's Ministry of Manpower, as well as a council member in the Industrial Coordination Council under Ministry of International Trade & Industry of Malaysia since 2000. He also serves on the Boards of Agilent Technologies Singapore and Malaysia, and Lumileds Lighting Malaysia.

He is also the Northern Region Chairman for Young Enterprise (2003-2004), a community educational programme under the auspices of the American Malaysian Chamber of Commerce and a founder member of Penang Skills Development Corporation.

Mr Tan holds Diplomas in Medical Laboratory Technology and Management Studies, as well as an MBA (Distinctions) from the Golden Gate University.

He was awarded the Pingat Kelakuan Tertinggi (Exemplary Leadership), Darjah Johan Negeri (DJN) and Darjah Setia Pangkuan Negeri (DSPN), which carries the title Dato, in 1991, 1995 and 1999 respectively by the Penang State Government.

MR JIMMY PHOON SIEW HENG (until 26 July 2004)

Mr Phoon, 42, is Senior Managing Director of Strategic Development at Temasek Holdings (Private) Limited. Prior to joining Temasek, Mr Phoon was an Executive Director of Standard Chartered Merchant Bank Asia Limited. He was a Deputy Director in the Ministry of Finance, Singapore, from 1988 to 1992.

Mr Phoon was also previously a Director of SMRT Corporation Limited, Singapore Airport Terminal Services Limited and Board Commissioner of PT Bank Danamon Indonesia Tbk. Mr Phoon stepped down from the board of SIA Engineering Company Limited on 26 July 2004.

Mr Phoon holds a Bachelor of Economics (Honours) degree from Monash University, Australia. Mr Phoon is a Board Commissioner in PT Bank Internasional Indonesia Tbk.

CORPORATE DATA

EXECUTIVE MANAGEMENT



William Tan Seng Koon
Chief Executive Officer



Oh Wee Khoon
Senior Vice President
(Commercal)



Chan Seng Yong
Senior Vice President
(Operations)



Png Kim Chiang
Senior Vice President
(Services)

BOARD OF DIRECTORS

Chairman
Koh Boon Hwee

Deputy Chairman
Chew Choon Seng

Directors
Bey Soo Khiang
Chew Leng Seng
N Varaprasad
Thio Su Mien
Wong Nang Jang
Wong Ngit Liong
Tan Bian Ee
(appointed on 15 April 2004)
Jimmy Phoon Siew Heng
(retired on 26 July 2004)

Company Secretary
Devika Rani Davar

AUDIT COMMITTEE

Chairman
Wong Nang Jang

Members
Chew Leng Seng
N Varaprasad
Thio Su Mien
Tan Bian Ee
(from 1 June 2005)

NOMINATING COMMITTEE

Chairman
Wong Ngit Liong

Members
Chew Choon Seng
Wong Nang Jang

COMPENSATION & HR COMMITTEE

Chairman
N Varaprasad

Members
Chew Choon Seng
Wong Ngit Liong

BOARD COMMITTEE

Members
Chew Choon Seng
Chew Leng Seng

Alternate
Thio Su Mien

CAPITAL STRUCTURE COMMITTEE
(disbanded on 10 March 2005)

Chairman
Chew Leng Seng

Members
Wong Nang Jang
Jimmy Phoon Siew Heng
(until 26 July 2004)

REGISTRAR

M & C Services Private Limited
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
(since financial year ended
31 March 2001)

EXECUTIVE MANAGEMENT

Chief Executive Officer
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

REGISTERED OFFICE

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Chia Peck Yong
Senior Manager Public Affairs
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Tel: (65) 6541 5134
Fax: (65) 6546 0679

Revitalisation

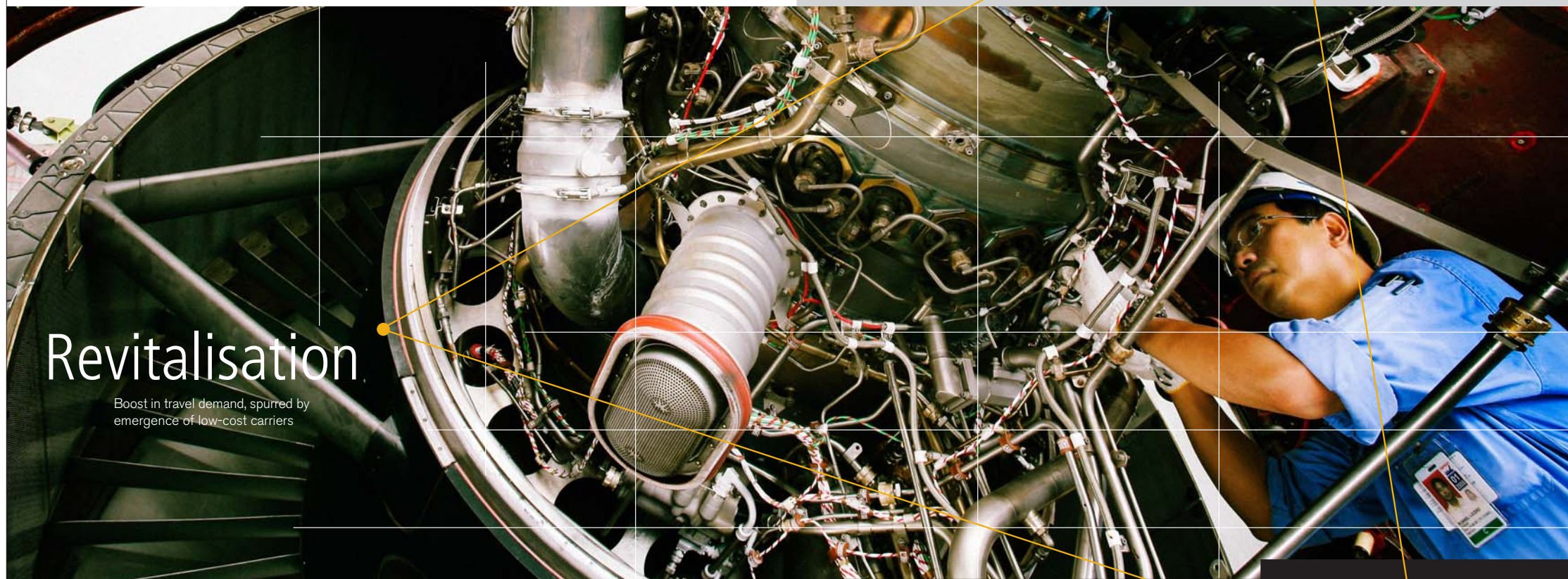
Boost in travel demand, spurred by emergence of low-cost carriers

Recovery

Rebound in passenger and cargo traffic

Renewal

Continuing route liberalisation leading to more investments in aircraft fleets and airport infrastructure





THE GLOBAL AIRLINE INDUSTRY IN 2004

It was clearer skies for airlines around the world, particularly those in the Asia-Pacific region, which experienced a rebound in passenger traffic and cargo throughput in 2004.

The gloom that came with the SARS fallout has dissipated, and the airline industry sprang back into recovery, thanks to an improving regional economy.

REBOUND IN PASSENGER AND FREIGHT TRAFFIC

For the full year of 2004, the International Air Transport Association (IATA) recorded a 15.3% rise in international passenger traffic as compared to 2003, surpassing its prediction of 11% growth. Double-digit growth was seen in all regions, and particularly in the Middle East, with passenger growth at 24.8% in 2004. In Asia Pacific, air passenger traffic grew by 20.5% whilst Europe and North America achieved growth of 10.1% and 14.8% respectively.

Scheduled freight traffic showed an increase of 13% whilst air freight amounted to 38 million tonnes, as compared to 35 million tonnes in 2003.¹

On average, the aviation industry is forecasted to grow at an average rate of 6% per year, with China expected to be the fastest-growing market globally.²

Against the backdrop of a recovery in traffic, record-high fuel prices continued to impact carriers. In May 2005, IATA estimated that total losses suffered by airlines may widen 25% and reach a record US\$6 billion in 2005.³

RECOVERY IN REGIONAL AVIATION SCENE

In 2004, Singapore Changi Airport broke its own record with 30.35 million passengers passing through its air hub, a 23.1% increase over 2003. The airport moved a new record of 1.78 million tonnes of cargo, a 10.2% rise over the year-ago period.

No-frills air travel first emerged in the United States in the 1970s and spread to Europe in the 1990s. In 2004, Asia was the centrestage for the onslaught of low-cost carriers taking to the regional skies — Singapore's Valair and Tiger Airways, Malaysia's AirAsia, Thailand's Thai AirAsia, Indonesia's Lion Air and Australia's Jetstar Asia.

The growth of these new entrants had pushed down fares and raised demand for air travel, particularly in new market segments not reached by traditional full-service carriers.

THE MRO INDUSTRY IN SINGAPORE

The transport engineering industry — of which the aerospace sector is a key component — is one of the major contributors to Singapore's steady growth in the manufacturing sector.

Singapore has been able to attract leading transport engineering companies to set up and expand their operations here due to its strength in engineering capabilities. Singapore also has a diverse base of local companies that offers a suite of high quality parts, components and services.

Positioned as the global aviation hub, the aerospace industry in Singapore has strong fundamentals in manufacturing and MRO activities, with over 100 aerospace companies operating here. They include leading players such as Pratt & Whitney, GE, Honeywell, Rolls-Royce and SIA Engineering Company. Backing this growing industry is a ready pool of suppliers offering a wide variety of engineering support services.

In recent years, Singapore has also seen growing interests in R&D activities by these aerospace companies here due to Singapore's strong intellectual property rights protection regime, availability of talent and possibility of collaborations with various research institutes.⁴

Focus in developing Singapore's connectivity and hub status is of utmost national priority where passenger traffic, airports, airlines and MRO companies alike share a symbiotic relationship.

The MRO sector in Singapore is part of the nation's transport engineering industry and a key component in the country's economic growth engine — the manufacturing sector. According to the Economic Development Board of Singapore (EDB), the MRO industry in Singapore contributes an estimated 6 per cent to the global MRO market and 25 per cent to the Asian MRO market. In 2004, the MRO industry in Singapore achieved a total output of S\$4.5 billion.⁵

The year 2004 saw the launch of several promising new projects in the aerospace sector, including facility expansion, new manufacturing plants, and the extension of regional operations in Singapore.

¹ IATA International Traffic Statistics, December 2004
² The Business Times, 16 December 2004
³ The Straits Times, 31 May 2005

⁴ The Business Times, 10 March 2004
⁵ EDB Website, 1 Feb 2005: Robust Growth For Logistics



Singapore's strong engineering capabilities continue to be a differentiating factor for Singapore to draw leading engineering companies to set up and expand their operations here.

Most of the global leaders in the aerospace industry have a significant presence in Singapore, including Pratt & Whitney, Rolls-Royce, Goodrich, Messier Services, Hamilton Sundstrand, JAMCO Japan and Parker Aerospace.

Today, Singapore is one of the most comprehensive MRO locations in the Asia-Pacific region, offering a full range of MRO services, including airframe maintenance, engine overhaul, engine component repair, structural systems repair and avionics systems repair.

In December 2004, the Civil Aviation Authority of Singapore and Hong Kong's Civil Aviation Department signed a memorandum of understanding which allows certified companies to work on components of aircraft registered in each other's territories without needing prior approval. Previously, MRO companies registered elsewhere had to get approval from that country's aviation authority and be subjected to its regulations, audits and standards. This follows a similar pact with Transport Canada a year ago.

SIA Engineering's brand-new fourth and fifth hangars together provide an additional 30% in base maintenance capacity, and is expected to create about 800 high-value jobs.

Hamilton Sundstrand broke ground for its new manufacturing plant for high-precision aircraft parts and components. To date, this manufacturing investment represents the largest local aerospace manufacturing project. Moving forward, the company also has plans to establish an engineering centre in Singapore.

Rohr Aero Services-Asia, a joint venture of SIA Engineering, opened its new MRO facility in Singapore during the year. At 2.5 times larger than the old facility, the new facility is equipped to service aircraft types such as the Airbus A380 and the Boeing 787 Dreamliner.

Rolls-Royce set up its Advanced Technology Centre here and inked a research collaboration agreement with the Agency for Science, Technology & Research, focusing on areas such as aerodynamic design, alternative fuels and materials science.



Eurocopter South East Asia, which provides MRO services to helicopters in the region, was awarded the International HQ Status. At the same time, the company announced plans to centralise its regional product support capabilities and rotables management in Singapore.

Within the transport engineering sector, new investments commitments are expected to add up to S\$550 million in total value-add per annum. Around 2,000 new jobs from the transport engineering sector are expected to be created.

Singapore's Nanyang Technological University will offer a new four-year degree course in aerospace engineering in 2005 – the first of such in a Singapore tertiary institution. The course comprises modules in aircraft design and manufacturing, aerodynamics, aircraft maintenance and materials.

Also, the Career Transition Scheme was initiated by the RSAF and Association of Aerospace Industries, Singapore and facilitated by the Economic Development Board and the Civil Aviation Authority of Singapore. The scheme marks the first of its type to match ready expertise from the military to private sector positions. Under the scheme, industries can draw from a ready pool of human resources, skills and expertise.

These activities will not only boost the vibrant aerospace industry, but also strengthen Singapore's position as a leading aerospace hub.

THE FUTURE OF MRO

Up to 2008, strong economic expansion in China and India are expected to drive international airline passenger numbers to a 6% increase year-on-year. Cargo numbers are also forecasted to experience healthy growth of 6% annually over this period.⁶

With the liberalisation of air services in China and India, as well as the entry of low-cost airlines, the momentum for growth seems positive, given that traffic levels have almost resumed their year-ago levels. The Centre for Asia Pacific Aviation believes that Singapore is set to benefit from the liberalisation in the region, the need for better infrastructure, the developments in the low-cost carrier market, as well as the introduction of transcontinental non-stop flights.⁷

The low-cost sector is poised to grow in strength and volume. These no-frills airlines offer budget airfares for the prudent traveller with minimal in-flight services. Such operators have emerged not only in the US, Canada and Western Europe, but also in South Africa, Malaysia and Japan, and elsewhere in the Asia-Pacific, including Australia and New Zealand.

⁶ The Straits Times, 16 December 2004

⁷ The Business Times, 25 Jan 2005

ENGINEERING GROWTH

Capacity

New hangars add 30% more capacity for airframe maintenance work

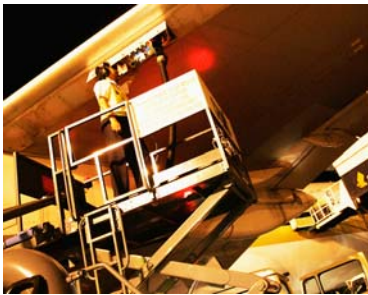


Collaborations

More strategic joint ventures formed to extend our global footprint and sharpen our competitive edge

Capabilities

New capabilities for modification of aircraft cabins and conversion of B747-400 passenger into cargo planes position us on the world stage



2004 saw the launch of new capabilities and capacity for SIA Engineering Company.

Our newly-commissioned fourth and fifth hangars, which opened in January and June this year, increased hangar capacity by 30%. This will enable us to service more aircraft, as well as to embark on new service offerings, such as aircraft interior modifications through our new joint venture company, JAMCO Aero Design & Engineering Pte Ltd (JADE), and conversions of B747-400 passenger aircraft to freighters.

The B747-400 aircraft, with its higher operating efficiencies, is becoming increasingly attractive to operate as a freighter compared to the older B747 models. With our proven track record in maintaining B747-400 aircraft, we are well placed to tap the modification market for this aircraft type. In fact, when we commence conversion operations in 2006, we will be among the first in the world to have B747-400 Passenger-To-Freighter (PTF) conversion capabilities.

Besides organic growth and broadened service offerings, we also continually enlarge our spectrum of technology know-how. As an airline-linked MRO company, SIA Engineering has a distinct advantage in accessing the latest aviation technology.



Singapore Airlines, our major customer, has a fleet of new-generation aircraft, such as the Airbus A340-500 and Boeing B777. Providing services to these advanced jets is a key strategy to acquire the latest aviation technologies and capabilities. Additionally, in servicing the world's largest B777 fleet, which is owned by Singapore Airlines, we have been able to achieve substantial economies of scale and savings for our customers. This gives SIA Engineering a unique edge over other global MRO companies.



The much-anticipated delivery of the world's first Airbus A380 to Singapore Airlines will also give SIA Engineering the enviable edge of being one of the world's first MRO companies to have the capability to service this aviation marvel.

During the year in review, we continued to forge strategic collaborations with leading Original Equipment Manufacturers (OEMs). In April 2005, we sealed a joint venture to form an aerospace hydraulic equipment service centre with Parker Hannifin Corporation's Parker Aerospace Group. To be housed in a 3,000 square-metre facility in Loyang, the joint venture, named Aerospace Component Engineering Services (ACE Services), will maintain, repair and overhaul hydro-mechanical equipment for B747-400, B777, Airbus A320, A330 and A340 aircraft. It will be the first facility in the region to provide MRO support for Parker's components and systems. ACE Services will be a state-of-the-art facility equipped with the latest cutting-edge technology, such as handling hydraulic pressures of up to 5,000 psi, enabling it to repair and overhaul components for the next generation of aircraft, including the Airbus A380 and the new Boeing 787 Dreamliner.

The growth of our external wing continues unabated. In April 2005, we signed a joint venture agreement with Cebu Pacific Air to set up a joint venture providing line and light maintenance in the Philippines. The joint venture, named Aviation Partnership (Philippines) Corporation, will focus on transit certification, technical ramp handling and light aircraft checks for Cebu Pacific Air and third-party customers at up to 14 airports in the Philippines. This will be our third line maintenance joint venture outside Singapore, after Pan Asia Pacific Aviation Services (PAPAS), which operates out of four airports in China and PT JAS Aero Engineering Services (JAES), which handles line maintenance at 10 airports in Indonesia.



TOTAL SUPPORT

Over the years, SIA Engineering has been focusing on developing its four core competencies, namely Line Maintenance, Airframe Maintenance, Component Overhaul and Engine Overhaul.

Our core competencies are fully supported by our 13 joint ventures (JVs) in Singapore. Forged with world-class original equipment manufacturers (OEMs), the JVs are located in close proximity to our main operations. Having our JVs located in the nearby aviation hub centred around the Loyang area and adjacent to Changi Airport enables us to reduce aircraft check durations, as components and parts can be turned around speedily.

Fleet Management Programme

In our strive to be a total solutions provider, SIA Engineering started the Fleet Management Programme (FMP) in 2001.

SIA Engineering's FMP comprises Fleet Technical Management (FTM) and Inventory Technical Management (ITM). FTM covers the full range of engineering support activities, such as defining and managing aircraft maintenance programmes; planning of aircraft/engine maintenance and modifications; overseeing aircraft operations on a 24-hour basis; and airframe, engine and aircraft systems performance monitoring. On the other hand, ITM services encompass the sourcing and supply of components, their testing, repair and overhaul, as well as associated logistics.



Addition of 5th Core Competency- Conversions and Modifications

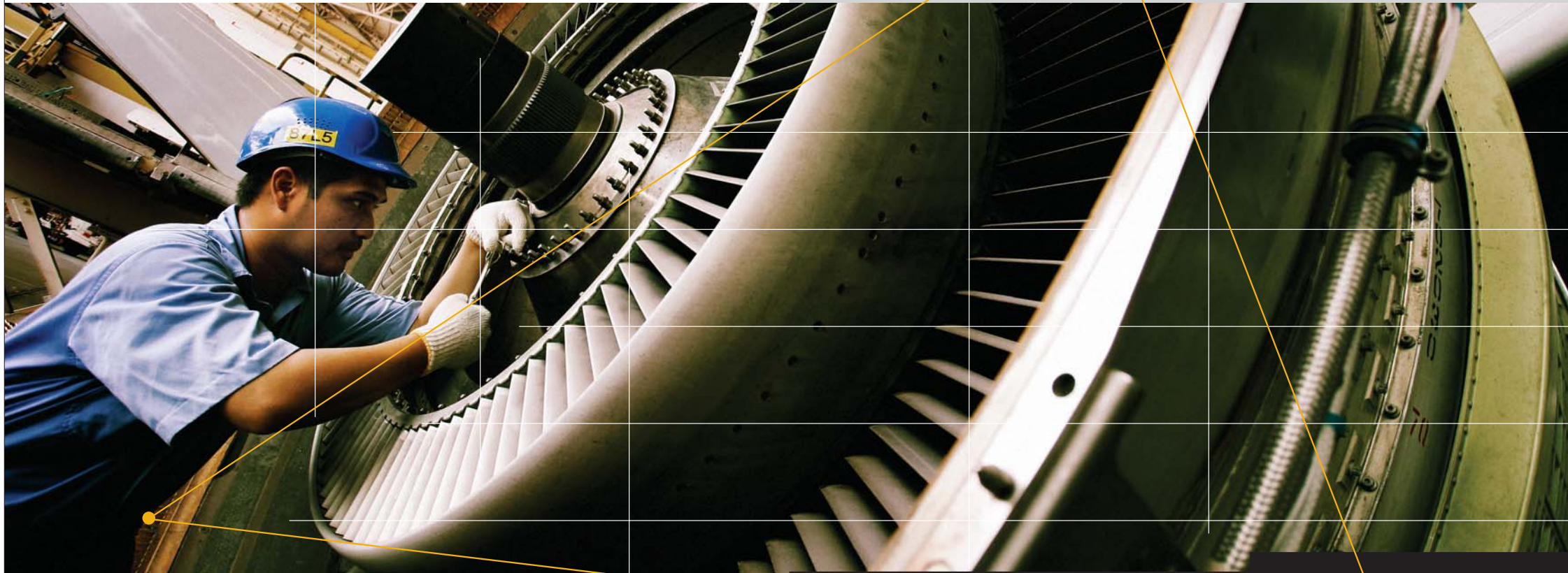
Besides FMP, which provides engineering management to our customers, SIA Engineering has also developed new capabilities to broaden our Total Support service spectrum to our customers. The launch of our new capabilities — Aircraft Interior Modification in 2004 and Passenger-to-Freighter Conversion in 2006 — has added final touches to our all-encompassing MRO services.

SIA Engineering is now, more than ever, a one-stop shop for our global customers.

Armed with our unique competitive edge of being an airline-linked MRO expert with early access to the latest technology in the aviation industry, we have been expanding our FMP client base, which includes Dragonair, SilkAir, Air Pacific, Air Atlanta Icelandic, Cebu Pacific Air and Tiger Airways.

The high expectations from our FMP customers have spurred us on to continually improve and customise our programme to support them in all aspects, thereby fulfilling our aim to be a total solutions provider.

OPERATIONS REVIEW



Competitiveness

More third-party customers were secured from the Asia-Pacific, Europe and the United States

Confidence

Rebound in air traffic and increased confidence in the aviation industry spurred growth in the Group's revenue and net profit in all core activities

Competencies

Among the first in the world to develop competencies for B747-400 passenger-to-freighter conversion



LINE MAINTENANCE

During the year in review, Line Maintenance revenue rose by 11.8% to \$277.6 million, due to a recovery in air traffic at Changi Airport.

Our line maintenance activities, comprising aircraft certification and ground handling services, are largely dependent on airline arrivals and departures. In the year of review, the upswing in air traffic has benefited our line maintenance business.

Our expert teams of licensed aircraft engineers and technicians ensure high despatch reliability for aircraft on transit or night-stop. We take pride in being one of the most reliable MRO providers globally, serving an international client base of more than 60 airlines at Changi Airport alone.

Besides the surge in air traffic, another emerging trend has also created more buzz in our line maintenance business. Passengers are now seeking a whole new experience in air travel, and airlines are fitting their cabins with more sophisticated passenger seats and inflight entertainment systems. This has led to airlines increasing reliance on line maintenance to provide more preventive maintenance on cabin systems to ensure high service levels for their passengers' enjoyment. With years of experience and expertise on cutting-edge cabin systems, our Line Maintenance teams offer airlines high reliability and dedication in cabin management services.

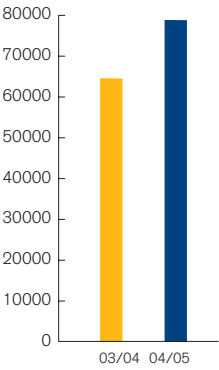
Besides staying at the forefront of aviation technology, SIA Engineering also constantly strives to improve efficiencies to cope with the changing aviation landscape. The recent development of a hub for low-cost carriers at Changi Airport has challenged us to re-engineer our operations to meet the needs of low-cost carriers' operations.

Hence, in September 2004, our Line Maintenance Division implemented the concept of Cluster Operations to improve operating efficiencies. This method clusters the aircraft within a few bays and brings both the aircraft handling and maintenance teams closer to each other, thereby optimising the deployment of manpower and equipment, as well as minimising time spent in getting from one aircraft to another. All these translate to lower operating costs for the customers. The success of Cluster Operations is dependent on every member of the team being familiar with the status of the aircraft and being able to address defects within a much shorter lead-time.

Our Cluster Operations teams currently provide technical handling, which includes maintenance release certifications, defect rectifications, segmented A-checks and ramp handling to SilkAir and Tiger Airways fleets of Airbus A319 and A320. In December 2004, we commenced ramp handling services for another low-cost carrier, Jetstar Asia.

During the year in review, Line Maintenance secured 10 new customers out of 13 airlines that inaugurated services to Singapore. These include Bourag (Indonesia), Gulf Air (Bahrain), Lufthansa (Germany), Shandong Airlines (China), Austrian Airlines (Austria), Tiger Airways (Singapore), Air Zimbabwe (Zimbabwe), Cardig Air (Indonesia), JetStar Asia (Singapore) and Air Andaman (Thailand).

Number of Flights Served



Overseas Line Maintenance Joint Ventures:

CHINA
Pan Asia Pacific Aviation Services
SIA Engineering Company: 47.06%
Malaysian Airline System: 23.53%
PT Garuda Indonesia: 17.65%
Royal Brunei Airlines: 11.76%

Pan Asia Pacific Aviation Services (PAPAS) has been our line maintenance joint venture based in Hong Kong since 1998. With accreditation from major airworthiness authorities, PAPAS offers a full suite of line maintenance services at four airports in China. These include aircraft certification, defect rectification, technical ramp handling, aircraft cleaning, as well as aircraft monthly checks.

INDONESIA
PT JAS Aero Engineering Services
SIA Engineering Company: 49%
PT Jasa Angkasa Semesta: 51%

Having commenced operations in December 2003, PT JAS Aero-Engineering Services (JAES) provides aircraft line maintenance and technical ramp handling services at 10 major Indonesian airports, including Cengkayang, Surabaya, Denpasar and Medan. JAES is our second joint venture to offer line maintenance services outside Singapore and has a combined customer base of more than 28 airline customers and cargo operators, including SIA, SilkAir, SIA Cargo, Lufthansa, Emirates, Air Paradise, Kuwait and Qantas.

PHILIPPINES
Aviation Partnership (Philippines) Corporation
SIA Engineering Company: 51%
Cebu Pacific Air: 49%

Aviation Partnership (Philippines) Corporation is SIA Engineering's third line maintenance joint venture outside Singapore. The joint venture provides line maintenance, light aircraft checks and technical ramp handling to Cebu Pacific Air and third-party airline customers at three major international airports — Manila, Cebu and Davao — as well as up to 11 domestic airports in the Philippines.



AIRFRAME MAINTENANCE

All aircraft require timely maintenance if they are to keep their airworthiness certifications from the respective regulatory authorities, such as the Civil Aviation Authority of Singapore, the Federal Aviation Administration (United States) and the European Aviation Safety Agency (European Union).

There are a series of checks that an aircraft has to comply with, based on the number of hours that the aircraft has flown. For example:

- A Check every 600 flying hours
- C Check every 7,500 flying hours
- D Check every 25,000 flying hours

SIA Engineering's Base Maintenance division offers a comprehensive suite of capabilities, covering scheduled maintenance checks, airframe structural repair and modification, cabin overhaul/refurbishment and retrofitting of major avionics systems. In addition, it also delivers essential engineering services such as emergency aircraft-on-ground (AOG) services at airports around the world.

During the year in review, SIA Engineering's tireless efforts to pursue third-party customers have been fruitful. Our latest customers include airline operators from the Asia-Pacific and Europe, such as Japan Airlines Domestic, Virgin Atlantic Airways, Martinair, Air Caledonie International, China Eastern Xibei and Air China Cargo.

Our major long-term third-party customers, including Atlas Air, Polar Air, Dubai Air Wing, Northwest Airlines, Federal Express, Dragonair, Air Pacific and Air Paradise, continue to select us as their preferred MRO partner for major rectification works and maintenance checks here.

New Capabilities

During the year, Base Maintenance division started servicing one of the world's most advanced aircraft, the A340-500. A340-500s are deployed on Singapore Airlines' non-stop services to Los Angeles and New York.

Since taking to the skies in February 2004, five of these long-range aircraft have been serviced by our Base Maintenance in areas of pre-service modification, reliability checks, cabin crew rest modifications and inflight entertainment systems.



In servicing this latest aircraft model, we acquired new capabilities, which included the new Rolls-Royce Trent 500 engines. Our broadened spectrum of capabilities has yet again enhanced our extensive range of service offerings to the entire Airbus family of aircraft, which ranges from the A300 to the latest A340-500.

SIA Engineering is also very privileged to pioneer the installation of Internet system on Singapore Airlines' airplanes — one of the first airlines in the world to introduce real-time inflight Internet broadband service. Besides being able to access email and surf the Internet, passengers will be able to enjoy four international news channels and sports programmes eventually. This is in addition to the more than 400 entertainment options already available inflight.

New Capacity

On 6 December 2004, our 8th operational line, which operates out of the new fourth hangar, was established. To optimise workflow and manpower utilisation, this new line has its own painting, sheet metal and fibreglass repair capabilities within the hangar.

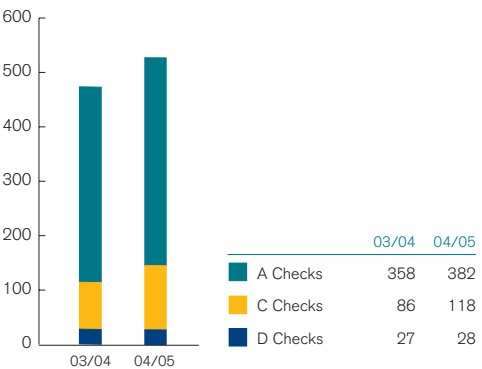
Our fourth hangar added 6,000 square metres of floor space, while the fifth hangar, which opened in mid-2005, added 3,700 square metres. The latest hangars will also provide the added capacity required for us to embark on our new capability — B747-400 Passenger-to-Freighter (PTF) conversions in 2006.

With five hangars in operation, our combined hangar floor capacity is 43,200 square metres.

During the year in review, our existing Hangars 1, 2 & 3 continued to focus on enhancing their core competencies with increased productivity and safety initiatives. Hangar 1 specialises on the B747 A, C & D Checks, Cabin Reconfiguration and recently, the Limit of Validity (LOV) programme for the B747.

Hangar 2 focuses on Airbus fleet maintenance checks for Singapore Airlines' subsidiary, SilkAir and third-party customers. Hangar 3, whose key competencies are in a variety of maintenance checks for B777-200/300 aircraft, is preparing to add on new capabilities in handling the B777-300ER, powered by GE90 engines. Besides new tooling and equipment, the hangar's docking will undergo modifications to accommodate the longer wingspans and engine nacelles of the B777-300ER.

Number of Checks Performed





COMPONENT OVERHAUL

In a typical D check of a B747-400 aircraft, some 1,500 components are removed and overhauled by our 23 in-house workshops and our extensive network of Singapore-based joint ventures.

Our workshops provide inspection, overhaul, repair, modification and testing services for a wide array of modern aircraft, such as the B777, A340-500, B747-400 and A320. As the MRO partner of Singapore Airlines, which has the largest fleet of B777 aircraft in the world, SIA Engineering is the market leader for the maintenance of this aircraft, and by raising our component capability in servicing the B777, we have a clear competitive advantage.

In gearing up for the Airbus A340-500 aircraft, we successfully commissioned the \$5 million Rolls-Royce Trent 500 Test Adaptation System in August 2004. We can now run tests for one of the most modern engines developed. With headway gained in expanding our capabilities to service the A340-500 aircraft, we now wait in anticipation to gain new ground with the A380.

During the year in review, more workshop facilities were also extended to the two new hangars – Electrical Support Shop, Composite Shop, Paint Shop and Sheet Metal Shop. Having these four critical workshops in close proximity to the new hangars helps to shorten turnaround times and enhance service quality.



Besides in-house capabilities, we also receive engine and component overhaul support from our Singapore-based joint ventures on engine-related components, such as fuel nozzles, combustion chambers, nacelles, thrust reversers, engine tubes, manifolds, guide vanes and landing gears. Each joint venture has developed specialised capabilities and this has enhanced our service quality and shortened turnaround times.

ACE Services, the latest Singapore-based joint venture, which we have established with Parker Aerospace, will focus on repair and overhaul of hydraulics components – used in flight controls and landing gear system. This will make ACE Services one of the first comprehensive centre for the repair and overhaul of hydraulics parts in the Asia-Pacific.

Component Overhaul Joint Ventures

SINGAPORE
Aerospace Component Engineering Services Private Limited
SIA Engineering Company: 51%
Parker Aerospace Group: 49%

Aerospace Component Engineering Services Private Limited (ACE Services) is the first facility in the region to provide original-equipment MRO support of Parker's components and systems. The joint venture provides maintenance, repair, and overhaul services for hydro-mechanical equipment on Airbus A320, A330 and A340, and the Boeing B747-400 and B777.

ACE Services will be equipped with state-of-the-art facilities capable of handling hydraulic pressures of up to 5,000 psi, which will enable it to repair hydro-mechanical components of new-generation aircraft, such as Airbus A380 and Boeing 787 Dreamliner.

Fuel Accessory Service Technologies
SIA Engineering Company: 49%
Hamilton Sundstrand: 51%

Fuel Accessory Service Technologies (FAST) was set up to provide the best quality jet fuel control and engine accessory repair services to airlines and other customers in the Asia-Pacific region.

Located at Loyang, FAST's state-of-the-art facility offers complete repair, overhaul and modification capabilities for a wide range of Hamilton Sundstrand and other OEM fuel components installed on large commercial engines and auxiliary power units. Supported by a team of OEM-trained technicians and engineers, FAST is the Hamilton Sundstrand-dedicated regional repair station for customers in the Asia-Pacific region, and also the appointed Hamilton



Sundstrand Power Systems (HSPS) authorised repair station in Asia-Pacific for APS3200 APU fuel accessories.

The Company also adopted ACE (Achieving Competitive Excellence), an integrated approach for continuous improvement, to ensure the highest quality and the shortest turnaround for all fuel accessory products.

During the financial year, FAST was conferred the "Fastest Growing 50" Certification for being one of Singapore's top 50 fastest growing companies out of a list of 1,100 qualified companies. The certification also recognises the outstanding achievement for FAST's continuous and sustained corporate growth over the last three years.

International Aerospace Tubes-Asia
SIA Engineering Company: 33.33%
International Aerospace Tubes (a joint venture between Tube Processing Company and Pratt & Whitney): 66.67%

International Aerospace Tubes-Asia (IAT-Asia) specialises in the repair of aerospace tubes and manifolds for PW4000 engines. Having commenced operations in December 2002, IAT-Asia is approved by the Civil Aviation Authority of Singapore and the Federal Aviation Administration for the repair of aircraft metal conduits. Its range of repair capabilities now include various modular tubes on the PW4000 engine diffuser case, intermediate case, turbine exhaust case and tubes from other OEMs, such as Boeing, Goodrich and Rolls-Royce.



Messier Services Asia
SIA Engineering Company: 40%
Messier Services Pte Ltd (a subsidiary of Snecma): 60%

Messier Services Asia (MSA) provides one of the most comprehensive landing gear repair and overhaul facilities in the world. MSA houses not only a Landing Gear Service Centre that has repair and overhaul capabilities for a wide range of Boeing and Airbus aircraft landing gears, but also a Component & Accessory Service Centre which provides landing gear component and accessory overhaul services to support a wide range of commercial aircraft.

With sophisticated engineering workshops, highly skilled technical personnel, an experienced management team and a dedication to total quality, MSA has obtained official endorsements from a large number of national and international airworthiness authorities.

During the financial year, MSA entered into a Long-Term Agreement with Boeing on spares support. MSA is currently developing the Boeing B777 landing gear overhaul programme with its customers.

Rohr Aero Services – Asia
SIA Engineering Company: 40%
Goodrich Aerostructures Group: 60%

Rohr Aero Services-Asia (RASA) specialises in the maintenance, repair and overhaul (MRO) of both nacelle system components and airframe composite components for airlines in the Asia-Pacific region.

Our joint venture partner, Goodrich Aerostructures Group, is a leading supplier of nacelle and pylon systems to the world's major commercial airframe and engine manufacturers. Recently, it secured a contract to supply nacelle systems to both the Boeing 787 and the Airbus A350 aircraft.

Operating out of its new state-of-the-art facility in Changi North, RASA's capability extends to virtually all of the commercial aircraft models flying today and serves more than 62 airline customers in the Asia-Pacific region.

In November last year, RASA reached a significant milestone when it developed and implemented a supply chain management programme with Boeing, involving Boeing-designed and manufactured nacelle systems. Building on this, it signed a unique repair support agreement with Hurel Hispano in January this year to service the A340-500/600 nacelle system, which can later be expanded to include the A380 aircraft.

Singapore JAMCO
SIA Engineering Company: 65%
JAMCO Corporation: 30%
Itochu Singapore: 5%

The facility is located in the Loyang aviation hub, specialising in the design, manufacture and maintenance/repair of aircraft interior furnishings and equipment.

Products designed and manufactured by the company include galley complexes, closets, cabin partitions, meal carts and service trolleys.

The company's maintenance/repair services range from galley repairs, galley equipment repairs, overhead bin repairs, seat repairs/modifications and upholstery work to cabin maintenance services at Changi Airport.

Linked to JAMCO Corporation, a renowned aircraft interior design and manufacturing company, Singapore JAMCO has the expertise to service a wide spectrum of airline customers and MRO companies on a wide range of cabin-related work.

ENGINE OVERHAUL

Powering the aircraft that makes air travel possible, the engine is a very critical part, and one of the most complex, of a modern airplane.

Aside from our in-house capabilities, SIA Engineering is supported by a host of joint ventures with the world's leading engine makers, such as Rolls-Royce and Pratt & Whitney. The fact that nine out of 19 of our joint ventures are related to engine overhaul serves as an indication of the critical support that is required by this very complex aircraft component.

Engine Overhaul Joint Ventures

SINGAPORE
Asian Surface Technologies
SIA Engineering Company: 29%
Praxair Surface Technologies Pte Ltd: 51%
United Technologies International Corporation (Pratt & Whitney Group): 20%

Asian Surface Technologies (AST) repairs and overhauls fan blades for JT9D and PW4000 series engines, as well as provide plasma coating services for aerospace and industrial engineering products in the Asia-Pacific region.

AST uses cutting-edge technology, such as Praxair's proprietary D-gun processes for its coating services, and holds approvals from the Civil Aviation Authority of Singapore, the Federal Aviation Administration in the US and the European Aviation Safety Agency (EASA) in Europe.



Combustor Airmotive Services
SIA Engineering Company: 49%
United Technologies/International-Asia Pte Ltd (Pratt & Whitney Group): 51%

Combustor Airmotive Services (CAS) is a world-class combustor and fuel nozzle repair and overhaul centre. This includes complete overhaul, repair and modification of PW4000, JT9D, JT8D, V2500, CFM56 and CF6 combustion chambers and fuel nozzles. The components are refurbished to an almost-new state, utilising the same craftsmanship as the original engine manufacturer. In 2004, CAS added a new product repair capability – PW4000 Low Pressure Turbine (LPT) duct assembly. Currently, development repair is also being carried out on PW4000 High Pressure Turbine (HPT) shroud support.

The entire workforce, comprising shop floor technicians, engineers and the management team, has assisted in the expansion of the application of Achieving Competitive Excellence (ACE) Strategies and Tools to their key processes. ACE has greatly contributed to the success of the organisation and the improvements have propelled CAS into becoming a world-class repair and overhaul centre.

The Company successfully achieved the United Technologies Corporation (UTC) ACE GOLD Site Award in 2004. In addition, CAS has achieved ACE GOLD Cell Award for seven of its cells in 2003. Besides operations, CAS has also placed much emphasis on the health of its employees, and has also received a Singapore Health Award Bronze Level from Singapore Health Promotion Board for its company-wide health programme efforts.



Eagle Services Asia
SIA Engineering Company: 49%
Pratt & Whitney: 51%

Eagle Services Asia (ESA) combines the technology of a world renowned OEM with the extensive capabilities of an airline-linked MRO company.

ESA repairs and overhauls large commercial engines built by Pratt & Whitney (JT9D and PW4000), CFM International (CFM56-5C) and International Aero Engines (V2500-A5). ESA's competitive advantage is enhanced by Singapore's position as a regional hub for MRO services, as well as having access to Pratt & Whitney's full range of expertise.

Employing approximately 850 staff at its 3,000,000 square feet facility, ESA operates two engine test cells that are each capable of testing engines up to 75,000 lbs thrust.

In the face of an increasingly competitive market, ESA continues to focus its efforts on continuous improvements through its Achieving Competitive Excellence (ACE) programme.

ESA is the only engine overhaul centre in Pratt & Whitney to be awarded the United Technologies Corporation (UTC) ACE Site Silver. Other awards that ESA has won include Helping Employees Achieve Lifetime Health (H.E.A.L.T.H) Bronze Award, UTC Environmental Award for Natural Resource Conservation Award for reducing energy consumption and Improvement Team Awards at the National Innovation and Quality Circle Convention.



International Engine Component Overhaul
SIA Engineering Company: 50%
Rolls-Royce: 50%

International Engine Component Overhaul (IECO), focuses on the repair and overhaul of engine components, such as nozzle guide vanes and compressor stators.

IECO, an OEM-linked shop with access to Rolls-Royce's repair schemes, sales network and resources, has strong links to airlines through SIA Engineering. IECO has established product cell processes for faster turnaround times and more efficient use of resources and materials.

IECO is currently developing capabilities for the Trent 900 engines, which will power the A380 aircraft.

Singapore Aero Engine Services Limited
SIA Engineering Company: 50%
Rolls-Royce: 30%
Hong Kong Aero Engine Services Ltd (HAESL): 20%

Singapore Aero Engine Services Limited (SAESL) is Rolls-Royce's Centre of Excellence in the Asia-Pacific for the repair and overhaul of Rolls-Royce Trent engines.

Having commenced operations in early 2002, SAESL aims to reach a capacity of 200 engines annually within a few years. With an average turnaround for a full engine overhaul of 65 days, it also plans to increase its engine overhaul capabilities to include the Trent 900, which powers the A380 aircraft.

By end-2005, SAESL will commission a high-tech fan blade repair and overhaul cell, utilising advanced technology.

Turbine Coating Services
SIA Engineering Company: 24.5%
Pratt & Whitney: 51%
Singapore Technologies Aerospace: 24.5%

Turbine Coating Services (TCS) focuses on new technologies such as the Electron Beam Physical Vapour Deposition coating technology.

These are licensed to TCS and are used on PW4000 high-pressure turbine blade repairs. Its customers include commercial airlines and MRO providers.

In 2004, TCS delivered in excess of 20,000 parts and has gained a reputation for reliability, quality service and achieving a delivery turnaround time of less than 35 days.



TAIWAN

Asian Compressor Technology Services
SIA Engineering Company: 24.5%
United Technologies Corporation/ Pratt & Whitney: 51%
China Airlines: 24.5%

Asian Compressor Technology Services (ACTS) repairs and overhauls PW4000 94" High Pressure Compressor (HPC) stators and PW4000 94" Variable Vane Inner Shrouds (VVIS).

In 1998, ACTS expanded its product range to include HPC stator and VVIS repairs for large commercial engines used by China Airlines and SIA, as well as other regional carriers. ACTS received the ISO 9002 certification in 1998 and is focused on ensuring that its operations meet the national guidelines for safety and environmental standards, as well as those of international organisations.

ACTS became an ISO14000 certified shop in end-2003. ACTS has since increased its existing product mix of PW4000 94" HPC stators and VVIS repairs to include PW2000 VVIS repairs, PW4000 100" and 112" Honeycomb guides repairs, PW4000 HPC outer air seal repairs and CF6 stator repairs.

During the year, ACTS researched into new products to support the Taiwanese Air Force (Republic of China Air Force).

HONG KONG

Hong Kong Aero Engine Services Limited
SIA Engineering Company: 10%
Hong Kong Aero Engine Company (HAECO): 45%
Rolls- Royce: 45%

Hong Kong Aero Engine Services Limited (HAESL) is an engine repair and overhaul facility that has full capability in the repair and overhaul of Rolls-Royce Trent and RB211 series engines. Based in Tseung Kwan O Industrial Estate in Hong Kong, this joint venture leverages on Rolls-Royce's strength as an OEM (Original Equipment Manufacturer) and HAECO's experience of more than 20 years of expertise on Rolls-Royce engines in offering high quality and comprehensive services to their customers.

IRELAND

PWA International
SIA Engineering Company: 49%
Pratt & Whitney: 51%

PWA International (PWA) specialises in the overhaul and repair of large commercial jet engine cases. Based in Dublin, PWA is committed to providing its customers with customised and dependable solutions. It strives to offer the highest levels of quality, with competitive turnaround time and pricing through a combination of continuous improvement, value-added approach, modern technology and a highly motivated workforce.

UPCOMING COMPETENCIES: PTF AND AIRCRAFT INTERIOR MODIFICATIONS

The B747-400 aircraft is gaining popularity as an efficient freight carrier. Capitalising on this trend, we announced our entry into the B747-400 Passenger-To-Freighter (PTF) conversion business in May 2004, as part of our Total Support MRO service at our Singapore hub.

In collaboration with Boeing, SIA Engineering will be among the first in the world to perform freighter conversion on this aircraft. With our first-mover advantage, we hope to secure a significant market share in this new business. To date, we have strong orders for freighter conversions, which will commence in 2006 and progressively delivered to the customers between 2006 and 2008.

Our foray into the major modifications market such as PTF, will also help us attract post-modification maintenance work and cabin refurbishment. Hence, in February 2004, we formed a joint venture with JAMCO America and JAMCO Corporation--- JAMCO Aero Design & Engineering Pte Ltd (JADE). JADE would be providing our customers with turnkey aircraft interior modifications. This will position us well to tap the growing aircraft cabin retrofit and reconfiguration market.

Modification & Conversion Joint Venture

SINGAPORE

JAMCO Aero Design Engineering
SIA Engineering Company: 45%
JAMCO America: 50%
JAMCO Corporation: 5%

JAMCO Aero Design & Engineering Private Limited (JADE) is the second joint venture with JAMCO Corporation. JADE provides total solutions for aircraft interior modifications, and is one of the first in the region to offer airline customers with a one-stop service centre for cabin modifications, from initial conceptual design and certification, right through to installation.

SUPPORT INFRASTRUCTURE

Training

Each of our 5,000 employees received an average of 50 hours training yearly



Technology

SAP infrastructure fully in place, which will yield higher productivity

Tenacity

Steadfast steps taken to implement productivity and safety initiatives to increase workflow effectiveness



INFORMATION TECHNOLOGY

The challenges of boosting productivity, efficiency and customer care in a technology-dynamic environment are made easier with a common SAP platform. This allows for better process control, management reporting and resource accountability. At the same time, the platform seeks to integrate all relevant technical, commercial and administration processes within a customer-focused MRO operation.

After a rigorous round of live testing of business processes and data migration, our SAP project was fully cutover on 8 December 2004.

To ensure a smooth and efficient cutover to the SAP system, we focused on continual communication and training to ensure that users understand how the new system works. Change Champions were appointed in each Division to monitor and help rectify pre- and post-cutover issues. Regular meetings with these Change Champions helped to gather accurate feedback of what is happening at the ground level. Procedures are also in place to ensure that the system support services promptly address all issues regarding the new system.



HUMAN RESOURCES

An MRO company is a very human-centric organisation requiring the acumen, analytical prowess, and most importantly, the experience of dedicated engineers and technicians. A world-class MRO company is characterised by the real-time exposure of its highly skilled workforce to a plethora of aviation technologies in maintaining the most advanced aircraft of today. A mindset to acquire new skills to meet the technical demands of tomorrow's flying machines is also of utmost importance.

SIA Engineering takes pride in being a people organisation. Our staff strength stands at 5,000, of whom more than 50% have been with the Company for more than 10 years. Acquisition of skills and continuing education are key to staying on the cutting edge of a knowledge-based economy, and the Group directs substantial efforts in ensuring that our workforce is among the best in the industry.

People Development

As a People Developer certified by Spring Singapore since 1999, SIA Engineering continues to make significant investments in training. Fuelled by our commitment to continual training, our People Developer certification was renewed for another three years to June 2007. The People Developer Certification underscores the Company's sound and effective approach to its people excellence programme.

Our total training expenditure for the year was \$7million, with each staff receiving an average of 50 training hours.



Engineering Skills Development

During the year in review, a total of 36,555 training man-days were expended on the Engineering Training Programmes. These include ab initio training for Apprentice Aircraft Maintenance Engineers (AAME), and Trainee Technicians, and continual training for engineers and technicians.

In FY04/05, SIA Engineering developed an accelerated programme that was approved by the Civil Aviation Authority of Singapore. The accelerated programme enabled an AAME to graduate in 36 months instead of the usual 42 months. To date, 75 AAMEs have graduated under the accelerated programme and were appointed as Licensed Aircraft Engineers. This has increased our pool of skilled engineers.

New training modules were also designed to enlarge the scope of work for our technicians. The new modules, known as SAR66 CAT A, Base Certification Technician and Professional Certificate in Aerospace Workshop Operation programmes, will enable technicians to carry out certification work. By upgrading the skills and scope of our technicians, we will be able to re-direct some licensed aircraft engineer resources to higher value-added work.

Preparations for the A380

Preparations are also underway to equip our technical staff with the necessary skills to handle the world's largest, most-advanced and efficient commercial airliner due for delivery to SIA in 2006. 141 engineers and 96 technicians will undergo training to prepare for the super-jumbo's Entry-Into-Service (EIS). The EIS programme for the A380 EIS will cost the Company about \$3.4 million.

Our engineering staff were also trained on SIA's long-range A340-500 aircraft, which went into service in early 2004. The cost of training for the A340-500 amounted to about \$1.5 million.

Management Skills Development

The Company's training programme is not limited to the general staff, but to management staff as well. In 2004, the Company allocated 5,487 training man-days for Management Development Programmes (MDPs), a 45% increase over the previous financial year.

Designed to enhance skills and provide latest updates in the field of management, the MDPs are grouped into three categories, namely:

- ¥ Management and Supervisory Programmes
- ¥ Productivity and Quality-Related Programmes
- ¥ Computer-Related Programmes



Our management and supervisory programmes provide skills for effective people management, coaching, presentation, performance appraisal, problem-solving and decision-making.

The productivity and quality-related courses promote effective communication, quality control and service quality whilst our computer-related programmes elevate end-users' level of computer literacy and familiarity with software programmes. There are also specific IT and IT-support courses specially designed for our systems staff.

Staff Communication

Keeping and maintaining an open channel of communication with all our employees is crucial for a dynamic organisation such as ours. Right from the time new staff join us, we ensure that they are properly inducted into the Company's culture through a formal orientation programme, which covers the mission of the Company, its core values, staff welfare, personal decorum, IT security, as well as productivity programmes. For all Administrative Officers and above, the highlight of their orientation programme, besides involving attachments in various operating divisions, is a dialogue session with senior management.

Another useful platform for more efficient communication with staff is our in-house journal, Precision, which celebrated its third year of publication. Published four times a year, some 5,000 copies per issue are distributed to our staff and customers.

Industrial Relations

It is a management priority to ensure that our relationship with the unions, namely, SIAEC Engineers and Executives Union (SEEU), SIA Staff Union (SIASU) and Airline Executives Staff Union (AESU), are always harmonious. Management strives to work hand in hand with staff and unions to face the challenges ahead.

We are pleased to report that Collective Agreements were successfully concluded with all three unions during the year.

PRODUCTIVITY

In February 2004, a Company-wide productivity programme called LEAN was launched to improve utilisation of existing resources and deliver more value to stakeholders.

Our first phase of implementation focused on the three operational divisions – Base Maintenance, Line Maintenance, and Workshops – which resulted in significant improvements. For example, Base Maintenance's turnaround time for a D check on a B747-400 improved by four days to 26 days whilst Line Maintenance's turnaround time for Mobile Lift Preventive Maintenance was reduced by 40%. By applying value stream mapping techniques, the Galley Inserts product line in Workshops division has achieved a reduction in turnaround time from 14 days to 11 days, while utilising 40% less floor space to do the job.



Full implementation of the programme is underway. The shorter turnaround times for aircraft maintenance checks not only means higher aircraft utilisation for our customers, it also translates into more efficient utilisation of our hangar capacity.

SAFETY AND SECURITY

Occupational safety is of paramount importance to us. Our OHSAS18001-certified Occupational Health and Safety Management System is made up of Safety Champions from various divisions to help promote and resolve work-related safety issues.

In February 2005, we launched Project ESTHER 2 (Enhanced Safety Through Human Error Reduction), a follow-up to our highly-successful programme conducted 2 years ago.

The \$1 million Project ESTHER 2 seeks to develop a long-term, self-sustaining safety culture in SIA Engineering.

During the year of review, we also invested up to \$1.7 million to upgrade security measures. This Security Enhancement Project capitalises on technological advancements to further strengthen the existing security measures within the hangars and workshops.

ENVIRONMENT MANAGEMENT

At SIA Engineering, we have a sustainable policy of environmental protection, which is high on our list of priorities. As a responsible corporate organisation, and a major player in the global MRO industry, we are committed to utilise and conserve precious environmental resources efficaciously, as well as to look after the health and safety of our staff and the long-term sustainability of our environment.

Our Environment Management System (EMS) ensures that our work processes are in compliance with the best practices and regulatory framework. Our ISO 14001 environmental certification standard, which we have in place since April 1998, underscores our commitment to comply with international best practices.

CORPORATE GOVERNANCE

Trust

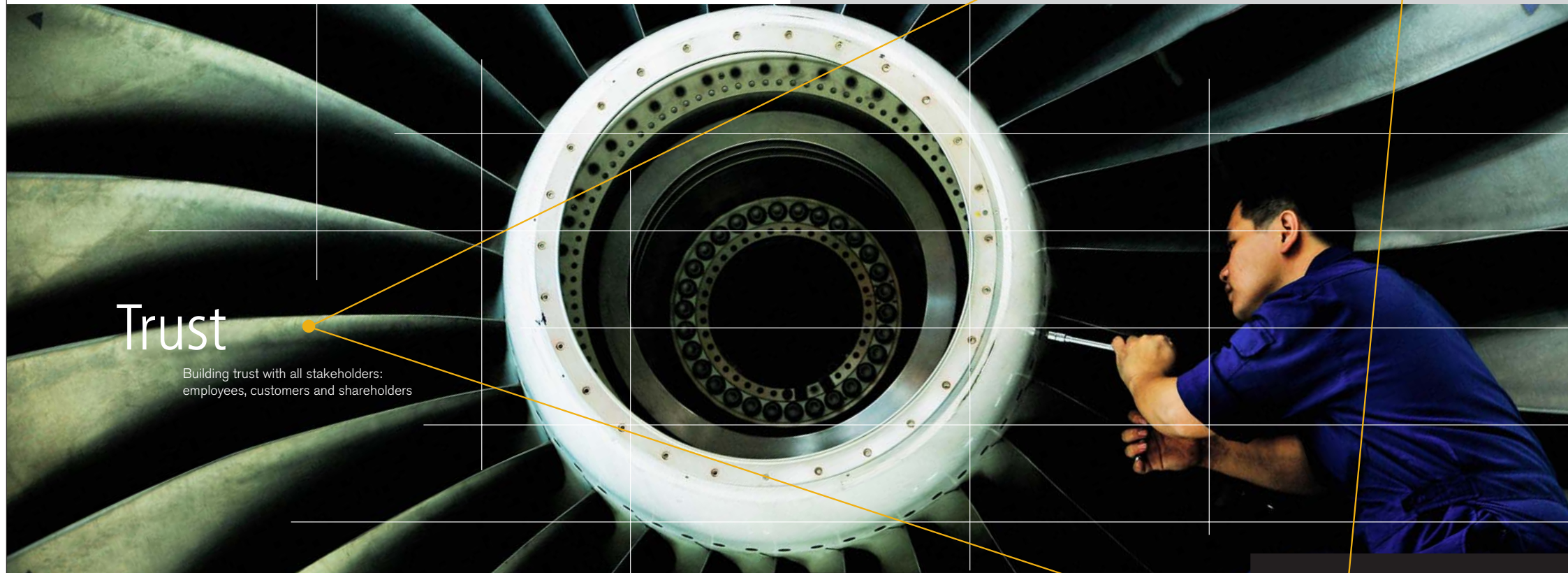
Building trust with all stakeholders:
employees, customers and shareholders

Transparency

Pursuing best practices and principles in
corporate transparency

Timely Disclosures

Ensuring timely, adequate and non-selective
disclosures to the market



SIA Engineering Company has in place structures and corporate governance processes aimed at achieving sustained value creation for the benefit of shareholders. In essence, these structures and processes reflect the principles and spirit of the Code of Corporate Governance (the "Code") established by the Singapore Corporate Governance Committee. Stringent revisions to the Code have been proposed, and although the changes are not yet in force, the Board had already begun to take steps to ensure compliance with the key requirements, such as a majority of the Board being independent directors.

BOARD OF DIRECTORS

The Board consists of nine non-executive Directors who have a broad range of experience in the fields of finance, legal, aviation, business and management. The majority of the Board comprises five independent directors: Wong Nang Jang, N Varaprasad, Wong Ngit Liong, Thio Su Mien and Tan Bian Ee. The remaining four directors with distinguished aviation industry background are: Koh Boon Hwee, Chew Choon Seng, Chew Leng Seng and Bey Soo Khiang.

In line with both Principle 4 of the Code and Article 83 of the Company's Articles of Association, the nearest one third of the Board is retired each year. Retiring Directors are usually those who have been longest in office since their last election, and are eligible for re-election under Article 84.

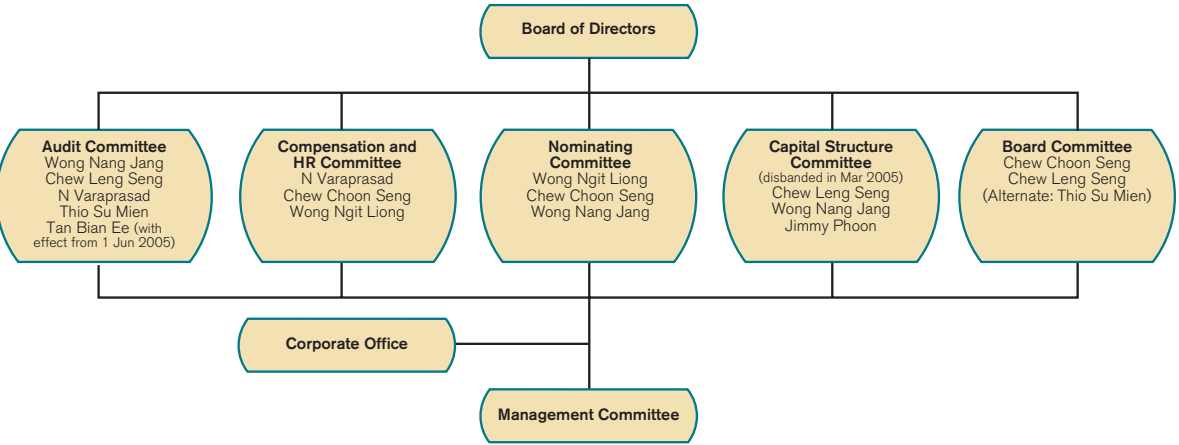
At the Annual General Meeting ("AGM") for FY04/05, Chew Choon Seng, N Varaprasad and Chew Leng Seng will retire. Save for Chew Leng Seng, who wishes to retire at the 2005 AGM without seeking re-election, Chew Choon Seng and N Varaprasad will offer themselves for re-election. The Board and Management thank Chew Leng Seng for his valuable contributions and service over the past 23 years.

The Board meets regularly to supervise the Management of the Company. With a focus on good corporate governance, strategic growth and prudent financial management, the Board reviews and approves major transactions of the Company. This provides a clear demarcation of responsibilities between the Management and the Board, and the Board does not interfere in the day-to-day administration of the Chief Executive Officer and the Management.

A one-day Board Off-site Meeting was held on 2 July 2004 to discuss the Company's 5-Year Growth Plan, covering key strategic as well as manpower and resource planning initiatives to be carried out over the next 5 years.

The Chief Executive Officer is responsible for the daily operations of the Company and is not a Board member. He chairs the Management Committee, comprising senior executives of the Company. The Management Committee meets weekly to discuss both policy and operational issues, and to implement key decisions of the Board.

The contributions of the Directors are especially visible in the five Board Committees, for which each Director is carefully chosen to serve in an area of his/her core competencies. These are the Audit Committee, Compensation and HR Committee, Nominating Committee, Board Committee and the Capital Structure Committee (the latter was disbanded with effect from 10 March 2005). At all times, the Board has independent access to the Chief Executive Officer, other members of Senior Management and the Company Secretary. Board procedures also enable Directors, either individually or as a group, to seek independent professional advice at the Company's expense, if necessary, in furtherance of their duties. The processes described above are represented in the diagram as follows:



Name	MAIN BOARD			AUDIT COMMITTEE		NOMINATING COMMITTEE		COMPENSATION AND HR COMMITTEE		CAPITAL STRUCTURE COMMITTEE		BOARD COMMITTEE	
	Status	Position	Att.	Position	Att.	Position	Att.	Position	Att.	Position	Att.	Position	Att.
Koh Boon Hwee (last re-appointed on 12 Jul 2003, first appointed on 22 May 2003)	Non-Independent	Chairman	4/4										
Chew Choon Seng (last re-appointed on 12 Jul 2003, first appointed on 22 May 2003)	Non-Independent	Dy Chairman	4/4			Member	1/1	Member	5/5			Member	—
Chew Leng Seng (last re-appointed on 12 Jul 2003, first appointed on 16 Mar 1982)	Non-Independent	Member	4/4	Member	4/4					Chairman	1/1	Member	—
Wong Nang Jang (last re-appointed on 26 Jul 2004, first appointed on 24 Mar 2000)	Independent	Member	4/4	Chairman	4/4	Member	1/1			Member	1/1		
N Varaprasad (last re-appointed on 6 Jul 2002, first appointed on 1 Mar 2000)	Independent	Member	3/4	Member	4/4			Chairman	5/5				
Wong Ngit Liong (last re-appointed on 26 Jul 2004, first appointed on 1 Mar 2000)	Independent	Member	4/4			Chairman	1/1	Member	5/5				
Bey Soo Khiang (last re-appointed on 12 Jul 2003, first appointed on 1 Mar 2000)	Non-Independent	Member	4/4										
Thio Su Mien (last re-appointed on 12 Jul 2003, first appointed on 1 Mar 2000)	Independent	Member	4/4	Member	4/4							Alternate	—
Tan Bian Ee (last re-appointed on 26 Jul 2004, first appointed on 15 April 2004)	Independent	Member	4/4	Member (with effect from 1 Jun 2005)	—								
Jimmy Phoon Siew Heng (retired on 26 July 2004, last re-appointed on 6 Jul 2002, first appointed on 21 May 2002)	Non-Independent	Member	2/2							Member	1/1		
Total Number of Meeting Held in FY 04/05			4		4		1		5		1		—

Notes

- i) Att. refers to the number of meetings attended by respective Directors for the period served in FY04/05.
- ii) The Board does not consist of any Executive Director.
- iii) The Board Committee does not conduct physical meeting as described further below.

AUDIT COMMITTEE

Up till 31 May 2005, the Audit Committee comprised four non-executive directors, three of whom (including the Chairman) are independent. A fourth independent member was appointed with effect from 1 June 2005. The members of the Audit Committee at the date of this report are:

Chairman	Wong Nang Jang (Independent)
Members	Chew Leng Seng (Non-independent)
	N Varaprasad (Independent)
	Thio Su Mien (Independent)
	Tan Bian Ee (Independent, appointed on 1 June 2005)

The Committee met four times during the year with Management, and with the internal and external auditors of the Company. The attendance of individual Directors at these meetings is shown in the table on page 51. In the course of the year, the Committee performed 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 material internal financial, accounting and compliance controls and the co-operation given by the Company's officers to the auditors;
- (b) reviewed the quarterly 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;
- (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 re-appointment;
- (e) reviewed the adequacy and effectiveness of the internal audit functions;
- (f) reviewed the Company's risk management framework and processes and oversaw the work of the Management-level Risk Management Committee in respect of financial risks; and
- (g) reviewed the Group's interested person transactions.

The Committee has full access to and received the co-operation of Management. The Committee also has full discretion to invite any Director or executive to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

During the year, the Committee also met with the internal and external auditors without the presence of Management.

The Audit Committee has undertaken a review of the fees and expenses paid to the auditors, including fees paid for non-audit services, during the financial year and is of the opinion that the auditor's independence has not been compromised.

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

In the opinion of the Directors, the Company complies with the Code of Corporate Governance on Audit Committees.

COMPENSATION & HR COMMITTEE

The Compensation and HR Committee comprises three non-executive Directors, two of whom (including the Chairman) are independent. The members of the Committee for FY04/05 were:

Chairman	N Varaprasad
Members	Chew Choon Seng
	Wong Ngit Liong

During FY04/05, the Committee held five meetings and performed, inter alia, the following main functions:

- (a) evaluated the adjustments to the Employee Share Option Plan (ESOP);
- (b) reviewed and decided the allotment for the 5th ESOP Grant;
- (c) determined the eligibility and guidelines of the 6th ESOP Grant;
- (d) conducted the annual salary review and promotion exercise of senior staff;
- (e) reviewed the Talent Management Programme for high potential employees;
- (f) instituted a 360 Degree Feedback Programme for senior officers as part of their career development programme;
- (g) reviewed and approved the appointments of senior officers;
- (h) determined the Profit Sharing Bonus Formula for senior staff;
- (i) formulated a succession plan for key positions in the Company;
- (j) reviewed the progress and status of the collective agreements between the Company and its Unions; and
- (k) reviewed the compensation philosophy for senior staff.

The Committee, guided by the principles of the Code, regularly reviews the recruitment, appointment, development and compensation of senior officers with reference to market data provided by recognised surveys of comparative groups in the aerospace and other related sectors. The Committee also considers and approves the fees payable to Directors serving on the Board and Board Committees. The Committee is also responsible for reviewing the eligibility, guidelines and allotment of the ESOP Grant.

NOMINATING COMMITTEE

Three non-executive Directors, two of whom are independent (including the Chairman), make up the Nominating Committee. The members of the Nominating Committee for FY04/05 were:

Chairman	Wong Ngit Liong
Members	Chew Choon Seng
	Wong Nang Jang

At the AGM for FY04/05, Chew Choon Seng, N Varaprasad and Chew Leng Seng will retire. Noting Chew Leng Seng's request to step down from the Board, the Nominating Committee had recommended Chew Choon Seng and N Varaprasad's re-election, after assessing their respective contributions, including their attendance, preparedness and participation at Board meetings.

The Nominating Committee initiated a formal board evaluation process in FY02/03 by engaging a consultant to assist the Committee in assessing the efficacy of the Board as a whole. The assessment was expanded in FY03/04 to include an assessment of the contributions of individual Directors.

The same evaluation process and evaluation criteria used in past years' assessment of the Board and Directors' performance were used for FY04/05, to ensure consistency in evaluation. The consultant presented its findings to the Board, whereupon the Board initiated improvements based on the findings.

The Nominating Committee and the Board are committed to conduct the annual formal assessment of the Board and Directors as a means to take stock, monitor performance, and make continuous improvements at the Board level, based on the feedback received.

With due regard being given to Principles 4 and 5 of the Code, the Nominating Committee held one meeting and performed, inter alia, the following functions in FY04/05:

- (a) considered the need to appoint additional Directors, preferably independent Directors, to maintain a strong element of independence in the Board's composition;
- (b) recommended the appointment of Tan Bian Ee as an additional member of the Audit Committee with effect from 1 June 2005;
- (c) considered the disbandment of the Capital Structure Committee (CSC). The CSC was set up on 21 August 2002 and tasked to, inter alia, make recommendations to the Board on the optimal capital structure for the Company and the means of achieving it. Having achieved its original objectives, the Nominating Committee felt it was timely to disband the CSC and for the tasks to be re-assigned to the Board. Accordingly, the CSC was disbanded on 10 March 2005;
- (d) recommended a review of the terms of reference of the Board Committee so as to streamline referrals to the Board Committee;

- (e) determined the independence/non-independence of Directors based on individual Director's declaration; and
- (f) considered and recommended Directors to retire by rotation and seek re-election at the AGM for FY04/05.

BOARD COMMITTEE

The Board Committee deputises for the Board on routine matters to facilitate day-to-day administration and to expedite decisions thereon, including opening of bank accounts, 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. The Board Committee also approves capital expenditures from \$1.5 million to \$5 million, except for investments in joint ventures. For FY04/05, the Committee comprised:

Members	Chew Choon Seng
	Chew Leng Seng
Alternate	Thio Su Mien

Following a review of the terms of reference of the Board Committee on the recommendation of the Nominating Committee, the terms were revised to streamline the referrals to the Board Committee. The base level approval of the Board Committee was raised and a Senior Management Committee was established to deal with other approvals.

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 reported to the Board at the Board meeting following the circulation.

The Board Committee has been useful in relieving the Board on routine day-to-day matters that require Board approval. The swiftness of their deliberation and decision-making enables the Company to be more efficient in its daily operations.

CAPITAL STRUCTURE COMMITTEE

The Capital Structure Committee was established in August 2002 as an adhoc committee to review and make recommendations on the Company's capital structure.

The Committee met once during the financial year and provided guidance to Management on the implementation of its earlier recommendations. With this, the Committee completed the tasks assigned to it, and hence, it was disbanded in March 2005 on the recommendation of the Nominating Committee and with the approval of the Board. Capital structure issues now come within the purview of the Board.

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:

- a) supervising, monitoring and advising on compliance by the Company with its Memorandum and Articles of Association, laws and regulations applicable in Singapore, and the Listing Manual of the SGX-ST;
- b) ensuring an open and regular flow of communication between the Company and the SGX-ST, the Accounting & Corporate Regulatory Authority and both institutional and private shareholders; and
- c) updating and informing the Board on best principles and practices of corporate governance.

The Company Secretary also performs such other duties of a company secretary as are required under the laws and regulations or as are specified in the SGX-ST Listing Manual or the Articles of Association of the Company, or as are 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

Directors' remuneration for FY04/05, comprising fees and allowances, amounts to \$569,702 (\$377,086 in FY03/04) and is derived using the following rates:

Type of Appointment	Proposed Fee For FY04/05	Fee Paid in FY03/04
Board of Directors	\$	\$
Member's Fees (Basic)	1 X Basic Fee = \$40,000	1 x Basic Fee = 28,000
Chairman's Allowance	0.625 X Basic Fee = \$25,000	1 X Basic Fee = 28,000
Dy Chairman's Allowance	0. 5 X Basic Fee = \$20,000	Nil
Board Committee		
Member's Allowance	0.20 X Basic Fee = \$8,000	0.15 x Basic Fee = 4,200
Audit Committee		
Member's Allowance	0.30 X Basic Fee = \$12,000	0.30 x Basic Fee = 8,400
Chairman's Allowance	0.60 X Basic Fee = \$24,000	0.60 x Basic Fee = 16,800
Other Board Committees		
Member's Allowance	0.20 X Basic Fee = \$8,000	0.15 x Basic Fee = 4,200
Chairman's Allowance	0.30 X Basic Fee = \$12,000	0.30 x Basic Fee = 8,400

Note:

1. Subject to Shareholders' approval, every Director will be entitled to receive the full Basic Fee as shown in the table above for FY04/05. In addition, he will be entitled to receive the Chairman's allowance if he is Chairman of the Board as well as the relevant allowances (depending on whether he is Chairman or a Member of the relevant Board Committee) for each position he holds on a Board Committee. If the Director occupied a position for part of FY04/05, the fee or allowance payable will be pro-rated accordingly.
2. The fees due to Chew Choon Seng and Bey Soo Khiang are paid to Singapore Airlines Limited while the fees due to N Varaprasad and Wong Ngit Liong are paid to the Directorship and Consultancy Appointments Council and Venture Corporation respectively. Jimmy Phoon s fees will be paid to Temasek Holdings Pte Ltd.

The remuneration of each Director is as shown in the table below:

Name of Director	Fees Due (\$)
Koh Boon Hwee	65,000
Chew Choon Seng	84,000
Chew Leng Seng	71,310
Wong Nang Jang	79,540
N Varaprasad	64,000
Wong Ngit Liong	60,000
Bey Soo Khiang	40,000
Thio Su Mien	52,000
Tan Bian Ee (appointed on 15 April 2004)	38,466
Jimmy Phoon (retired on 26 July 2004)	15,386
Total Fees	569,702

The annual remuneration report for the Company's top 4 executives (although the Code refers to the top 5 key executives, the Company believes that it is more meaningful, given its management structure, to refer to the top 4 executives) is as follows:

Remuneration Bands & Top 4 Executives	Salary (%)	Bonus		Benefits (%)	Total (%)	Stock options granted during the year	
		Fixed (%)	Variable# (%)			Number	Exercise Price
\$500,000-\$750,000							
William Tan Seng Koon Chief Executive Officer	47	5	36	12	100	225,000	\$1.89
\$250,000-\$500,000							
Chan Seng Yong Senior Vice President (Operations)	61	6	29	4	100	96,000	\$1.89
Oh Wee Khoon Senior Vice President (Commercial)	61	6	28	5	100	114,000	\$1.89
Png Kim Chiang Senior Vice President (Services)	62	5	28	5	100	132,000	\$1.89

The remuneration bands above do not include the value of the share options granted.

Includes profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2005.

Details of the Company's Employee Share Option Scheme can be found in the Report by the Board of Directors.

SENIOR EXECUTIVES' PROFILE

Chief Executive Officer - William Tan Seng Koon, 52, was appointed Chief Executive Officer of SIA Engineering Company in May 2001.

William Tan joined the Engineering Division of SIA in 1978. He served as Assistant Director of Engineering in SIA in 1995 and was appointed Senior Vice-President Engineering of SIA in July 1999. William Tan holds a Bachelor of Science (Engineering) degree from the University of Singapore and a Diploma in Business Administration from the National University of Singapore (NUS).

William Tan is also Chairman of JAMCO Aero Design & Engineering Pte Ltd, Deputy Chairman of Eagle Services Asia Pte Ltd, a Director on the Boards of Singapore Aircraft Leasing Enterprise Pte Ltd, Singapore Aerospace Manufacturing Pte Ltd, Singapore Aero Engine Services Limited and SIAEC Global Pte Ltd.

Senior Vice President (Operations) - Chan Seng Yong, 57, joined the Engineering Division of SIA in 1968. In 1997, he was appointed Vice-President Engineering Planning. In April 2000, Chan SY was transferred to SIA Engineering Company. Currently, he is the Senior Vice President (Operations) and is responsible for all operational divisions.

In addition to aircraft maintenance qualifications, Chan SY holds a Bachelor of Business (Business Administration for Information Technology) from the Royal Melbourne Institute of Technology, Australia.

Chan SY is a Director on the Boards of Combustor Airmotive Services Pte Ltd, Asian Surface Technologies Pte Ltd and Messier Services Asia Pte Ltd.

Senior Vice President (Commercial) - Oh Wee Khoon, 46, graduated from University of Manchester Institute of Science and Technology with a First Class Honours degree in Mechanical Engineering and holds a Master Degree in Business Administration from the National University of Singapore.

Oh WK joined SIA in 1975 and was transferred to SIA Engineering Company in 1993. He served in various management positions before his appointment as Senior Vice President (Commercial) on 1 April 2000. Oh WK is responsible for Business Development, Partnership Management, Facilities Development and Marketing & Sales Divisions, and the formulation of the company's growth strategy.

CORPORATE GOVERNANCE

Oh WK is the Chairman of Fuel Accessory Service Technologies Pte Ltd and Aviation Partnership (Philippines) Corporation. He is also a Director of Eagle Services Asia Pte Ltd, International Engine Component Overhaul Pte Ltd and SIAEC Global Pte Ltd. Oh WK has been the President of the Association of Aerospace Industries (Singapore) since December 2002.

Senior Vice President (Services) - Png Kim Chiang, 46, holds a Bachelor of Science degree in Computation (First Class Honours) from the University of Manchester Institute of Science and Technology as well as a Master in Business Administration from the National University of Singapore.

Png KC joined SIA in 1975 and has served in various departments of the Engineering Division of SIA. He was appointed Vice President Engineering Supplies in 1998. In April 2001, Png KC was transferred to SIA Engineering Company as its Senior Vice President (Services) and is currently responsible for the Planning, Engineering & IT and Productivity & Engineering Training Divisions.

Png KC is the Chairman of Aerospace Component Engineering Services Pte Ltd, Deputy Chairman of Rohr Aero Services-Asia Pte Ltd and a Director of Asian Compressor Technology Services.

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 directly 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.

INTERNAL CONTROLS

The Board believes that, in the absence of evidence to the contrary, the systems of internal control maintained by the Company's Management which was in place throughout the financial year and up to the date of this report provide reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information,

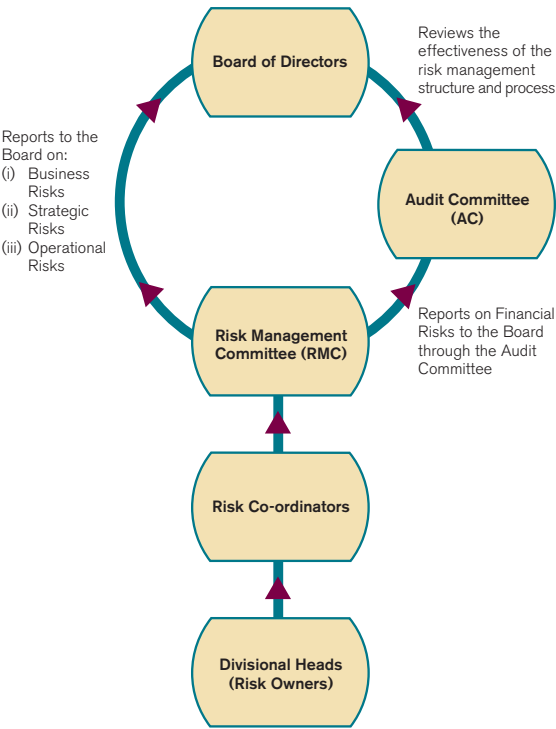
compliance with appropriate legislation, regulations and best practices, and the identification and containment of enterprise risks. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

RISK MANAGEMENT

The Company continued to maintain its risk management practices while integrating further risk management activities under a risk management framework formalised in 2003.

The Risk Management Committee (RMC), chaired by the Chief Executive Officer and comprising members from Senior Management, assists the Audit Committee and the Board in driving risk management activities within the Company.

The risk reporting structure within the Company's risk management framework remains as follows:



The Company's risk management system is a bottom-up and top-down approach where the risk management process, encompassing risk identification, evaluation, prioritisation, reduction and review, is applied from Department levels to the Company level. Significant risks are brought to RMC's attention while lower risks are managed at the appropriate Division/Department levels.

Risks identified by the Company are classified into the following four categories:

Business Risks: These are risks, which may be of internal or external origin, that interfere with the short-term effectiveness, competitiveness and overall standing of the Company. It includes changes in the business environment, legal risks and regulatory risks, including non-compliance with regulations of airworthiness authorities worldwide.

Strategic Risks: These are risks that threaten the long-term survival and well being of the Company, and may arise from technological, economic or geo-political changes, inflexible or outmoded business models, or ineffective management and planning, or other causes.

Operational Risks: These are risks that affect the operational activities of the Company. Operational Risks may be of internal or external origin that interferes with the ability of the company to deliver its maintenance, repair and overhaul services. It includes "process" risks such as ineffective systems and human errors, and "resource" risks such as damage or loss of IT capabilities, human resources, physical assets, utilities and infrastructure necessary for on-going operations.

Financial Risks: These are risks that directly impact the finances of the Company, and are broadly classified into Market Risks (such as interest rates, currency and market price risks), Credit Risks (such as risk of default of counter-party or debtors) and Liquidity Risks.

For FY04/05, the RMC held 11 meetings and through the above process, has identified the Top 10 risks for the Company. The RMC continues to meet monthly to ensure that risk management efforts throughout the Company are maintained. Quarterly, the committee submits risk management reports to the Audit Committee and the Board for their review.

The RMC is also represented at the SIA Group Risk Management Committee, and coordinators of the respective Risk Management units share information to facilitate a more comprehensive, cohesive and integrated SIA Group-wide approach to risk management.

Risk Focused Approach

The existing cross-company and cross-divisional committees will continue to focus on specific risk areas. Examples of these are the Investments Committee, Partnership Review Committee, Capital Expenditure Committee, Business Review Committee, Management Committee, Safety Committee, Operations Management Committee, Debt Review Committee and Crisis Management Committee. These Committees are chaired by Senior Management staff, and draw their members from across multiple divisions and departments to leverage on multi-disciplinary experience and expertise.

Risk Processes and Activities

During the year under review, the following risk related processes and activities were carried out:

- (i) The Integrated Risk Assessment and Control Self-Assessment ("CSA") framework, which was implemented and formalised in the preceding year to facilitate risk management at Division/Department levels, has been extended to all key operational and support divisions. CSA enables Line Management and staff to identify, evaluate and prioritise business process risks that may prevent them from achieving their department objectives. Completed CSA programmes in Divisions were subject to an annual exercise to update the risks and compliance status. In addition, CSA verification audits were also conducted by SIA Internal Audit to ensure that the established controls are complied with.
- (ii) Through its regular monthly meetings, the RMC reviewed the major risks of the Company and ensured that they are being monitored closely. These major risks have been reported to the Audit Committee and the Board, and are consolidated as part of the Group-wide risks for review by the Group Risk Management Committee.
- (iii) Corporate policies in relation to banking and borrowing activities were reviewed by the SIA Group. Lenders to SIAEC are to note that all bank transactions undertaken by the Group must be properly authorised, including the opening of new bank accounts and any proposed credit facilities. The Group has its own approval limits and procedures for every banking transaction, having regard to the nature of the transaction concerned. These approval limits and procedures are updated from time to time and are available on request to the bankers of the Group.

CORPORATE GOVERNANCE

- (iv) During the preceding year, an external consultant was appointed to review the Company's risk management system and processes. To enhance its risk management practices, the Company has adopted the following recommendations made by the consultants:
- (1) Restructuring of the Company's Risk Register to improve oversight of risks by management;
 - (2) Implementation of an early warning system to surface and escalate any possible risk event in development;
 - (3) Progressive review of significant risks beyond the Top 10 list so that a wider spectrum of emerging risks at the various levels are monitored by senior management;
 - (4) Progressive review of the effectiveness of risk mitigation plans to provide assurance that the various programmes put in place are showing the desired results.
- (v) Good risk management practices would not be effective without monitoring and audit controls in place to ensure compliance. In view of this, the RMC has engaged SIA Internal Audit ("IA") to conduct a review of the Company's risk management processes. IA found the Company's risk management structure to be adequate, and its processes consistent with the Company's Risk Management Manual.

Comments by the Board of Directors
Having reviewed the risk management practices and activities in the Company, it is the opinion of the Board that, in the absence of evidence to the contrary, the system of internal controls and risk management maintained by Management is adequate to meet the needs of the Company in its current business environment.

MANAGEMENT COMMITTEES

The Company has Management Committees, which 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, bi-weekly 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 holds media and analyst briefings of its second-quarter and full-year results. Quarterly results are published through SGXNET, press releases and the Company's website. Since July 2003, the Company has been releasing quarterly reports of its corporate results.

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.

While Shareholders have a right to appoint proxies to attend and vote at General Meetings on their behalf, the Company's Articles of Association currently do not provide for Shareholders to vote at General Meetings in absentia, such as by mail, e-mail or fax. The Company will consider implementing the relevant amendment to its Articles of Association 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 measures to facilitate absentia voting and protection against errors, fraud and other irregularities.

The Chairmen of the Audit Committee, Nominating Committee, Compensation & HR Committee and Capital Structure Committee, and members of the respective Committees, as well as the external auditors, plan to be in attendance at the Company's General Meeting to address questions from Shareholders.

SECURITIES TRANSACTIONS

As recommended by the SGX-ST's Best Practices Guide, the Company has a set of Policy and Guidelines for dealings in the Company's securities, which has been disseminated to employees of the Company and Directors. The Policy and Guidelines restrict certain employees from trading in the Company's securities during the period two weeks prior to the announcement of corporate results for the first three quarters of the financial year, and one month prior to the announcement of full-year results, and ending on the date of announcement of the results. These employees include all Administrative Officers and above, regardless of department or division; and certain other employees in departments which are likely to be privy to confidential material price-sensitive information, including the Offices of the Chief Executive Officer and Senior Vice Presidents, Finance, Corporate, Business Development & Partnership Management, Marketing & Sales Divisions, and any other staff and/or divisions/departments to be notified from time to time. The Policy and Guidelines also remind employees and Directors to be mindful of the insider trading prohibitions under the Securities and Futures Act 2001 whenever trading in the Company's or any other corporation's securities.

THE COMPANY'S COMPLIANCE WITH THE CODE

Code	Principle	Compliance
1.	Every company should be headed by an effective Board to lead and control the company.	✓
2.	There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.	✓
3.	There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.	✓
4.	There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.	✓
5.	There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.	✓
6.	In order to fulfil their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.	✓
7.	There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.	✓
8.	The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.	✓
9.	Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.	✓
10.	The Board is accountable to the shareholders while the Management is accountable to the Board.	✓
11.	The Board should establish an Audit Committee ("AC") with written terms of reference, which clearly set out its authority and duties.	✓
12.	The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.	✓
13.	The company should establish an internal audit function that is independent of the activities it audits.	✓
14.	Companies should engage in regular, effective and fair communication with shareholders.	✓
15.	Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.	✓



FINANCIALS

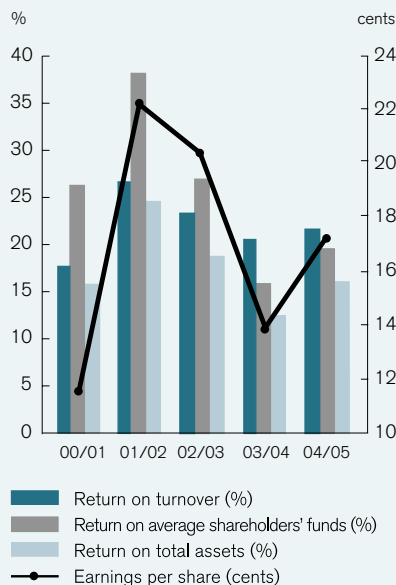
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FINANCIAL REVIEW

Group Operating Profit and Profit Attributable to Shareholders



Group Profitability Ratios



EARNINGS

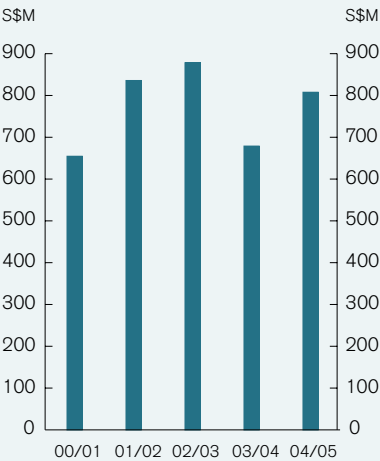
The Group's operating profit for the financial year 2004-05 was \$105.5 million, up \$26.6 million (+33.7%) from last year. Revenue was \$128.8 million (+19.0%) higher at \$807.5 million. The increase in revenue came mainly from the Company's core activities of airframe and component overhaul and line maintenance. Expenditure rose by \$102.2 million (+17.0%) to \$702.0 million, primarily due to higher staff costs, material costs and subcontract costs.

Boosted by a gain on sale of a long-term investment, dividend income received from an investee company and improved performance by our associated and joint venture companies, profit before taxation increased by 54.4% to \$199.0 million. Share of profits from our associated and joint venture companies increased by \$26.7 million (+54.7%) to \$75.5 million.

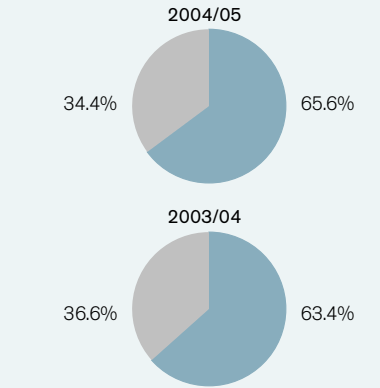
Profit attributable to shareholders increased at a lower rate of 25.2% to \$175.1 million. This was mainly due to the reversal of a tax contingency provision of \$21.2 million in financial year 2003-04. The Group's basic earnings per share (based on the weighted average number of ordinary shares in issue) increased by 23.6% (+3.3 cents) to 17.3 cents.

The Group's shareholders' funds declined by 7.3% to \$858.5 million. This was mainly due to the payment of \$227.4 million in August 2004 for the final and special dividend declared in respect of the last financial year. Return on average shareholders' funds in financial year 2004-05 was 19.6%, an increase of 3.7 percentage points over the previous year. Return on turnover was 21.7%, 1.1 percentage points higher, while return on total assets was 15.9%, 3.4 percentage points higher than last year.

Group Revenue



Group Revenue Composition



	2004/05 S\$M	2003/04 S\$M	Change %
Airframe and component overhaul services	529.9	430.4	+23.1
Line maintenance and technical ground handling	277.6	248.3	+11.8
	807.5	678.7	+19.0

REVENUE

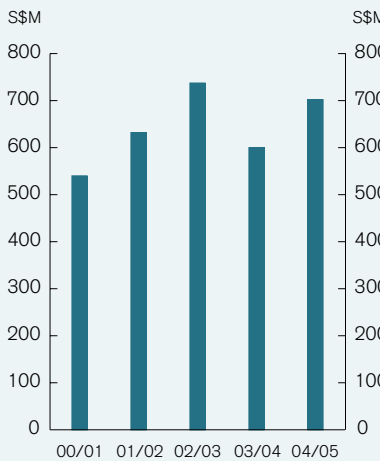
In 2004-05, the Group's revenue increased by \$128.8 million (+19.0%) to \$807.5 million as business confidence returned to the aviation industry.

The increase in the Group's revenue was the result of:

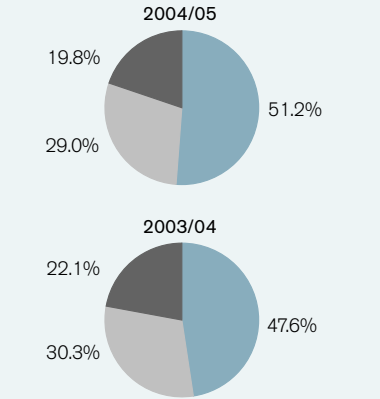
	\$million
Airframe and component overhaul services	+ 99.5
Line maintenance and technical ground handling	+ 29.3
	+128.8

Revenue from airframe and component overhaul work improved by 23.1% to \$529.9 million mainly due to higher workload. Line maintenance revenue grew by 11.8% to \$277.6 million mainly due to an increase in the number of flights handled at Changi Airport. Airframe and component overhaul services, and line maintenance and technical ground handling contributed 65.6% and 34.4% respectively to the total revenue of the group.

Group Expenditure



Group Expenditure Composition



	2004/05 S\$M	2003/04 S\$M	Change %
Staff costs	359.7	285.8	+25.9
Material costs	203.6	181.7	+12.1
Overheads	138.7	132.3	+4.8
	702.0	599.8	+17.0

EXPENDITURE

In 2004-05, the Group's expenditure was \$702.0 million, up 17.0% (+\$102.2 million) from the previous year.

The increase in the Group's expenditure came from:

	\$million
Staff costs	+ 73.9
Material costs	+ 21.9
Overheads	+ 6.4
	+ 102.2

Staff costs rose by \$73.9 million (+25.9%), mainly due to a higher provision for profit-sharing bonus, higher overtime costs and once-off payments to staff under the new collective agreements. Material costs increased by \$21.9 million (+12.1%) in tandem with higher revenue. Overheads increased by \$6.4 million (+4.8%), due mainly to higher subcontract, depreciation and equipment maintenance costs. The increase in overheads was partially offset by a \$0.9 million foreign exchange gain this year against an exchange loss of \$8.8 million in 2003-04. In addition, there was a \$4.5 million write-back of provision for doubtful debts this financial year as compared to a provision of \$0.1 million last year.

SHARE OF RESULTS OF ASSOCIATED AND JOINT VENTURE COMPANIES

Share of profits from associated and joint venture companies increased by \$26.7 million (+54.7%) to \$75.5 million. This represents 37.9% of the Group's pre-tax profits.

TAXATION

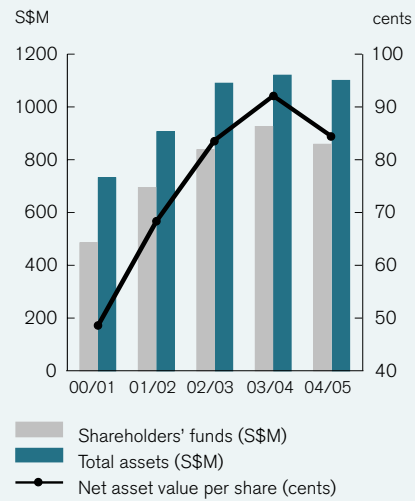
The Group's provision for taxation was \$23.6 million in 2004-05, compared to a write-back of taxation of \$11.1 million in 2003-04. This was mainly due to the reversal of a tax contingency provision amounting to \$21.2 million in 2003-04. The provision was made to cover for potential tax liability that might arise from the disposal of fixed assets to Eagle Services Asia Private Limited. Following the closure of this matter during 2003-04, the provision was no longer required.

SHARE CAPITAL

During the financial year, the Company issued 12,788,125 new ordinary shares pursuant to the exercise of share options under the Employee Share Option Plan. The issued and paid-up capital of the Company increased from \$100,463,190 as at 31 March 2004 to \$101,742,003 as at 31 March 2005.

FINANCIAL REVIEW

Shareholders' Funds, Total Assets and Net Asset Value Per Share



SHARE OPTIONS

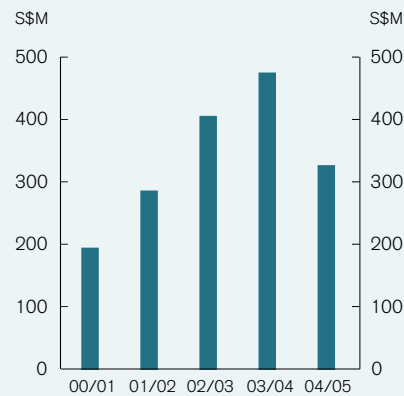
On 1 July 2004, the Company made a sixth grant of share options to employees. 15,310,700 share options were accepted by eligible employees to subscribe for ordinary shares at the price of \$1.89 per share for the exercise period from 1 July 2005 to 30 June 2014. As at 31 March 2005, options to subscribe for 63,709,775 ordinary shares remain outstanding under the Employee Share Option Plan.

DIVIDENDS

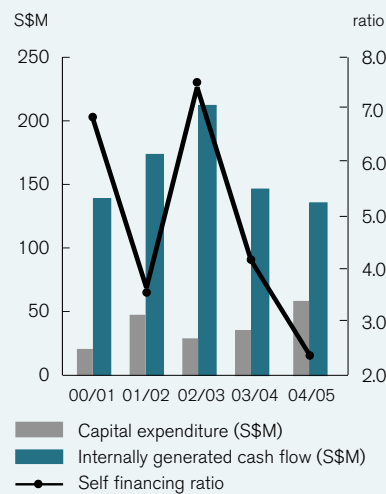
A tax exempt interim dividend of 3.0 cents per share, amounting to \$30.4 million, was paid on 26 November 2004.

A tax exempt final dividend of 4.5 cents per share, amounting to \$45.8 million, is proposed for 2004-05. The final dividend, if approved by shareholders, will be paid on 10 August 2005.

Net Liquid Assets



Capital Expenditure, Internally Generated Cash Flow and Self Financing Ratio



FINANCIAL POSITION

Shareholders' funds of the Group stood at \$858.5 million at 31 March 2005, a decrease of 7.3% (-\$67.2 million) from a year ago.

Correspondingly, the net asset value per share of the Group declined 8.4% (-7.7 cents) to 84.4 cents at 31 March 2005.

Total assets of the Group decreased marginally to \$1,100.4 million at the end of the financial year under review.

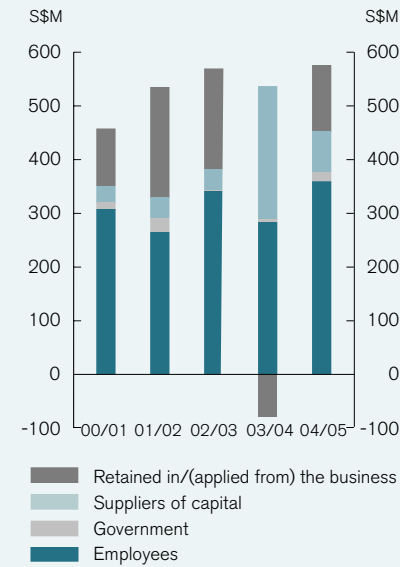
The net liquid assets of the Group decreased to \$325.2 million at 31 March 2005, 31.3% (-\$148.5 million) lower than at 31 March 2004. This was mainly due to the payment of \$227.4 million in August 2004 for the final and special dividend declared in respect of the last financial year.

CAPITAL EXPENDITURE AND CASH FLOW

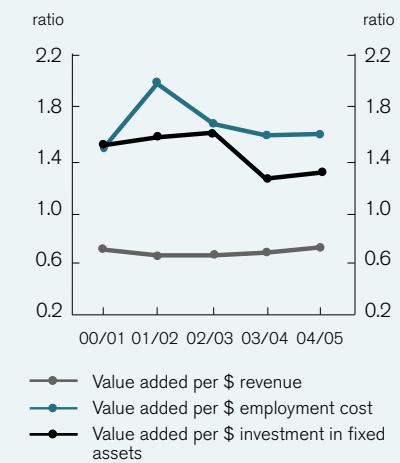
In 2004-05, capital expenditure by the Group was \$58.4 million, 64.3% (+\$22.8 million) higher than in the previous year.

Internally generated cash flow declined by 7.4% (-\$10.8 million) to \$136.0 million. The self financing ratio of cash flow to capital expenditure fell to 2.33 times from 4.14 times last year.

Group Value Added Distribution



Group Value Added Productivity Ratios



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

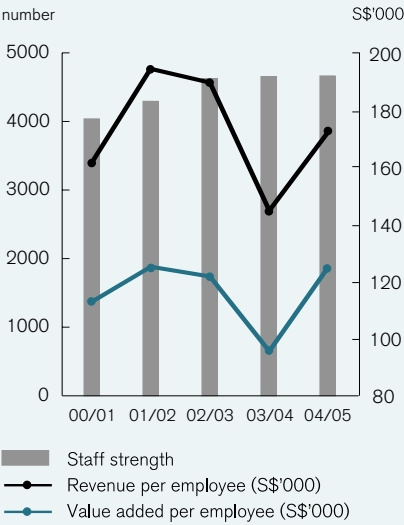
	2004-05	2003-04	2002-03	2001-02	2000-01
Revenue	807.5	678.7	878.1	835.6	654.4
Less:					
Purchase of goods and services	(317.5)	(269.9)	(376.0)	(345.7)	(211.6)
Value added on operations	490.0	408.8	502.1	489.9	442.8
Add:					
Gain on sale of long-term investment	—	—	—	—	3.0
Dividend income from long-term investment	4.8	0.4	0.4	—	—
Net interest income	3.8	3.0	3.7	5.7	7.7
Surplus on sale of fixed assets	0.4	0.8	0.5	1.8	0.1
Share of profits of associated/ joint venture companies	69.0	43.7	63.0	38.7	4.4
Exceptional item	9.0	(3.1)	—	—	—
Total value added available for distribution	577.0	453.6	569.7	536.1	458.0

Applied as follows:

To employees					
- Salaries and other staff costs	359.7	285.8	338.4	266.1	307.6
To government					
- Corporate taxes	17.1	4.9	3.0	25.6	13.8
To suppliers of capital					
- Ordinary dividends	76.1	45.2	38.0	38.7	30.1
- Special dividends	—	200.9	—	—	—
- Minority interests	0.3	0.1	0.1	0.2	(0.1)
Retained for future capital requirements/ (applied from business)					
- Depreciation	24.8	22.9	23.0	21.2	20.8
- Retained profit	99.0	(106.2)	167.2	184.3	85.8
Total value added	577.0	453.6	569.7	536.1	458.0
Value added per \$ revenue	0.71	0.67	0.65	0.64	0.70
Value added per \$ employment cost	1.60	1.59	1.68	2.01	1.49
Value added per \$ investment in fixed assets	1.30	1.25	1.61	1.58	1.52

Value added is a measure of wealth created. The statement above shows the Group's value added from 2000-2001 to 2004-2005 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 or applied from the business.

Group Staff Strength and Indices



VALUE ADDED

Total value added for the Group in 2004-05 was \$577.0 million, up \$123.4 million (+27.2%) from financial year 2003-04. The increase was mainly attributable to higher revenue (+\$128.8 million), higher share of profits of associated and joint venture companies (+\$25.3 million) and gain on sale of a long-term investment of \$9.0 million, partially offset by higher purchases of goods and services (+\$47.6 million).

Salaries and other staff costs of \$359.7 million accounted for 62.3% of the value added. Shareholders received \$76.1 million (13.2%) in dividends and \$17.1 million (3.0%) went to corporate taxes. The remaining \$123.8 million (21.5%) was retained for future capital requirements.

STAFF STRENGTH AND INDICES

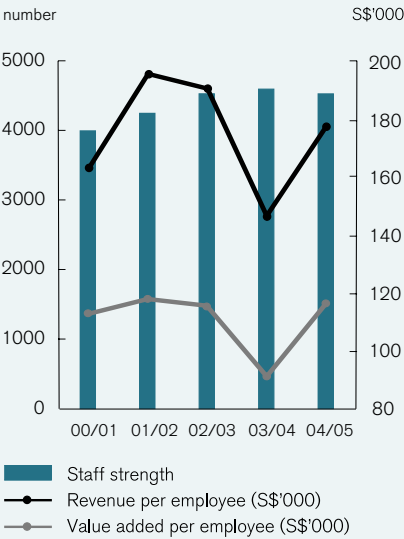
The Company's average staff strength of 4,525 in 2004-05 was little changed from the previous financial year.

	2004-05	2003-04	% change
Revenue per employee (\$)	177,404	146,547	+21.1
Value added per employee (\$)	117,652	90,881	+29.5
Staff costs per employee (\$)	77,981	61,665	+26.5
Average number of employees	4,525	4,577	-1.1

The Group's staff strength increased by 11 (+0.2%) to 4,663.

Group revenue per employee increased by \$27,284 (+18.7%) to \$173,173, and value added per employee rose by \$26,243 (+26.9%) to \$123,751.

Company Staff Strength and Indices



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 2005.

1. DIRECTORS OF THE COMPANY

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

- Koh Boon Hwee – Chairman
- Chew Choon Seng – Deputy Chairman
- Bey Soo Khiang
- Chew Leng Seng
- N Varaprasad (Independent)
- Tan Bian Ee (Independent) (appointed on 15 April 2004)
- Thio Su Mien (Independent)
- Wong Nang Jang (Independent)
- Wong Ngit Liong (Independent)

2. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES

The following directors who held office at the end of the financial year have, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), an interest in the ordinary shares and share options of the Company, and in the shares, share options, and debentures 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		
	1.4.2004/ date of appointment	31.3.2005	21.4.2005	1.4.2004/ date of appointment	31.3.2005	21.4.2005

Interest in Singapore Airlines Limited

Ordinary shares of \$0.50 each

Chew Choon Seng	214,000	214,000	214,000	–	–	–
Chew Leng Seng	20,000	–	–	–	–	–
N Varaprasad	2,000	2,000	2,000	–	–	–

Options to subscribe for ordinary shares of \$0.50 each

Chew Choon Seng	606,000	834,000	834,000	–	–	–
Bey Soo Khiang	418,000	570,000	570,000	–	–	–
Chew Leng Seng	110,000	110,000	110,000	–	–	–

Interest in SIA Engineering Company Limited

Ordinary shares of \$0.10 each

Chew Choon Seng	20,000	20,000	20,000	–	–	–
Bey Soo Khiang	13,000	13,000	13,000	–	–	–
Chew Leng Seng	18,000	18,000	18,000	–	–	–
N Varaprasad	5,000	5,000	5,000	–	–	–
Thio Su Mien	13,000	13,000	13,000	–	–	–
Wong Nang Jang	30,000	30,000	30,000	30,000	30,000	30,000
Wong Ngit Liong	13,000	13,000	13,000	–	–	–

2. DIRECTORS’ INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (CONTINUED)

Name of Director	Direct interest			Deemed interest		
	1.4.2004/ date of appointment	31.3.2005	21.4.2005	1.4.2004/ date of appointment	31.3.2005	21.4.2005
<u>Options to subscribe for ordinary shares of \$0.10 each</u>						
Chew Leng Seng	380,000	380,000	380,000	–	–	–
Interest in Singapore Airport Terminal Services Limited						
<u>Ordinary shares of \$0.10 each</u>						
Chew Choon Seng	10,000	10,000	10,000	–	–	–
Bey Soo Khiang	–	–	–	1,000	–	–
Interest in Singapore Telecommunications Limited						
<u>Ordinary shares of \$0.15 each</u>						
Koh Boon Hwee	31,880	29,603	29,603	1,740	1,620	1,620
Chew Choon Seng	11,040	11,040	11,040	–	–	–
Bey Soo Khiang	1,740	1,620	1,620	11,740	10,910	10,910
Chew Leng Seng	16,740	2,450	2,450	1,690	1,690	1,690
N Varaprasad	–	–	–	1,740	1,620	1,620
Tan Bian Ee	190	190	190	11,300	11,300	11,300
Thio Su Mien	1,730	1,730	1,730	2,360	2,360	2,360
Wong Nang Jang	1,620	1,620	1,620	1,770	1,770	1,620
Wong Ngit Liong	1,620	1,620	1,620	840	840	840
Interest in Singapore Food Industries Limited						
<u>Ordinary shares of \$0.05 each</u>						
Wong Nang Jang	–	–	–	30,000	30,000	–
Wong Ngit Liong	60,000	60,000	60,000	–	–	–
Interest in SMRT Corporation Limited						
<u>Ordinary shares of \$0.10 each</u>						
Chew Choon Seng	50,000	50,000	50,000	–	–	–
Bey Soo Khiang	3,000	–	–	–	–	–
Interest in CapitaLand Limited						
<u>Ordinary shares of \$1.00 each</u>						
Chew Leng Seng	–	40,000	40,000	2,750	2,750	2,750
N Varaprasad	3,000	3,000	3,000	–	–	–
Wong Nang Jang	–	–	–	12,875	12,875	12,875
Interest in CapitaMall Trust Management Limited						
<u>Unit Holdings in CapitaMall Trust</u>						
Chew Leng Seng	154,000	94,400	94,400	–	–	–
N Varaprasad	5,500	6,050	6,050	5,500	6,050	6,050
Wong Nang Jang	–	–	–	5,000	5,000	–
Interest in Raffles Holdings Limited						
<u>Ordinary shares of \$0.32 each</u>						
Chew Choon Seng	12,000	12,000	12,000	–	–	–

2. DIRECTORS’ INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (CONTINUED)

Name of Director	Direct interest			Deemed interest		
	1.4.2004/ date of appointment	31.3.2005	21.4.2005	1.4.2004/ date of appointment	31.3.2005	21.4.2005
Interest in Chartered Semiconductor Manufacturing Limited						
<u>Ordinary shares of \$0.26 each</u>						
Bey Soo Khiang	–	–	–	35,000	35,000	35,000
Interest in CapitaCommercial Trust Management Limited						
<u>Unit Holdings in CapitaCommercial Trust</u>						
Chew Leng Seng	–	–	–	–	550	550
N Varaprasad	–	600	600	–	–	–
Wong Nang Jang	–	–	–	–	2,575	2,575
Interest in ST Engineering Limited						
<u>Ordinary shares of \$0.10 each</u>						
N Varaprasad	9,000	–	–	–	–	–
Interest in SingPost Limited						
<u>Ordinary shares of \$0.05 each</u>						
Chew Leng Seng	660,000	600,000	600,000	–	10,000	10,000
N Varaprasad	24,000	24,000	24,000	–	–	–
Interest in SembCorp Marine Limited						
<u>Ordinary shares of \$0.10 each</u>						
Chew Leng Seng	–	–	–	10,000	10,000	10,000
N Varaprasad	10,000	10,000	10,000	–	–	–
Interest in DBS Group Holdings Limited						
<u>Ordinary shares of \$1.00 each</u>						
Chew Leng Seng	–	–	–	3,040	3,040	3,040
Interest in Keppel Corporation Limited						
<u>Ordinary shares of \$0.50 each</u>						
N Varaprasad	8,200	5,000	5,000	–	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 April 2005, except as disclosed above.

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 (see Note 4 of this report).

3. DIRECTORS’ CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company which the director has a substantial financial interest.

4. 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 and the Employee Share Option Scheme for senior executives and all other employees respectively, 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 Company's 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:

- (i) one year after the date of grant for 25% of the ordinary shares subject to the options;
- (ii) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;
- (iii) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and
- (iv) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

At the date of this report, the Compensation and HR Committee administering the Plan comprises the following directors:

N Varaprasad – Chairman
Chew Choon Seng
Wong Ngit Liong

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 the Plan.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

During the financial year, in consideration of the payment of \$1.00 for each offer of options accepted, offers of options were granted pursuant to the Plan in respect of 15,310,700 unissued shares of \$0.10 each in the Company at an offering price of \$1.89 per share.

4. OPTIONS ON SHARES IN THE COMPANY (CONTINUED)

At the end of the financial year, options to take up 63,709,775 unissued shares of \$0.10 each in the Company were outstanding:

Number of unissued ordinary shares of \$0.10 each						
Date of grant	Balance at 1.4.2004/ date of grant	Cancelled	Exercised	Balance at 31.3.2005	Exercise price*	Exercisable period
28.03.2000	14,443,950	(270,400)	(2,588,050)	11,585,500	\$1.85	28.03.2001 - 27.03.2010
03.07.2000	13,459,050	(209,600)	(3,831,800)	9,417,650	\$1.75	03.07.2001 - 02.07.2010
02.07.2001	11,137,100	(100,300)	(6,245,800)	4,791,000	\$1.21	02.07.2002 - 01.07.2011
01.07.2002	16,169,700	(646,500)	(93,400)	15,429,800	\$2.18	01.07.2003 - 30.06.2012
01.07.2003	7,427,300	(107,900)	(29,075)	7,290,325	\$1.55	01.07.2004 - 30.06.2013
01.07.2004	15,310,700	(115,200)	–	15,195,500	\$1.89	01.07.2005 - 30.06.2014
	77,947,800	(1,449,900)	(12,788,125)	63,709,775		

* At the extraordinary general meeting of the Company held on 26 July 2004, the Company's shareholders approved an amendment to the Plan allowing for adjustment to the exercise prices of existing options by the Committee administering the Plan, in the event of the declaration of a special dividend. At the same meeting, the Company's shareholders approved the declaration of a special dividend. The said Committee then approved a \$0.20 reduction of the exercise prices of the outstanding share options. The exercise prices reflected here are the exercise prices after such adjustment.

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

Name of participant	Options granted during financial year under review	Exercise price for 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

5. AUDIT COMMITTEE

The Audit Committee performed the functions specified in the Act. The functions performed are detailed in the Report on Corporate Governance, which is set out in the Annual Report.

6. AUDITORS

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

On behalf of the Board,

KOH BOON HWEE
Chairman

CHEW CHOON SENG
Deputy Chairman

Dated this 9th day of May 2005

We, Koh Boon Hwee and Chew Choon Seng, being two of the directors of SIA Engineering Company Limited, do hereby state that, in the opinion of the directors:

- (a) the accompanying balance sheets and statements of changes in equity, consolidated profit and loss account and consolidated cash flow statement together with notes thereon, set out on pages 75 to 106 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 2005 and the changes in equity of the Group and of the Company, the results of the business and the cash flows of the Group for the financial year ended on that date; and
- (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,

KOH BOON HWEE
Chairman

CHEW CHOON SENG
Deputy Chairman

Dated this 9th day of May 2005

We have audited the accompanying financial statements of SIA Engineering Company Limited (the “Company”) and its subsidiary companies (the “Group”) set out on pages 75 to 106 for the financial year ended 31 March 2005. 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 consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the “Act”) and Singapore Financial Reporting Standards 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 2005, changes in equity of the Group and of the Company, the results and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records (excluding 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 provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Dated this 9th of May 2005
Singapore

	Notes	The Group	
		2004-05	2003-04
REVENUE	4	807,505	678,676
EXPENDITURE			
Staff costs	5	359,741	285,785
Material costs		203,636	181,657
Depreciation	14	24,765	22,901
Company accommodation		36,418	38,604
Other operating expenses		77,460	70,827
		702,020	599,774
OPERATING PROFIT	6	105,485	78,902
Interest income	7	3,809	3,067
Interest on external borrowings		(19)	(18)
Surplus on sale of fixed assets		368	847
Dividend from long-term investment		4,827	415
Share of profits of associated companies		67,542	45,944
Share of profits of joint venture companies		7,951	2,861
PROFIT BEFORE EXCEPTIONAL ITEM		189,963	132,018
Exceptional item	8	9,043	(3,149)
PROFIT BEFORE TAXATION		199,006	128,869
TAXATION	9	(23,636)	11,089
PROFIT AFTER TAXATION		175,370	139,958
Minority interest		(261)	(59)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		175,109	139,899
BASIC EARNINGS PER SHARE (CENTS)	10	17.3	14.0
DILUTED EARNINGS PER SHARE (CENTS)	10	17.1	13.9

The notes on pages 80 to 106 form an integral part of these financial statements.

BALANCE SHEETS

As at 31 March 2005 (in thousands of \$)

		The Group		The Company	
	Notes	2005	2004	2005	2004
SHARE CAPITAL					
Authorized	12	300,000	300,000	300,000	300,000
Issued and fully paid	12	101,742	100,463	101,742	100,463
RESERVES					
Distributable					
General reserve		746,646	829,335	620,665	742,062
Foreign currency translation reserve		(15,482)	(10,420)	–	69
Non-distributable					
Share premium		25,634	6,372	25,634	6,372
		756,798	825,287	646,299	748,503
SHARE CAPITAL AND RESERVES					
		858,540	925,750	748,041	848,966
MINORITY INTEREST					
		2,332	2,071	–	–
DEFERRED TAXATION					
	13	14,418	11,597	14,418	11,597
		875,290	939,418	762,459	860,563
Represented by:					
FIXED ASSETS					
	14	246,342	207,403	242,513	203,453
SUBSIDIARY COMPANIES					
	15	–	–	3,816	5,277
ASSOCIATED COMPANIES					
	16	277,227	246,446	166,627	164,399
JOINT VENTURE COMPANIES					
	17	55,983	52,559	56,599	56,599
LONG-TERM INVESTMENTS					
	18	14,606	17,323	14,606	17,323
CURRENT ASSETS					
Trade and other debtors	19	41,038	37,359	39,461	36,618
Immediate holding company	20	76,447	42,007	76,266	41,892
Related parties	21	15,657	17,654	13,758	16,373
Term-loan due from an investee company	18	–	2,258	–	2,258
Stocks	22	6,879	12,399	6,003	11,828
Work-in-progress		40,363	12,427	39,989	12,258
Short-term deposits	23	288,877	367,560	288,877	367,560
Cash and bank balances	24	37,036	104,807	36,270	103,633
		506,297	596,471	500,624	592,420
Less:					
CURRENT LIABILITIES					
Trade and other creditors	25	205,996	166,185	203,907	165,259
Bank loans	26	750	950	–	–
Provision for taxation		18,419	13,649	18,419	13,649
		225,165	180,784	222,326	178,908
NET CURRENT ASSETS					
		281,132	415,687	278,298	413,512
		875,290	939,418	762,459	860,563

The notes on pages 80 to 106 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2005 (in thousands of \$)

	Notes	Share capital	Share premium (1)	Foreign currency translation reserve (2)	General reserve	Total
THE GROUP						
Balance at 31 March 2003		100,044	823	4,988	731,890	837,745
Share options exercised *		419	5,549	–	–	5,968
Foreign currency translation differences		–	–	(15,408)	–	(15,408)
Profit attributable to shareholders for the financial year		–	–	–	139,899	139,899
Dividends	11	–	–	–	(42,454)	(42,454)
Balance at 31 March 2004		100,463	6,372	(10,420)	829,335	925,750
Share options exercised #		1,279	19,262	–	–	20,541
Foreign currency translation differences		–	–	(5,062)	–	(5,062)
Profit attributable to shareholders for the financial year		–	–	–	175,109	175,109
Dividends	11	–	–	–	(257,798)	(257,798)
Balance at 31 March 2005		101,742	25,634	(15,482)	746,646	858,540

(1) The share premium reserve may be applied for the purposes specified in the Singapore Companies Act, Cap. 50. The balance is not available for distribution of dividends except in the form of shares.

(2) The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group.

* 4,194,900 ordinary shares of \$0.10 par value issued at exercise price of \$1.41, \$1.95 and \$2.05 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by \$419,000 and \$5,549,000 respectively.

12,788,125 ordinary shares of \$0.10 par value issued at exercise price of \$1.21, \$1.41, \$1.55, \$1.75, \$1.85, \$1.95, \$2.05 and \$2.18 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by \$1,279,000 and \$19,262,000 respectively.

The notes on pages 80 to 106 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY For the financial year ended 31 March 2005 (in thousands of \$)

	Notes	Share capital	Share premium (1)	Foreign currency translation reserve (2)	General reserve	Total
THE COMPANY						
Balance at 31 March 2003		100,044	823	308	659,255	760,430
Share options exercised *		419	5,549	–	–	5,968
Foreign currency translation differences		–	–	(239)	–	(239)
Profit attributable to shareholders for the financial year		–	–	–	125,261	125,261
Dividends	11	–	–	–	(42,454)	(42,454)
Balance at 31 March 2004		100,463	6,372	69	742,062	848,966
Share options exercised #		1,279	19,262	–	–	20,541
Foreign currency translation differences		–	–	(69)	–	(69)
Profit attributable to shareholders for the financial year		–	–	–	136,401	136,401
Dividends	11	–	–	–	(257,798)	(257,798)
Balance at 31 March 2005		101,742	25,634	–	620,665	748,041

(1) The share premium reserve may be applied for the purposes specified in the Singapore Companies Act, Cap. 50. The balance is not available for distribution of dividends except in the form of shares.

(2) The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Group.

* 4,194,900 ordinary shares of \$0.10 par value issued at exercise price of \$1.41, \$1.95 and \$2.05 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by \$419,000 and \$5,549,000 respectively.

12,788,125 ordinary shares of \$0.10 par value issued at exercise price of \$1.21, \$1.41, \$1.55, \$1.75, \$1.85, \$1.95, \$2.05 and \$2.18 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by \$1,279,000 and \$19,262,000 respectively.

The notes on pages 80 to 106 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT For the financial year ended 31 March 2005 (in thousands of \$)

	Notes	The Group	
		2004-05	2003-04
NET CASH PROVIDED BY OPERATING ACTIVITIES	27	100,794	113,242
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(58,357)	(35,530)
Proceeds from disposal of fixed assets		143	213
Investments in associated companies		(767)	(3,675)
Proceeds from sale of long-term investment		12,471	–
Repayment of loans by associated companies		–	5,050
Repayment of loans by investee companies		2,283	4,640
Repayment of loan		(200)	–
Dividend received from long-term investment		4,827	415
Dividends received from associated companies		25,951	27,984
Dividends received from joint venture companies		4,000	–
Proceeds from capital reduction of a joint venture company		–	2,005
NET CASH (USED IN) / PROVIDED BY INVESTING ACTIVITIES		(9,649)	1,102
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		20,541	5,968
Dividends paid	11	(257,798)	(42,454)
NET CASH USED IN FINANCING ACTIVITIES		(237,257)	(36,486)
NET CASH (OUTFLOW) / INFLOW		(146,112)	77,858
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		472,367	399,101
Effect of exchange rate changes		(342)	(4,592)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		325,913	472,367
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Short-term deposits	23	288,877	367,560
Cash and bank balances	24	37,036	104,807
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		325,913	472,367

The notes on pages 80 to 106 form an integral part of these financial statements.

1. GENERAL

SIA Engineering Company Limited (the “Company”) is a limited liability company incorporated in the Republic of Singapore which is also the place of domicile. The Company is a subsidiary company of Singapore Airlines Limited and its ultimate holding company is Temasek Holdings (Private) Limited, both incorporated in the Republic of Singapore.

The registered office of the Company is located 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 holdings. The principal activities of the subsidiary companies include the manufacturing of aircraft cabin equipment, refurbishment of aircraft galleys and investment holdings. There have been no significant changes in the nature of these activities during the financial year.

The financial statements for the financial year ended 31 March 2005 were authorized for issue in accordance with a resolution of the directors on 9 May 2005.

2. ACCOUNTING POLICIES

The main accounting policies of the Group, which have been consistently applied, 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 Financial Reporting Standards (“FRS”) as required by the Singapore Companies Act, Cap. 50.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies, after the elimination of all material intragroup transactions and resulting unrealized profits. Unrealized losses resulting from intragroup transactions are also eliminated unless costs cannot be recovered.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the Group cease to have control of the subsidiary companies. Acquisitions of subsidiary companies are accounted for using purchase method of accounting.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. A list of the Group’s subsidiary companies is shown in note 15 to the financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiary, associated and joint venture companies

In the Company’s financial statements, investment in subsidiary, associated and joint venture companies are stated at cost less impairment losses.

A subsidiary company is defined as a company in which the Group, directly or indirectly controls more than half of the voting power, or controls the composition of the board of directors.

An associated company is defined as a company, not being a subsidiary company or joint venture company, in which the Group has a long-term interest of not less than 20% and not more than 50% of the voting power and in whose financial and operating policy decisions the Group exercises significant influence.

The Group’s share of the consolidated results of associated companies, with appropriate adjustments to account for the amortization of goodwill, is included in the consolidated profit and loss account. The Group’s share of the post-acquisition reserves is added to the value of investments in associated companies shown on the consolidated balance sheet. A list of the Group’s associated companies is shown in note 16 to the financial statements.

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

The Group’s share of the consolidated results of the joint venture companies are included in the consolidated financial statements under the equity method on the same basis as associated companies. A list of the Group’s joint venture companies is shown in note 17 to the financial statements.

The most recent available audited financial statements of the associated and joint venture companies are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period.

(d) Goodwill

When subsidiary companies or interests in associated and joint venture 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 arising from business combinations on or after 1 April 2001 is amortized using the straight-line method over a period not exceeding twenty years. Amortized goodwill arising from acquisition of associated and joint venture companies is reported net against the share of results of associated and joint venture companies. Amortized goodwill on acquisition of subsidiary companies is reported as a separate line item after operating profit.

Goodwill arising from business combinations prior to 1 April 2001 has been written-off against Group reserves in the financial year in which it arose. 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.

2. ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currencies

The measurement currency of the Group and the Company is Singapore dollars. Foreign currency transactions are converted into Singapore dollars at exchange rates which approximate bank rates prevailing at dates of transactions.

All foreign currency monetary assets and liabilities are translated into Singapore dollars using year-end exchange rates. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined.

Gains and losses arising from translation of current assets and liabilities are dealt with in the profit and loss account.

For the purposes of the Group financial statements, the net assets of the foreign subsidiary, associated and joint venture companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date. The financial results of foreign subsidiary, associated and joint venture companies are translated into Singapore dollars at the annual average exchange rates. The resulting gains or losses on exchange are taken to foreign currency translation reserve.

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. 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 renewal is capitalized 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 of fixed assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. Where the carrying values exceed their recoverable amounts, the carrying values of the fixed assets are written-down. In determining the recoverable amount for fixed asset, the higher of the net selling price and the value in use of the fixed asset is considered.

(g) Depreciation of fixed assets

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

Leasehold land and buildings

Leasehold land and buildings are amortized 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.

2. ACCOUNTING POLICIES (CONTINUED)

(g) Depreciation of fixed assets (continued)

Aircraft rotatable spares

These are depreciated over 3 to 10 years.

Other fixed assets

This covers 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. No depreciation is charged after assets are depreciated to their residual values.

(h) Investments

Investments held on a long-term basis are stated at cost, less impairment losses.

(i) Stocks

Stocks are stated at the lower of cost and net realizable value. Cost is determined on a weighted average basis depending on the nature of the stocks. Net realizable 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 slow moving, obsolete and defective stocks.

(j) Work-in-progress

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

(k) 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.

(l) Trade and other debtors

Trade and other debtors, which generally have 30 to 90-day credit terms, are recognized 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.

2. ACCOUNTING POLICIES (CONTINUED)

(m) Cash and bank balances

Cash and bank balances are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Cash on hand and in banks, demand deposits and short-term deposits which are held to maturity are carried at cost.

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash on hand and short-tem deposits with immediate holding company and banks.

(n) 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.

Additionally the Group's deferred tax liabilities include all taxable temporary differences associated with investments in subsidiary, associated and joint venture 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 recognized for all deductible temporary differences and, 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 and, carry forward of unused tax assets and losses, can be utilized.

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 utilized.

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

(o) Loans and borrowings

Loans and borrowings are recognized at cost.

(p) Borrowing costs

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

(q) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) where as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2. ACCOUNTING POLICIES (CONTINUED)

(r) 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. The exercise price approximates the market value of the shares at the date of grant. Details of the plans are disclosed in Note 12 to the financial statements.

Defined contribution plan

As required by law, the companies in Singapore make contributions to the state pension scheme, the Central Provident Fund ("CPF"). Such contributions are recognized as compensation expenses in the same period as the employment that gave rise to the contributions.

(s) Trade and other creditors

Trade and other 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.

(t) Revenue

Revenue from repair and maintenance of aircraft, engine and component overhaul is recognized based on the percentage of completion of the projects. The percentage of completion of the projects is determined based on the number of manhours incurred to-date against the estimated manhours needed to complete the projects.

Revenue from line maintenance and technical ground handling is recognized upon completion of services provided to the customers.

(u) Income from investments

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

Interest income from investments and fixed deposits is recognized on an accrual basis.

(v) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the profit and loss account.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for that asset in prior years.

3. SEGMENTAL 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 (in thousands of \$)

	The Group	
	2004-05	2003-04
Airframe and component overhaul services	529,951	430,371
Line maintenance and technical ground handling	277,554	248,305
	807,505	678,676

5. STAFF COSTS (in thousands of \$)

	The Group	
	2004-05	2003-04
Salary, bonuses and other costs	334,633	261,677
CPF contributions	25,108	24,108
	359,741	285,785

Number of employees at 31 March	4,835	4,491
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6. OPERATING PROFIT (in thousands of \$)

Operating profit for the financial year is arrived at after charging/(crediting):

	The Group	
	2004-05	2003-04
Bad debts recovered	(256)	(607)
Consultancy fee paid to a director	—	23
Emoluments for directors:		
- of the Company	573	380
- of the subsidiary companies	7	7
- write-back of directors' fees waived by the directors in 2003-04	—	(176)
Exchange (gains)/losses, net	(930)	8,800
Operating lease expenses	113	113
Professional fee paid to a firm in which a director is a member	—	10
Provision for obsolete stocks, net	2,305	1,525
Provision for warranty claims, net	919	1,380
Remuneration for auditors of the Company		
- Audit fees	152	117
- Non-audit fees	180	183
(Write-back)/provision for doubtful debts, net	(4,212)	683

7. INTEREST INCOME (in thousands of \$)

	The Group	
	2004-05	2003-04
Deposits placed with immediate holding company	2,887	2,260
Deposits placed with banks	738	433
Loans to associated companies	—	52
Loans to long-term investee companies	8	84
Staff loans	176	238
	3,809	3,067

8. EXCEPTIONAL ITEM

During the financial year, the Company disposed of its 5% equity stake in Taikoo (Xiamen) Aircraft Engineering Company Limited, for a total consideration of US\$7.4 million (S\$12.7 million), to Hong Kong Aircraft Engineering Company Limited. The net gain arising from the disposal amounted to S\$9.0 million, after providing for incidental expenses that may arise from the disposal.

The exceptional item in the previous financial year relates to the retrenchment and early retirement cost.

9. TAXATION (in thousands of \$)

	The Group	
	2004-05	2003-04
<u>Current taxation</u>		
Provision for the financial year	(14,099)	(11,294)
(Under)/over provision in relation to prior years	(253)	7,211
Share of associated companies' taxation	(6,460)	(5,150)
Share of joint venture companies' taxation	(3)	4
Reversal of tax contingency no longer required	—	21,200
	(20,815)	11,971

<u>Deferred taxation</u>		
Provision for the financial year	(2,821)	(1,865)

Adjustment for reduction in Singapore corporate tax rate	—	983
	(23,636)	11,089

On 3 December 2003, the Company was granted a 10-year Development and Expansion Incentive (Relief from Income Tax), subject to the Company's compliance with the conditions imposed by the laws, whereby a concessionary tax rate of 10% shall be imposed on qualifying income in excess of a certain 'base' level of taxable income. The base, as well as any income from non-qualifying activities, shall be taxed at the prevailing corporate tax rate. This incentive has commenced on 1 June 2004, after the expiry of its expansion incentive under the Economic Expansion Incentive (Relief from Income Tax) on 31 May 2004. The current base is applicable up to 31 May 2005. With effect from 1 June 2005, the base will be significantly higher.

9. TAXATION (in thousands of \$) (CONTINUED)

During the previous financial year, the Company reversed a tax contingency provision amounting to \$21,200,000. The provision was made to cover for potential tax liability that might arise at the time when the Company disposed of certain fixed assets from its Engine Overhaul Division to Eagle Services Asia Private Limited ("ESA") and the subsequent divestment of 51% interest in ESA to Pratt & Whitney. Following the closure of this matter during the previous financial year, the provision was reversed.

On 27 February 2004, the Government announced a 2% cut in corporate tax rate from Year of Assessment 2005. The financial effect of the reduction in tax rate was reflected in the previous financial year. The aggregate adjustment of the prior year's deferred taxation charges was approximately \$983,000 for the Group.

A reconciliation between taxation and the product of accounting profit multiplied by the applicable tax rate for the financial years ended 31 March is as follows:

	The Group	
	2004-05	2003-04
Profit before taxation	199,006	128,869
Taxation at statutory tax rate of 20.0% (2004: 20%)	(39,801)	(25,774)
Adjustments		
Income not subject to tax	14,083	10,765
Income subject to a lower tax rate	4,009	—
Expenses not deductible for tax purposes	(1,566)	(1,069)
Lower effective tax rates of other countries	(9)	(739)
(Under)/over provision in relation to prior years	(253)	7,211
Effects of change in statutory tax rate	—	983
Reversal of tax contingency no longer required	—	21,200
Others	(99)	(1,488)
	(23,636)	11,089

10. EARNINGS PER SHARE

	The Group	
	2004-05	2003-04
Profit attributable to shareholders (in thousands of \$)	175,109	139,899
Weighted average number of ordinary shares in issue used for computing basic earnings per share	1,011,233,825	1,002,760,767
Adjustment for share options	9,851,655	3,315,383
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	1,021,085,480	1,006,076,150
Basic earnings per share (cents)	17.3	14.0
Diluted earnings per share (cents)	17.1	13.9

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 effects of dilutive options.

11. DIVIDENDS PAID AND PROPOSED (in thousands of \$)

	The Group and Company	
	2004-05	2003-04
Dividends Paid:		
Final dividend of 22.5 cents per share, comprising a tax exempt ordinary dividend of 2.5 cents per share and a tax exempt special dividend of 20.0 cents per share in respect of previous financial year (2004: 1.2 cents per share less 22.0% tax and 1.3 cents tax exempt)	227,439	22,371
Interim dividend of 3.0 cents per share tax exempt (2004: 2.0 cents per share tax exempt)	30,359	20,083
	257,798	42,454

The directors propose a final dividend of 4.5 cents per share (2004: 22.5 cents per share) tax exempt, amounting to approximately \$45,784,000 (2004: approximately \$227,439,000, comprising \$25,271,000 tax exempt ordinary dividend and \$202,168,000 tax exempt special dividend) to be paid for the financial year ended 31 March 2005.

12. SHARE CAPITAL (in thousands of \$)

	The Group and Company	
	31 March	
	2005	2004
Authorized:		
Ordinary shares		
3,000,000,000 of \$0.10 each	300,000	300,000
Issued and fully paid:		
Balance at 1 April		
1,004,631,900 of \$0.10 each (2004: 1,000,437,000 of \$0.10 each)	100,463	100,044
12,788,125 of \$0.10 each (2004: 4,194,900 of \$0.10 each) share options exercised during the year	1,279	419
Balance at 31 March		
1,017,420,025 of \$0.10 each (2004: 1,004,631,900 of \$0.10 each)	101,742	100,463

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 of options accepted, options were granted pursuant to the SIA Engineering Company Limited Employee Share Option Plan (the "Plan") in respect of 15,310,700 unissued shares of \$0.10 each in the Company at an offering price of \$1.89 per share.

12. SHARE CAPITAL (in thousands of \$) (CONTINUED)

Share Option Plan

The Plan, which comprises the Senior Executive Share Option Scheme and the Employee Share Option Scheme for senior executives and all other employees respectively, 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 Company's 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:

	2004-05	2003-04
Outstanding at 1 April	62,637,100	60,301,000
Granted (i)	15,310,700	7,526,300
Exercised (ii)	(12,788,125)	(4,194,900)
Cancelled	(1,449,900)	(995,300)
Outstanding at 31 March	63,709,775	62,637,100
Exercisable at 31 March	39,073,525	38,252,435

(i) Details of share options granted during the financial year:

	2004-05	2003-04
Expiry date	30.06.2014	30.06.2013
Exercise price *	\$1.89	\$1.55

* At the extraordinary general meeting of the Company held on 26 July 2004, the Company's shareholders approved an amendment to the Plan allowing for adjustment to the exercise prices of existing options by the Committee administering the Plan, in the event of the declaration of a special dividend. At the same meeting, the Company's shareholders approved the declaration of a special dividend. The said Committee then approved a \$0.20 reduction of the exercise prices of the outstanding share options. The exercise prices reflected here are the exercise prices after such adjustment.

(ii) Consideration received from share options exercised during the financial year was:

(In thousands of \$)	2004-05	2003-04
Aggregate proceeds from shares issued	20,541	5,968

12. SHARE CAPITAL (in thousands of \$) (CONTINUED)

Terms of share options outstanding as at 31 March 2005:

Exercise period	Exercise price (\$) *	Number outstanding	Number exercisable
28.03.2001 - 27.03.2010	1.85	298,500	298,500
28.03.2002 - 27.03.2010	1.85	10,690,000	10,690,000
28.03.2003 - 27.03.2010	1.85	298,500	298,500
28.03.2004 - 27.03.2010	1.85	298,500	298,500
03.07.2001 - 02.07.2010	1.75	502,486	502,486
03.07.2002 - 02.07.2010	1.75	7,910,188	7,910,188
03.07.2003 - 02.07.2010	1.75	502,486	502,486
03.07.2004 - 02.07.2010	1.75	502,490	502,490
02.07.2002 - 01.07.2011	1.21	446,375	446,375
02.07.2003 - 01.07.2011	1.21	3,064,925	3,064,925
02.07.2004 - 01.07.2011	1.21	512,100	512,100
02.07.2005 - 01.07.2011	1.21	767,600	—
01.07.2003 - 30.06.2012	2.18	840,700	840,700
01.07.2004 - 30.06.2012	2.18	12,907,700	12,907,700
01.07.2005 - 30.06.2012	2.18	840,700	—
01.07.2006 - 30.06.2012	2.18	840,700	—
01.07.2004 - 30.06.2013	1.55	298,575	298,575
01.07.2005 - 30.06.2013	1.55	6,343,250	—
01.07.2006 - 30.06.2013	1.55	324,250	—
01.07.2007 - 30.06.2013	1.55	324,250	—
01.07.2005 - 30.06.2014	1.89	620,125	—
01.07.2006 - 30.06.2014	1.89	13,335,125	—
01.07.2007 - 30.06.2014	1.89	620,125	—
01.07.2008 - 30.06.2014	1.89	620,125	—
Total number of options granted		63,709,775@	39,073,525

@ The total number of options outstanding includes 4,193,775 share options not exercised by employees who have retired or ceased to be employed by the Company or any of the subsidiary companies by reason of (i) ill health, injury or disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of 5 years from the date of retirement or cessation of employment, whichever is earlier.

* At the extraordinary general meeting of the Company held on 26 July 2004, the Company's shareholders approved an amendment to the Plan allowing for adjustment to the exercise prices of existing options by the Committee administering the Plan, in the event of the declaration of a special dividend. At the same meeting, the Company's shareholders approved the declaration of a special dividend. The said Committee then approved a \$0.20 reduction of the exercise prices of the outstanding share options. The exercise prices reflected here are the exercise prices after such adjustment.

13. DEFERRED TAXATION (in thousands of \$)

	The Group 31 March		The Company 31 March	
	2005	2004	2005	2004
Balance at 1 April	11,597	10,715	11,597	10,715
Provision for the financial year	2,821	1,865	2,821	1,865
Adjustment for reduction in Singapore corporate tax rate	–	(983)	–	(983)
Balance at 31 March	14,418	11,597	14,418	11,597
The deferred taxation arises as a result of:				
Deferred tax liability				
Excess of net book value over tax written-down value of fixed assets	16,280	14,288	16,280	14,288
Deferred tax asset				
Other timing differences	(1,862)	(2,691)	(1,862)	(2,691)
	14,418	11,597	14,418	11,597

14. FIXED ASSETS (in thousands of \$)

	Balance at 1 April 2004	Additions	Reclassification*	Disposals/ Transfers	Balance at 31 March 2005
GROUP					
Cost					
Leasehold land and buildings	139,637	6,672	–	22,813	169,122
Plant, equipment and tooling	181,029	10,060	–	(1,456)	189,633
Engine overhaul tooling	4,573	–	–	–	4,573
Aircraft rotatable spares	–	14,735	8,532	(143)	23,124
Office furniture and equipment	32,028	1,928	–	18,383	52,339
Motor vehicles	6,069	8	–	(145)	5,932
	363,336	33,403	8,532	39,452	444,723
Advance and progress payments	42,805	24,954	–	(42,215)	25,544
	406,141	58,357	8,532	(2,763)	470,267
Accumulated depreciation and impairment					
Leasehold land and buildings	39,879	4,971	–	–	44,850
Plant, equipment and tooling	130,983	12,212	–	(1,984)	141,211
Engine overhaul tooling	2,434	887	–	–	3,321
Aircraft rotatable spares	–	1,118	2,959	–	4,077
Office furniture and equipment	20,731	5,111	–	(408)	25,434
Motor vehicles	4,711	466	–	(145)	5,032
	198,738	24,765	2,959	(2,537)	223,925
Net book value	207,403				246,342

* During the financial year, aircraft rotatable spares with cost of \$8.5 million and impairment provision of \$3.0 million have been reclassified from stocks to fixed assets due to a change in the intended use of the assets.

14. FIXED ASSETS (in thousands of \$) (CONTINUED)

	Depreciation		Net Book Value 31 March	
	2004-05	2003-04	2005	2004
Leasehold land and buildings	4,971	4,698	124,272	99,758
Plant, equipment and tooling	12,212	13,330	48,422	50,046
Engine overhaul tooling	887	888	1,252	2,139
Aircraft rotatable spares	1,118	–	19,047	–
Office furniture and equipment	5,111	3,460	26,905	11,297
Motor vehicles	466	525	900	1,358
Advance and progress payments	–	–	25,544	42,805
	24,765	22,901	246,342	207,403

	Balance at 1 April 2004	Additions	Reclassification*	Disposals/ Transfers	Balance at 31 March 2005
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COMPANY

Cost

Leasehold land and buildings	134,447	6,527	–	22,813	163,787
Plant, equipment and tooling	179,173	10,044	–	(1,429)	187,788
Engine overhaul tooling	4,573	–	–	–	4,573
Aircraft rotatable spares	–	14,735	8,532	(143)	23,124
Office furniture and equipment	31,473	1,734	–	18,465	51,672
Motor vehicles	5,979	8	–	(145)	5,842
	355,645	33,048	8,532	39,561	436,786
Advance and progress payments	42,805	24,954	–	(42,215)	25,544
	398,450	58,002	8,532	(2,654)	462,330

Accumulated depreciation and impairment

Leasehold land and buildings	38,215	4,756	–	–	42,971
Plant, equipment and tooling	129,334	12,110	–	(1,957)	139,487
Engine overhaul tooling	2,434	887	–	–	3,321
Aircraft rotatable spares	–	1,118	2,959	–	4,077
Office furniture and equipment	20,389	5,001	–	(372)	25,018
Motor vehicles	4,625	463	–	(145)	4,943
	194,997	24,335	2,959	(2,474)	219,817
Net book value	203,453				242,513

* During the financial year, aircraft rotatable spares with cost of \$8.5 million and impairment provision of \$3.0 million have been reclassified from stocks to fixed assets due to a change in the intended use of the assets.

14. FIXED ASSETS (in thousands of \$) (CONTINUED)

	Depreciation		Net Book Value	
	2004-05	2003-04	2005	2004
Leasehold land and buildings	4,756	4,488	120,816	96,232
Plant, equipment and tooling	12,110	13,210	48,301	49,839
Engine overhaul tooling	887	888	1,252	2,139
Aircraft rotatable spares	1,118	–	19,047	–
Office furniture and equipment	5,001	3,366	26,654	11,084
Motor vehicles	463	513	899	1,354
Advance and progress payments	–	–	25,544	42,805
	24,335	22,465	242,513	203,453

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	Leasehold, 48 years commencing 9 January 1992
(ii) Hangar 3 at 21 Airline Road, Singapore	10,047 sqm/12,444 sqm	Leasehold, 37 years commencing 12 January 2001
(iii) Engine Overhaul Facility at 30 Loyang Ave, Singapore	12,465 sqm/4,774 sqm	Leasehold, 41 years commencing 8 May 1997
(iv) Factory at 8 Loyang Lane, Singapore	6,961 sqm/4,055 sqm	Leasehold, 30 years commencing 16 November 1994
(v) Hangar 4 at Airline Road, Singapore	7,650 sqm/8,783 sqm	Leasehold, 35 years commencing 15 November 2002
(vi) Hangar 5 at Airline Road, Singapore	7,650 sqm/10,392 sqm	Leasehold, 35 years commencing 15 November 2002

15. SUBSIDIARY COMPANIES (in thousands of \$)

	The Company	
	31 March	2004
	2005	
Unquoted shares, at cost	3,816	5,277

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

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2005	2004	2005	2004
Singapore Jamco Pte Ltd *	Manufacturing aircraft cabin equipment and refurbishment of aircraft galleys	Singapore	3,816	3,816	65.0	65.0
SIAEC Services Pte Ltd @	Investment holding	-do-	–	1,461	–	100.0
SIAEC Global Pte Ltd *	Investment holding	-do-	#	#	100.0	100.0

* Audited by Ernst & Young, Singapore
Cost of investment and issued and paid-up share capital is \$2
@ During the financial year, SIAEC Services Pte Ltd commenced filing for liquidation.

The effect of the liquidation of SIAEC Services Pte Ltd on the financial position of the Group as at 31 March 2005 and its results for the financial year is shown below:

	Disposal
Total assets as at 31 March 2005	301
Total liabilities as at 31 March 2005	–
Contributions to the Group for the financial year:	
- Revenue	166
- Profit before and after tax	127

There is no cash flow impact arising from the liquidation of SIAEC Services Pte Ltd.

16. ASSOCIATED COMPANIES (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2005	2004	2005	2004
Unquoted shares, at cost	166,627	165,860	166,627	164,399
Share of post-acquisition profits	149,042	114,307	–	–
Goodwill written-off	(24,095)	(24,095)	–	–
Goodwill amortized	(1,142)	(727)	–	–
Translation adjustment	(13,205)	(8,899)	–	–
	277,227	246,446	166,627	164,399

During the financial year, the Company, JAMCO America Incorporated and JAMCO Corporation formed a company, Jamco Aero & Design Engineering Pte Ltd ("JADE"). The Company injected \$0.8 million for its 45.0% equity interest in JADE.

16. ASSOCIATED COMPANIES (in thousands of \$) (CONTINUED)

Goodwill arising from the acquisition of associated companies which are included as part of the cost of investment in associated companies is analyzed as follows:

	The Group	
	31 March	
	2005	2004
Goodwill		
Balance at 1 April	28,249	28,249
Additions during the financial year	–	–
Balance at 31 March	28,249	28,249
Goodwill written-off		
Balance at 1 April and 31 March	(24,095)	(24,095)
Amortization of goodwill		
Balance at 1 April	(727)	(312)
Charge to profit and loss	(415)	(415)
Balance at 31 March	(1,142)	(727)
Carrying value at 31 March	3,012	3,427

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

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2005	2004	2005	2004
Asian Compressor Technology Services Co Ltd *	Research and development, manufacture and repair of aircraft engines and compressors	Taiwan	4,104	4,104	24.5	24.5
Asian Surface Technologies Pte Ltd **	Repair of aircraft fan blades and supply of wear-resistance coating	Singapore	6,376	6,376	29.0	29.0
Combustor Airmotive Services Pte Ltd **	Servicing of aircraft engines and sale of aircraft engines and parts	-do-	3,011	3,011	49.0	49.0
Eagle Services Asia Private Limited **	Repair and overhaul of aircraft engines	-do-	71,588	71,588	49.0	49.0
Fuel Accessory Service Technologies Pte Ltd **	Repair and overhaul of engine fuel components and accessories	-do-	5,071	5,071	49.0	49.0
International Aerospace Tubes - Asia Pte Ltd **	Repair of tubes, ducts and manifolds for aircraft engines and airframe	-do-	3,583	3,583	33.3	33.3
Jamco Aero Design & Engineering Pte Ltd **	Provide turnkey solutions for aircraft interior modifications	-do-	767	–	45.0	–

16. ASSOCIATED COMPANIES (in thousands of \$) (CONTINUED)

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2005	2004	2005	2004
Messier Services Asia Private Limited @	Repair and overhaul of Boeing and Airbus series landing gears	-do-	13,971	13,971	40.0	40.0
Pan Asia Pacific Aviation Services Ltd *	Operation of aircraft maintenance facilities	Hong Kong	5,373	5,373	47.1	47.1
PT Jas Aero-Engineering Services @@	Operation of aircraft maintenance facilities	Indonesia	3,675	3,675	49.0	49.0
PWA International Limited ###	Re-manufacture of aircraft turbine engine cases, component thereof and related parts	Ireland	6,217	6,217	49.0	49.0
Rohr Aero Services-Asia Pte Ltd **	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	Singapore	37,220	37,220	40.0	40.0
Turbine Coating Services Private Limited **	Repair of PW4000 turbine airfoils	-do-	5,671	5,671	24.5	24.5
#	Audited by PriceWaterhouseCoopers, Taiwan					
##	Audited by PriceWaterhouseCoopers, Singapore					
###	Audited by PriceWaterhouseCoopers, Ireland					
@	Audited by Deloitte & Touche, Singapore					
@@	Audited by Deloitte & Touche, Indonesia					
*	Audited by Ernst & Young, Hong Kong					
**	Audited by Ernst & Young, Singapore					

17. JOINT VENTURE COMPANIES (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2005	2004	2005	2004
Unquoted shares, at cost	56,599	56,599	56,599	56,599
Share of post acquisition profits/(losses)	1,660	(2,451)	–	–
Translation adjustment	(2,276)	(1,589)	–	–
	55,983	52,559	56,599	56,599

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

	The Group	
	31 March	
	2005	2004
Revenue	185,745	126,259
Expenditure	(177,794)	(123,398)
Profit before taxation	7,951	2,861
Tax (provision)/recovery	(3)	4
	7,948	2,865

17. JOINT VENTURE COMPANIES (in thousands of \$) (CONTINUED)

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

	The Group 31 March	
	2005	2004
Fixed and other assets	55,705	53,195
Current assets	70,634	65,899
Current liabilities	(25,911)	(22,970)
Long-term liabilities	(44,445)	(43,565)
	55,983	52,559

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

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2005	2004	2005	2004
International Engine Component Overhaul Pte Ltd *	Repair of nozzle guide vanes and compressor stators of Rolls-Royce RB 211 and Trent aero-engines and other aircraft components	Singapore	10,067	10,067	50.0	50.0
Singapore Aero Engine Services Pte Ltd *	Repair and maintenance of Trent aero-engines	-do-	46,532	46,532	50.0	50.0

* Audited by Ernst & Young, Singapore

18. LONG-TERM INVESTMENTS (In thousands of \$)

	The Group 31 March		The Company 31 March	
	2005	2004	2005	2004
Unquoted equity investments, at cost	14,606	17,323	14,606	17,323
Loans to investee companies	—	2,258	—	2,258
	14,606	19,581	14,606	19,581
Less: Current portion of loans due within 12 months	—	(2,258)	—	(2,258)
	14,606	17,323	14,606	17,323

During the financial year, the Company disposed of its 5% equity stake in Taikoo (Xiamen) Aircraft Engineering Company Limited, for a total consideration of US\$7.4 million (S\$12.7 million), to Hong Kong Aircraft Engineering Company Limited. The net gain arising from the disposal amounted to S\$9.0 million.

The Company holds a 10.0% (2004: 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 loan due from Hong Kong Aero Engine Services Limited is non-trade related and had been fully repaid during the financial year.

19. TRADE AND OTHER DEBTORS (in thousands of \$)

	The Group 31 March		The Company 31 March	
	2005	2004	2005	2004
Trade debtors	28,758	24,469	27,239	23,799
Other debtors	12,280	12,890	12,222	12,819
	41,038	37,359	39,461	36,618

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

	The Group 31 March		The Company 31 March	
	2005	2004	2005	2004
Balance at 1 April	9,919	10,492	9,919	10,492
(Write-back)/charge to profit and loss, net	(4,212)	683	(4,212)	683
Provision utilized during the financial year	(36)	(1,256)	(36)	(1,256)
Balance at 31 March	5,671	9,919	5,671	9,919

Bad debts recovered and directly taken to profit and loss	(256)	(607)	(256)	(607)
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Other debtors consist of:

	The Group 31 March		The Company 31 March	
	2005	2004	2005	2004
Staff loans and advances	6,010	5,683	6,010	5,683
Deposits and prepayments	1,192	1,210	1,134	1,173
Amounts rechargeable to customers	2,799	2,615	2,799	2,615
Others	2,279	3,382	2,279	3,348
	12,280	12,890	12,222	12,819

No loans have been given to the Company's staff who are directors of its subsidiary companies as at year-end (2004: \$56,000).

20. IMMEDIATE HOLDING COMPANY

The amounts due from the immediate holding company, which are carried at cost, are trade in nature and for which normal commercial terms apply.

21. RELATED PARTIES

The amounts receivable on current account from related parties, which are carried at cost, are trade in nature and for which normal commercial terms apply.

22. STOCKS (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2005	2004	2005	2004
Aircraft and component spares	5,844	11,698	5,844	11,698
Consumable stores and stocks	159	130	159	130
Raw materials	876	571	–	–
	6,879	12,399	6,003	11,828

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:

	The Group		The Company	
	31 March		31 March	
	2005	2004	2005	2004
Balance at 1 April	5,557	4,137	5,527	4,065
Charge to profit and loss, net	2,305	1,525	2,297	1,462
Provision utilized during the financial year	(12)	(105)	–	–
Amount reclassified to fixed assets (note 14)	(2,959)	–	(2,959)	–
Balance at 31 March	4,891	5,557	4,865	5,527

Stocks are stated at:

	The Group		The Company	
	31 March		31 March	
	2005	2004	2005	2004
Cost	1,115	701	239	130
Net realizable value	5,764	11,698	5,764	11,698
	6,879	12,399	6,003	11,828

23. SHORT-TERM DEPOSITS (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2005	2004	2005	2004
Deposits placed with the immediate holding company	286,772	365,451	286,772	365,451
Fixed deposits placed with banks	2,105	2,109	2,105	2,109
	288,877	367,560	288,877	367,560

Funds surplus to the Company's working capital requirements are placed in short-term deposits with the immediate holding company and external financial institutions. These deposits earn interest ranging from 0.5% to 2.8% (2004: 0.4% to 1.2%) per annum and can be withdrawn on demand.

24. CASH AND BANK BALANCES

These balances are placed in interest-bearing current accounts earning interest ranging from 0.3% to 2.2% (2004: 0.4% to 1.0%) per annum.

25. TRADE AND OTHER CREDITORS (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2005	2004	2005	2004
Trade	99,261	93,319	98,361	92,966
Accruals	103,891	70,735	102,704	70,164
Provision for warranty claims	2,842	2,129	2,842	2,129
Sundry	2	2	–	–
	205,996	166,185	203,907	165,259

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

	The Group		The Company	
	31 March		31 March	
	2005	2004	2005	2004
Balance at 1 April	2,129	1,085	2,129	1,085
Charge to profit and loss, net	919	1,380	919	1,380
Provision utilized during the year	(206)	(336)	(206)	(336)
Balance at 31 March	2,842	2,129	2,842	2,129

26. BANK LOANS (in thousands of \$)

	The Group	
	31 March	
	2005	2004
Revolving credit facility	750	950

The revolving credit facility taken by Singapore Jamco Pte Ltd is unsecured and bears interest between 2.0% and 2.9% (2004: 1.8% and 2.0%) per annum.

27. CASH FLOW FROM OPERATING ACTIVITIES (in thousands of \$)

	The Group	
	2004-05	2003-04
Profit before taxation	199,006	128,869
Adjustment for:		
Interest income	(3,809)	(3,067)
Interest expense	19	18
Depreciation of fixed assets	24,765	22,901
Share of profits of associated/joint venture companies	(75,493)	(48,805)
Dividend income from long-term investment	(4,827)	(415)
Surplus on sale of fixed assets	(368)	(847)
Gain on sale of long-term investment	(9,043)	—
Exchange differences	(930)	8,800
Operating profit before working capital changes	129,320	107,454
(Increase)/decrease in debtors	(2,368)	7,545
(Increase)/decrease in stock/work-in-progress	(27,796)	15,997
Increase/(decrease) in creditors	38,958	(30,973)
(Increase)/decrease in amounts owing from related companies	(32,198)	18,586
Cash generated from operations	105,916	118,609
Interest received from deposits	3,539	2,876
Interest paid	(19)	(18)
Income taxes paid	(8,642)	(8,225)
Net cash provided by operating activities	100,794	113,242

28. CAPITAL AND OTHER COMMITMENTS (in thousands of \$)

(a) The Group and the Company has purchase commitments for fixed assets. Such commitments aggregated approximately \$154,900,000 (2004: approximately \$161,863,000) for the Group and the Company.

In addition, the Group's share of a joint venture company's purchase commitments for fixed assets totalled approximately \$2,717,000 (2004: approximately \$1,083,000).

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

	The Group	
	31 March	
	2005	2004
Within one year	185	170
After one year but less than 5 years	465	472
More than 5 years	1,585	1,697
	2,235	2,339

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

29. CONTINGENT LIABILITIES, UNSECURED (in thousands of \$)

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

	The Group		The Company	
	31 March		31 March	
	2005	2004	2005	2004
Guarantees given to banks in connection with credit facilities granted to an associated company	—	1,068	—	1,068
Bankers guarantees given with respect to securing foreign work permits for staff and their accommodation	105	145	—	80
Bankers guarantees given with respect to the development of Hangars 4 & 5 and lease of premises	685	543	685	543
Performance bond given to immediate holding company	24	24	—	—
Performance bond given to a third party customer	1,600	1,626	1,600	1,626
	2,414	3,406	2,285	3,317

As mentioned in the previous financial year, the Company is proceeding with arbitration with an airline customer who made a claim on 16 January 2001 for damages arising from maintenance work. The claim is for US\$4.6million (S\$7.6 million), and is fully covered by insurance. 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 result of the Company or its liquidity. In view of the foregoing, no provision for the claim has been made in the financial statements.

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group operates principally in Singapore and generates revenue mainly in Singapore dollars. The Group also has investments in associated and joint venture companies that operate in five countries. The Group's operations carry certain financial risks, including the effects of changes in foreign exchange rates and interest rates. The Group's risk management approach is to moderate the effects of such volatility on its financial performance.

Financial risk management policies are periodically reviewed and approved by the Board of Directors.

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 recognized financial assets is the carrying amount of those assets as indicated in the balance sheet as of 31 March 2005.

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. At 31 March 2005, the only trade debtor exceeding 10% of the Group's trade debtors was an amount of \$76,447,000 (2004: \$42,007,000) due from its immediate holding company, Singapore Airlines Limited.

30. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

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

Foreign currency risk

The Group is exposed to movements in foreign currency exchange rates through its normal course of business. Some 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 purchase currency options for trading purposes.

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

Liquidity risk

As at 31 March 2005, the Group had at its disposal cash and short-term deposits amounting to \$325.9 million (2004: \$472.4 million). In addition, the Group has available short-term facilities of about \$7.6 million (2004: \$7.7 million). Of which, \$7.6 million (2004: \$7.7 million) is available for use.

The Group's holding of cash and short-term deposits, together with committed funding facilities and net cash flow from operations, are expected to be sufficient for working capital purposes as well as future capital commitments. Any shortfall can be met by bank borrowings.

Fair values

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

It is not practicable to determine with sufficient reliability without incurring excessive costs, the fair value of unquoted long-term investments as they do not have quoted market prices in an active market nor are other methods of reasonably estimating the fair values readily available.

31. RELATED PARTY TRANSACTIONS

The significant transactions between the Group and its related parties and the effects of these transactions on terms agreed among the companies are as follows:

(in thousands of \$)	The Group		The Company	
	2004-05	2003-04	2004-05	2003-04
Income				
Sales of services and related materials to the immediate holding and related companies	608,504	532,763	608,504	528,668
Rental of office space charged to the immediate holding company	2,149	2,075	2,149	2,075
Interest income from the immediate holding company	2,887	2,260	2,887	2,260
Equipment fee charged to the immediate holding company	6,399	6,472	6,399	6,472
Sales of services and related materials to associated companies	2,697	1,736	2,697	1,736
Sales of services and related materials to joint venture companies	4,531	3,949	4,531	3,949
Expense				
Management fees charged by the immediate holding company for corporate, general and administrative, technical and insurance services and equipment leases	12,561	11,424	12,561	11,424
Rental of workshop and office space charged by the immediate holding company	23,008	24,924	23,008	24,924
Purchases of materials from the immediate holding company	179,965	173,143	179,965	173,143
Purchases of goods from associated companies	1,612	5,771	1,612	5,771
Services rendered by the immediate holding company	9,348	6,317	9,348	6,317
Services rendered by a related company	1,909	2,032	1,909	2,032

Directors' and key executives' remuneration of the Company (in \$)

Directors' fees amounted to \$569,702 (2004: \$377,086). Key executives' remuneration other than the executive directors totalled to approximately \$1,642,000 (2004: approximately \$1,327,000). Contributions to CPF for key executives amounted to approximately \$54,000 (2004: approximately \$80,000).

31. RELATED PARTY TRANSACTIONS (CONTINUED)

Share options granted to and exercised by directors and key executives of the Company are as follows:

Name of participant	Options granted during financial year under review	Exercise price for 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
William Tan	225,000	\$1.89	1,064,000	—	—	1,064,000
Oh Wee Khoon	114,000	\$1.89	704,500	—	—	704,500
Chan Seng Yong	96,000	\$1.89	609,225	—	—	609,225
Png Kim Chiang	132,000	\$1.89	535,200	—	—	535,200

32. SUBSEQUENT EVENTS

On 21 April 2005, the Company signed a joint venture agreement with Cebu Pacific Air to set up a joint venture offering line maintenance services at 14 airports in the Philippines. The joint venture, Aviation Partnership (Philippines) Corporation, will be incorporated in the Philippines. The Company will hold a 51 percent stake, while Cebu Pacific Air will hold the remaining 49 percent stake.

On 25 April 2005, the Company signed a joint venture agreement to form an aerospace hydraulic equipment service centre with Parker Hannifin Corporation's Parker Aerospace Group. The new joint venture company, named Aerospace Component Engineering Services Pte Limited ("ACE Services") was pre-incorporated in Singapore on 22 April 2005. The Company holds a 51 percent stake in ACE Services, while Parker Hannifin Corporation holds the remaining 49 percent stake.

33. COMPARATIVE FIGURES (In thousands of \$)

Certain comparative figures, as reflected below, have been reclassified to conform with the current financial year's presentation:

	The Group	
	As currently reported	As previously reported
(1) Consolidated Profit and Loss Account		
Company accommodation	38,604	39,085
Other operating expenses	70,827	70,346
(2) Note 4 of Notes to the Financial Statements		
Airframe and component overhaul services	430,371	431,324
Line maintenance and technical ground handling	248,305	247,352

1. DIRECTORS' EMOLUMENTS

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

	The Company	
	2004-05	2003-04
\$500,000 and above	—	—
\$250,000 - \$499,999	—	—
Below \$250,000	10	10
	10	10

The directors' emoluments for the financial year ended 31 March 2005 include directors' fees of \$569,702 which is derived using the following rates:

Type of Appointment	The Company
	2004-05
(In thousands of \$)	
(i) Board of Directors	
- Basic Fee	40
- Chairman's Allowance	25
- Deputy Chairman's Allowance	20
(ii) Board Committee	
- Member's Allowance	8
(iii) Audit Committee	
- Chairman's Allowance	24
- Member's Allowance	12
(iv) Other Board Committees	
- Chairman's Allowance	12
- Member's Allowance	8

2. INTERESTED PERSON TRANSACTIONS (in thousands of \$)

The aggregate value of interested person transactions ("IPTs") entered into during the financial year are as follows:

Name of interested person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Keppel Engineering Pte Ltd	—	3,474
Sembcorp Environmental Management Pte Ltd	—	635
Singapore Airlines Ltd and its associates	—	203,681
ST Synthesis	—	102
Total	—	207,892

QUARTERLY RESULTS OF THE GROUP

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue:						
2004-2005	(S\$million)	201.3	206.7	195.3	204.2	807.5
	(%)	24.9	25.6	24.2	25.3	100.0
2003-2004	(S\$million)	169.5	156.5	161.3	191.4	678.7
	(%)	25.0	23.0	23.8	28.2	100.0
Expenditure:						
2004-2005	(S\$million)	168.2	178.0	182.6	173.2	702.0
	(%)	24.0	25.3	26.0	24.7	100.0
2003-2004	(S\$million)	153.8	124.4	136.7	184.9	599.8
	(%)	25.7	20.7	22.8	30.8	100.0
Operating profit:						
2004-2005	(S\$million)	33.1	28.7	12.7	31.0	105.5
	(%)	31.4	27.2	12.0	29.4	100.0
2003-2004	(S\$million)	15.7	32.1	24.6	6.5	78.9
	(%)	19.9	40.7	31.2	8.2	100.0
Profit before taxation:						
2004-2005	(S\$million)	48.8	48.7	42.9	58.6	199.0
	(%)	24.5	24.5	21.6	29.4	100.0
2003-2004	(S\$million)	25.8	46.0	37.1	20.0	128.9
	(%)	20.0	35.7	28.8	15.5	100.0
Profit after taxation:						
2004-2005	(S\$million)	43.8	43.5	38.0	50.1	175.4
	(%)	25.0	24.8	21.7	28.5	100.0
2003-2004	(S\$million)	22.9	38.3	37.9	40.9	140.0
	(%)	16.4	27.3	27.1	29.2	100.0
Earnings (after tax) per share:						
2004-2005	(cents)	4.4	4.3	3.7	4.9	17.3
	(%)	25.4	24.9	21.4	28.3	100.0
2003-2004	(cents)	2.3	3.8	3.8	4.1	14.0
	(%)	16.5	27.1	27.1	29.3	100.0

FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

	2004-05	2003-04	2002-03	2001-02	2000-01
Profit and loss account (S\$ million)					
Revenue	807.5	678.7	878.1	835.6	654.4
Expenditure	702.0	599.8	737.2	631.9	539.9
Operating profit	105.5	78.9	140.9	203.7	114.5
Other income	84.5	53.1	75.5	48.8	14.7
Exceptional item	9.0	(3.1)	-	-	-
Profit before tax	199.0	128.9	216.4	252.5	129.2
Profit attributable to shareholders	175.1	139.9	205.2	223.0	115.9
Balance sheet (S\$ million)					
Paid-up capital	101.8	100.5	100.0	100.0	100.0
Distributable reserves	731.1	818.9	736.9	582.7	385.1
Non-distributable reserves	25.6	6.4	0.8	-	-
Shareholders' funds	858.5	925.8	837.7	682.7	485.1
Minority interest	2.3	2.1	2.0	2.0	2.3
Deferred taxation	14.4	11.6	10.7	14.1	5.3
Fixed assets	246.3	207.4	194.8	189.4	164.5
Associated companies	277.2	246.4	244.4	203.6	167.8
Joint venture companies	56.0	52.6	52.6	45.4	35.0
Long-term investments	14.6	17.3	23.6	29.3	29.2
Current assets	506.3	596.5	574.4	438.5	335.2
Total assets	1,100.4	1,120.2	1,089.8	906.2	731.7
Current liabilities	225.2	180.7	239.4	207.4	239.0
Net liquid assets	325.2	473.7	404.2	284.5	192.9
Cash flow statement (S\$ million)					
Cash flow from operations	105.9	118.6	189.6	166.1	136.9
Internally generated cash flow #	136.0	146.8	212.5	173.8	138.8
Capital expenditure	58.4	35.5	28.8	47.2	20.2
# Internally generated cash flow comprises cash generated from operations, dividends from associated and joint venture companies, and proceeds from sale of fixed assets.					
	2004-05	2003-04	2002-03	2001-02	2000-01
Profitability ratios (%)					
Return on shareholders' funds	19.6	15.9	27.0	38.2	26.3
Return on total assets	15.9	12.5	18.8	24.6	15.8
Return on turnover	21.7	20.6	23.4	26.7	17.7
Value added and employee data					
Value added (S\$ million)	577.0	453.6	569.7	536.1	458.0
Value added per employee (S\$)	123,751	97,508	123,209	124,907	113,463
Revenue per employee (S\$)	173,173	145,889	189,928	194,675	162,095
Average number of employees	4,663	4,652	4,624	4,293	4,037

GROUP CORPORATE STRUCTURE as at 31 March 2005

SIA Engineering
Company Limited

100%	SIAEC Global Pte Ltd
65%	Singapore Jamco Pte Ltd
50%	International Engine Component Overhaul Pte Ltd
50%	Singapore Aero Engine Services Pte Ltd
49%	Combustor Airmotive Services Pte Ltd
49%	Fuel Accessory Service Technologies Pte Ltd
49%	Eagle Services Asia Private Limited
49%	PWA International Limited
49%	PT Jas Aero-Engineering Services
47.1%	Pan Asia Pacific Aviation Services Ltd
45%	Jamco Aero Design & Engineering Pte Ltd
40%	Messier Services Asia Private Limited
40%	Rohr Aero Services-Asia Pte Ltd
33.3%	International Aerospace Tubes-Asia Pte Ltd
29%	Asian Surface Technologies Pte Ltd
24.5%	Asian Compressor Technology Services Co Ltd
24.5%	Turbine Coating Services Private Limited

INFORMATION ON SHAREHOLDINGS As at 13 May 2005

Authorised share capital:	3,000,000,000 ordinary shares of S\$0.10 each
Issued and fully paid :	1,019,055,825 ordinary shares of S\$0.10 each
Voting Rights:	One Vote Per Share

Range of Shareholdings	Number of Shareholders	%	Amount of Shareholdings	%
1 - 999	107	0.74	55,226	0.00
1,000 - 10,000	13,771	94.77	26,390,290	2.59
10,001 - 1,000,000	642	4.42	24,224,751	2.38
1,000,001 and above	10	0.07	968,385,558	95.03
Total	14,530	100.00	1,019,055,825	100.00

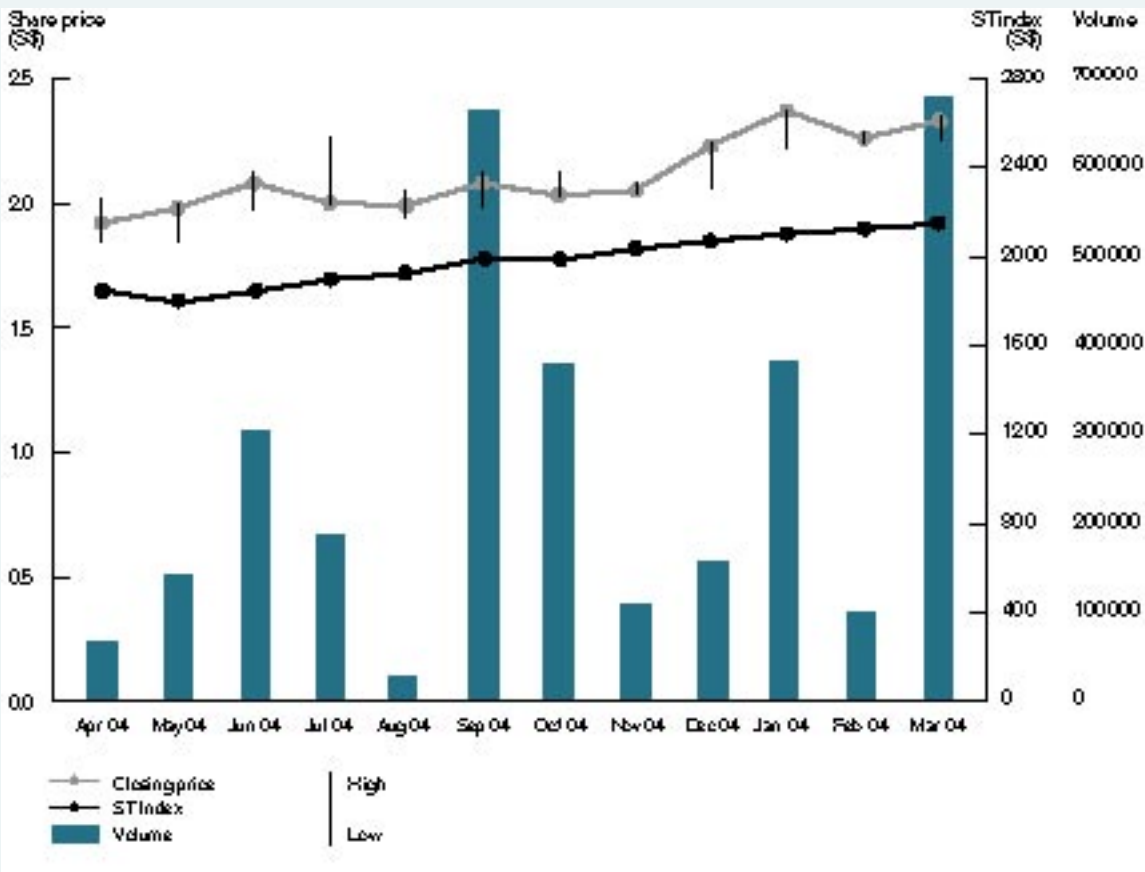
MAJOR SHAREHOLDERS

No.	Name	Number of Shares Held	%
1	SINGAPORE AIRLINES LIMITED	870,000,000	85.37
2	RAFFLES NOMINEES PTE LTD	27,540,700	2.70
3	CITIBANK NOMINEES SINGAPORE PTE LTD	19,772,243	1.94
4	DBS NOMINEES PTE LTD	18,314,213	1.80
5	HSBC (SINGAPORE) NOMINEES PTE LTD	17,342,000	1.70
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	8,207,400	0.81
7	THE ASIA LIFE ASSURANCE SOCIETY LTD - PAR FUND	3,616,000	0.35
8	DB NOMINEES (S) PTE LTD	1,280,000	0.13
9	OCBC NOMINEES SINGAPORE PTE LTD	1,212,002	0.12
10	THE ASIA LIFE ASSURANCE SOCIETY LTD - NON-PAR FUND	1,101,000	0.11
11	PHILLIP SECURITIES PTE LTD	974,100	0.09
12	MERRILL LYNCH (S'PORE) PTE LTD	722,000	0.07
13	OCBC SECURITIES PRIVATE LTD	689,000	0.07
14	KIM ENG SECURITIES PTE LTD	490,000	0.05
15	OVERSEA-CHINESE BANK NOMINEES PTE LTD	470,000	0.05
16	MELLFORD PTE LTD	425,000	0.04
17	WONG KET SEONG @ WONG KET YIN	400,000	0.04
18	LAM LAI CHENG	325,000	0.03
19	KWEE LIONG TEK	308,000	0.03
20	REALTY & INVESTMENT HOLDINGS PTE LTD	305,000	0.03
Total		973,493,658	95.53

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

Name	Direct Interest	Indirect Interest	Total Interest	%
Temasek Holdings (Pte) Ltd	-	870,050,000	870,050,000	85.38
Singapore Airlines Ltd	870,000,000	-	870,000,000	85.37

Based on the information available to the Company as at 13 May 2005, 14.63 per cent of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.



	2004/05	2003/04	2002/03
Share Price (S\$)			
Highest closing price	2.37	2.14	2.46
Lowest closing price	1.85	1.52	1.56
31 March closing price	2.33	1.83	1.65
Market Value Ratio*			
Price/Earnings	13.47	13.07	8.05
Price/Book Value	2.76	1.99	1.97
Price/Cash Earnings**	11.79	11.27	7.23

Notes:
* Based on closing price on 31 March
** Cash earnings is defined as profit after tax and minority interest plus depreciation

NOTICE IS HEREBY GIVEN that the 23rd Annual General Meeting of SIA Engineering Company Limited (“the Company”) will be held at Mandarin Ballrooms 1 and 2, Level 6, South Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867 on Monday, 25 July 2005 at 10.00 am to transact the following business:

ORDINARY BUSINESS

- To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 March 2005 and the Auditors' Report thereon.
- To declare an ordinary dividend of 4.5 cents per share, tax exempt for the year ended 31 March 2005.
- To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 83 of the Company's Articles of Association and who being eligible, offer themselves for re-election pursuant to Article 84 of the Company's Articles of Association:

3.1 Mr Chew Choon Seng

Note: Mr Chew Choon Seng, a non-independent Director, will upon re-election, continue to serve as Deputy Chairman of the Board, and as a member of the Nominating Committee, Compensation & HR Committee and Board Committee.

3.2 Dr N Varaprasad

Note: Dr N Varaprasad, an independent Director, will upon re-election, continue to serve as Chairman of the Compensation & HR Committee and as a member of the Audit Committee.

Note: Mr Chew Leng Seng who will retire as a Director at the close of the 23rd Annual General Meeting will not be seeking re-election at the Annual General Meeting.

- To re-appoint Messrs Ernst & Young as auditors of the Company to hold office until the next Annual General Meeting and to authorise the Directors to fix their remuneration.
- To approve the payment of Directors' Fees of \$569,702.00 (FY2003/2004: \$377,086.00) for the year ended 31 March 2005.

SPECIAL BUSINESS
ORDINARY RESOLUTION

- To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

“That the Board of Directors of the Company be and is hereby authorised to offer and grant Options (as defined in the SIAEC Employee Share Option Plan (the “Plan”)) in accordance with the rules of 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 (“ordinary shares”) as may be required to be issued pursuant to the exercise of the Options under the Plan PROVIDED ALWAYS THAT the aggregate number of such ordinary shares to be issued pursuant to the Plan shall not exceed 15 per cent of the total issued ordinary share capital of the Company from time to time.”

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that, subject to approval being obtained at the 23rd Annual General Meeting of the Company for the declaration of the proposed dividend, registrable transfers received by the Company's Share Registrars, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 p.m. on 29 July 2005 will be registered to determine shareholders' entitlement to the proposed dividend (depositors whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 29 July 2005 will be entitled to the proposed dividends), and thereafter the Share Transfer Books and Register of Members of the Company will be closed on 1 August 2005 to determine shareholders' entitlements to the proposed dividend which will be paid on 10 August 2005.

BY ORDER OF THE BOARD

DEVIKA RANI DAVAR

Company Secretary
10 June 2005
Singapore

EXPLANATORY NOTES

- i. Ordinary Resolution No. 5 is to approve the payment of Directors' fees of \$569,702.00 (FY2003/2004: \$377,086.00) for the year ended 31 March 2005, 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 Board Committees. The proposed fees of the Board, Audit Committee, Board Committee and the other Board Committees are shown below:

		Fees per annum (\$)
Board of Directors	Member's Fees (Basic Fee)	1 X Basic Fee = \$40,000
	Chairman's Fees	1.625 X Basic Fee = \$65,000
	Deputy Chairman's Fees	1.5 X Basic Fee = \$60,000
Audit Committee	Member's Fees	0.30 X Basic Fee = \$12,000
	Chairman's Fees	0.60 X Basic Fee = \$24,000
Board Committee	Member's Fees	0.20 X Basic Fee = \$8,000
Other Board Committees	Member's Fees	0.20 X Basic Fee = \$8,000
	Chairman's Fees	0.30 X Basic Fee = \$12,000

- ii. Ordinary Resolution No. 6 is to authorise the Directors to offer and grant options and to allot and issue shares upon the exercise of such options in accordance with the provisions of the Plan. The Plan was approved at the Extraordinary General Meeting of the Company held on 24 March 2000, prior to the Company's initial public offering, and was modified and restated at the Extraordinary General Meeting on 7 July 2001 and further modified at the Extraordinary General Meetings on 12 July 2003 and 26 July 2004 respectively. The aggregate number of ordinary shares which may be issued pursuant to the Plan is limited to 15 per cent of the issued ordinary share capital of the Company from time to time.

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.

PROXY FORM

SIA ENGINEERING COMPANY LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 198201025C

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.
3. CPF Investors who wish to attend the 23rd Annual General Meeting as OBSERVERS have to submit their rquests through their respective Agent Banks so that their Agent Banks may register with the Company's Registrar. (Please see Note no. 8 on the reverse).

*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 25 July 2005 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 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.

No.	Ordinary Business	**For	**Against
1.	Adoption of the Directors' Report, Audited Accounts and the Auditors' Report		
2.	Declaration of ordinary dividend		
3.	Re-election of Directors retiring by rotation pursuant to Article 83 of the Articles of Association of the Company		
3.1	Mr Chew Choon Seng		
3.2	Dr N Varaprasad		
4.	Re-appointment and remuneration of Auditors		
5.	Approval of Directors' Fees for year ended 31 March 2005		
	Special Business		
6.	Authority for Directors to offer and grant options and issue shares in accordance with the provisions of the SIAEC Employee Share Option Plan		
7.	Any other business		

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

Dated this _____ day of _____ 2005

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

Total number of Ordinary Shares held

Notes:-
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 l
8. Agent Banks acting on the request of the CPF investors who wish to attend the meeting as Observers are requested to submit in writing, a list with details of the investors' names, NRIC/Passport numbers, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company's Registrar, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, at least 48 hours before the time appointed for holding the 23rd Annual General Meeting.

a. Fold along this line



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

Affix
Postage
Stamp

b. Fold along this line