SIA ENGINEERING COMPANY

to our ***customers***
and our ***people***

extending *REACH*

Annual Report 2006/07

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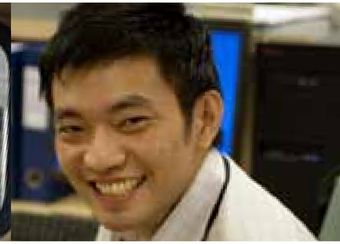

Corporate Profile

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 technical expertise developed over the years, SIA Engineering Company offers its customers a high level of service and commitment, with faster turnaround and better cost efficiencies.

highest QUALITY

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.

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 high priority on attracting, developing, motivating and retaining its human capital. The Company holds certifications from 25 airworthiness authorities worldwide, including the Civil Aviation Authority of Singapore, the Federal Aviation Administration, the European Aviation Safety Agency and the Japan Civil Aviation Bureau.

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Extending Reach

Relentless in our efforts to reach out to our customers and our people, key initiatives were launched to further extend customer service excellence and increase staff synergy.

extending REACH

In FY2006/2007, SIA Engineering Company launched a series of initiatives to extend its reach to both its customers and its people.

TO OUR CUSTOMERS

As Asia's premier MRO service provider, SIA Engineering Company continues to extend its technical and service excellence by offering innovative maintenance, repair and overhaul solutions and cutting-edge capabilities to its international clientele.

WITH MORE FACILITIES

Against the backdrop of a buoyant aviation industry, with new-generation aircraft such as the Boeing B777-300ER, Airbus A380 and Boeing 787 Dreamliner coming on stream, we continue to invest in new hangars.

In FY2006/2007, we announced plans to build our sixth hangar, which will be the world's first facility to commercially service the A380. The sixth hangar will increase the Company's airframe maintenance capacity by a further 10%, bringing our total hangar capacity to 49,500 square metres. With each new hangar, the benefits of aircraft specialisation and critical mass yield economies of scale leading to faster turnaround times for our customers.

Besides expansion in capacity, SIA Engineering Company has also readied its facilities for the B777-300ER. Dockings in Hangar 3 were modified to accommodate the longer wingspan of the B777-300ER before the aircraft came for its first servicing in December 2006. Airframe systems servicing and component overhaul equipment needed for B777-300ER servicing were also in place.

WITH ENHANCED SERVICES

Fleet Management Programme (FMP) and our entry into the Passenger-to-Freighter (PTF) conversion business are two recent examples of how we have adapted and adopted new skill sets to expand and enhance our suite of MRO services.

In January 2007, we completed our first B747-400 PTF conversion, making us one of the first MRO companies in the world to attain such an accomplishment.

Increasingly, more and more airline customers are electing to focus on their core airline businesses, leaving the engineering management of their fleet to MRO specialists. This has driven FMP to emerge as our fastest growing business. As of 2006/2007, we were managing a fleet of 52 aircraft for eight airlines. To ensure that our fleet management arm operates at a cost-effective level for our airline customers, we have outsourced our warehousing needs to a third party international logistics provider, which provides the storage and logistics support for our rotable assets.

With the key focus of lowering costs for our customers in all possible areas, we have collaborated with Boeing in its Integrated Materials Management (IMM) programme. Under the agreement with Boeing, the aircraft manufacturer takes overall responsibility for the expendable aircraft parts we need to support our MRO activities. As the first MRO company in the world to join Boeing's IMM programme, the move will strengthen our ability to deliver more cost-effective MRO solutions to our customers and support our aggressive efforts to improve turnaround time and operating efficiencies of customers' fleets.

WITH DEDICATED SUPPORT

In addition, we extended reach to our customers by giving them support beyond the Singapore shoreline. We further structured our Quick Action Team (QAT) to offer even quicker and more dedicated line maintenance services to our customers. Ever ready to go the extra mile, SIA Engineering Company's QAT, comprising experienced engineers and technicians available around the clock, can be mobilised to meet urgent line maintenance operational needs, including Aircraft On Ground (AOG) repair and rectification, engine changes and other major component changes, such as windshields and landing gears. Airline customers can also choose to re-route their aircraft in the region to Singapore Changi Airport for rectification if they develop problems en-route.

An integrated centre, Integrated Maintenance Operations Control (IMOC), was also set up to provide close monitoring of daily aircraft operations for our customers. IMOC is dedicated to the pre-planning and coordination of manpower, equipment and logistics support for the aircraft even before its landing at the airport. This will maximise the maintenance actions executed within the short period of transit time and minimise technical delays.

TO OUR PEOPLE

WITH TRAINING

Our people's technical skills in maintaining the world's largest fleet of Boeing B777 airliner, were once again reinforced with the arrival of the B777-300ER aircraft.

To handle the new aircraft and its new-generation avionics and materials as well as its high technology cabin management system, our engineers and technicians went through extensive training. In FY2006/2007, in preparation to service the B777-300ER, SIA Engineering Company sent more than 200 engineers for more than 1,400 training days.

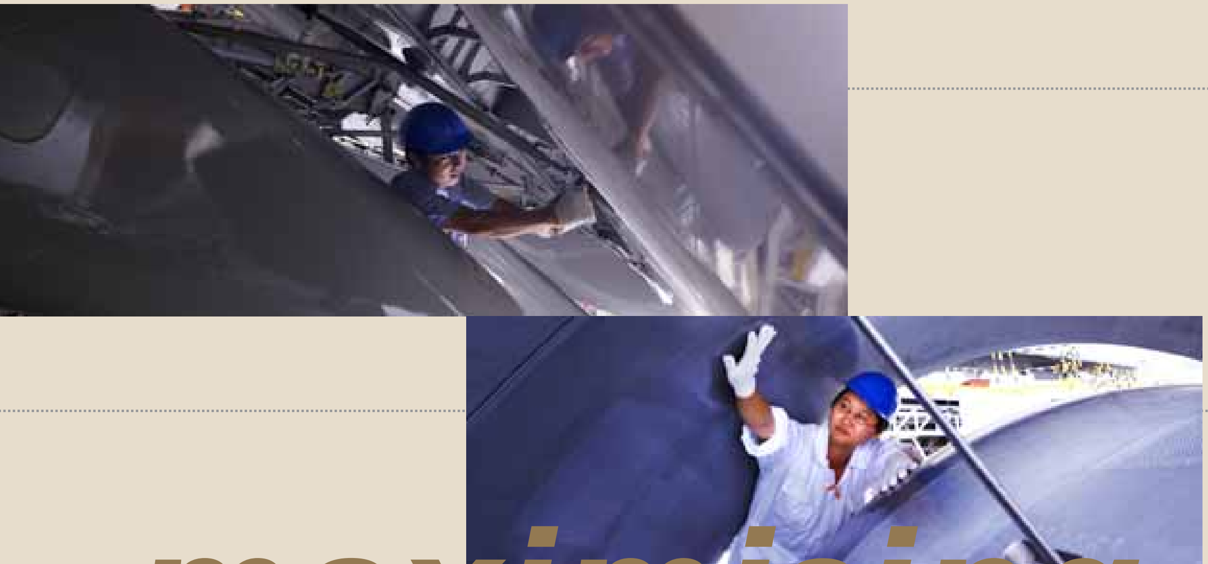
WITH TRANSFORMATION

Besides providing staff with the upgrade in skills set, the Company also reached out to staff to help align them with the rapidly changing business environment.

During the year in review, we embarked on a company-wide workforce transformation programme with the theme "Our People – Our Hope, Our Trust", aimed at transforming our processes and work structures to enhance cost efficiencies and competitiveness. The programme was headed by the Chief Executive Officer and comprises senior management and union leaders. The programme focuses on strengthening the Company's positioning as well as growth prospects in view of the competitive landscape.

WITH ENGAGEMENT

In response to the Organisation Climate Survey conducted in 2005, a key initiative was undertaken to enhance employee engagement. The "Let'S PEAK" programme, which was jointly developed with the Nanyang Technological University, aims to improve the communication and relationship building skills of supervisory staff with their subordinates. This will contribute towards better employee engagement and alignment to changes within the Company.



maximising potential

In addition, the Company upped its efforts in union-management communications. We embarked on a joint Singapore Airlines Group Union-Management initiative in conjunction with LM2011 (Labour Movement 2011), which is supported by the National Trades Union Congress.

As part of the LM2011 joint project, a series of joint management-union workshops took place both in and outside Singapore. The Singapore Airlines Group of companies and its unions openly shared information, discussed challenges and brainstormed ideas and initiatives that could address the concerns faced by both parties.

Strategic initiatives in capacity expansion, service enhancement, establishment of global presence, together with our commitment in developing a world-class workforce, continue to sharpen our competitive edge.

Dear Shareholders,

Today, the SIA Engineering Company Group, supported by its suite of 19 joint ventures spread across six countries, reaches out to more than 85 airlines from around the world. At our maintenance centre in Singapore, initiatives to capture a larger slice of the global maintenance, repair and overhaul (MRO) business continue unabated. In 2006, the Group's Singapore-based facilities contributed half of Singapore's total aerospace output of $6.3 billion and workforce of 11,700 workers. Indeed, as we relentlessly pursue organic growth and extend our global footprint, the foundation of our success is built on the commitment and skills of our highly qualified personnel. Going forward, management, staff and unions have re-affirmed their commitment to work in close partnership to achieve our shared vision of becoming a global premier MRO centre.

EXTENDING OUR REACH

As we extend the span of our services to reach a wider segment of airlines, our new service offerings under the Fleet Management Programme (FMP) have been well received by customers. Launched not too long ago, FMP meets the engineering needs of airlines with technical fleet management and inventory management services, thereby enabling the airlines to focus on their core business. As of 31 March 2007, we have under our wing a fleet of 52 aircraft from eight airlines and we hope to increase the fleet size significantly in the current year.

Steadfast in staying at the forefront of aviation technology, we continued to acquire the latest aircraft capabilities. In December 2006, we were among the first MRO players in the world to gain the capability of servicing the Boeing B777-300ER, an extension of the highly popular B777 series. We have also invested in new equipment and training of our engineers and technicians as we gear up to handle the technologically advanced Airbus A380, which will enter the SIA fleet in 2007.

The conversion of a B747-400 passenger airliner into a freighter during the year saw the Company's foray into passenger-to-freighter (PTF) conversion. The converted cargo plane was delivered to the customer, Dragonair, in January 2007. With our new PTF services, SIA Engineering Company is poised to tap the growing global market for conversions.

Maintaining our strategic ADVANTAGE

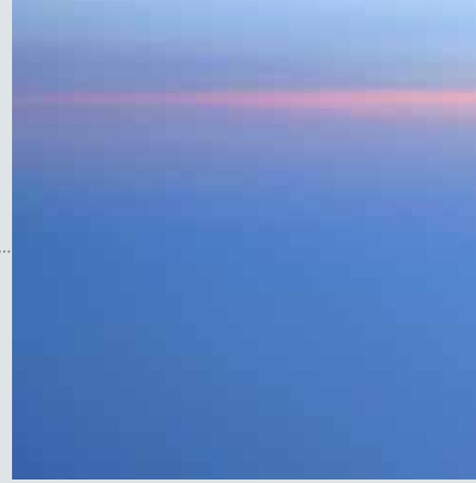
We continued our aggressive drive to build capacity and capabilities at our Singapore base. In December 2006, our two latest hangars, Hangars 4 and 5, were officially opened. Plans are underway to operate Hangar 6 by 2008, substantially for A380 checks. Additional locations at Changi Airport have also been identified for a few more hangars in the pipeline. Our continuing investments in infrastructure and joint ventures, forged with leading aerospace specialists, underscore our commitment to build a cluster of world-class facilities with a comprehensive spectrum of capabilities in the Singapore Aviation Hub. This MRO business model currently stands unique in the world.

DEVELOPING A WORLD-CLASS WORKFORCE

The MRO industry has benefited from the growth momentum in the aviation sector. Nevertheless, it is imperative that we continue to remain nimble in an increasingly competitive industry. A company-wide workforce transformation project, captioned "Our People – Our Hope, Our Trust", was initiated in close collaboration and partnership with our three staff unions, namely AESU, SEEU and SIASU. The aim is to build a world-class workforce that will stand out as a strong and sustainable competitive advantage as we grow our global footprint.

In FY2006/2007, major initiatives were introduced to improve cost efficiencies, minimise wastage and optimise manpower utilisation. Going forward, more plans are being rolled out to actively involve our staff and unions in working together with management to attain operational excellence.

FY2006/2007 is the last year of linkage of the Company's profit sharing bonus (PSB) formula with the SIA Group's. From 2007/2008 onwards, our PSB will be based fully on the Company's financial and operational performance indicators. This will enhance the efficacy of the PSB as a tool to incentivise high performance. We are deeply appreciative of the support from staff and the Unions in making this possible.



Soaring to *greater* HEIGHTS

DIVIDEND

Your Directors are recommending a final dividend of 8 cents per share. This brings the total dividend for FY2006/2007 to 12 cents per share, and translates to a gross dividend yield of 2.6% (based on the closing price of $4.70 on 30 March 2007) and a payout ratio of 52.6%.

AWARDS

For the fourth time since our listing in 2000, SIA Engineering Company was again presented with the 'Most Transparent Company Award' (Services/ Utilities/ Agriculture category) from the Security Investors Association of Singapore. We are encouraged by the recognition from the investor community and will continue to strive for scrupulous adherence to best practices in corporate governance.

Our FY2005/2006 and FY2004/2005 Annual Reports clinched Silver Davey Awards from the New York-based International Academy of Visual Arts, a "by-invitation only" event, judged by top-tier professionals from internationally acclaimed media, advertising and marketing firms.

BUSINESS OUTLOOK

The outlook for the MRO industry continues to be bright, buoyed by the continued growth in air travel worldwide. We are well poised to capture a larger market share of the growing global MRO market through our strategic initiatives of capacity expansion, enhancement of service capabilities and establishment of our presence in key global markets, both regionally and beyond.

While the Company's core business continues to face stiff pressure on rates, this will be moderated by a steady growth in business volume and productivity improvements.

ACKNOWLEDGEMENTS

At the close of the Company's Annual General Meeting on 20 July 2007, three of our longest serving Directors - Mr Wong Nang Jang, Dr N Varaprasad and Dr Thio Su Mien - will be retiring from the Board. We are grateful to them for their invaluable contributions to the Board and the various Board Committees they have served on since the Company's listing in 2000.

On 1 August 2006, two new Directors, Mr Paul Chan and Mr Andrew Lim joined the Board. My Board colleagues and I extend a warm welcome to them.

I would like to thank my fellow Directors for their strong support, frank deliberations and commitment in steering the Company, our management, staff and unions for their tireless efforts and unflinching dedication.

It would be remiss of me not to thank those without whom we will not exist, namely our valued customers in Singapore and worldwide.

Our employees are the pillars of strength that make the SIA Engineering Company Group stand out among its peers. Together, we will continue to strive towards excellence and seek to achieve the highest possible standards of customer satisfaction in the industry.

Stephen Lee Ching Yen
Chairman

Statistical Highlights

	2006-07	2005-06	% Change
FINANCIAL STATISTICS [R1]			
Group ($ million)			
Revenue	977.4	959.1	+1.9
Expenditure	875.4	824.4	+6.2
Operating profit	102.0	134.7	-24.3
Profit before taxation	271.0	263.3	+2.9
Profit attributable to equity holders of the Company	242.1	230.6	+5.0
Share capital	214.5	163.1	+31.5
Reserves			
General reserve	811.7	885.5	-8.3
Share-based compensation reserve	18.0	11.9	+51.3
Foreign currency translation reserve	(47.1)	(21.7)	+117.1
Equity attributable to equity holders of the Company	997.1	1,038.8	-4.0
Return on shareholders' funds (%) [R2]	23.8	24.3	-0.5 pts
Total assets	1,315.0	1,327.6	-0.9
Net liquid assets [R3]	397.6	497.6	-20.1
Value added	717.0	670.8	+6.9
Per Share Data (cents)			
Earnings before tax	25.7	25.6	+0.4
Earnings after tax - basic [R4]	23.0	22.5	+2.3
- diluted [R5]	22.5	22.1	+1.8
Net asset value [R6]	93.9	100.2	-6.3
Dividends (cents per share)			
Interim dividend	4.0	4.0	–
Proposed final dividend - ordinary	8.0	6.0	+33.3
- special	–	20.0	-100.0
Company ($ million)			
Revenue	946.2	940.0	+0.7
Expenditure	843.4	806.1	+4.6
Operating profit	102.8	133.9	-23.2
Profit before taxation	178.2	219.7	-18.9
Profit after taxation	157.9	189.3	-16.6
Value Added	615.5	615.5	–
PRODUCTIVITY AND EMPLOYEE DATA			
Employee Productivity - Company			
Average number of employees	5,149	4,789	+7.5
Revenue per employee ($)	183,759	196,281	-6.4
Value added per employee ($)	119,540	128,522	-7.0
Employee Productivity - Group			
Average number of employees	5,661	5,133	+10.3
Revenue per employee ($)	172,651	186,857	-7.6
Value added per employee ($)	126,651	130,690	-3.1

Notes:

R1 SIA Engineering Company's financial year is from 1 April to 31 March. Throughout this report, all financial figures are in Singapore Dollars, unless stated otherwise.

R2 Return on shareholders' funds is the profit attributable to equity holders of the Company expressed as a percentage of the average equity attributable to equity holders of the Company.

R3 Net liquid assets is derived by offsetting current loans against liquid assets.

R4 Earnings after tax per share (basic) is computed by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

R5 Earnings after tax per share (diluted) is computed by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue after adjusting for the dilutive effect on the exercise of all outstanding share options granted to employees.

R6 Net asset value per share is computed by dividing the equity attributable to equity holders of the Company by the number of ordinary shares in issue at 31 March.

Corporate Calendar

2006

09 May
Announcement of FY 2005/2006 results

10 May
Analyst/ media briefing on FY 2005/2006 results

12 Jun
Despatch of Summary Financial Statement to shareholders

29 Jun
Despatch of Annual Report to shareholders

21 Jul
24^{th} Annual General Meeting & Extraordinary General Meeting

1 Aug
Announcement of FY 2006/2007 first quarter results

8 Aug
Payment of FY 2005/2006 final dividend

27 Oct
Announcement of FY 2006/2007 second quarter results

30 Oct
Analyst/ media briefing on FY 2006/2007 second quarter results

2007

9 Feb
Announcement of FY 2006/2007 third quarter results

11 May
Announcement of FY 2006/2007 results

14 May
Analyst/ media briefing on FY 2006/2007 results

15 Jun
Despatch of Summary Financial Statement to shareholders

4 Jul
Despatch of Annual Report to shareholders

20 Jul
25^{th} Annual General Meeting & Extraordinary General Meeting

1 Aug
Announcement of FY2007/2008 first quarter results

7 Aug
Payment of FY2006/2007 final dividends

31 Oct
Announcement of FY2007/2008 second quarter results

1 Nov
Analyst/ media briefing on FY 2007/2008 second quarter results

striving for

EXCEL

Board of Directors





LENCE

Top row from left : Mr Stephen Lee Ching Yen, Chairman • Mr Chew Choon Seng, Deputy Chairman • Mr Wong Nang Jang • Lt-Gen (Ret) Bey Soo Khiang • Mr Wong Ngit Liong

Bottom row from left : Dr Thio Su Mien • Dr N Varaprasad • Mr Tan Bian Ee • Mr Koh Kheng Siong • Mr Paul Chan Kwai Wah • Mr Andrew Lim Ming-Hui

MR STEPHEN LEE CHING YEN

Chairman

Mr Lee was appointed Chairman of SIA Engineering Company with effect from 1 January 2006.

He is the Managing Director of Shanghai Commercial & Savings Bank (Taiwan) and GMT Investments Pte Ltd.

At present, Mr Lee is the Chairman of Singapore Airlines and Singapore Business Federation. He serves as a Director of Fraser & Neave Ltd, BAOSTEEL Group (Shanghai), Shanghai Commercial Bank Ltd (Hong Kong), Singapore Labour Foundation and Kidney Dialysis Foundation.

Mr Lee has been the President of the Singapore National Employers' Federation since 1988 and the Council Member of the Singapore National Wages Council.

Mr Lee served as Chairman of International Enterprise Singapore from 1995-2002, Chairman of PSA International from 2002-2005 and Director of Neptune Orient Lines from 2000-2002.

He was a Nominated Member of Parliament from 1994 till 1997 and was awarded the Distinguished Service Order Award in 2006 and the Public Service Star Award in 1998.

He graduated from Northwestern University, Illinois, USA in 1973 with a Masters in Business Administration.

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 Deputy Chairman of Singapore Airport Terminal Services Ltd, a Director of the Singapore Exchange and also of the Government of Singapore Investment Corporation Pte Ltd. He is presently the Chairman of the Board of Governors of the International Air Transport Association (IATA).

He holds a Bachelor's degree in Mechanical Engineering from the University of Singapore, and a Master's degree in Operations Research and Management Studies from Imperial College, University of London.

LT-GEN (RET) BEY SOO KHIANG

Lt-Gen (Ret) Bey was appointed a Director of SIA Engineering Company on 1 March 2000.

He is the Senior Executive Vice-President (Operations & Services) of Singapore Airlines (SIA) from 19 April 2004. He was Senior Executive Vice-President (Technical and Human Resources) on 1 April 2002 and Executive Vice-President (Technical) on 1 July 2000. Prior to joining SIA, he was the Chief of Defence Force in the Ministry of Defence from 1995 to 2000 and the Chief of Air Force from 1992 to 1995.

Lt-Gen (Ret) Bey is also the Chairman of SilkAir (Singapore) Pte Ltd, Singapore Flying College Pte Ltd and SIA Properties (Pte) Ltd and is a Director in All Good Gifts Ministries Ltd.

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

Lt-Gen (Ret) 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 (Ret) Bey attended the Advanced Management Programme at the Harvard Business School in Spring 2000.

MR PAUL CHAN KWAI WAH

Mr Chan was appointed a Director of SIA Engineering Company on 1 August 2006.

Mr Chan stepped down as Senior Vice President and Managing Director of Hewlett-Packard Asia Pacific Pte Ltd on 1 May 2006. He spent almost 28 years in Hewlett-Packard, including seven years with Compaq Computer Asia Pacific Pte Ltd.

Mr Chan is also a Director of Singapore Telecommunications Ltd, Verigy Ltd, Singapore Power Ltd, and National Healthcare Group Pte Ltd. He is on the Board of Advisors for the Lee Kong Chian School of Business at the Singapore Management University.

Mr Chan was a former Director of Hewlett-Packard Asia Pacific Pte Ltd, Hewlett-Packard (China) Investment Ltd., Hewlett-Packard Singapore Pte Ltd, Compaq Holdings Pte Ltd, Compaq Ventures Pte Ltd, Noel Gifts International Ltd and the Singapore Economic Development Board.

Mr Chan holds a Bachelor of Science (Physics) from the University of Singapore and a Diploma in Marketing from The Chartered Institute of Marketing (UK). He also attended the Advanced Management Programme at the University of Hawaii.

MR KOH KHENG SIONG

Mr Koh was appointed a Director of SIA Engineering Company on 1 September 2005.

He is the Chairman of the Audit Committee with effect from 22 July 2006. He is also a non-executive, independent Director of SMRT Corporation Ltd and Mapletree Logistics Trust Management Ltd. Mr Koh held a number of senior management positions in Singapore and the U.S.A. during his career in ExxonMobil, and was Financial Controller of ExxonMobil Asia Pacific Pte Ltd prior to his retirement in August 2005. He also held the positions of Manager, Financial Planning and Operations, and Manager, Downstream Financial Reporting in Exxon Company International, U.S.A. He was previously Treasurer, Esso Singapore Pte Ltd.

Mr Koh has an Honours degree in Economics from the University of London. He subsequently earned a Master of Business Administration degree in Finance from the University of Chicago Graduate School of Business.

MR ANDREW LIM MING-HUI

Mr Andrew Lim Ming-Hui was appointed a Director of SIA Engineering Company on 1 August 2006.

Mr Lim is a Partner of Allen and Gledhill. He has extensive experience in domestic and cross-border mergers and acquisitions, domestic and regional joint ventures, and corporate, regulatory and commercial law, among others.

Mr Lim is a Director of Jurong Engineering Ltd, SPTL Holdings Pte Ltd, Morton's of Chicago Singapore Pte Ltd and Morton's of Chicago Asia (Singapore) Pte Ltd. Mr Lim is also a member of the Board of Governors for his alma mater, St. Andrew's Junior College.

Mr Lim holds both a Bachelor of Laws degree and a Master of Laws degree from the National University of Singapore.

MR TAN BIAN EE

Mr Tan was appointed a Director of SIA Engineering Company on 15 April 2004.

He is the President (Asia) of Avago Technologies and President of Avago Technologies' Electronic Components Business Unit (ECBU) and Worldwide Order Fulfillment Operations. He joined Hewlett Packard in 1973 and was promoted to Hewlett-Packard Malaysia Managing Director in 1989. He was then appointed as the President of Agilent Technologies Malaysia and Singapore in 1999 when Hewlett-Packard spun off its Semiconductor Component Operations to form Agilent Technologies Inc.

He is a council member in the Industrial Coordination Council under the Ministry of International Trade & Industry of Malaysia since 2000. Mr Tan was the Director of Singapore Workforce Development Agency under the Singapore Ministry of Manpower from 2004 to 2005. He was 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 a Diploma 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 Award), Darjah Johan Negeri (DJN – Second Highest State Award) and the Darjah Setia Pangkuan Negeri which carries the title Dato' (DSPN) in 1991, 1995 and 1999 respectively from the State Government of Penang, Malaysia.

DR THIO SU MIEN

Dr Thio was appointed to the Board of Directors of SIA Engineering Company on 1 March 2000. She is an Advocate and Solicitor of the Supreme Court of Singapore and is currently a Senior Executive Director of TSMP Law Corporation.

Dr Thio currently holds various directorships including MobileOne Ltd and Jasper Investments Ltd.

Previously Dean of the Faculty of Law at the University of Singapore, Dr Thio has held various positions in professional bodies and institutions, and has sat on the board of subsidiaries of multinational corporations in Singapore. She has served on the Board of Legal Education, chaired one of the Disciplinary Committees set up by the Chief Justice and was an Accredited Arbitrator at the Singapore International Arbitration Centre. She has also served as Judge and Senior Vice-President of the World Bank Administrative Tribunal and as a member of the Asian Development Bank Administrative Tribunal.

DR N VARAPRASAD

Dr N Varaprasad was appointed a Director of SIA Engineering Company on 1 March 2000.

He 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. He also sits on the Singapore Advisory Council of the Singapore HR Institute.

Dr N Varaprasad currently serves on the Civil Service College Board of Directors as well as on the Board of Trustees of SIM University. He is also a member of the National Council Against Drug Abuse.

He has previously served on various statutory boards as well as professional and social organisations.

Dr N Varaprasad graduated with a Bachelor of Engineering (First Class Honours) in Mechanical Engineering from the University of Canterbury (NZ), earned a Masters 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.

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

MR WONG NANG JANG

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

Mr Wong is also the Chairman of WBL Corporation Ltd, Banking Computer Services Pte Ltd and BCS Information Systems Pte Ltd.

He also holds directorships in Oversea-Chinese Banking Corporation Ltd, Bank of Singapore Ltd, PacificMas Berhad and Singapore Symphonia Company Ltd. In addition, Mr Wong is the Commissioner of PT Bank NISP Tbk.

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

MR WONG NGIT LIONG

(until 21 July 2006)

Mr Wong was appointed a Director of SIA Engineering Company on 1 March 2000.

He is the Chairman & CEO of the Venture Group of companies. Mr Wong also serves on the boards of DBS Bank Ltd and DBS Group Holdings Ltd, 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 Ltd, the Economic Development Board and International Enterprise Singapore.

Mr Wong graduated with a First Class Honours degree in Electrical Engineering from the University of Malaya and earned a Master of Science, Electronics 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.

Corporate Data

Board of Directors

Chairman
Stephen Lee Ching Yen

Deputy Chairman
Chew Choon Seng

Directors
Bey Soo Khiang
Koh Kheng Siong
Tan Bian Ee
Thio Su Mien
N Varaprasad
Wong Nang Jang
Wong Ngit Liong
(until 21 July 2006)
Paul Chan Kwai Wah
(from 1 August 2006)
Andrew Lim Ming-Hui
(from 1 August 2006)

Company Secretary
Devika Rani Davar

Audit Committee

Chairman
Wong Nang Jang
(until 21 July 2006)
Koh Kheng Siong
(from 22 July 2006)

Members
Tan Bian Ee
Thio Su Mien
N Varaprasad

Nominating Committee

Chairman
Wong Ngit Liong
(until 21 July 2006)
Paul Chan Kwai Wah
(from 18 October 2006)

Members
Chew Choon Seng
Tan Bian Ee
Wong Nang Jang

Compensation & HR Committee

Chairman
N Varaprasad

Members
Chew Choon Seng
Wong Ngit Liong
(until 21 July 2006)
Koh Kheng Siong
(from 22 July 2006)

Board Committee

Members
Bey Soo Khiang
Chew Choon Seng

Alternate
Thio Su Mien

Registrar

M & C Services Pte Ltd
138 Robinson Road
#17-00
The Corporate Office
Singapore 068906

Auditors

Ernst & Young
Certified Public Accountants
One Raffles Quay
Level 18, North Tower
Singapore 048583

Audit Partner

Mak Keat Meng

Registered Office

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WILLIAM TAN SENG KOON

CHAN SENG YONG

JACK KOH SWEE LIM

OH WEE KHOON

ZARINA PIPERDI

PNG KIM CHIANG

Executive Management

President & Chief Executive Officer
William Tan Seng Koon

Senior Vice President (Aircraft, Component and Services)
Chan Seng Yong

Senior Vice President (Line Maintenance and Materials)
Jack Koh Swee Lim

Senior Vice President (Aircraft and Component Services)
Oh Wee Khoon *(until 31 May 2007)*

Senior Vice President (Human Resources)
Zarina Piperdi

Senior Vice President (Commercial)
Png Kim Chiang

Chief Financial Officer
Kwok Puay Nee *(until 14 February 2007)*
Chin Sak Hin *(from 15 February 2007)*

Exciting times lie ahead for the MRO industry as demand for global air travel remains robust, led by the growth in China, India and the increase in low-cost carriers. The year saw a healthy increase in investments in airport infrastructure and aircraft orders.

In 2006, the global MRO industry performed well following the growth in passenger traffic, the rise of low cost carriers (LCCs) and the increase in demand for new aircraft.

2006 could be considered as one of the best years for the global commercial aviation industry in recent times[1]. The industry as a whole enjoyed strong demand in key markets globally, especially in China and India, due to their robust economic growth.

Riding on the 2006 momentum, the International Air Transport Association (IATA) has raised its profit forecast for global airlines to US$2.5 billion in 2007, up from the previous forecast of US$1.9 billion.

In the latest full year traffic results released by IATA, average passenger load factors in 2006 rose to a record high of 76.0%, from 75.1% in 2005[2]. Cargo growth rate, on the other hand, increased to 4.6% in 2006, from 3.2% the year before. Global passenger traffic grew 5.9% in 2006, a slight drop from the 7.6% growth in 2005. Despite the slowdown in passenger traffic growth, the bottom line improved with an estimated operating profit of US$10.2 billion in 2006, while net losses were reduced to a projected US$500 million. Strong growth in airline revenues, supported by robust traffic growth has helped to produce better than expected financial results for many airlines in 2006.

The Middle East, being the fastest growing region for both passenger and cargo, recorded a full year growth of 15.4% and 16.1% respectively.

Regions which saw a decline in passenger traffic growth rates when compared to 2005 were Latin America which witnessed a 2.4% contraction in 2006 in comparison to the 11.4% growth a year ago and North America which too saw a decline from 8.9% to 5.7% as carriers withdrew unprofitable capacity.

Cargo growth rate saw a marginal improvement to 4.6%, with key markets in Europe and Asia experiencing a relatively low growth of 1.7% and 4.7% respectively. Main constraints were high fuel costs and stiff competition from other transportation modes, particularly in Europe. North America was the most improved market, with freight growth increasing from 0.4% to 6.0% as airlines switched capacity towards cargo.

The year also witnessed an increase in investments globally on airport infrastructure, with new mega airports like Dubai's Jebel Ali set to realign the hub status within the region. In addition, several airports in Southeast Asia have started to cater to rising demand of LCCs through the opening of LCC terminals, with others currently in the planning stage.

1 *The Business Times dated 15 January 2007.*
2 *International Air Transport Association – Industry Times, Edition 02, February 2007.*

THE GLOBAL AIRCRAFT MARKET

The rapid expansion of no-frills LCCs, especially in Asia, has altered the nature of competition within the airline industry. LCCs typically focus on price competition through lower average fares to attract traffic. This has highlighted the need for many existing airlines to improve their cost efficiencies while maintaining their quality service level. Asia's budget airlines are set to expand their regional market share to 20 percent within three years[3], with strongest growth in India, Indonesia, Malaysia, Thailand and Australia.

The positive outlook for air traffic demand, further expansion of the LCC sector, and a buoyant fleet renewal market, have caused the demand for newer and more advanced aircraft to grow continually. New aircraft orders in 2006 remained very high for Boeing and Airbus[4] with near to 1,900 new orders– the second highest in history.

Boeing enjoyed a strong year, with orders increasing from 1,002 in 2005 to 1,044 in 2006, dominated mainly by new orders for the B737. In 2006, Boeing delivered nearly 400 commercial airplanes, up 37% from the previous year, thereby contributing to a 15% rise in its year-on-year revenue to US$62 billion[5]. The new 787 Dreamliner programme has won 452 firm orders from 36 customers since its launch in 2004.

Airbus on the contrary saw its orders decline to 790 from 1,055 in 2005. However, Airbus delivered more aircraft in 2006, totalling 434, thus maintaining its lead position ahead of competitors in term of deliveries. This represents 52 percent of the world's deliveries in the category of aircraft above 100 seats, enabling Airbus to achieve a turnover of approximately 26 billion Euros (about US$34 billion)[6].

Competitive market conditions and the need to reduce costs and fuel prices have spurred the demand for increasingly efficient operations and aircraft. More often than not, airline competitive evaluations are largely based on fuel consumption characteristics, as fuel is the single highest cost item for airline operation. Due to this fact, aircraft and engine manufacturers are constantly coming up with more environment friendly aircraft, which is essential to ensure the sustainability of the airline business.

[3] *The Business Times, 13 March 2007.*
[4] *IATA Economic Briefing – New Aircraft Orders, February 2007.*
[5] *Boeing 4th Quarter & Full Year Results 2006.*
[6] *Airbus Annual Review 2006.*

AIR TRAFFIC EXPANDS AT CHANGI AIRPORT

Over the years, Singapore has established itself as a premier air hub with Singapore Changi Airport reaping a record number of 25 Best Airport awards and accolades worldwide from renowned international publications and aviation-related organisations.

Changi Airport experienced a robust growth in passenger and cargo traffic in 2006, hitting an all-time high of 35 million passenger movements (or 8 percent year-on-year) increase while its cargo achieved an all-time high of 1.91 million tonnes, representing a 4.2% year-on-year increase over 2005. The airport currently handles more than 4,160 weekly scheduled lights, connecting more than 180 cities in 57 countries. During the year under review, Changi Airport completed several milestones, including the completion of Terminal 2's upgrading, and the opening of the Budget Terminal and a new luxury terminal for Commercially-Important Persons.

THE MRO INDUSTRY IN SINGAPORE - A GLOBAL AEROSPACE HUB

The aerospace industry is one of the fastest growing industries in Singapore and in the last 15 years, it has grown at a compounded annual rate of more than 12 percent[7]. As Asia's largest and most comprehensive MRO hub, Singapore is well poised to benefit from the strong growth prospects of Asia's aerospace industry.

In an effort to make Singapore truly competitive, to create a valid value proposition for aerospace companies to continue investing in Singapore and to realise the tremendous growth potential of the industry, there is a need to groom future talents with specialised skill in the aerospace-related industry, as well as to constantly upgrade the skills of the current workforce.

In August 2006, SIA Engineering Company was the first MRO operation to join Boeing's Integrated Materials Management (IMM) programme, which allows the aircraft maker to manage and optimise SIA Engineering's expendable spare parts inventory. Such collaborations are aimed at strengthening SIA Engineering's ability to deliver more cost-effective maintenance solutions to its customers and aggressively improve the turnaround times of its maintenance checks.

In the first quarter of 2007, Singapore's Agency for Science, Technology and Research (A*STAR) launched its aerospace research programme with the help of a consortium of four aerospace industry giants, namely Boeing, EADS, Rolls-Royce and Pratt & Whitney. Together, they addressed the technological challenges in key areas, such as advanced materials and non-destructive testing.

[7] *Ministry of Trade and Industry Singapore: Speech by Mr Lim Hng Kiang, Minister for Trade and Industry, at the Opening Ceremony of Alteon Training Singapore Pte Ltd. Dated 18 January 2007.*

Signalling Singapore's commitment to providing the necessary resources and infrastructure for the growth of the aerospace industry, the Seletar Airport and its surrounding area of over 140 hectares of land have been earmarked to host a new integrated aerospace industry cluster. The new Seletar Aerospace Park will incorporate aerospace MRO activities; design and manufacturing of aircraft systems and components; business and general aviation activities; and an aviation campus for the training of pilots, aviation professionals and technical personnel.

OUTLOOK FOR MRO AND AIRLINE INDUSTRIES

Business confidence in the airline industry as a whole remained positive that the improvements in profitability could be sustained in 2007, despite witnessing a slower revenue growth in 2006. IATA expects revenue growth to slow from 8.0% to 4.5% in 2007, with a projected net profit of US$2.5 billion. World passenger traffic is expected to increase by 4.8% annually over the forecast period of 2006-2025, with freight traffic looking at an annual growth rate of 6% over the same period, tripling current traffic levels. The outlook for Asia Pacific will continue to improve and remain very dynamic, amid growing optimism for China and India, with Asian economies (excluding Japan) estimated to grow at 7% annually for the next five years[8]. According to research done by aircraft maker Boeing, China's air-passenger traffic is expected to grow at a compounded annual growth rate of 7.6% over the next two decades, to over 1.1 billion revenue passenger kilometre (RPK)[9].

It is also forecasted that the world's airlines will likely take delivery of about 22,700 new passenger and freight aircraft over the next 20 years, estimated to be worth US$2.6 trillion at current list prices in view of the retirement of the ageing fleet. Asia Pacific airlines, which currently operate the world's largest long-range aircraft fleet, are expected to take the largest share of deliveries.

The global MRO industry looks set to experience another bumper year in 2007, especially Asia's MRO industry. According to the 2006 Global MRO forecast produced by Team Sal & BACK Aviation Solutions, it is calculated that the Asian MRO market, which accounts for 18.5% of the total world-wide MRO market (US$39 billion in 2006), is predicted to grow to US$14.8 billion by 2016. In view of the optimism over air cargo growth and with Asia's air cargo market continuing to lead the world air cargo industry, the global cargo fleet is expected to further expand its fleet, either through conversion or new factory-built freighters. Boeing has recently awarded $208 million worth of new contracts to convert the Boeing B767-300 passenger aircraft into cargo planes over the next 10 years[10].

[8] *Airbus Global Market Forecast (2006 – 2025).*
[9] *The Edge Singapore dated 15-21 May 2006.*
[10] *The Business Times dated 8 March 2007.*

Operations Review

FY2006/2007 was a year of new initiatives and programmes that further strengthen and extend the MRO support network to our customers.

SIA Engineering Company offers a complete suite of maintenance, repair and overhaul (MRO) service offerings to its airline customers. As a truly one-stop MRO partner, we provide TOTAL SUPPORT in Line Maintenance, Airframe Maintenance, Component Overhaul, Engine Overhaul, Conversions & Modifications and Fleet Management solutions to achieve maximum operating efficiencies and flexibility for our customers. With engineering excellence as the hallmark of our services, we constantly strive to deliver the best value for our customers.

LINE MAINTENANCE

During the year in review, the SIA Engineering Company's team of 300 licensed aircraft engineers and 1,300 technicians at Line Maintenance Division serviced a total of 90,249 flights, a 5% rise from the previous year. Its revenue rose by 2.9% to S$309.5 million.

Serving an international client base of more than 60 airlines in Singapore Changi Airport, our Line Maintenance team of engineers and technicians not only provide aircraft certification and ground handling services, but also ensure high despatch reliability for aircraft on transit or night-stop at Changi Airport.

Changi Airport saw a record number of 35 million passengers and 1.9 million tonnes of cargo handled in 2006. Today, the airport is connected to more than 180 cities in 57 countries by more than 80 airlines operating here. The number of scheduled flights has reached approximately 4,000[1].

During the year in review, five airlines inaugurated services to Singapore and we secured all five as our line maintenance customers. They are Shanghai Air Cargo, Cebu Pacific, Air-India Express, K-Mile Air and Jetstar International. In addition, we secured four other new contracts with existing operators Cathay Pacific, Mandala Airlines, Air Bajan and Air Hong Kong. We also renewed contracts with another nine airlines, including Qantas, a significant operator at Changi Airport.

We extended Fleet Management Programme (FMP) and line maintenance services overseas to Mandala Airlines, an airline based in Jakarta, Indonesia. Our services include certification up to phase "A" checks, setting up a Maintenance Control Centre for the carrier in Jakarta to coordinate the carrier's maintenance work at all their line maintenance stations within Indonesia.

We also launched the Fleet Introduction and Entry Into Service Technical Assistance (FIESTA) Programme for Air Bagan's fleet of A310 aircraft. Air Bagan is a private airline based in Yangon, Myanmar. Besides extending technical support, we also seconded engineers to Air Bagan during its first year of service to support its fleet expansion plans.

[1] *CAAS Media Release, 16 Jan 2007 per week.*

In 2006, we successfully introduced the Integrated Maintenance Operations Control (IMOC). This is an integrated centre that monitors daily aircraft operations for customers under our FMP. The IMOC pre-plans and coordinates manpower requirements, equipment and logistics support for aircraft arriving in Singapore, as well as other line stations within an airline's network. The IMOC can also mobilise our Quick Action Team (QAT), a specialised technical team, to do major component changes, including engine and landing gear changes for aircraft-on-ground (AOG) situations around the world, twenty-four hours a day, seven days a week. The IMOC employs predictive maintenance, which aims to minimise ground time and technical delays for our customers.

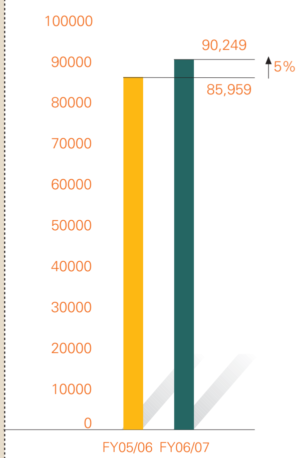
In terms of service enhancements, SIA Engineering Company has developed an efficient and fast-cleaning technique specifically for aircraft carpets, so that the aircraft interior can be comprehensively serviced while on long transit or night stop in Singapore.

We are also entering into partnership with established engine OEMs to provide on-wing maintenance support for customers' engines when their aircraft stop over at the airports. This service is expected to reduce the number of unscheduled visits to the overhaul shops, thereby keeping the engines on-wing longer and enabling the aircraft to continue flying with minimal ground time. The geographical coverage for on-wing engine maintenance work includes Singapore and the Asia-Pacific region.

Aircraft and Engine types serviced by Line Maintenance Division (FY06/07)

Aircraft types	Engine types
A300B4	GE CF6-50
A300-600	PW 4000 Series / GE CF6-80
A310 Series	PW 4000 Series
A320 Series	IAE V2500/ CFM56
A330 Series	PW 4000 Series / RR Trent 700 / GE CF6-80
A340 Series	CFM56-5
B737 Series	CFM56
B747-400	PW 4000 Series / RR RB211 / GE CF6-80
B747 Series/ B747SP	PW JT9D / RR RB211 / GE CF6-50 / GE CF6-80
B757 Series	PW 2000 Series / RB211-535E
B767 Series	PW JT9D / PW 4000 Series / GE CF6-80
B777 Series	RR Trent 800 / PW 4000 Series / GE90
Fokker 70	RR-TAY

NUMBER OF FLIGHTS SERVICED



AIRFRAME MAINTENANCE

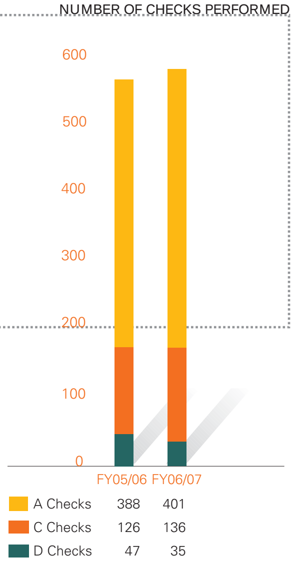
Despite increasing competition from global MRO providers, SIA Engineering Company continued to clinch new third-party contracts.

During the year, we completed heavy maintenance checks for Qantas Airways B747-400 aircraft that included modifications and in-flight entertainment system upgrades. We were appointed by Hong Kong's first long-haul budget carrier, Oasis Hong Kong Airlines, to conduct heavy maintenance checks on two B747-400 aircraft, including cabin reconfigurations.

SIA Engineering Company signed a maintenance contract with Evergreen International Airlines for its B747 freighters, the first of which arrived in June 2006 for a heavy maintenance check. We also have an airframe maintenance contract with Garuda Indonesia for its fleet of A330 aircraft. Air Bagan's A310 aircraft came in for a heavy maintenance check and cabin reconfiguration as well.

During FY2006/2007, new contracts were also signed with Galaxy Airlines, Nippon Cargo Airlines, Saudi Arabian Airlines, Southern Air, Germanair Flugzeug Leasing, Balli Group Plc and Crane/AAR. We also extended airframe contracts with existing customers, such as FedEx, Air Canada, Dubai Air Wing, Atlas Air, Martinair, Japan Airlines, Northwest Airlines, Biman Bangladesh Airlines, Asiana Airlines and Air India.

Singapore Airlines' new B777-300ER aircraft, powered by GE90 engines, is scheduled for its first maintenance check in late 2007, following its entry into service in December 2006. We have reconfigured Hangar 3's existing dockings to accommodate the B777-300ER's wider wingspan and larger engines. Our engineers, technicians and support staff also underwent training in Singapore, Cincinnati and Seattle. Detailed preparations, down to the provision of spares, tools and engine change kits, are being arranged for the maintenance check. In view of the increased number of B777 checks, particularly from SIA, as well as third-party customers like Air India and Saudi Arabian Airlines, we have installed a new set of B777 dockings in Hangar 2.



Preparations for the world's first Airbus A380 to enter into commercial operations are also underway. Aside from training on various aspects of the aircraft, we have purchased airframe system servicing equipment and component removal tools. Initial provisioning of heavy equipment for handling the mammoth aircraft has been progressing well since December 2006. Once this provisioning is completed, we will have the capability to support the A380's initial 24 months of operations, including its 750-hour and "C" checks.

Against the backdrop of a buoyant aviation industry, with new-generation aircraft such as B777-300ER, A380 and 787 Dreamliner coming on stream, the Group embarked on plans for its sixth hangar, which will be specially equipped to handle the A380. The ground-breaking ceremony, held on 1 December 2006 was officiated by Singapore's Minister for Transport and Second Minister for Foreign Affairs, Mr Raymond Lim. When it becomes operational in 2008, Hangar 6 will increase our total airframe maintenance capacity by a further 10%.

Our Hangars specialisation
(total capacity 49,500 square metres)

Hangar 1 – B747 heavy maintenance
Hangar 2 – Airbus and B777 aircraft
Hangar 3 – B777-200, B777-300 and B777-300ER aircraft
Hangar 4 – B747 heavy maintenance and modifications, including freighter conversions
Hangar 5 – B747 and B777 heavy maintenance and modifications
Hangar 6 – A380 aircraft

All aircraft have to make regular scheduled visits to the hangars in order to maintain their airworthiness certifications with international regulatory bodies, such as the Civil Aviation Authority of Singapore, the Federal Aviation Administration (United States), European Aviation Safety Agency (European Union) and Japan Aviation Authority (JAA).

SIA Engineering Company runs five hangars at Changi Airport and offers a comprehensive suite of capabilities, including scheduled maintenance checks (A, C and D checks), airframe structural repair and modification, cabin overhaul and refurbishment, and retrofitting of major avionics systems. In addition, we deliver essential engineering services, such as emergency aircraft-on-ground (AOG) support, at airports around the world.

For a typical B777 aircraft:

"A" check
required after every
600 flying hours
(about 2 months)

"C" check
required after every
7,500 flying hours
(about 20 months)

"D" check
required after every
25,000 flying hours
(about 5 years)

COMPONENT OVERHAUL

Our Workshops Division, comprising 21 in-house workshops with state-of-the-art equipment to repair and overhaul more than 20,000 components, has the highest in-house component overhaul capability in the world for B747-400 aircraft.

Apart from the overhaul of components, our workshops also provide inspection, repair, modification and testing services for our customers. To support our major customer Singapore Airlines, which operates the largest fleet of B777 in the world, we have built up an extensive component overhaul capability in the B777.

In addition, we are also gearing up on our test capabilities for the A380 super-jumbo aircraft. In pursuit of this, we completed a series of training programmes for our staff in specialty areas of thermoplastics, airframe composite repair, flight controls, landing gear and simulators.

With four business units in the Workshops Division, namely Avionics Component Services (ACS), Mechanical Component Services (MCS), Aircraft Maintenance Services (AMS) and Interior Maintenance Services (IMS), the Division has formed product-oriented cells sharing resources such as manpower and equipment to provide better services to our customers. Continuous improvement on material and information flow helps the Division bridge performance gaps and raises its standards in quality, cost, delivery and safety.

SIA Engineering Company has six Singapore-based joint ventures specialising in component overhaul – ACE Services, Fuel Accessory Service Technologies, International Aerospace Tubes – Asia, Messier Services Asia, Goodrich Aerostructures Service Centre – Asia, and Singapore JAMCO.

ENGINE OVERHAUL

Engine overhaul is a very complex operation that requires highly specialised technological know-how. Hence we have forged nine joint ventures with the world's leading engine and engine component manufacturers, including Rolls-Royce and Pratt & Whitney, to deepen our service offerings. Out of the nine engine overhaul joint ventures, six are located in Singapore. They include Eagle Services Asia (ESA) and Singapore Aero Engine Services Limited (SAESL), which are the Asia Pacific Centres of Excellence for Pratt & Whitney and Rolls-Royce respectively, two of the world's largest engine manufacturers.

The other four Singapore-based engine component facilities provide critical support services to ESA and SAESL. Another three engine overhaul facilities are located in Taiwan, Hong Kong and Ireland.

CONVERSIONS AND MODIFICATIONS

A high point of the year was the completion of our first B747-400 freighter conversion, which was handed over to Dragonair in January 2007. Another six B747-400 aircraft are slated for conversion within the next few years.

Passenger-to-Freighter (PTF) conversion is knowledge-intensive and production-orientated. Our engineers and technicians are required to interpret detailed aircraft drawings and possess high production skills. To ensure our people have the necessary skill sets and knowledge inventory, we collaborated with Boeing to train our technical teams. PTF involves the removal of the entire interior, including seats and galleys, and replacing the existing floor structures with a new, strengthened floor designed to take heavier cargo loads. In addition, all windows are plugged, unused aircraft systems are removed, and cargo door and cargo loading systems are installed. Heavy maintenance rectification and modifications are usually performed on the aircraft during a PTF conversion programme.

Complementing our PTF business is our joint venture company, JAMCO Aero Design & Engineering Pte Ltd, which provides turnkey aircraft interior modification work for our customers. With this joint venture in collaboration with an industry leader in cabin design and modifications, JAMCO America, we are able to tap the growing aircraft cabin retrofit and reconfiguration market.

FLEET MANAGEMENT PROGRAMME

FMP is designed to increase aircraft availability and operator profitability. SIA Engineering Company untakes the complete engineering needs of its airline customers in compliance with international regulations under FMP. The programme uses real-time aircraft operation, system and serviceability status, as well as maintenance environment data to maximise aircraft readiness, material availability and lower maintenance costs. Customer support services in predictive maintenance are also provided.

Launched in 2001, our FMP encompasses fleet technical management (FTM) and inventory technical management (ITM). FTM plans and manages maintenance and modification schedules on behalf of our airline customers, while ITM manages aircraft spares pooling and support services, such as sourcing, repair and overhaul of components, supply of consumables and logistics coordination. Through our proven capabilities in inventory and supply chain management, we provide our customers with an integrated total solution that satisfies their operational needs, hence enabling them to focus on their

core airline business. In addition, we also provide turnkey solutions to assist start-up airlines in their entry into service preparation. This includes establishment of infrastructure such as warehousing, provisioning of on-site spares, and all other necessary logistics set-up.

As at 31 March 2007, there were a total of 52 aircraft under the management of our FMP:

Airbus Fleet (A319 / A320)	
SilkAir	13
Tiger Airways	9
Cebu Pacific	14
Go Air	6
Mandala	2

Boeing Fleet (B747-300 / B747-400)	
Air Pacific	2
Dragon Air	4
Great Wall Airlines	2

To support the growth of our ITM business, we have outsourced our warehousing needs to an international third party logistics provider, which manages the storage and logistics support for our rotable assets.

On the MRO support front, we signed a 10-year Integrated Materials Management (IMM) agreement with Boeing. Under the agreement, the aircraft manufacturer takes responsibility for purchasing, inventory management and logistics for expendable aircraft parts used to support our MRO activities. These Boeing-owned parts are consigned at our facility and are paid for only when used, thereby reducing our inventory holding costs and improving our return on assets. SIA Engineering Company is the first MRO service provider to be on the IMM programme with Boeing.

We also inked an agreement with Airbus to participate in its Customised Spares Logistic (CSL) programme to ensure timely arrival of ordered spares to better support our operations. Under the agreement, Airbus assumes the responsibility for transportation and supply chain management for spares ordered through the airframe manufacturer. Through its web portal and 24x7 single point of contact, Airbus provides enhanced visibility of the status of spares, from the moment it receives the purchase orders to when the parts are received by SIA Engineering Company. In addition to reduced supply lead-times and operational administration, this arrangement allows us to reduce our freight costs through Airbus' high shipping volume.

Support Infrastructure

Our support staff, innovative and adaptive to changes in the operating environment, underpin the Company's strategic positioning.


8

INFORMATION TECHNOLOGY

The Company commenced the SAP system upgrade exercise in early 2007 to enable more features and greater software compatibility with third-party products. The upgrade is scheduled to complete by early 2008.

In mid-August 2006, the Company embarked on a shift pattern change programme to improve manning levels and reduce unit costs in Line Maintenance Division. Enhancements were made to Line Maintenance's manpower deployment software, Manpower Resource Allocation System, to support the new shift pattern changes.

In August, the Company also implemented an IT integration exercise between SAP and a renowned logistics company's Warehouse Management System. This helps to facilitate the outsourcing of our logistics operations, resulting in more cost-effective logistics management.

In November 2006, a new IT integration was developed to provide online system interface between the SAP system and Boeing's Integrated Material Management (IMM) system in Seattle, USA. This gives increased support to the management of Boeing consignment stocks located in Singapore.

TRAINING AND DEVELOPMENT

Our people truly are the Company's competitive edge. They create value for the Group and are our prized assets. Our training and development programmes are aimed at unlocking the full potential of each individual.

As a certified People Developer, SIA Engineering Company is fully committed to workforce development initiatives and inculcation of a continuous learning culture. The workforce is constantly trained to be equipped with relevant skills and knowledge to meet operational needs and to keep up with the technological development in the industry. Learning needs and course syllabi are reviewed on a regular basis to ensure that the courses offered are current and relevant.

During the financial year 2006/2007, SIA Engineering Company invested $9 million on staff training, which translates to a total of 59,000 training man-days. Some 54,000 training man-days were dedicated to technical training while 5,000 training man-days were allocated to developing and enhancing management skills.

SIA Engineering Company was the first to receive the SAR Part 147 Maintenance Training Organisation approval from the Civil Aviation Authority of Singapore. The

certification enables us to include both basic and aircraft specific courses to the SAR 66 syllabi for training licensed and apprentice engineers to obtain Aircraft Maintenance Engineer (AME) or extended AME licenses. We also obtained the Repair Station Training Programme (RSTP) approval from the Federal Aviation Administration of the United States to document technical training programmes separately.

In the financial year under review, we conducted more training for technicians to qualify for the CAAS SAR 66 Category "A" Licence and in-house Certifying Authorisations from Quality & Safety Division. Once qualified, the technicians will be upgraded to Certifying Technicians (CTs). There was an intake of 32 technicians in each quarter, from Line Maintenance and Base Maintenance divisions. Under Phase 1 of the upgrading programme, the technicians will undergo seven months of training to enable them to qualify for the CAAS Licence. Base Maintenance technicians are further trained in Phase 2 for an additional four months on specific tasks performed in the hangar checks. The Company aims to train a total of 465 CTs by FY2009/2010. This will significantly improve the skill sets and productivity of our technician workforce. In FY2006/2007, the company trained 380 Apprentice Aircraft Maintenance Engineers (AAMEs) to become Licensed Aircraft Engineers (LAEs). A total of 250 Trainee Technicians were trained to be Technicians. This is an increase of approximately 35% and 20% in trainee engineer and technician headcount respectively compared to FY2005/2006. Typically, an AAME apprenticeship takes three years to complete, while a Trainee Technician course takes a year.

In preparation for the introduction of the Boeing 777-300ER and A380 Airbus aircraft in September 2006 and October 2007 respectively, SIA Engineering Company arranged for specialised training by Alteon (Boeing)/General Electric and Airbus Training Centre instructors for our engineers and technical support personnel. The course participants attended theory training in Singapore and were sent to Alteon in Seattle, General Electric in Cincinnati, USA, and Airbus in Toulouse, France for practical training.

The implementation of SKIES in September 2006 took off successfully with a vast improvement in course scheduling. SKIES is a management system that supports the learning infrastructure and offers a flexible learning environment whereby employees can access the desired learning content at their convenience. With the new system, course scheduling is extremely easy. Staff are informed promptly through email of their enrolment in courses and are allowed greater flexibility in switching course schedules.

Our first two online courses, Human Factor Awareness and Hazmat Awareness, were successfully implemented. Human Factor Awareness is a mandatory course for all support staff, including senior management, as per EASA requirements. Hazmat Awareness is a pre-requisite course for FAA Repair Station Training Programme.

HUMAN RESOURCES

Besides training, we continue to motivate our people to move with the changing business environment. Embracing the vision of the Company and working as a team, our people underpin the competitiveness and resilience of the Company.

Workforce Transformation Initiatives

SIA Engineering Company embarked on a company-wide transformation of work practices and rules. Strategically captioned as "Our People – Our Hope, Our Trust", it is aimed at improving cost efficiencies and competitiveness. Jointly initiated by a Change Team headed by the CEO, and comprising management and union leaders, the transformation exercise focuses on strengthening the Company's value proposition to retain existing customers, attract new contracts, as well as to ensure future growth. The initiatives will be fully rolled out over a 3-year period.

Employee Engagement

Extensive communication sessions on the workforce transformation initiatives were conducted for all staff. These align staff with the Company's objective to remain competitive and robust in an increasingly changing operating environment. The Company continues to place a strong emphasis on employee communications, including regular meetings with the unions and staff, informal gatherings, company-wide events, sporting activities and sharing of information via various media.

To enhance employee engagement, the Company launched the "Let'S P.E.A.K." programme in October 2006. Developed jointly with the Nanyang Technological University, "Let'S P.E.A.K." aims to equip all supervisory staff with skills to manage and build effective working relationships with their subordinates. This will contribute towards better employee engagement and alignment to changes within the Company. The "Let'S P.E.A.K." programme will run for two years.

Industrial Relations

Through a collaborative approach with the unions during the implementation of the workforce transformation initiatives, a strong partnership between management and the unions has been fostered. This strong relationship puts the Company in good stead to weather the vagaries

of business cycles in a changing business environment and assures a win-win approach to enhance job security through a stronger Company. More sharing of information and active involvement of top management and union leaders to address issues have proven to be a winning formula in resolving issues. The management-union relationship will be further strengthened as we work together on more initiatives, such as the retraining and work-life-balance projects launched under Labour Movement 2011 (LM2011), headed by the National Trades Union Congress.

Recruitment

While our apprenticeship schemes, specifically the Apprentice Aircraft Maintenance Engineers (AAMEs) and Trainee Technicians (TTs) Schemes, have fulfilled most of our manpower requirements, we envisage that with our rapid expansion plans to add more capacity in the near future, we will have to step up our recruitment efforts to meet the Company's future operational needs. Strategic links and collaborations with the institutions of higher learning have also been put in place to develop new training curriculum.

QUALITY AND PRODUCTIVITY

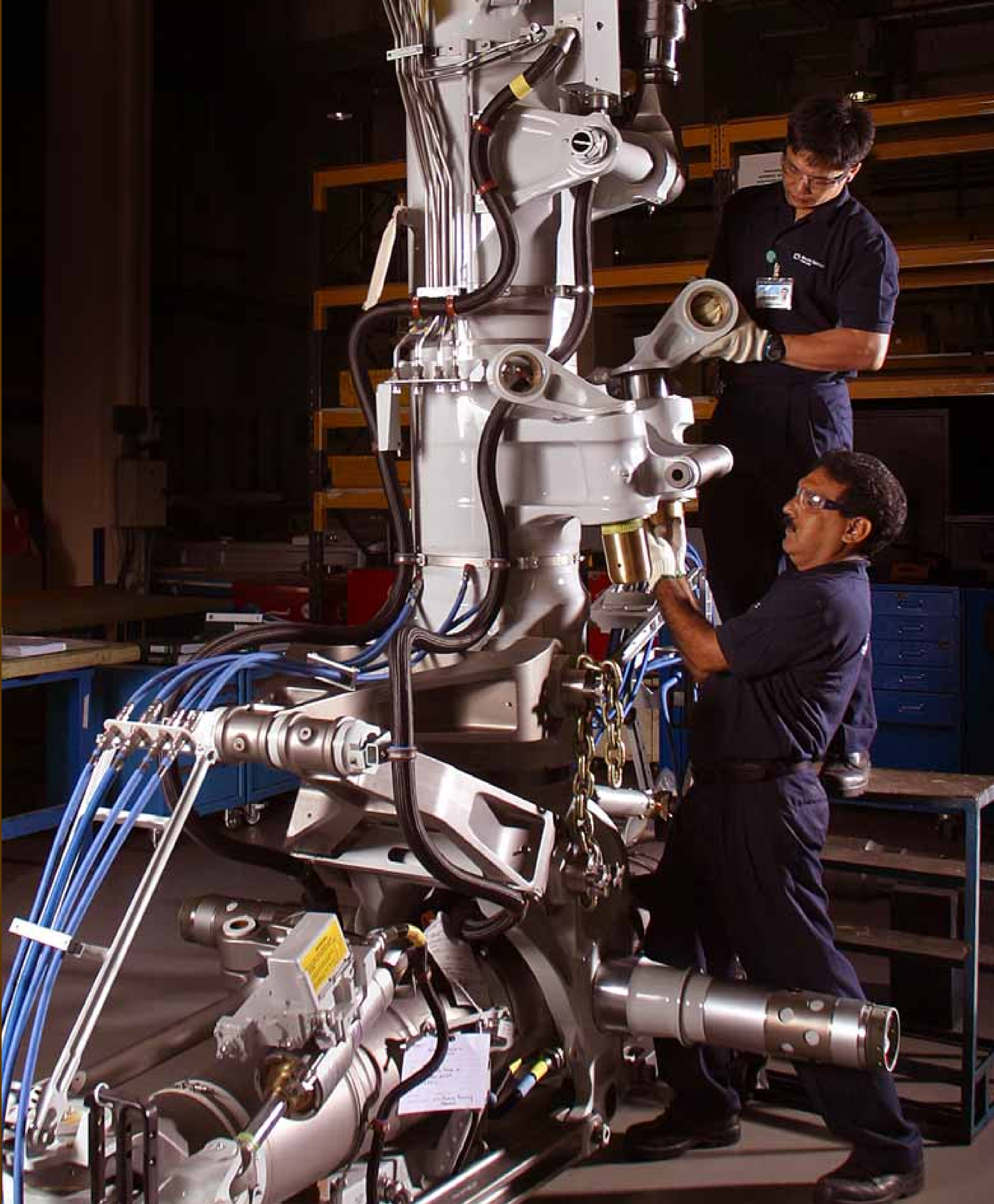
From January to December 2006, a total of 145 internal audits were conducted on various operating units within the Company. During the same period, there were a total of 107 external audits, including 78 conducted by our airlines customers, 28 from regulatory bodies, as well as one conducted by a Productivity & Standards Board (PSB) Certification team.

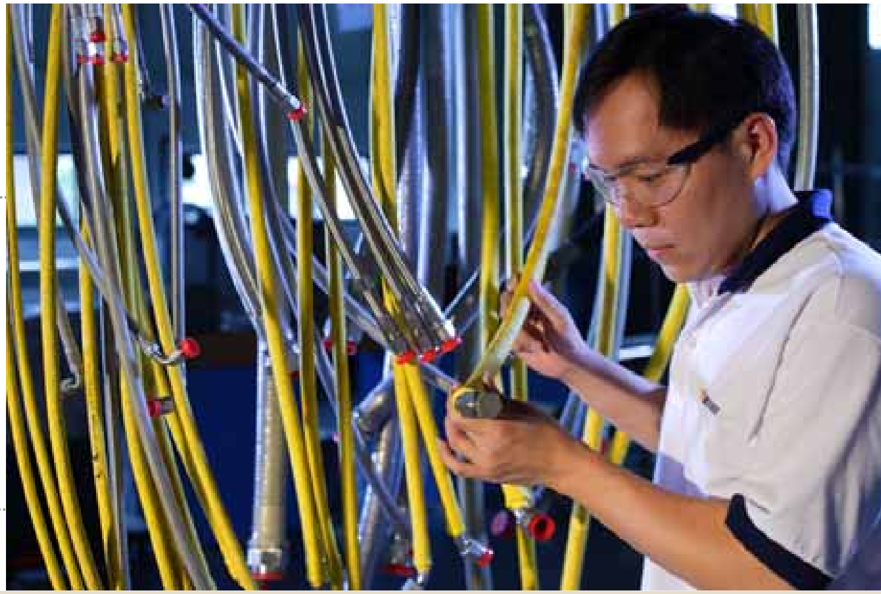
Consistent review of our work procedures ensures that a high standard of service and quality is maintained. We currently hold regulatory approvals from 25 national aviation authorities and 22 airlines (as of March 2007). These include the Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA) and Japan Civil Aviation Bureau (JCAB). We also obtained new approvals from Korean Civil Aviation Safety Authority, Mauritius Department of Civil Aviation, Bangladesh Civil Aviation Authority, Australia Civil Aviation Safety Authority and Myanmar Department of Civil Aviation.

Besides ensuring a high standard of quality, the Comapny also reinforced efforts to raise productivity with continuous training in LEAN management. In FY2006/2007, we conducted 18 LEAN courses, in whcih a total of 445 employees (157 engineers and 288 technicians) were trained.

Joint Ventures

Our joint ventures with the world's leading engine and component makers extend our MRO capabilities to a higher plane, and continue to elevate our earnings base.





SINGAPORE - BASED JOINT VENTURES

Aerospace Component Engineering Services Pte Ltd

SIA Engineering Company: 51%
Parker Hannifin Corporation: 49%

Aerospace Component Engineering Services Pte Ltd (ACE Services) specialises in the repair, overhaul, test and re-certification of hydraulic pumps, flight control actuators, servo-control valves and thrust reverser actuators.

ACE Services is the first in the region to provide Original Equipment Manufacturer (OEM) MRO support of Parker and non-Parker hydro-mechanical components. The 33,000-square-foot facility has state-of-the-art equipment and is capable of handling 5,000 psi hydraulic system pressure, thereby enabling it to support new-generation aircraft like the Airbus A380 and Boeing 787 Dreamliner.

To boost its operational efficiencies and provide support to a wider range of products and services, ACE Services has added new equipment and Metering Valve Test Stands to handle products such as the Slat Actuator, Thrust Reverser Actuator, B777 Main/nose Landing Gear Bypass Valve, B777 Door Sequence/Safety Valve and B777 Nose Gear Retract Actuator.

Since operations started in November 2005, ACE Services has successfully obtained certifications from several aviation authorities, including Civil Aviation Authority of Singapore (CAAS), Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA), Civil Aviation Authority of China (CAAC), Department of Civil Aviation, Malaysia (DCA Malaysia) and Department of Civil Aviation, Thailand (DCA Thailand).

ACE Services has been building up its repair capabilities and is currently capable of providing MRO support services to more than 200 Parker and non-Parker hydro-mechanical components. ACE will continue to develop and add further repair capabilities to their list.

With ACE Services' experienced, well-trained and committed workforce, it strives to deliver quality products and services, and maximise customer satisfaction by providing cost-effective solutions and timely responses.

Asian Surface Technologies Pte Ltd

SIA Engineering Company: 29%
PAS Technologies: 51%
Pratt & Whitney (United Technologies Group): 20%

Asian Surface Technologies Pte Ltd (AST) repairs and overhauls fan blades for JT9D and PW4000 series engines. It also provides thermal coating and finishing 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. It has approvals from CAAS in Singapore, FAA in the U.S. and EASA in Europe. AST is AS9100 registered, Nadcap accredited, and is an approved source for all major aviation OEMs.

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

Combustor Airmotive Services Pte Ltd (CAS) is a world-class combustor and fuel nozzle repair and overhaul centre. Its capabilities include complete overhaul, repair and modification of PW4000, JT9D, JT8D, V2500, CFM56 and CF6 combustion chambers, fuel nozzles, PW4000 Stage 3 Low Pressure Turbine (LPT) duct assemblies and PW4000 High Pressure Turbine (HPT) Stage 1 supports. Its extensive capabilities have enabled CAS to provide its customers with high quality repairs, fast turnaround times and competitive pricing.

The entire workforce, from shop-floor technicians to engineers and management team, embraces the Achieving Competitive Excellence (ACE) culture, using its strategies and tools for all key processes. ACE has greatly contributed to the success of the organisation and the improvements have propelled CAS to become a world-class repair and overhaul centre. CAS achieved the ACE site Gold status on 16 March 2007 under the new ACE criteria.

Much emphasis has also been given to the health, safety and welfare of its employees. In driving safety as a value, CAS logged a million hours of work without injury lost time in April 2006. In addition, CAS received a Silver award from the Singapore Ministry of Manpower in its Annual Safety and Health Performance. For its company-wide health programme efforts, CAS received a Gold Health Award from the Singapore Health Promotion Board.

Eagle Services Asia Pte Ltd
SIA Engineering Company: 49%
Pratt & Whitney (United Technologies Group): 51%

Eagle Services Asia Pte Ltd (ESA) combines the technological prowess of a world-renowned engine OEM - Pratt & Whitney (PW) - with the extensive maintenance capabilities of an airline-linked MRO provider - SIA Engineering Company. The twinning of the two leading organisations have enabled ESA to establish itself as one of the largest MROs in Singapore and as key PW Engine Centre specialising in the repair and overhaul of JT9D and PW4000, CFM International CFM56-5C and International Aero Engines V2500-A5 engines.

ESA supports a global customer base and successfully delivered in excess of 25% of the PW4000 engine shop visits in 2006. Notable in-house repair capability extensions like the PW4000 HPC front and rear drum repair capability, as well as the HPC sync ring repair, have improved turnaround time.

ESA continues to strengthen its competitive edge through the rigorous application of UTC's Achieving Competitive Excellence (ACE) programme. This commitment to ACE has enabled ESA to become the first engine overhaul centre among Pratt & Whitney's worldwide facilities to be awarded the United Technologies Corporation (UTC) ACE Silver site. 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 for Reducing energy and water consumption and the PW Leadership Award for Critical Path Management.

Fuel Accessory Service Technologies Pte Ltd
SIA Engineering Company: 49%
Hamilton Sundstrand (United Technologies Group): 51%

Fuel Accessory Service Technologies Pte Ltd (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. 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.

For the year 2006, FAST entered into a Five-Year Maintenance Service Plan Agreement with Singapore Airlines Limited and Singapore Airlines Cargo. The agreement marked a significant milestone for FAST as it enabled the company to enhance its value-add to customers.

In the year under review, FAST was presented with three awards. They are: The Health & Safety milestone award for time accumulated without a lost time incident (which is time lost with respect to a reported accident) for the last six years; the Most Customer-Focused; and the Most Improved Turnaround Time among Hamilton Sundstrand's facilities worldwide.

Goodrich Aerostructures Service Center- Asia Pte Ltd
SIA Engineering Company: 40%
Goodrich Aerostructures Group: 60%

Goodrich Aerostructures Service Center - Asia Pte Ltd (GASCA) specialises in the maintenance, repair and overhaul of both nacelle system components and airframe composite components for airlines in the Asia-Pacific region. Operating out of its state-of-the-art facility in Changi North, GASCA's capability extends to virtually all commercial aircraft models today, serving more than 62 airline customers in the Asia-Pacific region.

The major milestones for the year include GASCA's accreditation into Boeing's Network Service Centre; more significantly, it is the first non-Boeing facility to receive such recognition. The year also saw GASCA breaking ground for its new extension on the land adjacent to its current facility.

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

International Aerospace Tubes - Asia Pte Ltd (IAT-Asia) was incorporated in February 2002 and specialises in the repair of aircraft and engine tubes, ducts and manifolds for customers in the Asia-Pacific region.

IAT-Asia has approvals from CAAS, FAA, EASA, General Administration of Civil Aviation of China (CAAC) and DCA Malaysia for the repair of aircraft metal conduits. The range of repair capabilities include various modular tubes on the PW4000-94"/100"/112", JT9D-7R4 and V2500-A1/A5/D5, engine diffuser case, intermediate case and turbine exhaust case, as well as tubes from other OEMs, such as Boeing, Goodrich and Rolls-Royce. IAT-Asia is also working aggressively on the tube repair capabilities for CFM56, CF6 & Trent engines to meet the rising demand.

IAT-Asia maintains a strong focus on improving its capabilities and other key processes through its Achieving Competitive Excellence (ACE) programme, and has been awarded with ACE Gold on 15 March 2007 under the Pratt & Whitney new ACE criteria.

IAT-Asia has also received many other industry awards and recognitions, including the following: Finance Award (2005) from Global Repair Services for the unit with the most improved Return on Sales from 2004 – 2005; Global Service Engineering Award (2006) for its outstanding effort in implementing the 2005 Global Services Partners Repair Development Growth Plan; GSP Global Quality (2006) Award for being the Most Improved Escape Monthly Average Reduction by Repair Center ("Escape" refers to the case when customers returned the products during the warranty period). For year 2006, IAT-A reduced their escapes from 11 in 2005 to 3 in 2006, implying greater customer satisfaction with the work delivered.

As a recipient of the ISO 14001 certification, IAT-Asia operates with specifications of an international Management System. Moreover, IAT-Asia's mission is to provide a safe and enriching environment for all its employees and to safeguard the interest of its shareholders, while at the same time, continue to function at the highest ethical standards.

International Engine Component Overhaul Pte Ltd (IECO)

SIA Engineering Company: 50%
Rolls-Royce: 50%

International Engine Component Overhaul Pte Ltd (IECO)'s core business is the repair and overhaul of engine components, such as nozzle guide vanes and compressor stators.

In early 2005, IECO embarked upon an ambitious business improvement initiative with the aim of exceeding customer expectations and delivering business excellence. The activity continued into 2006 with the following achievements in the year under review:

- Outperformed forecasted sales by 32%. This has been achieved by consolidating its existing customer base and winning new customers during the year, both of which were driven by delivering high levels of customer satisfaction throughout the year.
- Outperformed forecasted profit after tax by 73%. This has been driven both by increased sales and improvement-focused activities that have increased efficiencies and reduced costs.

- Significant reduction in internal turnaround times.
- Awarded a 2006 British Business Award by the British Chamber of Commerce – Singapore for IECO's recent business performance and growth.
- Employees have made a conscious effort to give something back to their community and have planned and implemented various activities to help those less fortunate in the community.
- All employees have received work-life balance training so that they have a better appreciation of the benefits of leading a balanced and fruitful life.

The above have been achieved through developing and executing a plan that focuses on implementing the world's best manufacturing methodologies, and having well-trained and incentivised employees working as a team. In addition, there has been a continuous focus to improve all business processes and a strategy to optimise resources to achieve the highest levels of performance.

IECO is very optimistic about its future and believes that it is well-positioned to benefit from the forecasted growth in the aviation market and the increasing market share enjoyed by the Rolls-Royce engines it supports. As such, IECO plans to further expand its capacity, capability and technology in the coming year by investing in cutting-edge technologies and a well-trained workforce.

JAMCO Aero Design Engineering Pte Ltd (JADE)
SIA Engineering Company: 45%
JAMCO America: 50%
JAMCO Corporation: 5%

JADE provides total solutions in areas like aircraft cabin modifications, configuration retrofit and programme integration. It also provides consultation to airlines in the Asia-Pacific region.

JADE also works on getting regulatory design approvals and technical solutions for product improvements; development of technical specifications; equipment selection; interior arrangement layout (Lay Out Passenger Accommodations - "LOPAS"); preliminary structural and electrical analysis; supplier management for technical integration; supply of aircraft modification kits and/or materials; and on-site engineering and certification liaison support.

JADE achieved key milestones in 2006, including obtaining the CAAS SAR 21 Design Organisation Approval (DOA) on 12 April 2006. This allows JADE to apply for the CAAS Supplemental Type Certificate (STC) in aircraft cabin interior work. In addition, JADE participated in the FAA/CAAS shadow certification on Singapore Airlines aircraft (Aircraft Registration No: 9V-SMM) and successfully obtained an approved STC from CAAS through the CAAS SAR 21 STC process.
With the technological know-how and extensive experience of JAMCO America in cabin design and the high quality standards of SIA Engineering Company, JADE is poised to be the Centre of Excellence for aircraft interior work in the Asia-Pacific region.

Messier Services Asia Pte Ltd

SIA Engineering Company: 40%
Messier Services Pte Ltd (a subsidiary of the SAFRAN Group): 60%

Messier Services Asia Pte Ltd (MSA) operates one of the most comprehensive landing gear repair and overhaul facilities in the world. It has repair and overhaul capabilities for a wide range of Airbus and Boeing aircraft as well as selected models of regional and commercial jets.

With sophisticated engineering workshops, state-of-the-art technology, 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.

MSA has been appointed by Boeing as their Service Centre for the overhaul of Boeing landing gears and associated components. Being an approved Boeing Service Centre, MSA has signed a long term spares and technical support agreement with Boeing to better serve airline customers.

Singapore Aero Engine Services Pte Ltd

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

Singapore Aero Engine Services Pte Ltd (SAESL) is Rolls-Royce's Centre of Excellence in the Asia-Pacific for the repair and overhaul of Rolls-Royce Trent engines. SAESL began operations in October 2001 and has grown their capability to support the full series of Trent family engines globally within a few years. SAESL is now an integral part of the Rolls-Royce aftermarket services. Its excellent state-of-the-art facilities have consistently been showcased as a model of operating efficiency and productivity in the Singapore MRO industry. SAESL's facility is designed to turn around 200 Trent engines annually and has a turnaround time of 56 days. In addition, its in-line gantry system for engine strip and assembly is the region's first while its fully automated engine parts cleaning line is the world's first.

In late December 2006, SAESL completed its 500th engine 18 months ahead of schedule. Rolls-Royce has also selected SAESL to be the first Trent 900 Centre of Excellence (CoE) and SAESL will be supporting Singapore Airlines' coming fleet of Airbus A380s. SAESL's Compressor Blade Cell was also awarded the Rolls-Royce CoE in December 2006. Its high-technology repair capabilities also include a Plasma Cell and Fan Blade Cell.

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

Singapore JAMCO Pte Ltd, with its facility located in the Loyang Aviation Hub, specialises in the design, manufacture, maintenance and repair of aircraft galley and monuments.

The Company's products range from meal carts and service trolleys to closets and galleys complexes. Maintenance services offered at the Loyang facility include the overhaul of cabin monuments (galleys/lavatories), high quality seat upholstery refurbishment work and insulation blankets repairs for commercial and business jets. The floor grid assemblies for SIAEC's B747-400 Special Freighter conversion programme are also built in this facility. As a comprehensive cabin interior service provider, the company also provides cabin maintenance services at Line Maintenance level at Changi International Airport. The Company is gearing up to provide passenger seat repair and overhaul services. Besides being an Airbus-approved supplier for galleys and monuments, Singapore JAMCO is AS9100 certified and holds CAAS SAR Part 145 Repair Approval, SAR Part 21 DOA, SAR Part 21 POA, Malaysian DCA Repair and Production Approvals, EASA Part 145 Repair Approval and EASA Part 21 POA.

Turbine Coating Services Pte Ltd
SIA Engineering Company: 24.5%
Pratt & Whitney (United Technologies Group): 51%
Singapore Technologies Aerospace: 24.5%

Turbine Coating Services Pte Ltd's (TCS) core business is the overhaul and repair of PW4000 high-pressure turbine blades. It has a wide customer base, providing services to major airlines and overhaul shops all over the world. Three key coating technologies are used in the repair processes: i) Cubic Boron Nitride, ii) Ceramic Coating using Electron Beam Physical Vapor Deposition, and iii) Cathodic Arc Coating.

TCS achieved a significant growth in sales in 2006 compared to its business plans. To spur further growth, the company will be increasing capacity in all the three coatings processes.

In 2007, the company will also add the new ceramic coating technology - 1/2K Thermal Barrier Coating - to its capability.

OVERSEAS JOINT VENTURES

Asian Compressor Technology Services

SIA Engineering Company: 24.5%
Pratt & Whitney (a United Technologies Company): 51%
China Airlines: 24.5%

Asian Compressor Technology Services (ACTS) specialises in the overhaul and repair of High Pressure Compressor (HPC) stators and shrouds. These are used in a variety of large commercial engines. With its extensive experience in repairing PW4000 94" and 100" HPC stators, ACTS has expanded its product range to include PW4000 94", 100" and 112" variable vane inner shrouds (VVIS), PW2000/F117 VVIS, PW4000 100" and 112" honeycomb shroud guides, PW4000 HPC outer air seals, as well as CF6 and CFM56 shroud and seal repair. Recently, it also developed repairs for PW2000/F117 LPC stators, and will introduce repairs for the PW4000 94" RCC in 2007. ACTS received ISO 9002 certification in 1998 and became an ISO14000 certified shop at the end of 2003. Other Air Agency Certifications acquired include authorisations from CAAS, FAA, EASA, Civil Aeronautics Administration, Taiwan (CAA), General Administration of Civil Aviation of China (CAAC), and DCA Malaysia. ACTS, which was awarded the Achieving Competition Excellence (ACE) Gold Award by United Technology Corporation / Pratt & Whitney (UTC/P&W) in 2005, was recertified as ACE (Achieving Competitive Excellence) Gold Site in March 2007.

Other achievements in 2006 include keeping 100% on-time delivery for the whole of 2006, obtaining 1,000 days of zero incidents in August 2006 since November 2003, receiving "Supplier of the Year" award from Pratt & Whitney Cheshire Engine Center, and receiving 87% favourable replies from the Pratt & Whitney 2006 Employee Fulfillment survey.

Aviation Partnership (Philippines) Corporation

SIA Engineering Company: 51%
Cebu Pacific Air: 49%

Aviation Partnership Philippines Corporation (A+ Philippines) is the SIA Engineering Company Group'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.

A+ Philippines began operations in July 2005 with approvals from the Philippines Air Transport Office to service Cebu Pacific Airways. From June 2006, A+ Philippines acquired CAAS SAR 145 Certificate of Approval and subsequently added Singapore Airlines and SilkAir to its fold of customers, performing certification release for their B777 and A319/320 flights respectively, from Manila, Cebu and Davao.

A+ Philippines's main customer, Cebu Pacific "5J", currently operates 10 A319s and four A320s.

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 equipped with full capabilities in the repair and overhaul of Rolls-Royce Trent and RB211 series engines. Located in Tseung Kwan O Industrial Estate in Hong Kong, this joint venture leverages on Rolls-Royce's strength as an OEM and HAECO's more than 20 years of expertise on Rolls-Royce engines to offer high quality and comprehensive services to their customers.

HAESL possesses significant component repair capability for both in-house and third-party work. Facility expansion has been approved in 2006 and should be completed in the last quarter of 2007.

In 2006, the turbine blade cell achieved gold accreditation under the Rolls-Royce Centre of Excellence Programme. This is in addition to the two component repair cells that achieved gold accreditation in 2005.

Pan Asia Pacific Aviation Services Limited
SIA Engineering Company: 47.06%
Malaysia Airlines: 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, including CAAS, EASA and the Civil Aviation Department of Hong Kong (HKCAD), PAPAS offers a full suite of line maintenance services at four airports in China. PAPAS' services include aircraft certification, defect rectification, technical ramp handling, aircraft interior and exterior cleaning, as well as aircraft monthly checks.

PAPAS continues to explore new opportunities to enhance its service offerings both within and outside Hong Kong.

PT JAS Aero-Engineering Services
SIA Engineering Company: 49%
Cardig International: 51%

Having commenced operations on 1 December 2003, PT JAS Aero-Engineering Services (PT JAE) provides aircraft line maintenance release certification, technical ramp handling services and ground support equipment at 10 major Indonesian airports, including Cengkareng (Jakarta), Surabaya, Denpasar (Bali) and Medan. PT JAE is the SIA Engineering Company Group's second joint venture to offer line maintenance services outside Singapore, and has a combined clientele of more than 28 international

airlines and cargo operators, including SIA, SilkAir, SIA Cargo, EVA Air, Royal Brunei Airlines, Lufthansa, Gulf Air, Qatar Airways, Emirates, Kuwait Airways, FedEx, Cathay Pacific, Saudia, Yemenia and Qantas at the end of 2006.

PT JAE, an Associate Member of International Airlines Technical Pool (IATP) since 2004, has been providing premium quality line maintenance services to IATP member airlines under the IATP international requirements, as well as the International Air Transport Association Standard Ground Handling Agreement (IATA SGHA).

The Company has enhanced its certification recognition by obtaining the Philippines Air Transport Office's Air Agency Certificate for A319/A320, Viva Macau's Certificate of Authorisation for B767-200/300 and UAE General Civil Aviation Authority's Aircraft Maintenance Organisation Approval Certificate for B777-300ER. PT JAE has obtained the 145 approvals from EASA and is aiming to achieve the 145 Repair Station Approvals from Federal Aviation Regulations (FAR) in the near future.

The Company has also captured business from all the three new airlines planning to fly into Indonesia, namely Cebu Pacific, Jetstar International and Viva Macau. On the domestic front, the Company has secured a five-year Power-By-Hour line maintenance contract with Mandala Airlines for their A320 fleet.

PT JAE has expanded its services beyond normal line maintenance activities to include 500-hour maintenance checks and aircraft exterior cleaning. The Company is currently gearing up to support full 'A' check for A320 aircraft in Jakarta.

PT JAE continues to ensure that its technical staff are kept up-to-date through continuous training. Currently, its staff have competencies in servicing the A320, A330, A340 and B777. In addition, PT JAE has obtained B777-300ER/GE90-115 and A320/CFM56–5 certification capabilities. Plans are underway to train its staff to handle the Boeing B737NG.

PWA International

SIA Engineering Company: 49%
Pratt & Whitney (United Technologies Group): 51%

PWA International (PWAI) specialises in the overhaul and repair of large commercial jet engine cases. Based in Dublin, PWAI is committed to provide its customers with customised and dependable solutions. It strives to offer the highest levels of quality, with competitive turnaround times and pricing through a combination of continuous improvement and value-added approach, modern technology and a highly motivated workforce. PWAI takes pride in its ability to offer unique repairs for all JT9D, PW2000, PW4000 and V2500 engine cases.

Corporate Governance

SIA Engineering Company Limited considers good corporate governance to be the hallmark of a well-managed organisation. The focus of the Company's governance framework is to promote accountability, transparency and corporate fairness. The Board and Management are committed to achieving sustained value creation for the benefit of shareholders by adhering to a set of well-defined corporate governance principles and maintaining effective structures and processes. In essence, all of these reflect the principles and spirit of the Code of Corporate Governance (the "Code").

THE ROLE OF THE BOARD AND CONDUCT OF ITS AFFAIRS
(Principle 1)

The Board oversees the business affairs of the Company and provides entrepreneurial stewardship to the Management of the Company and confers with them regularly. It evaluates and sets the direction for the Company's overall strategic plans and performance objectives and targets. There is an objective decision-making process, which allows each Director to engage in constructive debate and exercise independent judgment. In accordance with the Company's Articles of Association, approval of proposals tabled for Board decision is by majority vote. The Board has adopted guidelines on matters requiring its approval, which include all matters of strategic importance, corporate governance practices, legal and regulatory compliances, risk management, financial targets and annual budgets, key operational initiatives, investment proposals and major transactions.

The Board meets at least four times a year to review and approve, inter alia, the quarterly financial results of the Company. Detailed papers are submitted to the Board in a timely manner, providing information on the background and justifications for each proposal or mandate sought, including where applicable, forecasts and projections. Between Board meetings, matters for information or approval are dealt with by circulation. Directors also meet informally at least twice a year in the absence of Management.

On 11 September 2006, Directors attended a full-day off-site "Strategic Session" with Management to review and discuss the Company's strategic growth initiatives. In addition, this session was also used to set the growth direction and financial goals of the Company over a 5-year period.

The contributions of the Directors are especially visible in the Company's four Board Committees, the composition of which is carefully decided to avail of the core competencies of Directors. These are the Audit Committee, Compensation and HR Committee, Nominating Committee and Board Committee. At all times, the Board and the Board Committees have independent access to the Chief Executive Officer, other members of Senior Management and the Company Secretary. There is a clear demarcation of responsibilities between the Board and Management.

Orientation and Training for Directors

Newly appointed Directors undergo a half-day orientation session, which includes presentations by Management to familiarise them on the Company and Group's businesses, operations, processes and strategic directions. Directors are also given a tour of key facilities. From time to time, Directors are addressed by specialist consultants on industry-related trends and developments, and updated at Board meetings on relevant new laws, regulations and changing commercial risks.

The composition of the Board and Board Committees, and attendance at meetings held in the year under review are as shown below:

	MAIN BOARD			AUDIT COMMITTEE		NOMINATING COMMITTEE		COMPENSATION AND HR COMMITTEE		BOARD COMMITTEE	
Name	Status	Position	Att.	Position	Att.	Position	Att.	Position	Att.	Position	Att.
Stephen Lee Ching Yen (last re-appointed on 21 Jul 2006, first appointed on 1 Dec 2005)	Non-Independent	Chairman	4/4								
Chew Choon Seng (last re-appointed on 25 Jul 2005, first appointed on 22 May 2003)	Non-Independent	Deputy Chairman	4/4			Member	2/2	Member	4/4	Member	–
Wong Nang Jang (last re-appointed on 26 Jul 2004, first appointed on 24 Mar 2000)	Independent	Member	4/4	(Stepped down as Chairman & member on 21 Jul 2006)	2/2	Member	2/2				
N Varaprasad (last re-appointed on 25 Jul 2005, first appointed on 1 Mar 2000)	Independent	Member	4/4	Member	3/4			Chairman	4/4		
Bey Soo Khiang (last re-appointed on 21 Jul 2006, first appointed on 1 Mar 2000)	Non-Independent	Member	4/4							Member	–
Thio Su Mien (last re-appointed on 21 Jul 2006, first appointed on 1 Mar 2000)	Independent	Member	4/4	Member	3/4					Alternate	–
Tan Bian Ee (last re-appointed on 26 Jul 2004, first appointed on 15 April 2004)	Independent	Member	4/4	Member	2/4	Member	2/2				
Koh Kheng Siong (last re-appointed on 21 Jul 2006, first appointed on 1 Sep 2005)	Independent	Member	4/4	Chairman (elected on 22 Jul 2006, first appointed as member on 1 Jan 2006)	4/4			Member (appointed on 22 Jul 2006)	2/2		
Paul Chan Kwai Wah (first appointed on 1 Aug 2006)	Independent	Member	1/2			Chairman (elected on 18 Oct 2006, first appointed as member on 17 Oct2006)	1/1				
Andrew Lim Ming-Hui (first appointed on 1 Aug 2006)	Independent	Member	2/2								
Wong Ngit Liong (retired on 21 July 2006, last re-appointed on 26 Jul 2004, first appointed on 1 Mar 2000)	Independent	Member	1/1			Chairman	1/1	Member	2/2		
Total Number of Meetings Held in FY 06/07			4		4		2		4		–

Notes:

i) “Att.” refers to the number of meetings attended by respective Directors in FY06/07.

ii) The Board does not consist of any Executive Director.

Corporate Governance

BOARD COMPOSITION, BALANCE AND MEMBERSHIP
(Principles 2, 3 & 4)

There is a formal and transparent process for the appointment of new Directors to the Board.

Reviewing Board composition and recommending appointment of Directors is within the purview of the Nominating Committee. Relying on a set of stringent criteria, Directors are carefully selected to fulfil the Company's need for core competencies. Following an informal meeting with the Chairman and Nominating Committee Members, the selected Directors are proposed for appointment by the Board. The Board has the requisite blend of expertise, skills and attributes to oversee the Company's business. Collectively, they have competencies in areas such as aviation, finance, legal, human resource management and working experience in key markets.

As of end March 2007, the Board consists of ten non-executive Directors, seven of whom are independent. This high representation of independent Directors denotes a strong independent element on the Board. The remaining three Directors, who are non-independent by virtue of the high office they hold in Singapore Airlines, bring to the Company a wealth of aviation industry background.

Annually, the Nominating Committee determines the independence of Directors according to the criteria stipulated in the Code based on individual declarations. Details of the tasks performed by the Nominating Committee in FY06/07 are set out below.

Overall, there is a clear demarcation of the roles and responsibilities of the Chairman and the Chief Executive Officer. Management is accountable to the Board. The Chief Executive Officer is responsible for the day-to-day 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 made by the Board.

BOARD PERFORMANCE
(Principle 5)

The Board has implemented a process for assessing the effectiveness of the Board as a whole, with the objective of continuous improvement. The process is managed by a leading firm of human resource consultants for the added impartiality and external perspective. The design and implementation of the process comprises two parts - a structured qualitative assessment of the functioning of the Board and Board Committees and a review of selected financial performance indicators. Both sets of criteria, recommended by the consultants, have been approved by the Nominating Committee and the Board. This is the fifth year in which the evaluation of the Board as a whole has been implemented. Other than the financial indicators, the assessment process is based on a confidential questionnaire submitted by each Director to the consultants directly. The questionnaire was reviewed and revised in FY06/07 to take into account the recent changes in the Code of Corporate Governance and the rising standards in general.

As for the quantitative performance criteria, the Board had adopted right from the beginning, in line with the Code, performance criteria comprising the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index, return on assets, return on equity, return on investment, and economic value-added over the preceding five years for collective Board evaluation.

There is also a formal process for assessing the competencies and contributions of individual Directors to the effectiveness of the Board and the Board Committees.

This annual process is the principal means by which the Nominating Committee and the Board take stock, monitor performance and make continuous improvements at the Board level.

ACCOUNTABILITY AND ACCESS TO INFORMATION

(Principles 6 and 10)

The Company's corporate governance framework goes beyond mere compliance with form. Apart from timely disclosures, the essence of the framework is manifested in the composition of the Board and Board Committees, division of powers and duties, checks and balances and instilling the right corporate culture across the organisation.

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards, as prescribed by the Council on Corporate Disclosure and Governance under the Companies Act. Management accounts are prepared to present a balanced assessment of the Company's performance, and submitted to the Board on a monthly basis. Through the Company's announcements of quarterly and full-year results, Directors aim to provide shareholders with a balanced and understandable assessment of the Company's performance, financial position and prospects.

Directors are provided with papers well in advance of Board and Board Committee meetings or deadlines for decisions, to enable them to make well-considered and informed decisions. 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. Information papers on material developments or issues being dealt with by Management are also submitted to the Board.

The Board has defined the role of the Company Secretary 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 Singapore Exchange Securities Trading Ltd. ("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 individual shareholders; and
c) updating and informing the Board on the principles and best practices of corporate governance.

AUDIT COMMITTEE AND INTERNAL CONTROLS

(Principles 11 & 12)

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

Chairman	Koh Kheng Siong
Members	N Varaprasad
	Thio Su Mien
	Tan Bian Ee

The Committee met four times during the year with Management and the internal and external auditors. 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 Company's risk management framework and processes and provided oversight to the work of the Risk Management Committee in respect of financial risks;
(c) reviewed the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements;
(d) reviewed the quarterly and full-year announcements of results and annual financial statements and the external auditors' report thereon before submission to the Board;
(e) reviewed the independence of the external auditors and the nature and extent of non-audit services provided by them;
(f) nominated the external auditors of the Company for reappointment and approved their remuneration;
(g) reviewed the adequacy and effectiveness of the internal audit function;
(h) reviewed interested person transactions; and
(i) reviewed the process established by the Company whereby staff may, in confidence, raise concerns or lodge complaints about possible wrongdoings and improprieties.

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

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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 paid to the external auditors, including fees paid for non-audit services, during the year and is of the opinion that the auditor's independence has not been compromised.

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

As the review of the adequacy of risk management policies in business, strategic and operations is undertaken directly by the Board, these do not come under the purview of the Audit Committee.

The Company's policy on "Reporting Wrongdoing" facilitates detection, reporting and investigation of any wrongdoing by, inter alia, employees, shareholders and any person having a business relationship with the Company. This policy encourages employees to report any wrongdoing without fear of reprisal. Complaints are directed to a Compliance Manager, who is primarily responsible for initiating and co-ordinating investigations in strict confidence with the Whistle-Blowing Committee. The Whistle-Blowing Committee, comprising five members of Senior Management, reports to the Audit Committee.

The Audit Committee believes that, in the absence of evidence to the contrary, the system of internal controls maintained by the Company's Management and which was in place throughout the financial year up to the date of this report provides 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, regulation and best practices, and the identification and containment of financial risk. The Audit Committee 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.

Having regard to the foregoing and after reviewing the Audit Committee's annual report to the Board, the Directors are of the opinion that the Company has complied with the Code's guidelines on audit committees.

COMPENSATION AND HR COMMITTEE
(Principle 7)

The Compensation & HR Committee comprises three non-executive Directors, two of whom (including the Chairman) are independent. At the date of this report, the members of the Committee are:

Chairman	N Varaprasad
Members	Chew Choon Seng
	Koh Kheng Siong

The Committee, guided by the principles of the Code, regularly reviews the recruitment, appointment, development and compensation of senior staff with reference to data provided by market surveys of comparative groups in the aerospace and other related sectors. The Committee also reviews and recommends the fees payable to Directors serving on the Board and Board Committees.

The Committee is also responsible for reviewing the eligibility, guidelines, allotment and awards of the Company's Employee Share Option Plan ("ESOP"), Restricted Share Plan ("RSP") and Performance Share Plan ("PSP").

During FY06/07, the Committee held four meetings and performed, among others, the following main functions:

(a) reviewed and decided the allotment for the 8th ESOP Grant;
(b) determined the eligibility and guidelines of the 8th ESOP Grant;
(c) conducted the annual salary review and promotion exercise of senior staff;
(d) reviewed and approved the appointments of senior staff;
(e) approved the Profit Sharing Bonus Formula for all staff;
(f) determined the allotment of the RSP and PSP for FY06/07;
(g) reviewed and updated the succession plan for key positions in the Company;
(h) instituted an enhanced performance management system for senior staff;
(i) reviewed the remuneration payable to Company Directors for FY06/07;
(j) reviewed and guided the development of a Company-wide training programme on leadership, supervisory and communication skills arising from feedback from the Organisation Climate Survey and the Managers' Perception Survey; and

(k) reviewed and approved the core and leadership competencies required for senior staff.

REMUNERATION REPORT

(Principles 8 & 9)

The fee for Directors reflects the scope and extent of a Director's increasing responsibilities and obligations. It is measured against relevant benchmarks and is competitive.

For the current year, the fee proposed for Directors was reviewed and an increase is recommended, in line with market practice and to be commensurate with the effort and time spent by the Directors, their duties and responsibilities, and to address the need for the Company to pay competitive and equitable remuneration in order to attract and retain Directors with the necessary capabilities and desired attributes to serve on the Board and add value to the Company and its shareholders.

Directors' remuneration for FY06/07, comprising fees and allowances, amounts to $741,068 ($542,404 in FY05/06) and is derived using the following rates:

TYPE OF APPOINTMENT	Existing Scale of Directors' Fees (FY05/06)	Proposed Scale of Directors' Fees (from FY06/07 onwards)
Board of Directors	S$	S$
Member's Fee ("Basic Fee")	40,000	45,000
Chairman's Allowance	25,000	40,000
Deputy Chairman's Allowance	20,000	30,000
Board Meeting Attendance Fee	Nil	1,000
Board Committee		
Member's Allowance	8,000	10,000
Audit Committee		
Member's Allowance	12,000	20,000
Chairman's Allowance	24,000	30,000
Other Board Committees		
Member's Allowance	8,000	10,000
Chairman's Allowance	12,000	20,000

Note:
Subject to shareholders' approval, every Director will be entitled to receive the Basic Fee as shown in the table above for FY06/07. 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 FY06/07, the fee or allowance payable will be pro-rated accordingly. An Attendance Fee of $1,000 per Board Meeting attended is proposed.

Computed on the basis of the foregoing revised scale, the fee proposed for each Director for FY06/07 is as shown in the table below:

NAME OF DIRECTOR	Fee ($)
Stephen Lee Ching Yen	89,000
Chew Choon Seng	109,000
N Varaprasad	89,000
Wong Nang Jang	68,205
Bey Soo Khiang	59,000
Thio Su Mien	69,000
Tan Bian Ee	79,000
Koh Kheng Siong	82,864
Paul Chan Kwai Wah[1]	40,027
Andrew Lim Ming-Hui[1]	31,959
Wong Ngit Liong[2]	24,013
TOTAL	741,068

[1] Paul Chan Kwai Wah and Andrew Lim Ming-Hui were appointed as Directors with effect from 1 August 2006.

[2] Wong Ngit Liong retired at the close of the AGM on 21 July 2006.

[3] The fees due to Chew Choon Seng and Bey Soo Khiang are paid to Singapore Airlines while the fees due to N Varaprasad and Wong Ngit Liong are paid to the Directorship and Consultancy Appointments Council and Venture Corporation Ltd respectively.

Other than the foregoing amounts stated, no other remuneration is paid to Directors.

None of the immediate family members of a Director or of the CEO was employed by the Company and its related companies in a managerial position for the period 1 April 2006 to 31 March 2007.

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Key Executives' Remuneration

The Company's key executives' remuneration system is designed so as to include long-term incentives to allow the Company to better align executive compensation with creating better value for shareholders. The key executives' remuneration system includes the components of variable bonus, awards of employee share options under the Senior Executive Share Option Scheme, and share awards under the SIAEC Restricted Share Plan ("SIAEC RSP") and/or the SIAEC Performance Share Plan ("SIAEC PSP"), in addition to fixed basic salary and fixed allowances. The payment of such variable bonuses and grants of such share option and share awards are in turn dependent on the Company's financial performance as well as the executives' individual performance through their achievement of prescribed key performance indicators.

The remuneration of the Company's top six executives in FY06/07 was as follows:

Remuneration Bands & Top 6 Executives	Salary (%)	Bonus		Benefits (%)	Total (%)	Stock options granted during the year (on 3 July 2006)		Award under SIAEC RSP	Award under SIAEC PSP
		Fixed (%)	Variable# (%)			Number of Share	Exercise Price ($)	Number of Share*	Number of Share*
Above $750,000									
William Tan Seng Koon Chief Executive Officer	42	4	46	8	100	153,800	3.44	23,100	13,700
$250,001 - $500,000									
Chan Seng Yong Senior Vice President (Aircraft, Component & Services)	60	5	31	4	100	43,000	3.44	6,500	5,800
Jack Koh Swee Lim Senior Vice President (Line Maintenance & Materials)	59	5	31	5	100	43,000	3.44	6,500	5,800
Oh Wee Khoon Senior Vice President (Aircraft & Component Services)	78	7	9	6	100	43,000	3.44	6,500	5,800
Png Kim Chiang Senior Vice President (Commercial)	59	5	30	6	100	43,000	3.44	6,500	5,800
Zarina Piperdi Senior Vice President (Human Resources) *(appointed on 1 Nov 2006)*	50	5	41	4	100	78,000	3.44	8,400	–

The remuneration bands above do not include the value of the share options under ESOP and share awards under SIAEC RSP and SIAEC PSP.

Includes profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2007.

* Depending on the achievement of pre-determined targets over a two-year period for the SIAEC RSP and a three-year period for the SIAEC PSP, the final number of shares awarded could range between 0% and 120% of the initial grant for the SIAEC RSP, and between 0% to 150% of the initial grant for the SIAEC PSP.

Share Plans

(I) SIAEC Employee Share Option Plan ("ESOP")

The ESOP comprises 2 schemes, namely:

(a) The Senior Executive Share Option Scheme for senior executives; and

(b) The Employee Share Option Scheme for all other employees.

Its objective is to promote group cohesiveness and team spirit through a sense of ownership of the Company. The Senior Executive Share Option Scheme is intended to attract, retain and motivate senior executives whose participation in policy and decision-making can influence the Company's performance and returns to shareholders.

Options under the ESOP ("Options") may be granted only to full-time and part-time employees of the Company or of its wholly-owned subsidiaries (other than subsidiaries whose shares become listed on a recognised stock exchange), who satisfy the eligibility criteria under the ESOP.

Non-executive Directors of the Company are not eligible to be granted Options. Directors and employees of the Company's immediate holding company SIA or of SIA's subsidiaries (other than the Company itself) are also not eligible to be granted Options. No controlling shareholder (as defined in the Listing Manual of the SGX-ST) of the Company, or the associates (as so defined) of such controlling shareholder, have been granted Options under the ESOP. No grantee of Options under the ESOP has received five percent. or more of the total number of Options available under the ESOP.

(II) SIAEC RSP and SIAEC PSP

In addition to the ESOP, the Company introduced two new share plans in 2005, the RSP and PSP, which were approved by shareholders at the Extraordinary General Meeting of the Company held on 25 July 2005. These plans were introduced to further strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives. The RSP and PSP aim to more directly align the interests of key senior management and senior executives with the interests of shareholders, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture amongst key senior management and senior executives. These plans contemplate the award of fully paid Shares, when and after pre-determined performance or service conditions are accomplished. Non-executive Directors of the Group are not eligible to participate in the RSP and PSP.

The Compensation & HR Committee is responsible for reviewing the eligibility, guidelines, allotment and awards of the Company's ESOP, RSP and PSP.

The aggregate number of Shares which may be issued pursuant to awards granted under the RSP or the PSP, when added to the number of new shares issued and issuable in respect of all options granted under the ESOP, and all awards under the RSP and PSP, shall not exceed fifteen percent. of the total number of issued ordinary shares in the capital of the Company on the day preceding the relevant date of award.

Details of the Company's ESOP, RSP and PSP, and the options and/or awards granted can be found on pages 83 to 86 of the Report by the Board of Directors in this Annual Report.

Senior Executives' Profile

Chief Executive Officer - Mr William Tan Seng Koon, 54, was appointed Chief Executive Officer of SIA Engineering Company in May 2001.

Mr Tan joined the Engineering Division of Singapore Airlines in 1978. He served as Assistant Director of Engineering in 1995 and was appointed Senior Vice President Engineering in July 1999.

Mr Tan is also Chairman of JAMCO Aero Design & Engineering Pte Ltd and Singapore JAMCO Pte Ltd, Deputy Chairman of Eagle Services Asia Pte Ltd, and a Director on the Boards of Singapore Aero Engine Services Pte Ltd and SIAEC Global Pte Ltd.

Mr 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.

Senior Vice President (Aircraft, Component & Services) - Mr Chan Seng Yong, 59, joined the Engineering Division of Singapore Airlines in 1968. In 1997, he was appointed Vice President Engineering Planning. In April 2000, Mr Chan was transferred to SIA Engineering Company and was

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appointed the Senior Vice President (Operations) responsible for all operational divisions. In September 2005, he became Senior Vice President (Services) and took charge of the Facilities Development, Engineering and Information Technology, Productivity and Engineering Training Divisions. In March 2007, Mr Chan was re-titled as Senior Vice President (Aircraft, Component & Services) when his portfolio was expanded to include Base Maintenance and Workshops operations.

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

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

Senior Vice President (Line Maintenance and Materials) - Mr Jack Koh Swee Lim, 54, was appointed Senior Vice President (Line Maintenance and Materials) in SIA Engineering Company in September 2005. He joined Singapore Airlines in 1971, served as Vice President Technical Projects in 1999 and was appointed Divisional Vice President Engineering in 2001 before joining SIA Engineering Company.

He is also a Director of SIA Cargo Pte Ltd, International Engine Component Overhaul Pte Ltd, PT JAS Aero-Engineering Services, Singapore Aero Engine Services Pte Ltd and Aviation Partnership (Philippines) Corporation.

Mr Koh holds a Bachelor of Business from Curtin University (Australia) and a Master of Business Administration from Monash University, Australia.

Senior Vice President (Aircraft & Component Services) - Mr Oh Wee Khoon, 48, joined Singapore Airlines (SIA) in 1975 and was transferred to SIA Engineering Company (SIAEC) in 1993. Mr Oh served in various management positions in SIA and SIAEC before his appointment as Senior Vice President (Commercial) on 1 April 2000. Before Mr Oh left SIAEC in May 2007, he was the Senior Vice President (Aircraft and Component Services) responsible for overseeing the businesses of Base Maintenance and Workshops.

Mr Oh graduated from the University of Manchester Institute of Science and Technology with a Bachelor of Science (First Class Honours) degree in Mechanical Engineering and holds a Master Degree in Business Administration from the National University of Singapore.

Senior Vice President (Commercial) - Mr Png Kim Chiang, 48, joined Singapore Airlines (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, Mr Png was transferred to SIA Engineering Company as its Senior Vice President (Services). On 1 September 2005, he was appointed as Senior Vice President (Commercial) and he is currently responsible for Marketing and Sales, Fleet Management, Partnership Management and Business Development Divisions.

Mr Png is the Chairman of Aerospace Component Engineering Services Pte Ltd and Pan Asia Pacific Aviation Services Limited, Deputy Chairman of Goodrich Aerostructures Service Centre-Asia Pte Ltd and a Director of Eagle Services Asia Pte Ltd, Hong Kong Aero Engine Services Ltd and Tiger Airways Pte Ltd.

Mr Png holds a Bachelor of Science (First Class Honours) degree in Computation from the University of Manchester Institute of Science and Technology as well as a Master of Business Administration degree from the National University of Singapore.

Senior Vice President (Human Resources) – Ms Zarina Piperdi, 46, joined Singapore Airlines (SIA) in 1983 and had been posted to various positions in the Finance Division. In 1991, she was posted to Los Angeles as SIA's Regional Finance & Admin Manager America. She joined SIA Cargo in 1997 to spearhead the formation of the cargo airline and was appointed as Vice President Finance & Human Resources, SIA Cargo Pte Ltd in 2001. In March 2006, Ms Piperdi was transferred to SIA Engineering Company and was appointed Senior Vice President (Human Resources) in November 2006.

Ms Piperdi is the Deputy Chairman of Messier Services Asia Pte Ltd and is a Director on the Board of SIAEC Global Pte Ltd.

Ms Piperdi holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore, and has completed a Senior Executive Programme at London Business School. Ms Piperdi is also a Fellow of the Institute of Certified Public Accountants.

Nominating Committee

Four non-executive Directors, three of whom are independent (including the Chairman), make up the Nominating Committee. At the date of this report, the members of the Nominating Committee are:

Chairman	Paul Chan Kwai Wah
Members	Chew Choon Seng
	Wong Nang Jang
	Tan Bian Ee

The Nominating Committee is focused on maintaining a strong element of independence in the composition of the Board and the Board Committees.

Pursuant to Article 83 of the Company's Articles of Association, the nearest one third of the Board will retire each year. Retiring Directors are usually those who have been longest in office since their last election, and are eligible to offer themselves for re-election under Article 84. Directors appointed subsequent to the last Annual General Meeting ("AGM") also retire and are eligible for re-election at the next AGM in accordance with Article 90.

At the 25th AGM to be held on 20 July 2007, Wong Nang Jang, N Varaprasad and Tan Bian Ee will retire under Article 83, and Paul Chan Kwai Wah and Andrew Lim Ming-Hui will retire under Article 90. Wong Nang Jang and N Varaprasad, having served on the Board since March 2000, have elected not to seek re-election following their retirement at the close of the 2007 AGM. Thio Su Mien, who has served on the Board since March 2000, has also decided to step down as Director after the AGM.

After assessing their respective contributions, including their attendance, preparedness and participation at Board and Committee meetings, and taking into consideration the retirement of Wong Nang Jang, N Varaprasad and Thio Su Mien, the Nominating Committee recommends the re-election of Tan Bian Ee, Paul Chan Kwai Wah and Andrew Lim Ming-Hui.

During the year under review, the Nominating Committee also performed, inter alia, the following functions:

(a) recommended the appointment of Koh Kheng Siong as an additional member of the Compensation & HR Committee with effect from 22 July 2006;
(b) recommended the appointment of Paul Chan Kwai Wah and Andrew Lim Ming-Hui as Directors with effect from 1 August 2006;
(c) elected Paul Chan Kwai Wah as the Chairman of the Nominating Committee with effect from 18 October 2006;
(d) determined the independence/non-independence of Directors based on individual Director's declaration;
(e) considered and recommended Directors to retire by rotation and seek re-election at the AGM for 2007;
(f) reviewed the core competencies of Directors in relation to the needs of the Company and developed a "Skills Matrix" to identify areas to focus on in the search for future candidates for appointment to the Board; and
(g) considered the training plan for Directors for FY07/08.

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, and investments in joint ventures of up to $5 million. Approvals of values below the base level of $1.5 million, except for investments in joint ventures, are referred to the Senior Management Committee. At the date of this report, the Committee comprised:

Members	Chew Choon Seng
	Bey Soo Khiang
Alternate	Thio Su Mien

The Board Committee does not hold 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 meeting following the circulation.

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

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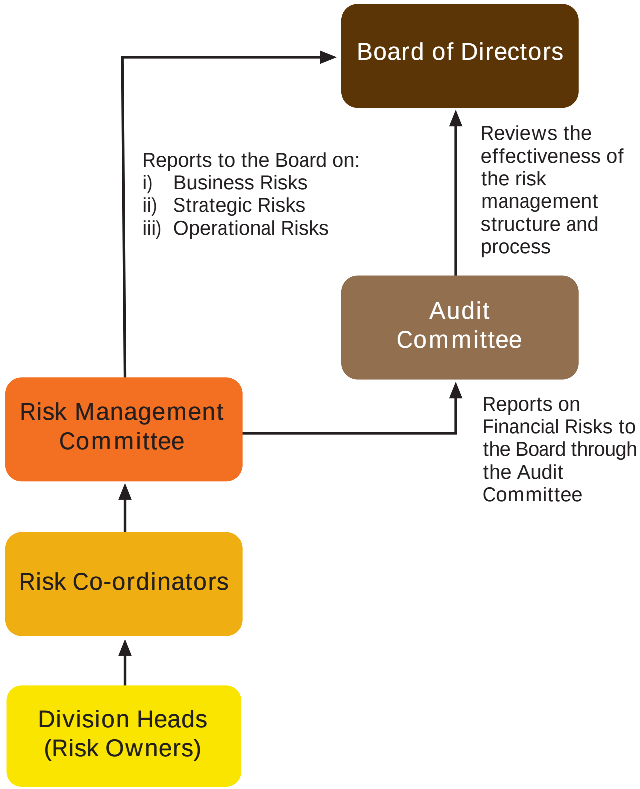
RISK MANAGEMENT
(Principle 12)

Since its inception in 2001, SIAEC's Risk Management Committee (RMC) continues to remain steadfast in assisting the Audit Committee and the Board to drive risk management activities within the Company. The RMC is chaired by the Chief Executive Officer and comprises members from Senior Management.

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



Risk Processes and Activities

The following risk-related processes and activities were carried out by the Company in FY06/07:

a) Annual Risk Re-assessment Exercise
The Company carried out its Annual Risk Re-assessment Exercise in January 2007. Business Units were involved to identify and evaluate risks for prioritisation, and emerging top risks were surfaced for review. Existing risks were also reviewed for relevance and alignment within the current operating environment. Following the exercise, the Company's Risk Register was duly updated.

b) Review of Second-Tier Risks
Besides the top risks, the Company is equally mindful of significant second-tier risks. Such risks, if not accorded adequate oversight, may become unmanageable should they manifest. The RMC embarked on an exercise to review second-tier risks last year, and completed the review in May 2006. Through the review, mitigation action plans were enhanced to align with the current operating environment.

c) Business Continuity Plans
While Business Continuity Plans (BCP) are developed to ensure continuation of business services during a failure of critical functions, the effectiveness of the plans are validated with thorough testing. Through tabletop exercises and real-time simulations, the Company tested and further refined its BCPs to ensure that they are workable. The BCP to handle a flu pandemic, for example, was tested in October 2006.

d) Risk Oversight and Audit
The adequacy and effectiveness of risk management controls, and the compliance thereof, requires the appraisal of an independent third party. SIA Internal Audit Department performed a risk management audit on the Company in February 2007. The auditors were satisfied with the Company's risk management processes, and noted that its risk methodology has been maintained and consistently applied.

Enhancement of Risk Policies

In FY05/06, the Company formalised its policies and procedures on outsourcing as well as fraud management. It will continue to enhance its risk policies to ensure that the overall control environment remains current:

a) Integration of Risk Management into Control Self Assessment Framework
The Control Self Assessment (CSA) framework, which was implemented by the Company in 2002, allows line management and employees to perform continuous assessment of risks in their respective work areas. The framework was further enhanced in August 2006 to incorporate the Risk Management System. The enhancement ensures that core risk management processes of review, implementation and reporting of risks and risk mitigation measures are practised consistently across the Company.

b) Corporate Policies on Banking and Borrowing Activities
Internal procedures have been institutionalised for the proper authorisation of all bank transactions undertaken by the Company, including the opening of new bank accounts and any proposed credit facilities. The Company 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.

Comments by the Board of Directors

Having reviewed the risk management practices and activities of the Company, the Board of Directors believe that, in the absence of evidence to the contrary, the system of internal controls and risk management is satisfactorily maintained by the Company's Management.

INTERNAL AUDIT
(Principle 13)

The Company has an internal audit function, which is undertaken by the Internal Audit Department of Singapore Airlines ("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, 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.

Information technology audits are managed by SIA Internal Audit staff who are Certified Information System Auditors.

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:
a) reviewing operational efficiency and effectiveness;
b) managing operational risks and maintaining internal controls;
c) recommending and approving capital expenditures;
d) evaluating IT system projects; ensuring occupational safety and health;
e) reviewing staff development and progression;
f) developing investor relations strategies;
g) approving tender exercises and tender awards;
h) addressing issues relating to service standards, quality and productivity.

COMMUNICATIONS WITH SHAREHOLDERS
(Principles 14 and 15)

The Company strives to convey to Shareholders pertinent information in a clear, detailed and timely manner and on a regular basis. The Company holds analyst briefings of its second-quarter and full-year results. These results are published through SGXNET, press releases and the Company's

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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 and Compensation & HR 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 departments/divisions 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.

Code Principle	Page Reference of this report	Compliance
Principle 1 Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.	58	✓
Principle 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.	60	✓
Principle 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.	60	✓
Principle 4 There should be a formal and transparent process for the appointment of new Directors to the Board.	60	✓

Code Principle	Page Reference of this report	Compliance
Principle 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.	60	✓
Principle 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.	61	✓
Principle 7 There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.	62	✓
Principle 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 than is necessary for this purpose.	63	✓
Principle 9 Each company should provide clear disclosure of its remuneration policy (in relation to its Directors and top executives), level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.	63	✓
Principle 10 The Board should present a balanced and understandable assessment of the company's performance, position and prospects.	61	✓
Principle 11 The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.	61	✓
Principle 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.	61, 68	✓
Principle 13 The company should establish an internal audit function that is independent of the activities it audits.	69	✓
Principle 14 Companies should engage in regular, effective and fair communication with shareholders.	69	✓
Principle 15 Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.	69	✓

Financials

The Group posted a profit attributable to equity holders of $242.1 million for financial year 2006-07.

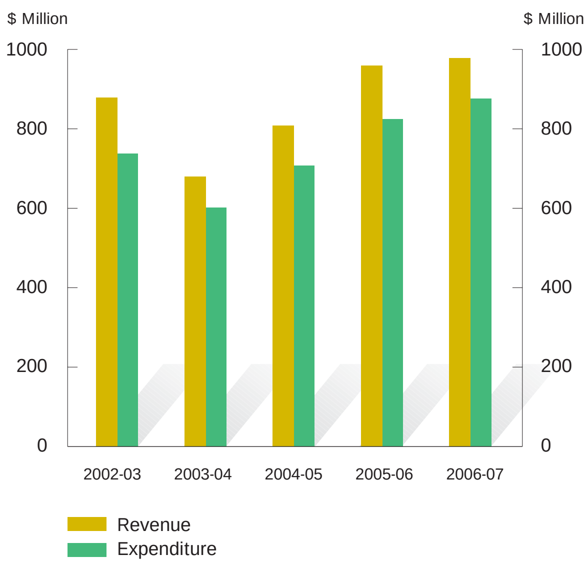
Financial Review

EARNINGS

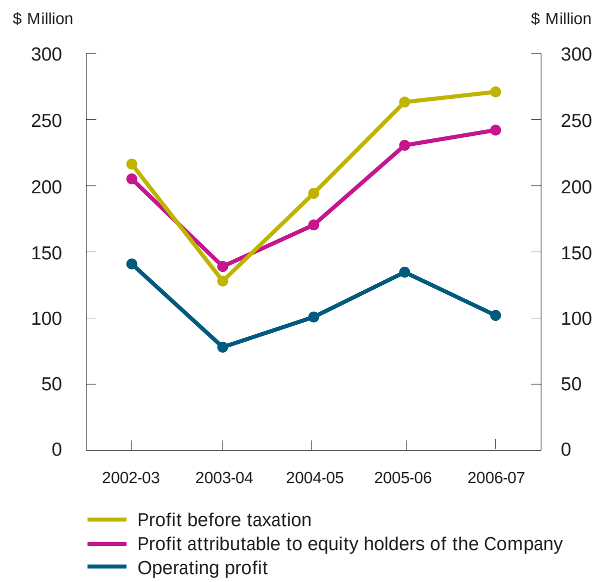
The Group achieved a profit attributable to equity holders of the Company of $242.1 million for the financial year ended 31 March 2007, an increase of $11.5 million (+5.0%) over last year, due to improved performance by associated and joint venture companies. Profit before taxation increased $7.7 million (+2.9%) to $271.0 million. Operating profit was $102.0 million, a decline of $32.7 million (-24.3%), as expenditure increased at a higher rate of 6.2% versus revenue growth of 1.9%.

The Group's basic earnings per share rose 0.5 cents (+2.3%) to 23.0 cents.

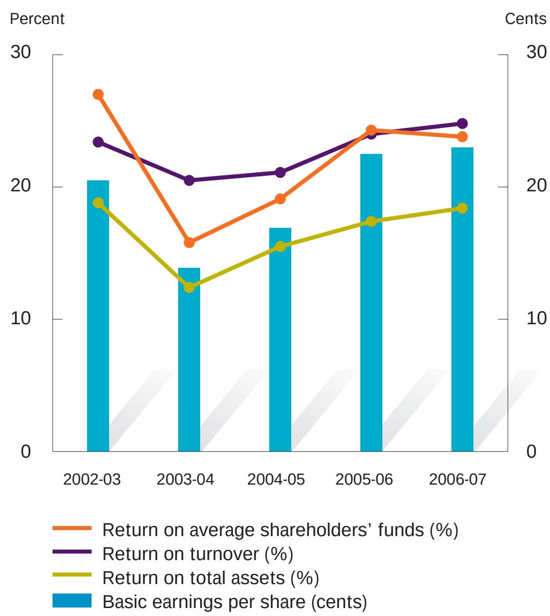
Group Revenue and Expenditure



Group Operating Profit, Profit Before Taxation and Profit Attributable to Equity Holders of the Company



Group Profitability Ratios



Profitability ratios of the Group are as follows:

	2006-07 %	2005-06 %	Change % points
Return on turnover	24.8	24.0	+0.8
Return on average shareholders' funds	23.8	24.3	-0.5
Return on total assets	18.4	17.4	+1.0

Financial Review

REVENUE

In 2006-07, the Group's revenue increased $18.3 million (+1.9%) to $977.4 million, mainly attributable to higher fleet management programme revenue.

The Group's revenue composition is as follows:

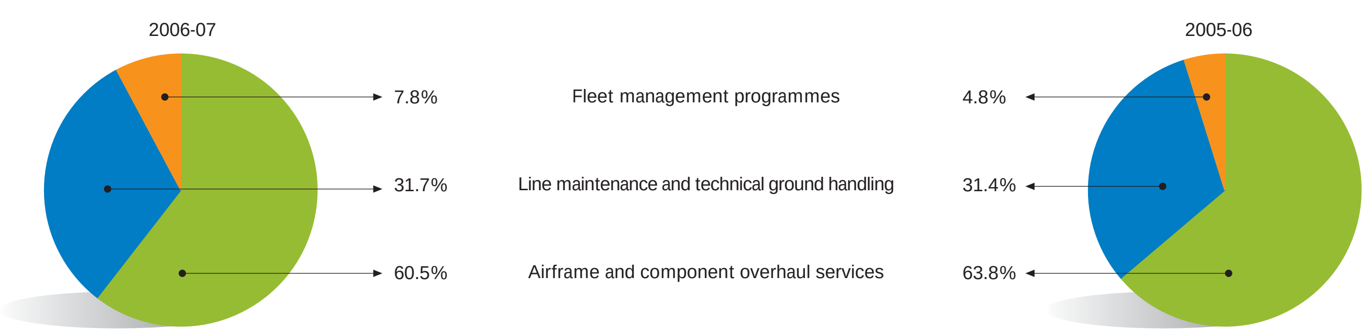
	2006-07 $ million	2005-06 $ million	Change $ million	%
Airframe and component overhaul services	591.8	612.4	-20.6	-3.4
Line maintenance and technical ground handling	309.5	300.8	+8.7	+2.9
Fleet management programmes	76.1	45.9	+30.2	+65.8
Total	977.4	959.1	+18.3	+1.9

Revenue from airframe and component overhaul work declined 3.4% to $591.8 million mainly due to lower number of heavy maintenance checks performed. The depreciation of the USD also impacted revenue from third party customers as such business is transacted in USD. Line maintenance revenue grew 2.9% to $309.5 million mainly due to an increase in the number of flights handled at Changi Airport.

Revenue contributed by fleet management programmes increased 65.8% to $76.1 million due to new contracts secured, a greater number of aircraft handled and a compensation payment of $5.5 million for early termination of contract arising from a change in ownership of a fleet management programme customer.

Airframe and component overhaul services, line maintenance and fleet management work contributed 60.5%, 31.7% and 7.8% respectively to the Group's revenue.

Group Revenue Composition



Financial Review

EXPENDITURE

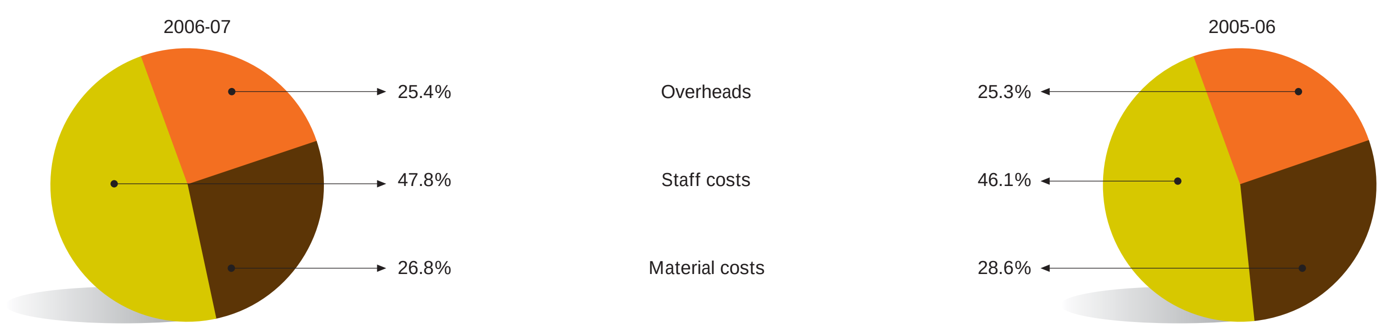
In 2006-07, the Group's expenditure was $875.4 million, an increase of $51.0 million (+6.2%) over last year.

The increase in the Group's expenditure came from:

	2006-07 $ million	2005-06 $ million	Change $ million	%
Staff costs	418.2	380.1	+38.1	+10.0
Material costs	234.9	235.7	-0.8	-0.3
Overheads	222.3	208.6	+13.7	+6.6
Total	875.4	824.4	+51.0	+6.2

Staff costs rose $38.1 million (+10.0%) mainly due to a larger provision for profit-sharing bonus and expensing of share options. The higher provision for profit-sharing bonus was attributable to a linkage to the SIA Group profit-sharing formula; this being the last year of such linkage. The increase in staff costs was mitigated by savings in overtime pay, due to a workplace restructuring agreement reached with staff unions. Material costs decreased marginally by $0.8 million (-0.3%) to $234.9 million. Overheads increased $13.7 million (+6.6%) mainly due to freight and subcontract costs which rose in line with the increase in fleet management programme revenue.

Group Expenditure Composition



Financial Review

SHARE OF PROFITS OF ASSOCIATED AND JOINT VENTURE COMPANIES

Share of profits from associated and joint venture companies increased $33.9 million (+32.1%) to $139.5 million. This represents 51.5% of the Group's pre-tax profits.

TAXATION

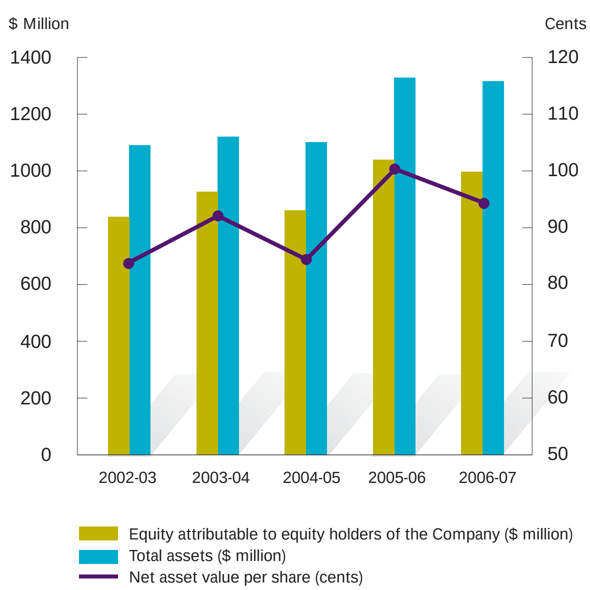
The Group's provision for taxation was $29.4 million in 2006-07, a decrease of $3.5 million (-10.6%) compared to that in 2005-06. This was mainly due to the impact of the Government's reduction of corporate tax rate to 18.0% from Year of Assessment 2008.

FINANCIAL POSITION

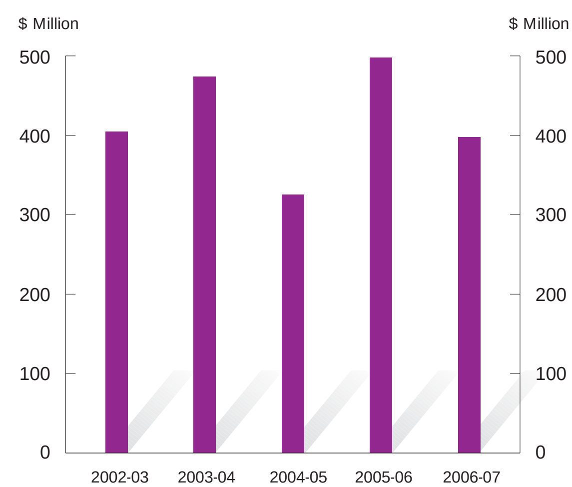
Equity attributable to equity holders of the Company stood at $997.1 million as at 31 March 2007, a decrease of $41.7 million (-4.0%) from a year ago. This is due to the payment of a special dividend for financial year 2005-06 in August 2006. Correspondingly, the net asset value per share of the Group fell 6.3 cents (-6.3%) to 93.9 cents as at 31 March 2007.

Total assets of the Group decreased $12.6 million (-0.9%) to $1,315.0 million at the end of the financial year under review. The net liquid assets of the Group fell to $397.6 million as at 31 March 2007, $100.0 million (-20.1%) lower than at 31 March 2006.

Equity Attributable to Equity Holders of the Company, Total Assets and Net Asset Value Per Share



Net Liquid Assets



Financial Review

SHARE CAPITAL AND SHARE OPTIONS

The share capital of the Company increased from $163,084,437 as at 31 March 2006 to $214,545,053 as at 31 March 2007. The increase is due to the issuance of 25,090,737 new ordinary shares pursuant to the exercise of share options under the Employee Share Option Plan.

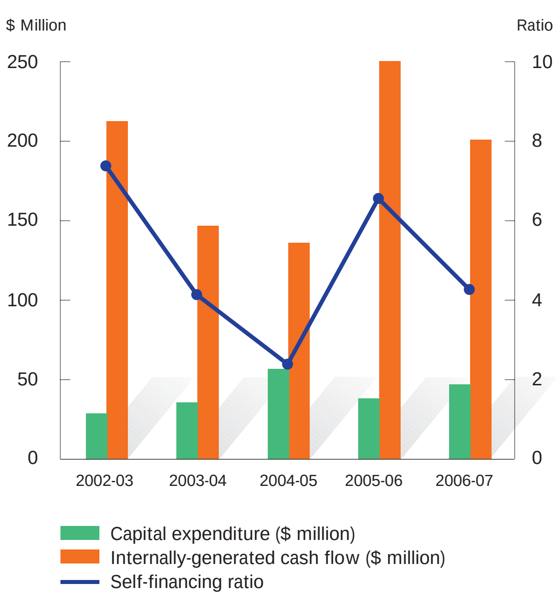
On 3 July 2006, the Company made an eighth grant of share options to employees. 15,244,800 share options were accepted by eligible employees to subscribe for ordinary shares at the price of $3.64 (which was later reduced to $3.44) per share for the exercise period from 3 July 2007 to 2 July 2016. As at 31 March 2007, options to subscribe for 49,731,288 ordinary shares remain outstanding under the Employee Share Option Plan.

CAPITAL EXPENDITURE AND CASH FLOW

In 2006-07, capital expenditure by the Group was $47.1 million, $8.9 million (+23.3%) higher than in the previous year.

Internally-generated cash flow decreased $49.6 million (-19.8%) to $200.9 million. The self-financing ratio of cash flow to capital expenditure fell to 4.27 times from 6.56 times last year.

Capital Expenditure, Internally-Generated
Cash Flow and Self-Financing Ratio



Financial Review

DIVIDENDS

A tax exempt one-tier interim dividend of 4.0 cents per share, amounting to $42.3 million, was paid on 22 November 2006.

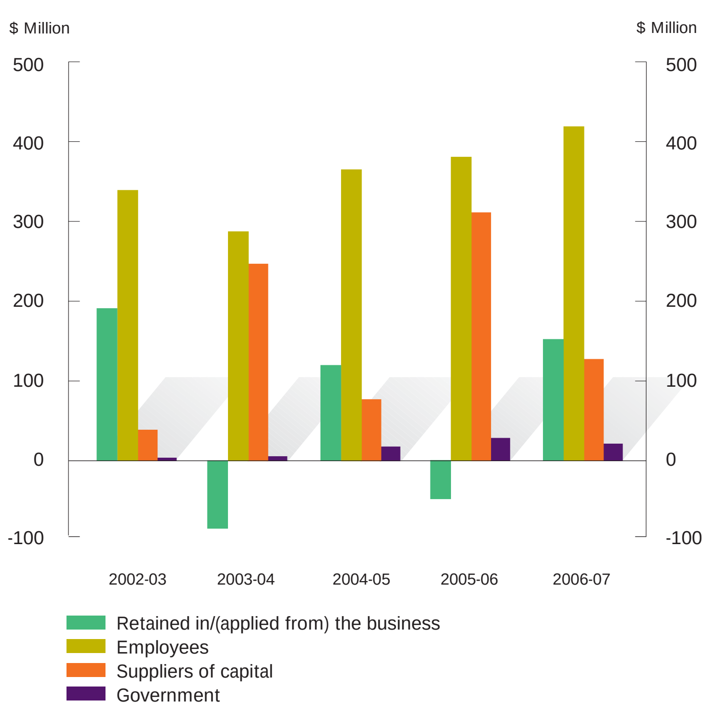
A tax exempt one-tier final dividend of 8.0 cents per share, amounting to $85.0 million is proposed for 2006-07. The final dividend, if approved by shareholders during the Annual General Meeting to be held on 20 July 2007, will be paid on 7 August 2007.

VALUE ADDED

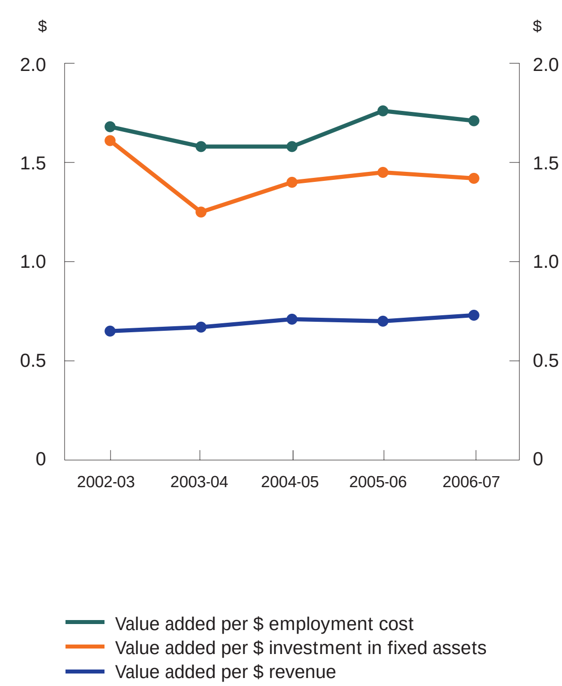
Total value added for the Group in 2006-07 was $717.0 million, up $46.2 million (+6.9%) from financial year 2005-06. The increase was mainly attributable to higher revenue (+$18.3 million) and higher share of profits of associated and joint venture companies (+$30.2 million), partially offset by higher purchases of goods and services (+$8.6 million).

Salaries and other staff costs of $418.2 million accounted for 58.3% of the value added. Shareholders received $127.2 million (17.7%) in dividends and $20.6 million (2.9%) went to corporate taxes. The remaining $151.5 million (21.1%) was retained for future capital requirements.

Group Value Added Distribution



Group Value Added Productivity Ratios



Financial Review

STATEMENT OF VALUE ADDED AND ITS DISTRIBUTION (in $ million)

	2006-07	2005-06	2004-05	2003-04	2002-03
Revenue	977.4	959.1	807.5	678.7	878.1
Less:					
Purchase of goods and services	(420.5)	(411.9)	(317.5)	(269.9)	(376.0)
Value added on operations	556.9	547.2	490.0	408.8	502.1
Add:					
Dividend income from long-term investment	15.4	11.9	4.8	0.4	0.4
Net interest income	13.6	9.2	3.8	3.0	3.7
Surplus on sale of fixed assets	0.3	1.9	0.4	0.8	0.5
Share of profits of associated and joint venture companies	130.8	100.6	69.0	43.7	63.0
Exceptional item	–	–	9.0	(3.1)	–
Total value added available for distribution	717.0	670.8	577.0	453.6	569.7
Applied as follows:					
To employees					
- Salaries and other staff costs	418.2	380.1	364.4	286.7	338.4
To government					
- Corporate taxes	20.6	27.8	17.1	4.9	3.0
To suppliers of capital					
- Ordinary dividends	127.2	103.3	76.1	45.2	38.0
- Special dividends	–	207.4	–	200.9	–
- Minority interests	(0.5)	(0.2)	0.3	0.1	0.1
Retained for future capital requirements/ (applied from the business)					
- Depreciation	29.0	25.5	20.5	22.9	23.0
- Amortisation of intangibles	7.7	7.0	4.3	–	–
- Retained profit	114.8	(80.1)	94.3	(107.1)	167.2
Total value added	717.0	670.8	577.0	453.6	569.7
Value added per $ revenue ($)	0.73	0.70	0.71	0.67	0.65
Value added per $ employment cost ($)	1.71	1.76	1.58	1.58	1.68
Value added per $ investment in fixed assets ($)	1.42	1.45	1.40	1.25	1.61

Value added is a measure of wealth created. The statement above shows the Group's value added from 2002-03 to 2006-07 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.

Financial Review

STAFF STRENGTH AND INDICES

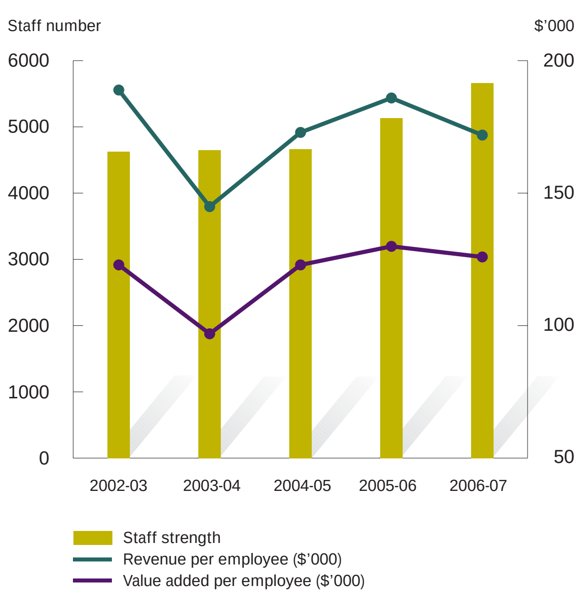
The Group’s average staff strength in 2006-07 was 5,661, a 10.3% increase from the previous financial year.

	2006-07	2005-06	% change
Revenue per employee ($)	172,651	186,857	-7.6
Value added per employee ($)	126,651	130,690	-3.1
Staff costs per employee ($)	73,867	74,045	-0.2
Average number of employees	5,661	5,133	+10.3

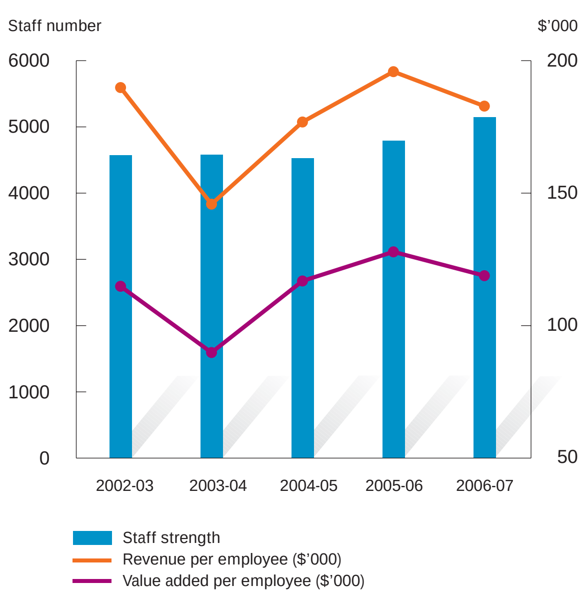
Group revenue per employee decreased $14,206 (-7.6%) to $172,651 and value added per employee fell $4,039 (-3.1%) to $126,651.

The Company's average staff strength was 5,149 in 2006-07, a 7.5% increase from the previous financial year.

Group
Staff Strength & Indices



Company
Staff Strength & Indices



Report by the Board of Directors

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2007.

1. Directors of the Company

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

Stephen Lee Ching Yen	–	Chairman
Chew Choon Seng	–	Deputy Chairman
Bey Soo Khiang		
Koh Kheng Siong		(Independent)
N Varaprasad		(Independent)
Tan Bian Ee		(Independent)
Thio Su Mien		(Independent)
Wong Nang Jang		(Independent)
Paul Chan Kwai Wah		(Independent) (appointed as Director on 1 August 2006)
Andrew Lim Ming-Hui		(Independent) (appointed as Director on 1 August 2006)

2. Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of the financial year, nor at any time during that financial 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.

3. 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:

	Direct interest			Deemed interest		
Name of Director	1.4.2006/ date of appointment	31.3.2007	21.4.2007	1.4.2006/ date of appointment	31.3.2007	21.4.2007
Interest in Singapore Airlines Limited						
Ordinary shares						
Stephen Lee Ching Yen	10,000	10,000	10,000	–	–	–
Chew Choon Seng	214,000	214,000	214,000	–	–	–
N Varaprasad	2,000	1,000	1,000	–	–	–
Koh Kheng Siong	15,000	15,000	15,000	–	–	–
Paul Chan Kwai Wah	–	–	–	20,000	20,000	20,000
Options to subscribe for ordinary shares						
Chew Choon Seng	1,074,000	1,194,000	1,194,000	–	–	–
Bey Soo Khiang	608,000	420,000	420,000	–	–	–

3. Directors' Interests in Ordinary Shares, Share Options and Debentures (continued)

Name of Director	Direct interest 1.4.2006/ date of appointment	Direct interest 31.3.2007	Direct interest 21.4.2007	Deemed interest 1.4.2006/ date of appointment	Deemed interest 31.3.2007	Deemed interest 21.4.2007
Interest in Singapore Airlines Limited (continued)						
Conditional award of Restricted Share Plan performance shares						
Chew Choon Seng	–	30,000	30,000	–	–	–
Bey Soo Khiang	–	10,000	10,000	–	–	–
Conditional award of Performance Share Plan performance shares						
Chew Choon Seng	–	27,000	27,000	–	–	–
Bey Soo Khiang	–	13,500	13,500	–	–	–
Interest in SIA Engineering Company Limited						
Ordinary shares						
Chew Choon Seng	20,000	20,000	20,000	–	–	–
Bey Soo Khiang	13,000	13,000	13,000	–	–	–
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
Interest in Singapore Airport Terminal Services Limited						
Ordinary shares						
Chew Choon Seng	10,000	10,000	10,000	–	–	–
Interest in Singapore Telecommunications Limited						
Ordinary shares						
Stephen Lee Ching Yen	190	190	190	190	190	190
Chew Choon Seng	11,040	10,500	10,500	–	–	–
Bey Soo Khiang	1,620	1,550	1,550	10,910	10,370	10,370
N Varaprasad	12,700	12,070	12,070	1,620	1,550	1,550
Tan Bian Ee	1,620	1,550	1,550	12,760	12,130	12,130
Thio Su Mien	1,730	1,730	1,730	2,360	2,360	2,360
Wong Nang Jang	1,620	1,550	1,550	1,620	1,550	1,550
Koh Kheng Siong	11,040	10,500	10,500	3,050	2,900	2,900
Andrew Lim Ming-Hui	3,738	3,566	3,566	1,620	1,550	1,550
Paul Chan Kwai Wah	57,460	54,600	54,600	1,620	1,550	1,550
Interest in Singapore Food Industries Limited						
Ordinary shares						
N Varaprasad	–	8,000	8,000	–	–	–
Interest in SMRT Corporation Limited						
Ordinary shares						
Chew Choon Seng	50,000	50,000	50,000	–	–	–
Interest in ST Engineering Limited						
Ordinary shares						
N Varaprasad	6,000	9,000	9,000	–	–	–
Koh Kheng Siong	34,361	34,361	34,361	–	–	–

3. Directors' Interests in Ordinary Shares, Share Options and Debentures (continued)

	Direct interest			Deemed interest		
Name of Director	1.4.2006/ date of appointment	31.3.2007	21.4.2007	1.4.2006/ date of appointment	31.3.2007	21.4.2007
Interest in Neptune Orient Lines Limited						
Ordinary shares						
Stephen Lee Ching Yen	30,000	30,000	30,000	–	–	–
Paul Chan Kwai Wah	1,000	1,000	1,000	1,000	1,000	1,000
Interest in Chartered Semiconductor Manufacturing Limited						
Ordinary shares						
Bey Soo Khiang	–	–	–	45,000	45,000	45,000

Except as disclosed in this report, no other director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of Company's immediate holding company and the subsidiary companies of the Company's immediate and ultimate holding company, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

4. 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.

5. Options on Shares in the Company

(i) Employee Share Option Plan

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 Singapore Exchange Securities Trading Limited ("SGX-ST") for the five market days immediately preceding the date of grant.

5. Options on Shares in the Company (continued)

(i) Employee Share Option Plan (continued)

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.

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

N Varaprasad – Chairman
Chew Choon Seng
Koh Kheng Siong

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 accepted, offers of options were granted pursuant to the Plan in respect of 15,244,800 unissued shares in the Company at an exercise price of $3.64 per share, which was later reduced to $3.44 per share.

5. Options on Shares in the Company (continued)

(i) Employee Share Option Plan (continued)

At the end of the financial year, options to take up 49,731,288 unissued shares in the Company were outstanding:

	Number of options to subscribe for unissued ordinary shares					
Date of grant	Balance at 1.4.2006/ date of grant	Cancelled	Exercised	Balance at 31.3.2007	Exercise price *	Exercisable period
28.03.2000	6,038,400	(81,600)	(3,705,800)	2,251,000	$1.65	28.03.2001 - 27.03.2010
03.07.2000	5,008,150	(85,200)	(2,915,337)	2,007,613	$1.55	03.07.2001 - 02.07.2010
02.07.2001	3,169,650	(49,200)	(2,016,550)	1,103,900	$1.01	02.07.2002 - 01.07.2011
01.07.2002	11,049,975	(12,800)	(5,166,050)	5,871,125	$1.98	01.07.2003 - 30.06.2012
01.07.2003	3,811,625	(5,850)	(2,017,550)	1,788,225	$1.35	01.07.2004 - 30.06.2013
01.07.2004	14,956,875	(21,200)	(9,143,125)	5,792,550	$1.69	01.07.2005 - 30.06.2014
01.07.2005	16,190,900	(220,100)	(126,325)	15,844,475	$2.25	01.07.2006 - 30.06.2015
03.07.2006	15,244,800	(172,400)	–	15,072,400	$3.44	03.07.2007 - 02.07.2016
	75,470,375	(648,350)	(25,090,737)	49,731,288		

* At the extraordinary general meeting of the Company held on 26 July 2004, the Company's shareholders approved an amendment to the Plan to allow for adjustment to the exercise prices of the existing options by the Committee administering the Plan, in the event of the declaration of a special dividend. Following approval by the Company's shareholders of the declaration of a special dividend of $0.20 on 26 July 2004, the said Committee approved a reduction of $0.20 in the exercise prices of the share options outstanding on 28 July 2004. The said Committee approved another $0.20 reduction in the exercise prices of the share options outstanding on 25 July 2006 following approval by the Company's shareholders of the declaration of a special dividend of $0.20 on 21 July 2006. The exercise prices reflected here are the exercise prices after such adjustments.

(ii) Restricted Share Plan ("RSP") and Performance Share Plan ("PSP")

At the extraordinary general meeting of the Company held on 25 July 2005, the Company's shareholders approved the adoption of two new share plans, namely the RSP and the PSP, in addition to the Employee Share Option Plan.

Depending on the achievement of pre-determined targets over a two-year period for the RSP and a three-year period for the PSP, the final number of restricted shares and performance shares awarded could range between 0% and 120% of the initial grant of the restricted shares and between 0% to 150% of the initial grant of the performance shares.

At the date of this report, the Compensation and HR Committee which administers the RSP and PSP comprises the following directors:

N Varaprasad – Chairman
Chew Choon Seng
Koh Kheng Siong

No shares have been granted to controlling shareholders or their associates, or parent group employees under the RSP and PSP.

No employee has received 5% or more of the total number of shares granted under the RSP and PSP, other than as detailed in Note 34.

Report by the Board of Directors

5. Options on Shares in the Company (continued)

(ii) Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") (continued)

The details of the shares awarded under the new share plans during the year since commencement of the RSP and PSP are as follows:

RSP

	Number of ordinary shares			
Date of grant	Balance at 1.4.2006/ date of grant	Shares cancelled during financial year	Shares released during financial year	Balance at 31.3.2007
03.07.2006	205,200	(2,000)	–	203,200
	205,200	(2,000)	–	203,200

PSP

	Number of ordinary shares			
Date of grant	Balance at 1.4.2006/ date of grant	Shares cancelled during financial year	Shares released during financial year	Balance at 31.3.2007
03.07.2006	36,900	–	–	36,900
	36,900	–	–	36,900

6. Audit Committee

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

7. Auditors

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

On behalf of the Board,

STEPHEN LEE CHING YEN
Chairman

CHEW CHOON SENG
Deputy Chairman

Dated this 8th day of May 2007

Statement by the Directors

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

We, Stephen Lee Ching Yen 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, consolidated profit and loss account, statements of changes in equity, and consolidated cash flow statements together with notes thereto 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 2007 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company 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,

STEPHEN LEE CHING YEN
Chairman

CHEW CHOON SENG
Deputy Chairman

Dated this 8th day of May 2007

Auditors' Report

to the Members of SIA Engineering Company Limited

We have audited the accompanying financial statements of SIA Engineering Company Limited (the "Company") and its subsidiaries (collectively, the Group) set out on pages 89 to 141, which comprise the balance sheets of the Group and the Company as at 31 March 2007, the statements of changes in equity of the Group and the Company, the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with 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 2007 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

ERNST & YOUNG
Certified Public Accountants

Dated this 8th of May 2007
Singapore

Consolidated Profit and Loss Account

For the financial year ended 31 March 2007 (in thousands of $)

	Notes	The Group 2006-07	The Group 2005-06
REVENUE	4	**977,376**	959,139
EXPENDITURE			
Staff costs	5	**418,161**	380,075
Material costs		**234,902**	235,685
Depreciation	15	**26,794**	25,461
Amortisation of intangibles	16	**7,706**	7,022
Company accommodation		**42,455**	39,337
Subcontract costs		**84,015**	79,465
Other operating expenses		**61,314**	57,415
		875,347	824,460
OPERATING PROFIT	6	**102,029**	134,679
Interest income	7	**13,676**	9,190
Interest on external borrowings		**(33)**	(26)
Surplus on disposal of fixed assets		**274**	1,906
Dividend received from long-term investment		**15,452**	11,922
Share of profits of associated companies		**106,136**	85,753
Share of profits of joint venture companies		**33,427**	19,866
PROFIT BEFORE TAXATION		**270,961**	263,290
Taxation	8	**(29,388)**	(32,910)
PROFIT FOR THE FINANCIAL YEAR		**241,573**	230,380
PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**242,073**	230,557
Minority interests		**(500)**	(177)
		241,573	230,380
BASIC EARNINGS PER SHARE (CENTS)	9	**23.0**	22.5
DILUTED EARNINGS PER SHARE (CENTS)	9	**22.5**	22.1

The notes on pages 94 to 141 form an integral part of these financial statements.

Balance Sheets

As at 31 March 2007 (in thousands of $)

	Notes	The Group 2007	The Group 2006	The Company 2007	The Company 2006
SHARE CAPITAL	11	**214,545**	163,084	**214,545**	163,084
RESERVES					
Share-based compensation reserve	12	**17,971**	11,898	**17,971**	11,898
Foreign currency translation reserve		**(47,142)**	(21,653)	**–**	–
General reserve		**811,796**	885,558	**560,382**	718,331
		782,625	875,803	**578,353**	730,229
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**997,170**	1,038,887	**792,898**	893,313
MINORITY INTERESTS		**13,240**	14,170	**–**	–
TOTAL EQUITY		**1,010,410**	1,053,057	**792,898**	893,313
DEFERRED TAXATION	13	**13,191**	14,842	**13,129**	14,522
LONG-TERM LIABILITY					
Finance lease commitments – repayable after one year	14	**–**	1,952	**–**	–
		1,023,601	1,069,851	**806,027**	907,835
Represented by:					
FIXED ASSETS	15	**250,328**	230,084	**233,150**	218,477
INTANGIBLES	16	**15,258**	19,200	**14,916**	18,898
SUBSIDIARY COMPANIES	17	**–**	–	**16,320**	16,320
ASSOCIATED COMPANIES	18	**339,648**	299,779	**164,672**	168,330
JOINT VENTURE COMPANIES	19	**85,828**	69,835	**56,599**	56,599
LONG-TERM INVESTMENTS	20	**14,606**	14,606	**14,606**	14,606
CURRENT ASSETS					
Trade and other debtors	21	**65,786**	52,675	**55,329**	45,662
Immediate holding company	22	**73,705**	84,631	**73,617**	84,233
Related parties	23	**22,221**	29,775	**19,099**	24,542
Stocks	24	**11,480**	8,254	**9,189**	6,899
Work-in-progress		**35,940**	18,324	**35,881**	18,198
Short-term deposits	25	**369,745**	464,144	**362,316**	455,140
Cash and bank balances	26	**30,556**	36,450	**24,057**	28,320
		609,433	694,253	**579,488**	662,994
Less:					
CURRENT LIABILITIES					
Trade and other creditors	27	**243,428**	224,096	**228,818**	215,974
Bank loans	28	**750**	750	**–**	–
Finance lease commitments – repayable within one year	14	**1,952**	245	**–**	–
Current tax payable		**45,370**	32,815	**44,906**	32,415
		291,500	257,906	**273,724**	248,389
NET CURRENT ASSETS		**317,933**	436,347	**305,764**	414,605
		1,023,601	1,069,851	**806,027**	907,835

The notes on pages 94 to 141 form an integral part of these financial statements.

Statement of Changes in Equity

For the financial year ended 31 March 2007 (in thousands of $)

	Notes	Attributable to Equity Holders of the Company						Minority interests	Total equity
		Share capital	Share premium	Share-based compensation reserve	Foreign currency translation reserve	General reserve	Total		
The Group									
Balance at 1 April 2005		101,742	25,634	5,637	(15,482)	742,190	859,721	2,332	862,053
Transfer to share capital		25,634	(25,634)	–	–	–	–	–	–
		127,376	–	5,637	(15,482)	742,190	859,721	2,332	862,053
Currency translation differences not recognised in the profit and loss account		–	–	–	(6,171)	–	(6,171)	46	(6,125)
Profit for the financial year		–	–	–	–	230,557	230,557	(177)	230,380
Net income and expense recognised for the financial year		–	–	–	(6,171)	230,557	224,386	(131)	224,255
Capital contribution		–	–	–	–	–	–	12,013	12,013
Share-based payment	12	–	–	7,194	–	–	7,194	–	7,194
Share options exercised	11	35,708	–	(933)	–	–	34,775	–	34,775
Dividends	10	–	–	–	–	(87,189)	(87,189)	(44)	(87,233)
Balance at 31 March 2006		163,084	–	11,898	(21,653)	885,558	1,038,887	14,170	1,053,057
Currency translation differences not recognised in the profit and loss account		–	–	–	(25,489)	–	(25,489)	24	(25,465)
Profit for the financial year		–	–	–	–	242,073	242,073	(500)	241,573
Net income and expense recognised for the financial year		–	–	–	(25,489)	242,073	216,584	(476)	216,108
Share-based payment	12	–	–	13,229	–	–	13,229	–	13,229
Share options exercised	11	51,461	–	(6,640)	–	–	44,821	–	44,821
Share options lapsed		–	–	(516)	–	516	–	–	–
Dividends	10	–	–	–	–	(316,351)	(316,351)	(454)	(316,805)
Balance at 31 March 2007		214,545	–	17,971	(47,142)	811,796	997,170	13,240	1,010,410

The notes on pages 94 to 141 form an integral part of these financial statements.

Statement of Changes In Equity

For the financial year ended 31 March 2007 (in thousands of $)

	Notes	Share capital	Share premium	Share-based compensation reserve	General reserve	Total
The Company						
Balance at 1 April 2005		101,742	25,634	5,637	616,209	749,222
Transfer to share capital		25,634	(25,634)	–	–	–
		127,376	–	5,637	616,209	749,222
Profit for the financial year		–	–	–	189,311	189,311
Net income recognised for the financial year		–	–	–	189,311	189,311
Share-based payment	12	–	–	7,194	–	7,194
Share options exercised	11	35,708	–	(933)	–	34,775
Dividends	10	–	–	–	(87,189)	(87,189)
Balance at 31 March 2006		163,084	–	11,898	718,331	893,313
Profit for the financial year		–	–	–	157,886	157,886
Net income recognised for the financial year		–	–	–	157,886	157,886
Share-based payment	12	–	–	13,229	–	13,229
Share options exercised	11	51,461	–	(6,640)	–	44,821
Share options lapsed		–	–	(516)	516	–
Dividends	10	–	–	–	(316,351)	(316,351)
Balance at 31 March 2007		214,545	–	17,971	560,382	792,898

The notes on pages 94 to 141 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 March 2007 (in thousands of $)

	Notes	The Group 2006-07	The Group 2005-06
NET CASH PROVIDED BY OPERATING ACTIVITIES	29	**145,386**	172,985
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(47,132)**	(38,166)
Purchase of intangible assets		**(3,764)**	(1,438)
Proceeds from disposal of fixed assets		**114**	5,835
Investments in associated companies		**–**	(1,703)
Proceeds from capital reduction of associated company		**3,855**	–
Dividend received from long-term investment		**15,452**	11,922
Dividends received from associated companies		**31,900**	52,112
Dividends received from joint venture companies		**13,878**	7,049
Interest received from deposits		**13,900**	7,430
NET CASH PROVIDED BY INVESTING ACTIVITIES		**28,203**	43,041
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**44,821**	34,775
Proceeds from issuance of share capital by subsidiary companies to minority shareholders		**–**	12,013
Interest paid		**(33)**	(26)
Repayment of finance lease obligations		**(245)**	–
Dividends paid		**(316,805)**	(87,233)
NET CASH USED IN FINANCING ACTIVITIES		**(272,262)**	(40,471)
NET CASH (OUTFLOW)/ INFLOW		**(98,673)**	175,555
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**500,594**	325,913
Effect of exchange rate changes		**(1,620)**	(874)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		**400,301**	500,594
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Short-term deposits	25	**369,745**	464,144
Cash and bank balances	26	**30,556**	36,450
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		**400,301**	500,594

The notes on pages 94 to 141 form an integral part of these financial statements.

Notes to the Financial Statements

31 March 2007

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 airframe maintenance and component overhaul services, 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, the provision of technical and non-technical handling services, repair and overhaul of hydro-mechanical aircraft equipment 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 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 8 May 2007.

2. Accounting Policies

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

(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 except as disclosed in the accounting policies below, and in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50.

(b) Significant accounting estimates

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

(b) Significant accounting estimates (continued)

(i) Depreciation of plant, equipment and tooling, and aircraft rotable spares

The cost of plant, equipment and tooling, and aircraft rotable spares are depreciated on a straight-line basis over the expected useful lives. Management estimates the useful lives of these assets to be within 3 to 15 years. These are common life expectancies in the aircraft maintenance, repair and overhaul industry. The carrying amount of the Group's plant, equipment and tooling, and aircraft rotable spares as at 31 March 2007 was $99,036,000 (2006: $77,020,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore future depreciation charges could be revised.

(ii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's current and deferred tax payables as at 31 March 2007 was $45,370,000 (2006: $32,815,000) and $13,191,000 (2006: $14,842,000) respectively.

(iii) Work-in-progress

Work-in-progress was stated at cost plus estimated profit earned, based on the estimated percentage of completion and total estimated budgeted costs. Management made reference to labour hours incurred and the physical stage of maintenance, repair and overhaul in estimating the percentage of completion and budgeted cost. The carrying amount of the Group's work-in-progress as at 31 March 2007 was $35,940,000 (2006: $18,324,000).

(c) Consolidation

The consolidated financial statements comprise the separate financial statements of the Company and its subsidiary companies as at the balance sheet date. Consistent accounting policies are applied for like transactions and events in similar circumstances. A list of the Group's subsidiary companies is shown in Note 17.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

(d) Subsidiary, associated and joint venture companies

In the Company's separate financial statements, investment in subsidiary, associated and joint venture companies are accounted for 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 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. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate. A list of the Group's associated companies is shown in Note 18.

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 19.

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.

(e) Intangible assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

(e) Intangible assets (continued)

(i) Goodwill (continued)

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.

(ii) Computer software

Computer software are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised using the straight-line method over their estimated useful lives of 3 to 5 years.

(iii) Other intangible assets

Costs relating to the development of the passenger-to-freighter conversion know-how are capitalised and amortised on a straight-line basis over its estimated useful life of 3 years.

(f) Functional and foreign currencies

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be Singapore dollar. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in Singapore dollar.

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 taken to 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 monthly into Singapore dollars at exchange rates which approximate the exchange rates at the date of the transactions. The resulting gains or losses on exchange are taken to foreign currency translation reserve.

Goodwill and fair value adjustments arising from the acquisition of foreign operations on or after 1 April 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations, and translated at the closing rate at the balance sheet date.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

(f) Functional and foreign currencies (continued)

Goodwill and fair value adjustments which arose on acquisitions of foreign subsidiaries before 1 April 2005 are deemed to be assets and liabilities of the parent company and are recorded in Singapore dollars at the rates prevailing at the dates of acquisition.

(g) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. 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 capitalised and expenditure for maintenance and repairs is charged to the profit and loss account. When assets are sold or retired, their costs and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

(h) 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, and adjusted as appropriate at each balance sheet date.

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.

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

(ii) 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.

(iii) Aircraft rotable spares
These are depreciated over 3 to 10 years.

(iv) Other fixed assets
This covers office furniture and equipment, and motor vehicles. These are depreciated over 1 to 7 years.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

(i) Leased assets

(i) Finance lease – as lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets and the corresponding lease commitments are included under liabilities. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the profit and loss accounts. Depreciation on the relevant assets is charged to the profit and loss accounts.

(ii) Operating lease – as lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss accounts on a straight-line basis over the lease term.

(j) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

(k) 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.

(l) Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale assets, as appropriate. Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, and in the case of financial assets not at fair value through profit or loss at directly attributable transaction costs. The Group determines the classifications of its financial assets after initial recognition, and where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

(l) Financial assets (continued)

(i) Financial assets at fair value through profit or loss

There are two sub-categories: financial assets held for trading, and those designated as fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified under this category unless they are designated as hedging derivatives. Gains or losses on financial instruments held at fair value through profit and loss are recognised in the profit and loss account.

Assets in this category are classified as current assets.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss accounts when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Receivables are included in trade debtors on the balance sheet. The accounting policy for trade debtors is stated in Note 2(o).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity are subsequently measured at amortised cost using the effective interest method. For investments carried at amortised cost, gains and losses are recognised in the profit and loss accounts when the investments are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category, or not classified in any other categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss accounts.

The fair value of quoted investments is generally determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions or reference to the current market value of another instrument (which is substantially the same). For investments where there is no active market and where fair value cannot be reliably measured, they are measured at cost.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

(m) Financial Liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

(n) Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(o) Loans and receivables

Trade debtors, including amounts owing by subsidiary, associated and joint venture companies and other debtors are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2(l).

Further details on the accounting policy for impairment of financial assets are stated in Note 2(z) below.

(p) 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, demand deposits and short-term deposits are classified and accounted for as loans and receivables under FRS 39.

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash on hand and deposits with immediate holding company and banks. The accounting policy for this category of financial assets is stated in Note 2(l).

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

(q) Income taxes

(i) Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(ii) 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 recognised 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 utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged in the same or a different period, directly to equity.

(r) Loans and borrowings

Loans and other borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

(s) Employee benefits

(i) Equity compensation plans

The Company has in place the SIA Engineering Company Limited Employee Share Option Plan for granting of share options to senior executives and all other employees. The exercise price approximates the market value of the shares at the date of grant.

The Company has also implemented the Restricted Share Plan and Performance Share Plan for awarding of fully paid ordinary shares to key senior management and senior executives, when and after pre-determined performance or service conditions are accomplished.

Details of the plans are disclosed in Note 11.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share-based compensation reserve, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not recognised for the award is recognised immediately.

(ii) 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 recognised as compensation expenses in the same period as the employment that gave rise to the contributions.

(iii) Defined benefit plan

The Group contributes to an unfunded, non-contributory, defined benefit pension plan for most of the regular employees employed in its overseas subsidiary. The cost of providing benefits includes the Group's contribution for the year plus any unfunded liabilities under the plan. Contributions to the plan over the expected average remaining working lives of the employees participating in the plans are expensed as incurred.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

(t) Trade creditors

Trade creditors and amounts owing to subsidiary, associated and joint venture companies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss accounts when the liabilities are derecognised as well as through the amortisation process.

(u) Provisions

Provisions are recognised 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. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provision for warranty claims is made for airframe maintenance and component overhaul services based on past experience of the level of repairs.

(v) Revenue

Revenue from airframe maintenance and component overhaul is recognised based on the percentage of completion of the projects. The percentage of completion of the projects is determined based on the number of man-hours incurred to-date against the estimated man-hours needed to complete the projects.

Revenue from line maintenance and technical ground handling is recognised upon rendering of services.

Revenue from Fleet Management Programmes is recognised on a time proportion basis and in accordance with the period in which services have been rendered.

(w) Income from investments

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

Interest income from investments and fixed deposits is recorded using the effective interest rate method and recognised on an accrual basis.

2. Accounting Policies (continued)

(x) Training and development costs

Training and development costs, including start-up program costs, are charged to the profit and loss accounts in the financial year in which they are incurred.

(y) Borrowing costs

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

(z) Impairment of non-financial and financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to the profit and loss accounts unless it reverses a previous revaluation credited to equity, in which case it is charged to equity. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount.

The Group also assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

(i) Assets carried at amortised costs

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an amortisation account. The amount of the loss shall be recognised in the profit and loss accounts.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed. Any subsequent reversals of an impairment loss is recognised in the profit and loss accounts, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Assets carried at costs

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated realisable amount. Such impairment losses are not reversed in subsequent periods.

Notes to the Financial Statements

31 March 2007

2. Accounting Policies (continued)

(z) Impairment of non-financial and financial assets (continued)

(iii) Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit and loss, is transferred from equity to the profit and loss accounts. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account.

Reversals of impairment losses on debt instruments are reversed through the profit and loss accounts, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss accounts.

(aa) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the profit and loss accounts.

The fair value of forward currency contracts is determined by reference to current forward prices for contracts with similar maturity profiles.

(ab) Segmental reporting

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

3. FRS and INT FRS not yet effective

The Group has not applied the following FRS and INT FRS that have been issued but not yet effective.

			Effective date (Annual periods beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
FRS 108	:	Operating Segments	1 January 2009
INT FRS 108	:	Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	:	Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	:	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

FRS 107, Financial Instruments: Disclosures and amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. The Group will apply FRS 107 and the amendment to FRS 1 from annual period beginning 1 April 2007.

4. Revenue (in thousands of $)

	The Group	
	2006-07	2005-06
Airframe maintenance and component overhaul services	**591,770**	612,366
Line maintenance and technical ground handling	**309,552**	300,841
Fleet management programmes	**76,054**	45,932
	977,376	959,139

Notes to the Financial Statements

31 March 2007

5. Staff Costs (in thousands of $)

	The Group	
	2006-07	2005-06
Salary, bonuses and other costs	**380,382**	347,616
CPF and other defined contributions	**24,585**	25,301
Share-based compensation expense	**13,194**	7,158
	418,161	380,075

The Group contributes to an unfunded, non-contributory, defined benefit pension plan for most of the regular employees employed under its overseas subsidiary. Defined benefit expenses for the Group were approximately $55,000 for 2006-07 and $35,000 for 2005-06. As these are not material to the total staff costs of the Group for 2006-07 and 2005-06, additional disclosures of the defined benefit plan are not shown. Disclosures relating to share-based compensation expense are in Note 12.

6. Operating Profit (in thousands of $)

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

	The Group	
	2006-07	2005-06
Exchange losses, net	**2,950**	1,361
Operating lease expenses	**185**	143
Provision for obsolete stocks, net	**53**	472
(Write-back) / Provision for warranty claims, net	**(1,063)**	535
Professional fee paid to a firm in which a director is a member	**25**	–
Remuneration for auditors of the Company		
- Audit fees	**196**	179
- Non-audit fees	**204**	87

7. Interest Income (in thousands of $)

	The Group	
	2006-07	2005-06
Deposits placed with immediate holding company	**11,719**	7,561
Deposits placed with banks	**1,853**	1,473
Staff loans	**104**	156
	13,676	9,190

Notes to the Financial Statements

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8. Taxation (in thousands of $)

	The Group	
	2006-07	2005-06
Current taxation		
Provision for the financial year	(22,681)	(27,259)
Over / (Under) provision in respect of prior years	444	(211)
Share of associated companies' taxation	(8,790)	(6,972)
Share of joint venture companies' taxation	(12)	1,956
	(31,039)	(32,486)
Deferred taxation		
Provision for the financial year	(47)	(424)
Over provision in respect of prior years	273	–
Adjustment for reduction in Singapore statutory tax rate	1,425	–
	1,651	(424)
	(29,388)	(32,910)

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 relevant authorities. This Development and Expansion Incentive (DEI) has been terminated after 31 May 2005 and a new 10-year DEI has been awarded, commencing on 1 June 2005, whereby a concessionary tax rate of 5% 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.

On 15 February 2007, the Government announced a 2% points cut in statutory tax rate from Year of Assessment 2008. The financial effect of the reduction in tax rate was reflected in the current financial year. The aggregate adjustment of the prior year's deferred tax liabilities was $1.4 million for the Group.

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

	The Group	
	2006-07	2005-06
Profit before taxation	270,961	263,290
Taxation at statutory tax rate of 18.0% (2006: 20%)	(48,773)	(52,658)
Adjustments		
Income not subject to tax	18,611	18,492
Income subject to a lower tax rate	1,973	3,682
Effect of change in statutory tax rate	1,425	–
Expenses not deductible for tax purposes	(3,514)	(2,260)
Higher effective tax rates of other countries	(77)	–
Over / (Under) provision in relation to prior years	717	(211)
Others	250	45
Taxation	(29,388)	(32,910)

Notes to the Financial Statements

31 March 2007

9. Earnings Per Share

	The Group	
	2006-07	2005-06
Profit attributable to equity holders of the Company (in thousands of $)	242,073	230,557
Weighted average number of ordinary shares in issue used for computing basic earnings per share	1,053,684,896	1,026,861,000
Adjustment for share options	21,343,357	14,709,723
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	1,075,028,253	1,041,570,723
Basic earnings per share (cents)	23.0	22.5
Diluted earnings per share (cents)	22.5	22.1

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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.

15,072,400 (2006: 16,190,900) of share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial period presented.

10. Dividends Paid and Proposed (in thousands of $)

	The Group and Company	
	2006-07	2005-06
Dividends Paid:		
Final dividend of 6.0 cents per share tax exempt one-tier in respect of previous financial year (2005-06: 4.5 cents per share tax exempt)	63,247	46,098
Special dividend of 20.0 cents per share tax exempt one-tier in respect of previous financial year (2005-06: nil)	210,822	–
Interim dividend of 4.0 cents per share tax exempt one-tier in respect of current financial year (2005-06: 4.0 cents per share tax exempt)	42,282	41,091
	316,351	87,189

10. Dividends Paid and Proposed (in thousands of $) (continued)

The directors propose a final tax exempt one-tier ordinary dividend of 8.0 cents per share (2006: final tax exempt one-tier dividend of 26.0 cents per share, comprising an ordinary dividend of 6.0 cents per share and a special dividend of 20.0 cents per share), amounting to approximately $84,951,000 (2006: approximately $63,247,000 and $210,822,000 respectively) to be paid for the financial year ended 31 March 2007.

11. Share Capital (in thousands of $)

	The Group and Company 31 March	
	2007	2006
Issued and fully paid		
Balance at 1 April		
1,036,801,075 shares (2006: 1,017,420,025 shares)	**163,084**	101,742
Transfer of share premium reserve to share capital	–	25,634
25,090,737 share options exercised during the year (2005-06: 19,381,050)	**51,461**	35,708
Balance at 31 March		
1,061,891,812 shares (2006: 1,036,801,075 shares)	**214,545**	163,084

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, the Company issued 25,090,737 shares (2006: 19,381,050) upon exercise of options granted under the Employee Share Option Plan.

(a) Share Option Plan

The SIA Engineering Company Limited Employee Share Option Plan ("ESOP"), 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.

Notes to the Financial Statements
31 March 2007

11. Share Capital (in thousands of $) (continued)

(a) Share Option Plan (continued)

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.

There are no cash settlement alternatives.

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

	2006-07 Number of options	2006-07 Weighted average exercise price	2005-06 Number of options	2005-06 Weighted average exercise price
Outstanding at 1 April	**60,225,575**	**$1.82**	63,709,775	$1.84
Granted	**15,244,800**	**$3.44**	16,313,700	$2.45
Exercised	**(25,090,737)**	**$1.65**	(19,381,050)	$1.79
Cancelled	**(648,350)**	**$2.27**	(416,850)	$2.06
Outstanding at 31 March	**49,731,288**	**$2.40**	60,225,575	$2.02
Exercisable at 31 March	**17,836,788**	**$1.71**	28,144,350	$1.85

The range of exercise prices for options outstanding at the end of the year was $1.01 - $3.44 (2005-06: $1.21 - $2.45). The weighted average remaining contractual life for these options is 7.49 years (2005-06: 7.18 years).

The weighted average fair value of options granted during the year was $1.22 (2005-06: $0.49).

The weighted average share price for options exercised during the year was $3.91 (2005-06: $2.58).

Notes to the Financial Statements

31 March 2007

11. Share Capital (in thousands of $) (continued)

(a) Share Option Plan (continued)

Fair values of ESOP

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted each year under the ESOP. The estimate of the fair value of the services received is measured based on a binomial model, taking into account the terms and conditions upon which the ESOP options were granted. The following table lists the inputs to the model used for the July 2006 and July 2005 grants:

	July 2006 Grant	July 2005 Grant
Expected dividend yield (%)	Management's forecast in line with dividend policy	
Expected volatility (%)	25.06 - 25.36	25.90
Risk-free interest rate (%)	3.37 - 3.45	2.29 - 2.44
Expected life of options (years)	5.5 - 7.0	5.5 - 7.0
Exercise price ($)	3.44*	2.25*
Share price at date of grant ($)	3.96	2.41

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options were incorporated into the measurement of fair value.

Proceeds received from share options exercised during the financial year were:

	2006-07	2005-06
Aggregate proceeds from shares issued (in thousands of $)	**44,821**	34,775

Details of share options granted during the financial year:

	2006-07	2005-06
Expiry date	**02.07.2016**	30.06.2015
Exercise price*	**$3.44**	$2.25

* At the extraordinary general meeting of the Company held on 26 July 2004, the Company's shareholders approved an amendment to the Plan to allow for adjustment to the exercise prices of the existing options by the Committee administering the Plan, in the event of the declaration of a special dividend. Following approval by the Company's shareholders of the declaration of a special dividend of $0.20 on 26 July 2004, the said Committee approved a reduction of $0.20 in the exercise prices of the share options outstanding on 28 July 2004. The said Committee approved another $0.20 reduction in the exercise prices of the share options outstanding on 25 July 2006 following approval by the Company's shareholders of the declaration of a special dividend of $0.20 on 21 July 2006. The exercise prices reflected here are the exercise prices after such adjustments.

Notes to the Financial Statements

31 March 2007

11. Share Capital (in thousands of $) (continued)

(a) Share Option Plan (continued)

Terms of share options outstanding as at 31 March 2007:

Exercisable period	Exercise price ($)	Number outstanding	Number exercisable
28.03.2001 - 27.03.2010	1.65	72,600	72,600
28.03.2002 - 27.03.2010	1.65	1,977,700	1,977,700
28.03.2003 - 27.03.2010	1.65	76,100	76,100
28.03.2004 - 27.03.2010	1.65	124,600	124,600
03.07.2001 - 02.07.2010	1.55	116,899	116,899
03.07.2002 - 02.07.2010	1.55	1,516,401	1,516,401
03.07.2003 - 02.07.2010	1.55	187,155	187,155
03.07.2004 - 02.07.2010	1.55	187,158	187,158
02.07.2002 - 01.07.2011	1.01	84,975	84,975
02.07.2003 - 01.07.2011	1.01	766,825	766,825
02.07.2004 - 01.07.2011	1.01	120,575	120,575
02.07.2005 - 01.07.2011	1.01	131,525	131,525
01.07.2003 - 30.06.2012	1.98	460,500	460,500
01.07.2004 - 30.06.2012	1.98	4,281,425	4,281,425
01.07.2005 - 30.06.2012	1.98	549,725	549,725
01.07.2006 - 30.06.2012	1.98	579,475	579,475
01.07.2004 - 30.06.2013	1.35	133,375	133,375
01.07.2005 - 30.06.2013	1.35	1,158,375	1,158,375
01.07.2006 - 30.06.2013	1.35	176,100	176,100
01.07.2007 - 30.06.2013	1.35	320,375	–
01.07.2005 - 30.06.2014	1.69	374,625	374,625
01.07.2006 - 30.06.2014	1.69	4,198,675	4,198,675
01.07.2007 - 30.06.2014	1.69	609,625	–
01.07.2008 - 30.06.2014	1.69	609,625	–
01.07.2006 - 30.06.2015	2.25	562,000	562,000
01.07.2007 - 30.06.2015	2.25	13,943,225	–
01.07.2008 - 30.06.2015	2.25	669,625	–
01.07.2009 - 30.06.2015	2.25	669,625	–
03.07.2007 - 02.07.2016	3.44	436,200	–
03.07.2008 - 02.07.2016	3.44	13,763,800	–
03.07.2009 - 02.07.2016	3.44	436,200	–
03.07.2010 - 02.07.2016	3.44	436,200	–
Total number of options outstanding/exercisable		49,731,288 @	17,836,788

@ The total number of options outstanding includes 3,893,225 (2005-06: 4,018,475) 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.

11. Share Capital (in thousands of $) (continued)

(a) Share Option Plan (continued)

Details of share options exercised:

	No. of shares	Exercise price *	Share price
2006-07			
April to June	**5,579,125**	**$1.21-$2.45**	**$3.12-$3.76**
July to September	**13,931,600**	**$1.01-$2.45**	**$3.52-$3.96**
October to December	**2,792,737**	**$1.01-$2.25**	**$3.62-$4.32**
January to March	**2,787,275**	**$1.01-$2.25**	**$4.12-$4.90**
	25,090,737		
2005-06			
April to June	4,073,600	$1.21-$2.18	$2.24-$2.51
July to September	4,923,175	$1.21-$2.18	$2.30-$2.54
October to December	2,193,125	$1.21-$2.18	$2.36-$2.60
January to March	8,191,150	$1.21-$2.18	$2.49-$3.30
	19,381,050		

* At the extraordinary general meeting of the Company held on 26 July 2004, the Company's shareholders approved an amendment to the Plan to allow for adjustment to the exercise prices of the existing options by the Committee administering the Plan, in the event of the declaration of a special dividend. Following approval by the Company's shareholders of the declaration of a special dividend of $0.20 on 26 July 2004, the said Committee approved a reduction of $0.20 in the exercise prices of the share options outstanding on 28 July 2004. The said Committee approved another $0.20 reduction in the exercise prices of the share options outstanding on 25 July 2006 following approval by the Company's shareholders of the declaration of a special dividend of $0.20 on 21 July 2006. The exercise prices reflected here are the exercise prices after such adjustments.

Notes to the Financial Statements

31 March 2007

11. Share Capital (in thousands of $) (continued)

(b) Share-based incentive plans

During the financial year, the Company introduced two new share-based incentive plans for the senior management staff, which were approved by shareholders on 25 July 2005.

The details of the two plans are described below:

	Restricted Share Plan (RSP)	Performance Share Plan (PSP)
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on position and individual performance targets set at the start of a two-year performance period based on medium-term Company objectives with some degree of stretch.	Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year overlapping performance period based on stretched long-term corporate objectives for senior management.
Date of Grant	3 July 2006	3 July 2006
Performance Period	1 April 2006 to 31 March 2008	1 April 2006 to 31 March 2009
Performance conditions	• EBITDA# Margin • Value Added per $ Employment Cost	• Absolute Total Shareholder Return (TSR) outperform Cost of Equity (COE) • Return on Equity (ROE)
Vesting Condition	Based on meeting stated performance conditions over a two-year performance period, 50% of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements.	Vesting based on meeting stated performance conditions over a three-year performance period.
Payout	0% - 120% depending on the achievement of pre-set performance targets over the performance period.	0% - 150% depending on the achievement of pre-set performance targets over the performance period.

EBITDA denotes Earnings before Interest, Taxes, Depreciation and Amortisation

11. Share Capital (in thousands of $) (continued)

(b) Share-based incentive plans (continued)

Fair values of RSP and PSP

The fair value of services received in return for shares awarded is measured by reference to the fair value of shares granted each year under the SIAEC RSP and PSP. The estimate of the fair value of the services received is measured based on a prospective Monte Carlo simulation model, which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns.

The following table lists the inputs to the model used for the July 2006 award:

	RSP	PSP
Expected dividend yield (%)	Management's forecast in line with dividend policy	
Expected volatility (%)	16.82 - 22.31	17.49
Risk-free interest rate (%)	2.99 - 3.25	3.16
Expected term (years)	1.75 - 3.75	2.75
Share price at date of grant ($)	3.96	3.96

For non-market conditions, achievement factors have been estimated based on inputs from the Compensation and Human Resource Committee for the purpose of accrual for the RSP until the achievement of the targets can be accurately ascertained.

The details of the shares awarded under the new share plans during the year since commencement of the RSP and PSP are as follows:

RSP

	Number of ordinary shares			
Date of grant	Balance at 1.4.2006/ date of grant	Shares cancelled during financial year	Shares released during financial year	Balance at 31.3.2007
03.07.2006	205,200	(2,000)	–	203,200
	205,200	(2,000)	–	203,200

Based on the Monte Carlo simulation model, the fair values at date of grant for each share granted under the RSP ranges from $3.71 to $3.84.

Notes to the Financial Statements

31 March 2007

11. Share Capital (in thousands of $) (continued)

(b) Share-based incentive plans (continued)

PSP

	Number of ordinary shares			
Date of grant	Balance at 1.4.2006/ date of grant	Shares cancelled during financial year	Shares released during financial year	Balance at 31.3.2007
03.07.2006	36,900	–	–	36,900
	36,900	–	–	36,900

The estimated weighted average fair value at date of grant for each share granted under the PSP is $4.04.

As described in FRS 102, when estimating the fair value of the compensation cost, market-based performance conditions shall be taken into account. Therefore, for performance share grants with market-based performance conditions, the compensation cost shall be charged to the profit and loss account on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the remaining service period from date of grant to which the performance period relates, irrespective of whether this performance condition is satisfied.

For performance share grants with non-market conditions, the Company revises its estimates of the number of shares grants expected to vest and corresponding adjustments are made to the profit and loss account and share-based compensation reserve.

Under the new plans, eligible key executives are required to hold a portion of the shares released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

The number of contingent shares granted but not released as at 31 March 2007, were 203,200 and 36,900 for RSP and PSP respectively. Depending on the achievement or pre-set performance targets over the performance period, the actual release of the awards could range from zero to a maximum of 1.2 times and 1.5 times, for RSP and PSP respectively.

For the financial year that just ended, the Group has provided approximately $291,000 (2006: nil) in respect of the RSP and PSP based on the fair values determined on grant date and estimation of share grants that will ultimately vest.

The total amount recognised in the profit and loss account for share-based compensation transactions with employees can be summarised as follows:

	The Group and Company 31 March	
	2007	2006
Employee Share Option Plan	**12,903**	7,158
Restricted Share Plan	**253**	–
Performance Share Plan	**38**	–
	13,194	7,158

12. Other Reserves (in thousands of $)

(a) Share-based compensation reserve

Share-based compensation reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

	The Group and Company	
	31 March	
	2007	2006
Balance at 1 April	11,898	5,637
Grant of equity-settled share options	13,229	7,194
Exercise of share options	(6,640)	(933)
Expiry of share options	(516)	–
Balance at 31 March	17,971	11,898

(b) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

13. Deferred Taxation (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2007	2006	2007	2006
Balance at 1 April	14,842	14,418	14,522	14,418
Provision for the financial year	47	424	305	104
Over provision in respect of prior years	(273)	–	(273)	–
Adjustment for reduction in Singapore statutory tax rate	(1,425)	–	(1,425)	–
Balance at 31 March	13,191	14,842	13,129	14,522

Notes to the Financial Statements

31 March 2007

13. Deferred Taxation (in thousands of $) (continued)

Deferred tax relates to the following items:

	Group				Company	
	Consolidated balance sheet 31 March		Consolidated profit and loss account		Balance sheet 31 March	
	2007	2006	**2006-07**	2005-06	**2007**	2006
<u>Deferred tax liability</u>						
Differences in depreciation	**14,267**	16,114	**(1,847)**	(166)	**13,963**	15,794
<u>Deferred tax asset</u>						
Other items	**(1,076)**	(1,272)	**196**	590	**(834)**	(1,272)
	13,191	14,842			**13,129**	14,522
Deferred income tax expense			**(1,651)**	424		

14. Finance Lease Commitments (in thousands of $)

Future minimum lease payments under finance lease together with the present value of the net minimum lease payments are as follows:

	The Group 31 March			
	2007		2006	
	Minimum payments	**Repayment of Principal**	Minimum payments	Repayment of Principal
Not later than one year	**1,952**	**1,952**	245	241
Later than one year but not later than five years	**–**	**–**	1,952	1,952
Total future lease payments	**1,952**	**1,952**	2,197	2,193
Amounts representing interest	*****	*****	(4)	–
Principal value of long-term commitments under finance lease	**1,952**	**1,952**	2,193	2,193

The Group has a lease agreement for a building for a lease term of 30 years from August 2005. The lease commitment is payable by instalment over a period of 24 months, at an interest rate of 2% per annum.

* Amounts less than $1,000.

Notes to the Financial Statements

31 March 2007

15. Fixed Assets (in thousands of $)

	Balance at 1 April 2006	Additions	Disposals/ Transfers	Balance at 31 March 2007
Group				
Cost				
Leasehold land and buildings	197,951	3,047	4	201,002
Plant, equipment and tooling	205,102	16,197	(1,774)	219,525
Engine overhaul tooling	4,535	417	28	4,980
Aircraft rotable spares	28,983	24,225	(1,569)	51,639
Office furniture and equipment	21,601	1,311	(586)	22,326
Motor vehicles	6,015	425	78	6,518
	464,187	45,622	(3,819)	505,990
Advance and progress payments	551	2,396	(274)	2,673
	464,738	48,018	(4,093)	508,663
Accumulated depreciation and impairment				
Leasehold land and buildings	51,357	6,697	–	58,054
Plant, equipment and tooling	147,991	14,480	(1,679)	160,792
Engine overhaul tooling	3,993	542	1	4,536
Aircraft rotable spares	9,074	3,038	(776)	11,336
Office furniture and equipment	16,981	1,673	(569)	18,085
Motor vehicles	5,258	364	(90)	5,532
	234,654	26,794	(3,113)	258,335
Net book value	230,084			250,328

	Depreciation		Net Book Value 31 March	
	2006-07	2005-06	**2007**	2006
Leasehold land and buildings	**6,697**	6,507	**142,948**	146,594
Plant, equipment and tooling	**14,480**	12,915	**58,733**	57,111
Engine overhaul tooling	**542**	710	**444**	542
Aircraft rotable spares	**3,038**	3,723	**40,303**	19,909
Office furniture and equipment	**1,673**	1,227	**4,241**	4,620
Motor vehicles	**364**	379	**986**	757
Advance and progress payments	**–**	–	**2,673**	551
	26,794	25,461	**250,328**	230,084

	The Group 31 March	
	2007	2006
Net book value of fixed assets acquired under finance lease:		
- Leasehold land and building	**2,282**	2,362

Notes to the Financial Statements

31 March 2007

15. Fixed Assets (in thousands of $) (continued)

	Balance at 1 April 2005	Additions	Disposals/ Transfers	Balance at 31 March 2006
Group				
Cost				
Leasehold land and buildings	169,122	11,621*	17,208	197,951
Plant, equipment and tooling	189,633	16,038	(569)	205,102
Engine overhaul tooling	4,573	–	(38)	4,535
Aircraft rotable spares	23,124	10,257	(4,398)	28,983
Office furniture and equipment	18,573	1,933	1,095	21,601
Motor vehicles	5,932	258	(175)	6,015
	410,957	40,107	13,123	464,187
Advance and progress payments	25,544	304	(25,297)	551
	436,501	40,411	(12,174)	464,738
Accumulated depreciation and impairment				
Leasehold land and buildings	44,850	6,507	–	51,357
Plant, equipment and tooling	141,211	12,915	(6,135)	147,991
Engine overhaul tooling	3,321	710	(38)	3,993
Aircraft rotable spares	4,077	3,723	1,274	9,074
Office furniture and equipment	16,452	1,227	(698)	16,981
Motor vehicles	5,032	379	(153)	5,258
	214,943	25,461	(5,750)	234,654
Net book value	221,558			230,084

	Depreciation		Net Book Value 31 March	
	2005-06	2004-05	2006	2005
Leasehold land and buildings	6,507	4,971	146,594	124,272
Plant, equipment and tooling	12,915	12,212	57,111	48,422
Engine overhaul tooling	710	887	542	1,252
Aircraft rotable spares	3,723	1,118	19,909	19,047
Office furniture and equipment	1,227	848	4,620	2,121
Motor vehicles	379	466	757	900
Advance and progress payments	–	–	551	25,544
	25,461	20,502	230,084	221,558

* During the financial year, one of the subsidiary companies acquired a building with an aggregate fair value of approximately $2,402,000 by means of finance lease. The carrying amount of the building held under finance lease as at 31 March 2006 was approximately $2,362,000.

Notes to the Financial Statements

31 March 2007

15. Fixed Assets (in thousands of $) (continued)

	Balance at 1 April 2006	Additions	Disposals/ Transfers	Balance at 31 March 2007
Company				
Cost				
Leasehold land and buildings	187,514	2,658	4	190,176
Plant, equipment and tooling	200,166	13,268	(1,122)	212,312
Engine overhaul tooling	4,535	–	–	4,535
Aircraft rotable spares	28,983	20,680	(1,145)	48,518
Office furniture and equipment	20,969	1,019	(593)	21,395
Motor vehicles	5,925	422	(96)	6,251
	448,092	38,047	(2,952)	483,187
Advance and progress payments	551	2,397	(275)	2,673
	448,643	40,444	(3,227)	485,860
Accumulated depreciation and impairment				
Leasehold land and buildings	49,181	6,289	–	55,470
Plant, equipment and tooling	146,001	13,826	(1,215)	158,612
Engine overhaul tooling	3,993	507	–	4,500
Aircraft rotable spares	9,074	2,769	(772)	11,071
Office furniture and equipment	16,748	1,497	(593)	17,652
Motor vehicles	5,169	339	(103)	5,405
	230,166	25,227	(2,683)	252,710
Net book value	218,477			233,150

	Depreciation		Net Book Value 31 March	
	2006-07	2005-06	**2007**	2006
Leasehold land and buildings	**6,289**	6,210	**134,706**	138,333
Plant, equipment and tooling	**13,826**	12,639	**53,700**	54,165
Engine overhaul tooling	**507**	710	**35**	542
Aircraft rotable spares	**2,769**	3,723	**37,447**	19,909
Office furniture and equipment	**1,497**	1,141	**3,743**	4,221
Motor vehicles	**339**	379	**846**	756
Advance and progress payments	**–**	–	**2,673**	551
	25,227	24,802	**233,150**	218,477

Notes to the Financial Statements

31 March 2007

15. Fixed Assets (in thousands of $) (continued)

	Balance at 1 April 2005	Additions	Disposals/ Transfers	Balance at 31 March 2006
Company				
Cost				
Leasehold land and buildings	163,787	6,519	17,208	187,514
Plant, equipment and tooling	187,788	12,937	(559)	200,166
Engine overhaul tooling	4,573	–	(38)	4,535
Aircraft rotable spares	23,124	10,257	(4,398)	28,983
Office furniture and equipment	18,353	1,514	1,102	20,969
Motor vehicles	5,842	258	(175)	5,925
	403,467	31,485	13,140	448,092
Advance and progress payments	25,544	304	(25,297)	551
	429,011	31,789	(12,157)	448,643
Accumulated depreciation and impairment				
Leasehold land and buildings	42,971	6,210	–	49,181
Plant, equipment and tooling	139,487	12,639	(6,125)	146,001
Engine overhaul tooling	3,321	710	(38)	3,993
Aircraft rotable spares	4,077	3,723	1,274	9,074
Office furniture and equipment	16,304	1,141	(697)	16,748
Motor vehicles	4,943	379	(153)	5,169
	211,103	24,802	(5,739)	230,166
Net book value	217,908			218,477

	Depreciation		Net Book Value 31 March	
	2005-06	2004-05	2006	2005
Leasehold land and buildings	6,210	4,756	138,333	120,816
Plant, equipment and tooling	12,639	12,110	54,165	48,301
Engine overhaul tooling	710	887	542	1,252
Aircraft rotable spares	3,723	1,118	19,909	19,047
Office furniture and equipment	1,141	855	4,221	2,049
Motor vehicles	379	463	756	899
Advance and progress payments	–	–	551	25,544
	24,802	20,189	218,477	217,908

Notes to the Financial Statements

31 March 2007

15. Fixed Assets (in thousands of $) (continued)

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
(vii)	Factory at 45 Changi North Crescent, Singapore	4,447 sqm/2,738 sqm	Leasehold, 30 years commencing 10 August 2005

Notes to the Financial Statements

31 March 2007

16. Intangibles (in thousands of $)

Group	Balance at 1 April 2006	Additions	Disposals/ Transfers	Balance at 31 March 2007
Cost				
Computer software	35,204	765	128	36,097
Other intangible assets	–	2,871	–	2,871
	35,204	3,636	128	38,968
Accumulated depreciation and impairment				
Computer software	16,004	7,093	–	23,097
Other intangible assets	–	613	–	613
	16,004	7,706	–	23,710
Net book value	19,200			15,258

	Amortisation		Net Book Value 31 March	
	2006-07	2005-06	**2007**	2006
Computer software	**7,093**	7,022	**13,000**	19,200
Other intangible assets	**613**	–	**2,258**	–
	7,706	7,022	**15,258**	19,200

Group	Balance at 1 April 2005	Additions	Disposals/ Transfers	Balance at 31 March 2006
Cost				
Computer software	33,766	1,438	–	35,204
Other intangible assets	–	–	–	–
	33,766	1,438	–	35,204
Accumulated depreciation and impairment				
Computer software	8,982	7,022	–	16,004
Other intangible assets	–	–	–	–
	8,982	7,022	–	16,004
Net book value	24,784			19,200

	Amortisation		Net Book Value 31 March	
	2005-06	2004-05	2006	2005
Computer software	7,022	4,263	19,200	24,784
Other intangible assets	–	–	–	–
	7,022	4,263	19,200	24,784

The remaining amortisation period for intangibles ranges from 1 to 5 years.

Notes to the Financial Statements

31 March 2007

16. Intangibles (in thousands of $) (continued)

Company	Balance at 1 April 2006	Additions	Disposals/ Transfers	Balance at 31 March 2007
Cost				
Computer software	34,525	545	128	35,198
Other intangible assets	–	2,871	–	2,871
	34,525	3,416	128	38,069
Accumulated depreciation and impairment				
Computer software	15,627	6,913	–	22,540
Other intangible assets	–	613	–	613
	15,627	7,526	–	23,153
Net book value	18,898			14,916

	Amortisation		Net Book Value 31 March	
	2006-07	2005-06	**2007**	2006
Computer software	**6,913**	6,913	**12,658**	18,898
Other intangible assets	**613**	–	**2,258**	–
	7,526	6,913	**14,916**	18,898

Company	Balance at 1 April 2005	Additions	Disposals/ Transfers	Balance at 31 March 2006
Cost				
Computer software	33,319	1,206	–	34,525
Other intangible assets	–	–	–	–
	33,319	1,206	–	34,525
Accumulated depreciation and impairment				
Computer software	8,714	6,913	–	15,627
Other intangible assets	–	–	–	–
	8,714	6,913	–	15,627
Net book value	24,605			18,898

	Amortisation		Net Book Value 31 March	
	2005-06	2004-05	2006	2005
Computer software	6,913	4,146	18,898	24,605
Other intangible assets	–	–	–	–
	6,913	4,146	18,898	24,605

The remaining amortisation period for intangibles ranges from 1 to 5 years.

Notes to the Financial Statements

31 March 2007

17. Subsidiary Companies (in thousands of $)

	The Company	
	31 March	
	2007	2006
Unquoted shares, at cost	16,320	16,320

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	
			2007	2006	2007	2006
Singapore Jamco Pte Ltd *	Manufacturing aircraft cabin equipment and refurbishment of aircraft galleys	Singapore	3,816	3,816	65.0	65.0
Aviation Partnership (Philippines) Corporation #	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Philippines	2,762	2,762	51.0	51.0
Aerospace Component Engineering Services Pte Limited *	Repair and overhaul of hydro-mechanical equipment for Boeing and Airbus aircraft	Singapore	9,742	9,742	51.0	51.0
SIAEC Global Pte Ltd *	Investment holding	Singapore	@	@	100.0	100.0

* Audited by Ernst & Young, Singapore
# Audited by Ernst & Young, Philippines (SGV & Co)
@ Cost of investment and issued and paid-up share capital is $2

18. Associated Companies (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2007	2006	2007	2006
Unquoted shares, at cost	164,672	168,330	164,672	168,330
Share of post-acquisition profits	240,360	175,025	–	–
Goodwill written-off to reserves	(25,237)	(25,237)	–	–
Translation adjustment	(40,147)	(18,339)	–	–
	339,648	299,779	164,672	168,330

Notes to the Financial Statements

31 March 2007

18. Associated Companies (in thousands of $) (continued)

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	
			2007	2006	**2007**	2006
Asian Compressor Technology Services Co Ltd #	Repair and overhaul of aircraft engine high pressure compressor stators	Taiwan	**4,104**	4,104	**24.5**	24.5
Asian Surface Technologies Pte Ltd ^	Repair and overhaul of aircraft engine fan blades	Singapore	**2,718**	6,376	**39.2**	29.0
Combustor Airmotive Services Pte Ltd ##	Repair and overhaul of aircraft engine combustion chambers, guides, fuel nozzles and related parts	Singapore	**3,011**	3,011	**49.0**	49.0
Eagle Services Asia Private Limited ##	Repair and overhaul of aircraft engines	Singapore	**71,588**	71,588	**49.0**	49.0
Fuel Accessory Service Technologies Pte Ltd ##	Repair and overhaul of engine fuel components and accessories	Singapore	**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 application	Singapore	**5,286**	5,286	**33.3**	33.3
Jamco Aero Design & Engineering Pte Ltd **	Provide turnkey solutions for aircraft interior modifications	Singapore	**767**	767	**45.0**	45.0
Messier Services Asia Private Limited @	Repair and overhaul of Boeing and Airbus series landing gears	Singapore	**13,971**	13,971	**40.0**	40.0
Pan Asia Pacific Aviation Services Ltd *	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Hong Kong	**5,373**	5,373	**47.1**	47.1

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31 March 2007

18. 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	
			2007	2006	2007	2006
PT Jas Aero-Engineering Services @@	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Indonesia	**3,675**	3,675	**49.0**	49.0
PWA International Limited ###	Repair, overhaul and re-manufacture of aircraft turbine engine cases, components and related parts	Ireland	**6,217**	6,217	**49.0**	49.0
Goodrich Aerostructures Services Asia Pte Ltd (GASCA) **	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 and overhaul of aircraft engine turbine airfoils	Singapore	**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
^ Audited by RSM Chio Lim, Singapore

The summarised financial information of the associates is as follows:

	The Group 31 March	
	2007	2006
Assets and liabilities		
Current assets	**656,472**	668,395
Non-current assets	**199,491**	189,309
	855,963	857,704
Current liabilities	**102,093**	172,248
Non-current liabilities	**10,483**	9,619
	112,576	181,867
	2006-07	2005-06
Results		
Revenue	**1,595,064**	1,180,464
Profit for the financial year	**228,722**	184,751

Notes to the Financial Statements

31 March 2007

19. Joint Venture Companies (in thousands of $)

	The Group 31 March 2007	The Group 31 March 2006	The Company 31 March 2007	The Company 31 March 2006
Unquoted shares, at cost	**56,599**	56,599	**56,599**	56,599
Share of post acquisition profits	**36,297**	16,596	**–**	–
Translation adjustment	**(7,068)**	(3,360)	**–**	–
	85,828	69,835	**56,599**	56,599

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

	The Group 31 March 2007	The Group 31 March 2006
<u>Assets and liabilities</u>		
Current assets	**135,437**	114,187
Non-current assets	**57,078**	58,693
	192,515	172,880
Current liabilities	**68,570**	65,424
Non-current liabilities	**38,117**	37,621
	106,687	103,045

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

	The Group 2006-07	The Group 2005-06
<u>Results</u>		
Revenue	**426,037**	267,810
Expenses	**392,610**	247,944

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 2007	Cost 2006	Percentage equity held by the Group 2007	Percentage equity held by the Group 2006
International Engine Component Overhaul Pte Ltd *	Repair and overhaul of aero engine components and parts	Singapore	**10,067**	10,067	**50.0**	50.0
Singapore Aero Engine Services Pte Ltd *	Repair and overhaul of aircraft engines	Singapore	**46,532**	46,532	**50.0**	50.0

* Audited by Ernst & Young, Singapore

Notes to the Financial Statements

31 March 2007

20. Long-term Investments (In thousands of $)

	The Group 31 March 2007	The Group 31 March 2006	The Company 31 March 2007	The Company 31 March 2006
Unquoted equity investments, at cost	**14,606**	14,606	**14,606**	14,606

The Company holds a 10.0% (2006: 10.0%) investment in ordinary shares 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.

21. Trade and Other Debtors (in thousands of $)

	The Group 31 March 2007	The Group 31 March 2006	The Company 31 March 2007	The Company 31 March 2006
Trade debtors	**56,011**	40,559	**45,866**	34,164
Other debtors	**9,775**	12,116	**9,463**	11,498
	65,786	52,675	**55,329**	45,662

As at 31 March 2007, 95% of trade debtors (2006: 92%) were held in United States dollars by the Group.

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

	The Group 31 March 2007	The Group 31 March 2006	The Company 31 March 2007	The Company 31 March 2006
Balance at 1 April	**10,107**	5,671	**10,072**	5,671
Effect of adopting FRS 39	**–**	(1,412)	**–**	(1,412)
(Write-back) / Charge to profit and loss, net	**(4,786)**	5,848	**(4,828)**	5,813
Balance at 31 March	**5,321**	10,107	**5,244**	10,072
Bad debts written-off directly to profit and loss account, net of debts recovered	**644**	117	**644**	117

22. Immediate Holding Company

The amounts due from the immediate holding company, which are carried at cost, are unsecured, trade-related, interest-free and are repayable on demand.

Notes to the Financial Statements

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23. Related Parties

The amounts due from related parties, which are carried at cost, are unsecured, trade-related, interest-free and are repayable on demand.

24. Stocks (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2007	2006	**2007**	2006
Aircraft and component spares	**10,230**	7,259	**8,906**	6,668
Consumable stores and stocks	**422**	261	**283**	231
Raw materials	**828**	734	**–**	–
Total stocks at lower of cost and net realisable value	**11,480**	8,254	**9,189**	6,899

During the financial year, the Group wrote down $0.1 million (2005-06: $0.5 million) of stocks, which are recognised as expense in the profit and loss account.

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	
	2007	2006	**2007**	2006
Balance at 1 April	**5,363**	4,891	**5,319**	4,865
Charge to profit and loss, net	**53**	472	**17**	454
Provision utilised during the financial year	**(15)**	–	**–**	–
Balance at 31 March	**5,401**	5,363	**5,336**	5,319

Stocks are stated at:

	The Group		The Company	
	31 March		31 March	
	2007	2006	**2007**	2006
Cost	**2,589**	1,644	**298**	316
Net realisable value	**8,891**	6,610	**8,891**	6,583
	11,480	8,254	**9,189**	6,899

Notes to the Financial Statements

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25. Short-Term Deposits (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2007	2006	**2007**	2006
Deposits placed with the immediate holding company	**360,218**	453,006	**360,218**	453,006
Fixed deposits placed with banks	**9,527**	11,138	**2,098**	2,134
	369,745	464,144	**362,316**	455,140

Funds surplus to the Group'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 2.0% to 5.1% (2006: 1.9% to 3.8%) per annum and can be withdrawn on demand. The interest rates are repriced at varying periods within 12 months (2006: 12 months).

As at 31 March 2007, 3.2% of short-term deposits (2006: 0.9%) were held in United States dollars by the Group.

26. Cash and Bank Balances

Most of these balances are placed in interest-bearing current accounts earning interest ranging from 0.1% to 4.8% (2006: 0.1% to 4.3%) per annum.

As at 31 March 2007, the composition of cash and bank balances held in foreign currencies by the Group is as follows: United States dollars - 58% (2006: 58%) and Philippine peso - 0.1% (2006: 2%).

27. Trade and Other Creditors (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2007	2006	**2007**	2006
Trade	**96,755**	110,544	**86,908**	107,688
Accruals	**144,601**	109,996	**140,357**	105,257
Provision for warranty claims	**1,553**	3,029	**1,553**	3,029
Sundry	**519**	527	**–**	–
	243,428	224,096	**228,818**	215,974

As at 31 March 2007, 44% of trade creditors (2006: 62%) were held in United States dollars by the Group.

27. Trade and Other Creditors (in thousands of $) (continued)

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

	The Group		The Company	
	31 March		31 March	
	2007	2006	**2007**	2006
Balance at 1 April	**3,029**	2,842	**3,029**	2,842
(Write-back) / Charge to profit and loss, net	**(1,063)**	535	**(1,063)**	535
Provision utilised during the year	**(413)**	(348)	**(413)**	(348)
Balance at 31 March	**1,553**	3,029	**1,553**	3,029

28. Bank loans (in thousands of $)

	The Group	
	31 March	
	2007	2006
Revolving credit facility	**750**	750

The revolving credit facility taken by a subsidiary company is denominated in Singapore dollars, unsecured and bears interest between 4.2% and 4.4% (2006: 2.8% and 4.2%) per annum. The interest rate is repriced within 12 months (2006: 12 months).

29. Cash Flow From Operating Activities (in thousands of $)

	The Group	
	2006-07	2005-06
Cash Flow From Operating Activities		
Profit before taxation	**270,961**	263,290
Adjustments for:		
Interest income	**(13,676)**	(9,190)
Interest expense	**33**	26
Depreciation	**26,794**	25,461
Amortisation of intangibles	**7,706**	7,022
Share of profits of associated and joint venture companies	**(139,563)**	(105,619)
Dividend income from long-term investment	**(15,452)**	(11,922)
Surplus on disposal of fixed assets	**(274)**	(1,906)
Exchange differences	**2,950**	1,361
Share-based payment	**13,194**	7,158
Operating profit before working capital changes	**152,673**	175,681
Increase in debtors	**(14,839)**	(12,303)
(Increase) / Decrease in stocks and work-in-progress	**(20,842)**	20,664
Increase in creditors	**19,784**	21,973
Decrease / (Increase) in amounts owing from related companies	**18,292**	(20,454)
Cash generated from operations	**155,068**	185,561
Income taxes paid	**(9,682)**	(12,576)
Net cash provided by operating activities	**145,386**	172,985

Notes to the Financial Statements

31 March 2007

30. Capital and Other Commitments

(a) Capital expenditure commitments

The Group and the Company have contractual commitments for capital expenditure. Such commitments aggregated approximately $57,622,000 (2006: approximately $44,260,000) for the Group and approximately $57,579,000 (2006: approximately $44,174,000) for the Company.

In addition, the Group's share of a joint venture company's purchase commitments for fixed assets totalling approximately $6,235,000 (2006: approximately $4,985,000).

(b) Operating lease commitments (in thousands of $)

The Group has entered into operating lease agreements for certain equipment and leasehold land and buildings. These non-cancellable leases have lease terms of between 1 and 18 years. There are no restrictions placed upon the Group or the Company by these lease arrangements.

Future lease payments under non-cancellable operating leases are as follows:

	The Group	
	31 March	
	2007	2006
Within one year	258	173
After one year but less than 5 years	574	486
More than 5 years	1,437	1,471
	2,269	2,130

31. Contingent Liabilities, Unsecured

There are contingent liabilities in respect of bank guarantees and performance bond given by the Group and the Company at 31 March 2007 amounting to approximately $3,232,000 (2006: approximately $3,103,000) and $3,032,000 (2006: approximately $2,910,000) respectively.

32. 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 subsidiary, associated and joint venture companies that operate in six 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. The Group's policy is to use derivatives to hedge specific exposures.

32. Financial Risk Management Objectives and Policies (continued)

As derivatives are used for the purpose of risk management, they do not expose the Group to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, revenues or costs being hedged. Moreover, counterparty credit risk is generally restricted to any hedging gain from time to time, and not the principal amount hedged. Therefore the possibility of material loss arising in the event of non-performance by a counterparty is considered to be unlikely.

Financial risk management policies are periodically reviewed and approved by the Audit Committee.

(a) Foreign currency risk

The Group is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated operating revenues and expenses. For the financial year ended 31 March 2007, these accounted for 19% of total revenue (2005-06: 14%) and 6% of total operating expenses (2005-06: 4%). The Group's largest exposure is from United States dollars.

The Group manages its foreign exchange exposure by a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, as soon as practicable, for Singapore dollars. The Group also uses forward foreign currency contracts to hedge a portion of its future foreign exchange exposure. Such contracts provide for the Group to sell United States dollars at predetermined forward rates, depending on forecast requirements, with settlement dates that range from one month up to one year. The Group uses forward contracts purely as a hedging tool. It does not take positions in currencies with a view to make speculative gains from currency movements.

(b) Credit risk exposures and significant concentrations of credit risk

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets, which comprise cash and cash equivalents, short-term deposits, trade debtors (including immediate holding company and related parties balances and other debtors), is the carrying amount of those assets as indicated in the balance sheet as of 31 March 2007.

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 2007, the only trade debtor exceeding 10% of the Group's trade debtors was an amount of approximately $73,705,000 (2006: approximately $84,631,000) due from its immediate holding company, Singapore Airlines Limited.

(c) 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.

32. Financial risk management objectives and policies (continued)

(d) Liquidity risk

As at 31 March 2007, the Group had at its disposal cash and short-term deposits amounting to $400.3 million (2006: $500.6 million). In addition, the Group had available short-term credit facilities of approximately $10.7 million (2006: $7.6 million).

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.

33. Financial Instruments

(a) Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

(b) Financial instruments carried at fair value

The fair value of forward currency contracts is determined by reference to current forward prices for contracts with similar maturity profiles.

(c) Financial instruments whose carrying amounts approximate fair value

The carrying amounts of the following financial assets and liabilities approximate their fair values due to their short-term nature: cash and bank balances, funds from subsidiary companies, amounts owing by/to subsidiary, immediate holding company, associated and joint venture companies, loans, trade debtors and creditors. The carrying values of the long-term lease commitments approximate their fair values.

(d) Financial instruments carried at other than fair value

Unquoted shares in the long-term investment stated at cost have no market prices and the fair value cannot be reliably measured using valuation techniques.

34. Related Party Transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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31 March 2007

34. Related Party Transactions (continued)

In addition to the related party information disclosed elsewhere in the financial statements, these were the following significant related party transactions which were carried out in the normal course of business on terms that prevail in arm's length transactions during the financial year:

	The Group		The Company	
(in thousands of $)	2006-07	2005-06	2006-07	2005-06
Income				
Sales of services and related materials to:				
- the immediate holding and related companies	689,957	720,681	668,550	711,273
- associated companies	4,901	4,497	4,901	4,497
- joint venture companies	9,142	6,944	9,142	6,944
Interest income from the immediate holding company	11,718	7,561	11,718	7,561
Equipment fee charged to the immediate holding company	4,828	5,383	4,828	5,383
Rental of office space charged to the immediate holding company	1,397	2,149	1,397	2,149
Expense				
Management fees charged by the immediate holding company for corporate, general and administrative, technical and insurance services and equipment leases	11,659	12,373	11,659	12,373
Rental of workshop and office space charged by the immediate holding company	22,805	22,865	22,805	22,865
Purchases of materials from the immediate holding company	199,499	215,326	199,499	215,326
Purchases of goods from:				
- associated companies	5,005	9,570	5,005	9,570
- joint venture companies	13	4	13	4
Services rendered by:				
- the immediate holding company	9,389	8,845	9,389	8,845
- a related company	2,936	3,179	2,936	3,179

Notes to the Financial Statements
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34. Related Party Transactions (continued)

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

	The Company 2006-07	The Company 2005-06
Directors		
Directors' fees	**741,068 ***	542,404
Key executives (excluding executive directors)		
Salary, bonuses and other costs	**2,994,000**	1,778,000
CPF and other defined contributions	**49,000**	39,000
Share based compensation expense	**530,000**	244,000

* proposed

Share options granted to and exercised by 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
William Tan	153,800	$3.44	1,442,800	380,000	–	1,062,800
Oh Wee Khoon	43,000	$3.44	861,500	651,800	–	209,700
Chan Seng Yong	43,000	$3.44	748,225	488,725	–	259,500
Png Kim Chiang	43,000	$3.44	710,200	300,075	–	410,125
Jack Koh Swee Lim	43,000	$3.44	43,000	–	–	43,000
Zarina Piperdi	78,000	$3.44	78,000	–	–	78,000

Notes to the Financial Statements

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34. Related Party Transactions (continued)

Conditional awards granted to key executives of the Company pursuant to RSP and PSP are as follows:

Name of participant	Shares granted during financial year under review	Aggregate shares granted since commencement of scheme to end of financial year under review	Aggregate shares released since commencement of scheme to end of financial year under review	Shares lapsed	Aggregate shares outstanding at end of financial year under review
RSP					
William Tan	23,100 *	23,100	–	–	23,100
Oh Wee Khoon	6,500	6,500	–	–	6,500
Chan Seng Yong	6,500	6,500	–	–	6,500
Png Kim Chiang	6,500	6,500	–	–	6,500
Jack Koh Swee Lim	6,500	6,500	–	–	6,500
Zarina Piperdi	8,400	8,400	–	–	8,400
PSP					
William Tan	13,700 *	13,700	–	–	13,700
Oh Wee Khoon	5,800 *	5,800	–	–	5,800
Chan Seng Yong	5,800 *	5,800	–	–	5,800
Png Kim Chiang	5,800 *	5,800	–	–	5,800
Jack Koh Swee Lim	5,800 *	5,800	–	–	5,800

* Exceed 5% of the RSP and / or PSP share awards respectively

Additional Information

Required By The Singapore Exchange Securities Trading Limited

1. Interested Persons Transactions (in thousands of $)

The aggregate value of interested persons 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)
Singapore Airlines Ltd	–	123,313
SIA Cargo Pte Ltd *(wholly-owned by Singapore Airlines Ltd)*	–	4,620
SilkAir Pte Ltd *(wholly-owned by Singapore Airlines Ltd)*	–	812
Tiger Airways Pte Ltd *(49% owned by Singapore Airlines Ltd, 11% by Dahlia Investments Pte Ltd which is a wholly-owned subsidiary of Temasek Holdings Pte Ltd)*	–	5,000
Senoko Energy Supply Pte Ltd *(100% owned by Senoko Power Limited and ultimately by Temasek Holdings Pte Ltd)*	–	4,072
Keppel FMO Pte Ltd *(100% owned by Keppel Integrated Engineering Ltd (KIE), 100% of KIE owned by Keppel Corporation Ltd (KCL) and 32% of KCL is owned by Temasek Holdings Pte Ltd)*	–	516
Great Wall Airlines Co Ltd *(25% owned by SIA Cargo Pte Ltd and 24% owned by Dahlia Investments Pte Ltd which is a wholly-owned subsidiary of Temasek Holdings Pte Ltd)*	–	22,550
Jetstar and Valuair *(more than 30% held by Fullerton Management and ultimately by Temasek Holdings Pte Ltd)*	–	4,000
Republic Advertising Consultants *(100% owned by SNP Corporation Ltd which is 54.29% owned by Green Dot Capital Ltd, which in turn is wholly-owned by Temasek Holdings Pte Ltd)*	–	196
Total	–	**165,079**

Additional Information

Required By The Singapore Exchange Securities Trading Limited

2. Material Contracts

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving interests of the Chief Executive Officer, directors or controlling shareholders and no such material contracts still subsist at the end of the financial year.

Quarterly Results of the Group

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue:						
2006-07	**($ million)**	**248.6**	**244.3**	**245.8**	**238.7**	**977.4**
	(%)	**25.4**	**25.0**	**25.2**	**24.4**	**100.0**
2005-06	($ million)	223.5	240.0	235.3	260.3	959.1
	(%)	23.3	25.0	24.5	27.2	100.0
Expenditure:						
2006-07	**($ million)**	**215.5**	**209.6**	**219.3**	**231.0**	**875.4**
	(%)	**24.6**	**23.9**	**25.1**	**26.4**	**100.0**
2005-06	($ million)	190.5	213.6	212.7	207.6	824.4
	(%)	23.1	25.9	25.8	25.2	100.0
Operating profit:						
2006-07	**($ million)**	**33.1**	**34.7**	**26.5**	**7.7**	**102.0**
	(%)	**32.5**	**34.0**	**26.0**	**7.5**	**100.0**
2005-06	($ million)	33.0	26.4	22.6	52.7	134.7
	(%)	24.5	19.6	16.8	39.1	100.0
Profit before taxation:						
2006-07	**($ million)**	**74.5**	**80.4**	**63.5**	**52.6**	**271.0**
	(%)	**27.5**	**29.7**	**23.4**	**19.4**	**100.0**
2005-06	($ million)	62.0	58.4	60.6	82.3	263.3
	(%)	23.5	22.2	23.0	31.3	100.0
Profit attributable to equity holders of the Company:						
2006-07	**($ million)**	**66.4**	**72.0**	**55.3**	**48.4**	**242.1**
	(%)	**27.4**	**29.8**	**22.8**	**20.0**	**100.0**
2005-06	($ million)	55.2	50.4	53.2	71.8	230.6
	(%)	23.9	21.9	23.1	31.1	100.0
Earnings (after tax) per share - basic:						
2006-07	**(cents)**	**6.4**	**6.8**	**5.2**	**4.6**	**23.0**
	(%)	**27.8**	**29.6**	**22.6**	**20.0**	**100.0**
2005-06	(cents)	5.4	4.9	5.2	7.0	22.5
	(%)	24.0	21.8	23.1	31.1	100.0

Five-year Financial Summary of the Group

	2006-07	2005-06	2004-05	2003-04	2002-03
Profit and loss account ($ million)					
Revenue	**977.4**	959.1	807.5	678.7	878.1
Expenditure	**875.4**	824.4	706.7	600.7	737.2
Operating profit	**102.0**	134.7	100.8	78.0	140.9
Other income	**29.5**	23.0	9.0	4.3	4.7
Share of profits of associated and joint venture companies	**139.5**	105.6	75.5	48.8	70.8
Exceptional item	**–**	–	9.0	(3.1)	–
Profit before tax	**271.0**	263.3	194.3	128.0	216.4
Profit attributable to equity holders of the Company	**242.1**	230.6	170.4	139.0	205.2
Balance sheet ($ million)					
Share capital	**214.5**	163.1	101.8	100.5	100.0
Reserves					
General reserve	**811.7**	885.5	741.0	828.4	731.9
Share-based compensation reserve	**18.0**	11.9	5.6	0.9	–
Foreign currency translation reserve	**(47.1)**	(21.7)	(15.5)	(10.4)	5.0
Share premium	**–**	–	25.6	6.4	0.8
Equity attributable to equity holders of the Company	**997.1**	1,038.8	858.5	925.8	837.7
Minority interest	**13.2**	14.1	2.3	2.1	2.0
Deferred taxation	**13.2**	14.8	14.4	11.6	10.7
Fixed assets	**250.3**	230.1	221.5	207.4	194.8
Intangibles [R1]	**15.3**	19.2	24.8	–	–
Associated companies	**339.6**	299.8	277.2	246.4	244.4
Joint venture companies	**85.8**	69.8	56.0	52.6	52.6
Long-term investments	**14.6**	14.6	14.6	17.3	23.6
Current assets	**609.4**	694.1	506.3	596.5	574.4
Total assets	**1,315.0**	1,327.6	1,100.4	1,120.2	1,089.8
Long-term liability	**–**	2.0	–	–	–
Current liabilities	**291.5**	257.9	225.2	180.7	239.4
Total liabilities	**291.5**	259.9	225.2	180.7	239.4
Net liquid assets [R2]	**397.6**	497.6	325.2	473.7	404.2
Cash flow statement ($ million)					
Cash flow from operations	**155.0**	185.5	105.9	118.6	189.6
Internally-generated cash flow [R3]	**200.9**	250.5	136.0	146.8	212.5
Capital expenditure	**47.1**	38.2	56.9	35.5	28.8

Five-year Financial Summary of the Group (continued)

	2006-07	2005-06	2004-05	2003-04	2002-03
Profitability ratios (%)					
Return on shareholders' funds [R4]	**23.8**	24.3	19.1	15.8	27.0
Return on total assets	**18.4**	17.4	15.5	12.4	18.8
Return on turnover	**24.8**	24.0	21.1	20.5	23.4
Productivity and employee data					
Value added ($ million)	**717.0**	670.8	577.0	453.6	569.7
Value added per employee ($)	**126,651**	130,690	123,751	97,508	123,209
Revenue per employee ($)	**172,651**	186,857	173,173	145,889	189,928
Average number of employees	**5,661**	5,133	4,663	4,652	4,624
Per share data (cents)					
Earnings before tax	**25.7**	25.6	19.2	12.8	21.6
Earnings after tax - basic [R5]	**23.0**	22.5	16.9	13.9	20.5
- diluted [R6]	**22.5**	22.1	16.7	13.8	20.4
Net asset value [R7]	**93.9**	100.2	84.4	92.1	83.7
Gross dividends (cents per share)					
Interim dividend	**4.0**	4.0	3.0	2.0	2.0
Final dividend - ordinary	**8.0**#	6.0	4.5	2.5	2.5
- special	–	20.0	–	20.0	–
Total dividends	**12.0**	30.0	7.5	24.5	4.5

proposed

Notes:

R1 In accordance with the revised FRS 38: Intangible Assets, the Group has reclassified the net book value of computer software from fixed assets to intangible assets for 2004-05. The comparitives for 2002-03 to 2003-04 have not been restated.

R2 Net liquid assets is derived by offsetting current loans against liquid assets.

R3 Internally-generated cash flow comprises cash generated from operations, dividends from associated and joint venture companies, and proceeds from sale of fixed assets.

R4 Return on shareholders' funds is profit attributable to equity holders of the Company expressed as a percentage of the average equity attributable to equity holders of the Company.

R5 Earnings after tax per share (basic) is computed by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

R6 Earnings after tax per share (diluted) is computed by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue after adjusting for the dilutive effect on the exercise of all outstanding share options granted to employees.

R7 Net asset value per share is computed by dividing the equity attributable to equity holders of the Company by the number of ordinary shares in issue at 31 March.

Group Corporate Structure

as at 31 March 2007

SIA Engineering Company Limited

Subsidiary Companies

100%	SIAEC Global Pte Ltd
65%	Singapore Jamco Pte Ltd
51%	Aerospace Component Engineering Services Pte Limited
51%	Aviation Partnership (Philippines) Corporation

Joint Venture Companies

50%	International Engine Component Overhaul Pte Ltd
50%	Singapore Aero Engine Services Pte Ltd

Associated Companies

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%	Goodrich Aerostructures Service Center - Asia Pte Ltd
39.2%	Asian Surface Technologies Pte Ltd
33.3%	International Aerospace Tubes-Asia Pte Ltd
24.5%	Asian Compressor Technology Services Co Ltd
24.5%	Turbine Coating Services Private Limited

Shareholding Statistics

as at 16 May 2007

Issued and fully paid-up share capital	:	$208,241,080.35
Number of shares in issue	:	1,062,469,212
Class of shares	:	Ordinary shares
Voting rights	:	1 vote for 1 share

Range of Shareholdings	Number of Shareholders	%	Amount of Shareholdings	%
1 — 999	173	1.55	79,534	0.01
1,000 — 10,000	10,018	89.63	21,204,717	1.99
10,001 — 1,000,000	976	8.73	31,960,862	3.01
1,000,001 and above	10	0.09	1,009,224,099	94.99
Total	11,177	100.00	1,062,469,212	100.00

Major Shareholders

Name	Number Of Shares Held	%
SINGAPORE AIRLINES LIMITED	870,000,000	81.89
DBS NOMINEES PTE LTD	42,762,250	4.03
HSBC (SINGAPORE) NOMINEES PTE LTD	33,139,700	3.12
RAFFLES NOMINEES PTE LTD	22,953,015	2.16
CITIBANK NOMINEES SINGAPORE PTE LTD	19,389,300	1.83
DBSN SERVICES PTE LTD	8,929,734	0.84
UNITED OVERSEAS BANK NOMINEES PTE LTD	4,340,100	0.41
MORGAN STANLEY ASIA (S'PORE)	3,443,000	0.32
TM ASIA LIFE SINGAPORE LTD - PAR FUND	3,088,000	0.29
ROYAL BANK OF CANADA (ASIA) LTD	1,179,000	0.11
OCBC NOMINEES SINGAPORE PTE LTD	954,402	0.09
UOB KAY HIAN PTE LTD	840,000	0.08
MERRILL LYNCH (S'PORE) PTE LTD	735,500	0.07
PHILLIP SECURITIES PTE LTD	658,803	0.06
WONG KET SEONG @ WONG KET YIN	550,000	0.05
OCBC SECURITIES PRIVATE LTD	472,825	0.04
DB NOMINEES (S) PTE LTD	466,356	0.04
NTUC THRIFT & LOAN CO-OPERATIVE LIMITED	400,000	0.04
DBS VICKERS SECURITIES (S) PTE LTD	356,000	0.03
LIM & TAN SECURITIES PTE LTD	341,000	0.03
Total	1,014,998,985	95.53

Shareholding Statistics

as at 16 May 2007

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

Name	Direct Interest	Indirect Interest	Total Interest	%
Temasek Holdings (Pte) Ltd	Nil	873,318,000	873,318,000	82.20%
Singapore Airlines Ltd	870,000,000	Nil	870,000,000	81.89%

Shareholding Held By The Public

Based on the information available to the Company as of 16 May 2007, 18.11 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.

Share Price and Turnover

	2006-07	2005-06
Share Price (S$)		
Highest closing price	**4.94**	3.30
Lowest closing price	**3.12**	2.24
31 March closing price	**4.70**	3.12
Market Value Ratio*		
Price/Earnings	**20.43**	13.87
Price/Book Value	**5.01**	3.11
Price/Cash Earnings**	**17.90**	12.18

Notes:
* Based on closing price on 31 March
** Cash earnings is defined as profit attributable to equity holders of the Company plus depreciation and amortisation of intangibles.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 25th Annual General Meeting of SIA Engineering Company Limited ("**the Company**") will be held at Mandarin Ballroom 1, Level 6, South Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867 on Friday, 20 July 2007 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements of the Company for the year ended 31 March 2007 and the Auditors' Report thereon.

2. To declare a final tax exempt (one-tier) dividend of 8 cents per ordinary share for the year ended 31 March 2007.

3. To re-elect the following Director, who is retiring by rotation pursuant to Article 83 of the Company's Articles of Association and who, being eligible, offers himself for re-election pursuant to Article 84 of the Company's Articles of Association:

   3.1 Mr Tan Bian Ee

4. To re-elect the following Directors, each of whom will retire pursuant to Article 90 of the Company's Articles of Association and who, being eligible, offer themselves for re-election as Directors:

   4.1 Mr Paul Chan Kwai Wah
   4.2 Mr Andrew Lim Ming-Hui

5. To approve the payment of Directors' Fees of $741,068 (FY2005/2006: $542,404) for the year ended 31 March 2007.

6. 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.

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions with or without any modifications:

   7.1 That pursuant to Section 161 of the Companies Act, Cap 50, authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

Notice of Annual General Meeting

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent. of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10 per cent. of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or employee share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
(ii) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7.2 That the Directors be and are hereby authorised to:

(a) offer and grant options in accordance with the provisions of the SIAEC Employee Share Option Plan ("Share Option Plan") and/or to grant awards in accordance with the provisions of the SIAEC Performance Share Plan ("Performance Share Plan") and/or the SIAEC Restricted Share Plan ("Restricted Share Plan") (the Share Option Plan, the Performance Share Plan and the Restricted Share Plan, together the "Share Plans"); and

(b) allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be issued pursuant to the exercise of options under the Share Option Plan and/or such number of fully paid shares as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the Restricted Share Plan,

provided always that the aggregate number of ordinary shares to be issued pursuant to the Share Plans shall not exceed 15 per cent. of the total number of issued ordinary shares in the capital of the Company from time to time.

Notice of Annual General Meeting

7.3 That:

(a) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual ("Chapter 9") of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are "entities at risk" (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the letter to the shareholders dated 15 June 2007 (the "Letter") with any party who is of the class of interested persons described in the Appendix to the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval given in paragraph (a) above (the "IPT Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

8. To transact any other business of the Company which may arise and can be transacted at an annual general meeting.

CLOSURE OF BOOKS

NOTICE IS HEREBY GIVEN that, subject to the approval of shareholders to the final dividend being obtained at the 25th Annual General Meeting to be held on 20 July 2007, the Transfer Books and the Register of Members of the Company will be closed on 27 July 2007 for the preparation of dividend warrants.

Duly completed and stamped transfers (together with all relevant documents) received by the Share Registrar, M & C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906, up to 5 p.m. on 26 July 2007 will be registered to determine shareholders' entitlements to the final dividend. Subject as aforesaid, shareholders whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 26 July 2007 will be entitled to the final dividend.

The final dividend, if so approved by shareholders, will be paid on 7 August 2007.

BY ORDER OF THE BOARD

DEVIKA RANI DAVAR
Company Secretary
15 June 2007
Singapore

Notice of Annual General Meeting

Explanatory Notes:

1. In relation to Ordinary Resolution No. 3, Mr Tan Bian Ee, an independent Director, will, upon re-election, continue to serve as a member of the Audit and Nominating Committees.

2. In relation to Ordinary Resolution No. 4, Mr Paul Chan Kwai Wah and Mr Andrew Lim Ming-Hui are considered independent Directors. Mr Paul Chan Kwai Wah will, upon re-election, continue to serve as Chairman of the Nominating Committee.

3. Ordinary Resolution No. 7.1, if passed, will empower Directors to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, from the date of the above meeting until the date of the next Annual General Meeting. The number of shares which the Directors may issue under this Resolution will not exceed 50 per cent. of the issued shares in the capital of the Company with a sub-limit of 10 per cent. for issues other than on a pro rata basis. The 10 per cent. sub-limit for non-pro rata issues is lower than the 20 per cent. sub-limit allowed under the Listing Manual of the SGX-ST and the Articles of Association of the Company. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time this Ordinary Resolution is passed and (b) any subsequent consolidation or subdivision of shares. For avoidance of doubt, shareholders' approval would be required for any consolidation or subdivision of shares.

4. Ordinary Resolution No. 7.2, if passed, will empower the Directors to offer and grant options and/or awards and to allot and issue ordinary shares in the capital of the Company pursuant to the SIAEC Employee Share Option Plan, the SIAEC Performance Share Plan and the SIAEC Restricted Share Plan. The modified SIAEC Employee Share Option Plan was adopted at the Extraordinary General Meeting of the Company held on 7 July 2001 and further modified at the Extraordinary General Meetings of the Company held on 12 July 2003 and 26 July 2004 respectively. The SIAEC Performance Share Plan and the SIAEC Restricted Share Plan were adopted at the Extraordinary General Meeting of the Company held on 25 July 2005.

5. Ordinary Resolution No. 7.3 is to renew the mandate to allow the Company, its subsidiaries and relevant associated companies or any of them to enter into certain interested person transactions with certain classes of interested persons as described in the Appendix to the Letter.

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 or proxies must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, not less than 48 hours before the time appointed for the Annual General Meeting.

SIA ENGINEERING COMPANY LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No. 198201025C

Proxy Form - Annual General Meeting

1. For investors who have used their CPF monies to buy the Company's shares, this report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR THEIR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the 25th Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company's Registrar. (Please see Note No. 8 on the next page.

*I/We____________________________________(NRIC / Passport No.______________________________)

of____

being a *member/members of SIA Engineering Company Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	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 at Mandarin Ballroom 1, Level 6, South Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867 on Friday, 20 July 2007 at 10.00 am and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the AGM shall be *my/our *proxy/proxies to vote, for or against the 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.		**For	**Against
	Ordinary Business		
1.	Adoption of the Directors' Report, Audited Financial Statement and the Auditors' Report		
2.	Declaration of ordinary dividend		
3.	Re-election of Director retiring by rotation pursuant to Article 83 of the Articles of Association of the Company: 3.1 Mr Tan Bian Ee		
4.	Re-election of Directors retiring pursuant to Article 90 of the Articles of Association of the Company: 4.1 Mr Paul Chan Kwai Wah		
	4.2 Mr Andrew Lim Ming-Hui		
5.	Approval of Directors' Fees for the year ended 31 March 2007		
6.	Re-appointment and remuneration of Auditors		
	Special Business		
7.1	Authority for Directors to issue shares or make or grant offers, agreements or option requiring shares to be issued		
7.2	Authority for Directors to offer and grant options and issue shares in accordance with the provisions of the SIAEC Employee Share Option Plan and/or to grant awards and issue shares in accordance with the provisions of the SIAEC Performance Share Plan and SIAEC Restricted Share Plan		
7.3	To approve the proposed renewal of the Mandate for Interested Person Transactions		
8.	Any other business		

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

Dated this_____ day of ________________ 2007

Total number of Ordinary Shares held

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

IMPORTANT
Please read Notes on the reverse.

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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, failing which the appointments will be deemed to have been made in the alternative.
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 or officer duly authorised.
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 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 the AGM.
6. A member should insert the total number of Ordinary Shares held. If the member has Ordinary Shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act (Cap. 50), he should insert that number of Ordinary Shares. If the member has Ordinary Shares registered in his name in the Register of Members, he should insert that number of Ordinary Shares. If the member has Ordinary Shares entered against his name in the Depository Register as well as Ordinary Shares registered in his name in the Register of Members, he should insert the aggregate number of Ordinary Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Ordinary Shares held by the member.
7. The Company shall be entitled to reject this instrument of proxy if it is incomplete, or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of a member whose Ordinary Shares are entered in the Depository Register, the Company shall be entitled to reject this instrument of proxy which has been lodged if such member is not shown to have Ordinary Shares entered against his name in the Depository Register at least 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
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 Ordinary Shares held. The list, signed by an authorised signatory of the relevant 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 AGM.

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SIA ENGINEERING COMPANY

Affix
Postage
Stamp

The Company Secretary
SIA Engineering Company
c/o M & C Services Private Limited
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906

First fold along this line

SIA Engineering Company Limited
31 Airline Road Singapore 819831
E-mail: siaec@singaporeair.com.sg
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Tel : (65) 6542 3333
Fax : (65) 6546 0679
Company Registration No. 198201025C

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