SIA ENGINEERING COMPANY

integrating excellence

ANNUAL REPORT **2007/08**

company **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.

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

Certified a "People Developer" by Spring Singapore, SIA Engineering Company places a 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.

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.

contents


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integrating excellence

Our excellence in operations, partnerships and support infrastructure combine to propel growth

In our relentless pursuit to increase value-add for customers, we continuously work at strengthening our three main pillars of engineering excellence – operations, partnerships and support infrastructure. A myriad of activities goes on expeditiously round the clock to ensure smooth, on-time delivery for our airline customers worldwide.

Our operational staff are focused on delivering the highest standards of aircraft maintenance, acquiring skills on the latest aircraft types, taking on new forms of maintenance, repair and overhaul (MRO) work, such as VVIP aircraft cabin reconfiguration and passenger-to-freighter conversion, and setting their own records for the fastest turnaround time. Partnerships are strategically being forged to provide greater MRO network support and extend the Group's global presence. With people as the backbone of our competitive excellence, support infrastructure is continuously being improved to ensure we deliver the best in customer service. At the same time, IT infrastructure undergoes constant upgrading to improve workflow communication and training methodologies are raised to new heights to train engineers, technicians and support staff more efficiently.

With the flurry of activities that surround our MRO operations, we are ever more focused to integrate the different areas of our excellence to create a seamless flow in our business, as we propel SIA Engineering Company's growth into the future.

EXCELLENCE IN OPERATIONS

Maintaining the latest aircraft With the entry into service of the first Airbus A380 in October 2007, SIA Engineering Company became the first in the world to maintain the world's first superjumbo. The Company adopted a pioneering spirit and ensured that its maintenance facilities in Singapore are fully A380-ready.

We also went to great lengths to ensure that we have sufficient manpower qualified to maintain and handle one of the most advanced aircraft in the world. About 200 Licensed Aircraft Engineers and Technicians were trained and certified to service the A380.

With an investment of $65 million in an A380-capable hangar, manpower training and equipment, the Company quickly achieved A380 readiness and catered to Singapore Airlines' first two A380s' maintenance checks in the hangars successfully.

Accessing new markets In view that only Civil Aviation Authority of China (CAAC)-licensed engineers are allowed to certify China-registered aircraft, we reached out to the Chinese market by engaging CAAC-licensed engineers from China and assigning them to perform certification services at Changi Airport for our Chinese airline customers.

Besides work from the airlines, we also pursued non-traditional revenue sources in the area of component overhaul, including warranty repair work on behalf of original equipment manufacturers. The Company also embarked on new products like maintenance services for B777-300ER, A330-300 and VVIP cabin reconfiguration in FY2007/08.

We made our first entry into the Boeing B777 FMP market when we sealed a Fleet Management Programme contract with V Australia, Virgin Blue's new trans-Pacific airline, to maintain its initial fleet of seven B777-300ER aircraft.

EXCELLENCE IN PARTNERSHIPS

In FY2007/08, we continued our pursuit of strategic partners to further anchor our position as a global MRO player.

The Company has adopted the strategy of leveraging on its line maintenance capabilities to spearhead its growth beyond Singapore. To date,

we have established line maintenance operations at more than 40 airports in Australia, Hong Kong, Indonesia and the Philippines. Line maintenance activities require lower capital expenditure and time to get started, and the joint venture can be expanded into other areas, such as airframe and component maintenance, at a later stage.

This stepped-up approach in overseas expansion has worked well. Following the line maintenance joint venture formed with Cebu Pacific Air in 2005, SIA Engineering Company entered into a second joint venture with the airline at Clark International Airport in the Philippines in April 2008 to provide heavy maintenance.

Named SIA Engineering (Philippines) Corporation, the joint venture company plans to construct three hangars at Clark International Airport over the next three years to provide heavy and light MRO services for narrow-body and wide-body aircraft to Cebu Pacific Air and other carriers. This facility will provide the increased capacity to further support our customers and capture a larger share of the global MRO outsourcing flowing into Asia.

In August 2007, we acquired Aircraft Maintenance Services Australia (AMSA), a privately owned line maintenance company in Australia, which offers line maintenance services in Sydney, Brisbane, Coolangatta, Melbourne, Adelaide and Perth. In November, we established an MOU with Saigon Ground Services, a division of the Southern Airport Authorities, to form a line maintenance joint venture at Tan Son Nhat International Airport in Ho Chi Minh City, Vietnam.

An excellent network of joint ventures continues to entrench our presence in the region and to enable us to respond swiftly and effectively to customers' every need.

EXCELLENCE IN SUPPORT INFRASTRUCTURE

A strong support infrastructure underpins the success of our Company's operations. We continued to take steady strides in improving our technological systems and training.

On the IT front, a new system was implemented to display real-time location of aircraft and serviceability status graphically at Changi Airport, enabling us to provide better control and services to our customer flights. The Company also started the implementation of Radio Frequency Identification (RFID), which provides real-time visibility of aircraft components' repair status and transmits information quickly between the hangars and workshops. This improves aircraft component repair time.

This initiative also prepares the Company to handle technologically advanced RFID-enabled aircraft, such as the Boeing 787 Dreamliner, which will have more than 2,000 RFID-enabled components.

In addition, we further elevated our training standards by becoming a pioneer member of the Airbus Maintenance Training Network. This gives us access to Airbus' latest training methodology. The 2-Dimensional Maintenance & Flight Training Device (2D-MFTD) developed by Airbus uses virtual reality technology to closely simulate the images, displays, warnings and indications in the flight deck. With this state-of-the-art training tool, our engineers can practise maintenance on the A380 as they would on a real aircraft, hence enabling them to learn better and faster.

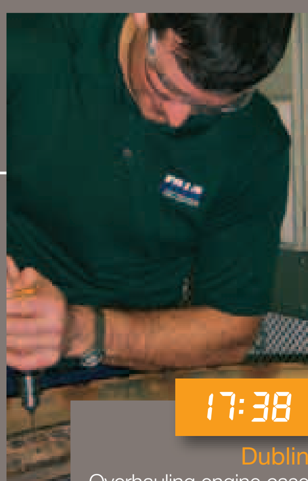
excellence
round the clock

23:59
Singapore
Modular engine assembly at Rolls-Royce's Asia-Pacific Trent Centre of Excellence

22:30
Singapore
Cutting of fuselage to install cargo door in B747-400 passenger-to-freighter (PTF) conversion

20:41
Nairobi
Aircraft-on-ground engine change

19:22
Singapore
Flight simulator defect rectification



17:38
Dublin
Overhauling engine case

15:57
Singapore
Engineers undergoing virtual reality maintenance training

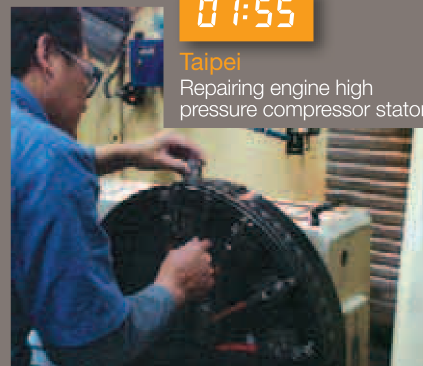
13:27
Singapore
Developing fleet management programme for airline customer

00:00

Manila
A320 maintenance check

01:55

Taipei
Repairing engine high pressure compressor stator



02:43

Singapore
Engine disassembly at Pratt & Whitney's Asia-Pacific Centre of Excellence

04:45

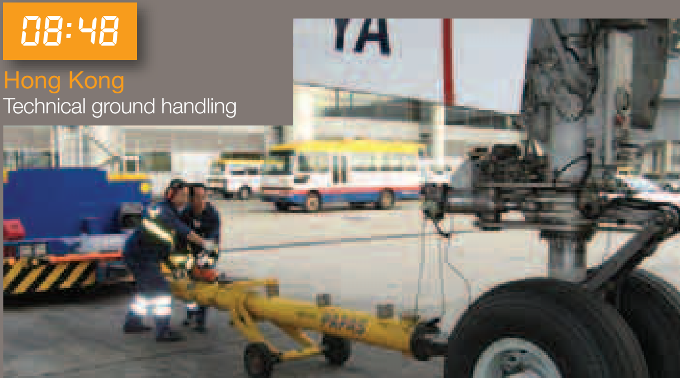
Singapore
In-flight entertainment pre-flight check

06:10

Sydney
Pre-departure airworthiness certification of Airbus A380

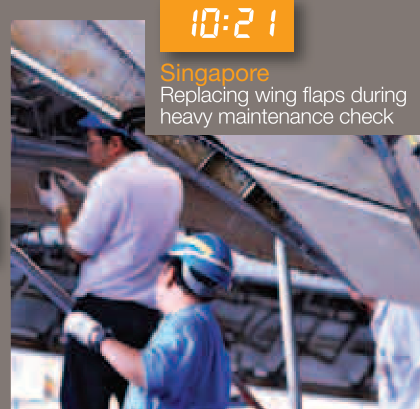
08:48

Hong Kong
Technical ground handling



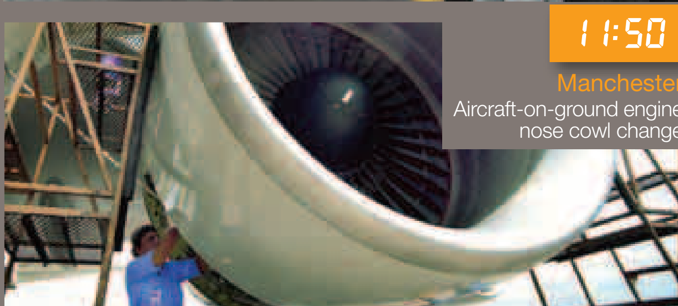
10:21

Singapore
Replacing wing flaps during heavy maintenance check



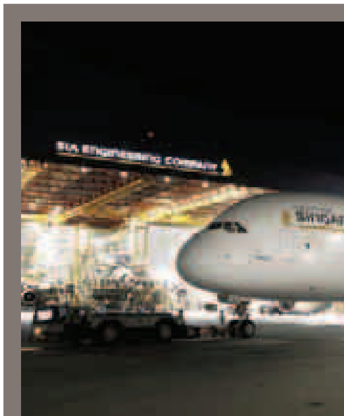
11:50

Manchester
Aircraft-on-ground engine nose cowl change



strength in numbers

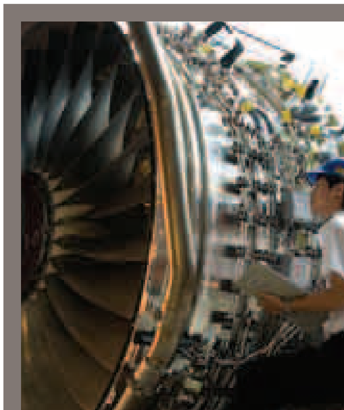
Revenue exceeded $1 billion for the first time, growing 3.3% or $32.2 million to $1,009.6 million.



Group Revenue

FY07/08: $1,009.6 million ↑3.3%

FY06/07: $977.4 million



Group Profit Attributable to Equity Holders of the Company

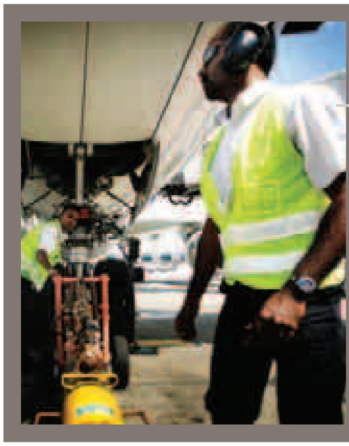
FY07/08: $253.8 million ↑4.8%

FY06/07: $242.1 million

Share of Profits from Joint Venture & Associated Companies

FY07/08: $157.8 million ↑13.1%

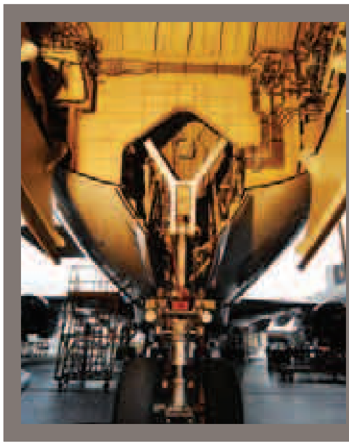
FY06/07: $139.5 million



Line Maintenance Revenue

FY07/08: $335.4 million ↑8.4%

FY06/07: $309.5 million



Airframe & Component Overhaul Revenue

FY07/08: $603.1 million ↑1.9%

FY06/07: $591.8 million

Fleet Management Revenue

FY07/08: $71.1 million ↓6.6%

FY06/07: $76.1 million

chairman's statement

Dear Shareholders,

The global economic stress triggered by the financial woes in the US and the weakening US currency presented challenges in the second half of 2007. Undeterred, the Group continued to extend its maintenance, repair and overhaul (MRO) reach to the fast-growing markets of Asia-Pacific. This strategy saw us making resolute strides into the Philippines, Australia and Vietnam in FY2007/08.

The Group's 21st joint venture at Clark International Airport, the Philippines, will be our first overseas-based heavy maintenance facility. Three hangars, to be built over three years, will augment extensive capabilities at the Singapore main base and fuel the Group's growth across Asia.

In Australia, we acquired Aircraft Maintenance Services Australia Pty Ltd (AMSA), a line maintenance company with operations in six major Australian airports. Over the next 12 months, AMSA aims to extend its network beyond Australia to New Zealand.

Following the signing of an MOU with Saigon Ground Services in November 2007, we are in final negotiations to establish line maintenance operations at Tan Son Nhat International Airport in Ho Chi Minh City, Vietnam.

Expansion through collaborations with the right partner on the right product is at the very foundation of our growth plans. This strategy saw us forge links with the world's leading original equipment manufacturers (OEMs) in the last ten years to base their regional "Centres of Excellence" at our Singapore hub.

POWERING OUR EXTERNAL WING With existing line maintenance operations at more than 40 airports spanning across Singapore, Hong Kong, Indonesia, the Philippines and Australia, the Group is at the vanguard of aviation growth in the Asia-Pacific. Our line maintenance joint ventures, forged with strategic partners – airlines and ground service providers – give us ready base loads and operating networks.

Line maintenance offers an asset-light entry to key markets in the region, enabling us to scale up to heavy maintenance operations when factors such as customer base, business volume and market forces are favourable. Our line maintenance initiative with Cebu Pacific Air formed three years ago, followed by the latest tie-up with the airline to develop hangar operations at Clark, is testimony to the strength and effectiveness of this strategy.

REACHING OUT TO NEW MARKETS In October 2007, Singapore Airlines launched the world's first commercial service of the Airbus A380 on the Singapore-Sydney route. Making our mark as the first in the world to maintain the A380, our wholly owned subsidiary, AMSA played a key role in ensuring smooth operations of the technologically advanced airliner in Sydney.

AMSA's contributions in Australia will reach new heights when Virgin Blue's new trans-Pacific airline, V Australia, commences operations. In April 2008, V Australia became our latest fleet management programme (FMP) customer with its initial fleet of seven B777-300ERs. With V Australia's inaugural network covering Los Angeles in the US, we have an opportunity to extend our presence to the US.

DEEPENING OUR CORE CAPABILITIES
Our joint ventures with the OEMs continued to perform well. Over the last five years, their contributions to the Group's profitability rose from

“Our ability to deliver total, turnkey solutions to support an airline’s engineering operations round the clock on a global basis underpins our value proposition to customers.”

32.7% of pre-tax profit in FY2002/03 to 55.3% in FY2007/08, with our share of the profits growing at a compounded rate of 17% annually.

In December 2007, we signed an agreement with Airbus to become a pioneer member of the Airbus Maintenance Training Network. This, coupled with our membership in the Airbus MRO Network caucus since 2005, will enhance our competitive advantage and reputation, and accord privileged access to Airbus’ global MRO customer base.

We entered into collaborations with Pratt & Whitney and Rolls-Royce to provide engine support services to their customers. This plugs our line maintenance services in Singapore and overseas to the engine makers’ customer support networks, which have service centres in key airports around the world, such as London, New York, Frankfurt and Hong Kong.

In 2008, we shall be starting our first VVIP aircraft cabin reconfiguration. The multi-million dollar project encompasses a complete design and retrofit programme to convert a B747-400 into a VVIP aircraft. The experience and knowledge gained from this project will stand us in good stead to make inroads into the lucrative and growing VVIP aircraft market.

OFFERING TOTAL SOLUTIONS FOR AIRLINES Introduced some years ago, Fleet Management Programme (FMP) has fast become a growing business segment. As at 31 March 2008, we have seven FMP customers with a combined fleet of 109 Boeing B747-400s and Airbus A320s, comprising 57 aircraft in service and the remaining awaiting deliveries.

Our ability to deliver total, turnkey solutions to support an airline’s engineering operations round the clock on a global basis underpins our value proposition to customers.

DIVIDEND Your Directors are recommending a final dividend of 16 cents per share. This brings the total dividend for FY2007/08 to 20 cents per share, which translates to a gross dividend yield of 5.1% (based on the closing price of $3.95 on 31 March 2008).

BUSINESS OUTLOOK While the operating environment remains challenging, with our strong

> “The development of a world-class workforce demands that we spare no effort in bringing our people along with us as we transform ourselves into a global Company.”

presence in Singapore and the support of a robust network of 21 companies spread across seven countries, we are well positioned to weather the headwinds. The expansion in airline fleets and operating networks in the Asia-Pacific will add momentum to the MRO growth in the region. The continuing trend in MRO outsourcing from the more developed and mature markets is encouraging, and we stand ready to increase our base of customers from Europe and the US.

Our stable of subsidiary, joint venture and associated companies is expected to sustain their contributions to the Group’s profitability.

Economic uncertainties brought about by the current turmoil in global financial markets, pressure on margins and the weak US dollar will continue to receive attention.

ACKNOWLEDGEMENTS I would like to thank my fellow Directors for their active support, guidance and unwavering commitment during the past year.

Your Board actively reviews and renews directorships to allow for infusion of fresh perspectives, expertise and experience. Last year, three long-serving Directors – Wong Nang Jang, N Varaprasad and Thio Su Mien – retired at the close of the Annual General Meeting. This year, yet another stalwart will make way for a fresh face. After more than eight years of dedicated service, Bey Soo Khiang has decided to retire and the Board is proposing the election of Ng Chin Hwee to succeed him. Soo Khiang’s valuable contributions over the years to strengthen Board deliberations and decision-making, particularly in the complex area of aviation technology, will be missed. I thank Soo Khiang and other past Directors for their dedication and service.

In August 2007, the Board welcomed Ron Foo, Lim Joo Boon and Oo Soon Hee. These independent Directors bring with them diverse expertise and experience that will benefit the Company’s strategic thinking and direction.

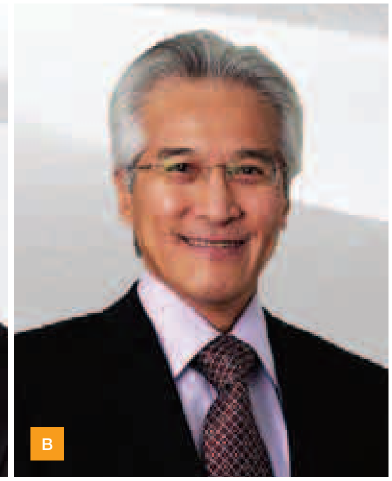
The commitment and dedicated services of our Staff and the constructive co-operation extended by the Staff Unions are well appreciated. We must continue to work hard as a team, and with a common vision, be ready to embrace changes in the operating environment. The core strength of the Group is its people. Through our ongoing ‘Change Management’ initiatives, we will continue to build on the successful engagement with Staff and Unions to fortify camaraderie and mutual understanding. The development of a world-class workforce demands that we spare no effort in bringing our people along with us as we transform ourselves into a global Company.

To our valued customers, I am grateful for their consistent support and frank feedback. As we continue to roll out new services and develop new markets, we remain passionately committed to our customers’ aspirations and success.

We are focused on delivering long-term shareholder value to our investors, whose support and loyalty are never taken for granted. The strategic and tactical pieces that we have set out to put together are coming into place progressively. As we push the boundaries and seek opportunities in Singapore and beyond, we will be pragmatic in our approach and prudent in our execution to achieve steady, sustainable growth for the long term.

STEPHEN LEE CHING YEN
CHAIRMAN

board of directors



A: 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 Great Malaysia Textile Investments Pte Ltd.

At present, Mr Lee is the Chairman of Singapore Airlines Ltd and Singapore Business Federation. He serves as a Director of Fraser & Neave Ltd, BAOSTEEL Group (Shanghai), Shanghai Commercial & Savings 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 is a Council Member of the Singapore National Wages Council.

He served as Chairman of International Enterprise Singapore from 1995-2002 and of PSA International Pte Ltd from 2002-2005 and was a Director of Neptune Orient Lines Ltd from 2000-2002.

Mr Lee was a Nominated Member of Parliament from 1994-1997 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.

B: MR CHEW CHOON SENG, DEPUTY CHAIRMAN

Mr Chew joined the Board and 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 Ltd, which he joined in 1972. He is the Deputy Chairman of Singapore Airport Terminal Services Ltd, and is a Director of Singapore Exchange Ltd and of Government of Singapore Investment Corporation Pte Ltd. He is a member of the Board of Governors of the International Air Transport Association (IATA).

He holds a Bachelor's degree with First Class Honours 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.

C: MR KOH KHENG SIONG, DIRECTOR

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.

Mr Koh held a number of senior management positions in Singapore and the USA during his career in ExxonMobil. He was Financial Controller of ExxonMobil Asia-Pacific Pte Ltd prior to his retirement in August 2005. Mr Koh also held the positions of Manager, Financial Planning and Operations, and Manager, Downstream Financial Reporting in Exxon Company International, USA. He was previously Treasurer, Esso Singapore Pte Ltd.

He is also a non-executive, independent Director of Mapletree Logistics Trust Management Ltd, Venture Corporation Ltd and Orchard Energy Pte Ltd. Mr Koh served on the Board of SMRT Corporation Ltd from 2000-2007.

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

D: MR TAN BIAN EE, DIRECTOR

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

He is the Chief Operating Officer of Avago Technologies and Worldwide Sales and Global 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 has been 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 2004-2005. 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.

E: MR PAUL CHAN KWAI WAH, DIRECTOR

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 was with Hewlett-Packard for 28 years, including seven years with Compaq Computer Asia Pacific Pte Ltd.

Mr Chan is also a Director of Verigy Ltd, Singapore Power Ltd and National Healthcare Group Pte Ltd.

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, Singapore Telecommunications 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.

F: LT-GEN (RET) BEY SOO KHIANG, DIRECTOR

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

He is the Senior Executive Vice President (Operations & Planning) of Singapore Airlines Ltd (SIA). Prior to the appointment, he was the Senior Executive Vice President for Operations and Services, Senior Executive Vice President (Technical and Human Resources) and Executive Vice President (Technical). Before joining SIA, he was the Chief of Defence Force in the Ministry of Defence from 1995–2000 and the Chief of Air Force from 1992–1995.

Lt-Gen (Ret) Bey is also the Chairman of SilkAir (Singapore) Pte Ltd, Singapore Flying College Pte Ltd and SIA Properties (Pte) Ltd. Additionally, he is a Board Director of the Sentosa Development Corporation, a member of the Board of Governors of the Singapore International Foundation and is a Director in All Good Gifts Ministries Ltd. He also holds directorships in Virgin Atlantic Ltd, Virgin Atlantic Airways Ltd and Virgin Travel Group Ltd. Lt-Gen (Ret) was previously Chairman of SATS Airport Services Pte 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 attained 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 2000.

G: MR ANDREW LIM MING-HUI, DIRECTOR

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 where he is Head of the Mergers and Acquisitions practice. 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.

H: MR LIM JOO BOON, DIRECTOR

Mr Lim was appointed a Director of SIA Engineering Company on 1 August 2007.

He held various senior leadership positions within Accenture organisations in Singapore and the Asia-Pacific region, including Country Managing Partner in Accenture Taiwan, Head Electronics and High Technology Industries in Accenture Asia-Pacific and Head Supply Change Management.

Mr Lim was a Senior Partner of Accenture Singapore before his retirement in 2003. His professional expertise is in organisational transformation, business process re-engineering and large-scale mission critical IT system implementation.

He is presently a Director of Singapore Pools Pte Ltd, Singapore Turf Club and the Inland Revenue Authority of Singapore.

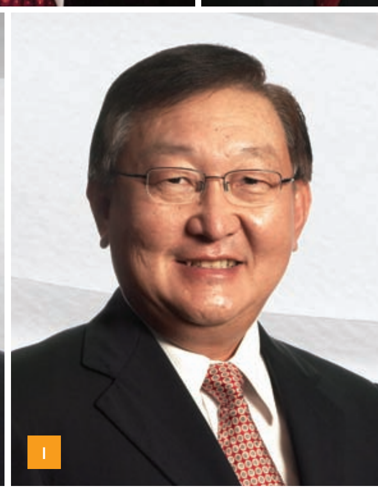
Mr Lim holds a Bachelor of Accountancy (Honours) degree from the University of Singapore. He is also a Graduate of the Chartered Institute of Management Accountants, UK and a Fellow of the Chartered Association of Certified Accountants, UK.

I: MR RON FOO SIANG GUAN, DIRECTOR

Mr Foo was appointed a Director of SIA Engineering Company on 1 August 2007.

He has more than 35 years of extensive auditing, accounting and financial experience in Singapore and overseas. He has been a partner in PricewaterhouseCoopers, Singapore for 22 years before retiring in December 2005.

Mr Foo is presently a director of the Singapore Deposit Insurance Corporation, NTUC Income Insurance Co-Operative Ltd, SembCorp Marine Ltd and a member of the Competition Appeal Board.



Mr Foo has also been actively involved as a council member in the Institute of Certified Public Accountants of Singapore (ICPAS) and was awarded the ICPAS Gold Medal 2004 in recognition of his outstanding contributions and distinguished service to the accounting profession and the community.

Mr Foo holds a Bachelor of Arts (Economics) degree from the University of Manitoba, Canada. He is also a Fellow of the Institute of Certified Public Accountants of Singapore and a member of the Canadian Institute of Chartered Accountants.

J: MR OO SOON HEE, DIRECTOR

Mr Oo was appointed a Director of SIA Engineering Company on 1 August 2007.

He was the President & CEO of NatSteel Asia Pte Ltd and was appointed as Director, South East Asia of Tata Steel Ltd with effect from 1 January 2008. Mr Oo has more than 30 years of extensive experience in businesses operating locally and in Asia.

Mr Oo is presently a Director on the Boards of ComfortDelgro Corporation Ltd, NatSteel Asia Pte Ltd, Wuxi NatSteel Metal Products Company Ltd, Wuxi Jinyang Metal Products Company Ltd and Tata Steel (Thailand) Public Company Ltd. He is also an Alternate Director for Southern Steel Berhad.

Mr Oo graduated from the University of Singapore with a Bachelor of Science (Honours) degree in Applied Chemistry and holds a Diploma in Business Administration.

K: MR WONG NANG JANG, DIRECTOR

(Until 20 July 2007) Mr Wong was appointed a Director of SIA Engineering Company on 24 March 2000.

He is the Chairman of WBL Corporation Ltd. He also holds directorships in Oversea-Chinese Banking Corporation Ltd, PacificMas Berhad and Singapore Symphonia Company Ltd.

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

L: DR N VARAPRASAD, DIRECTOR

(Until 20 July 2007) Dr 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 Varaprasad currently serves 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 Varaprasad graduated with a Bachelor of Engineering (First Class Honours) in Mechanical Engineering from the University of Canterbury (NZ), attained 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.

M: DR THIO SU MIEN, DIRECTOR

(Until 20 July 2007) Dr Thio was appointed a Director 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 and a Director of Allens Arthur Robinson TSMP International Lawyers.

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 boards 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.

N: MR NG CHIN HWEE, PROPOSED DIRECTOR

Mr Ng Chin Hwee is the Executive Vice President for Human Resources and Planning in Singapore Airlines Ltd (SIA).

He joined SIA in 1985 and has been appointed to various senior positions in Singapore and overseas. Among the overseas stints, Mr Ng served as Manager Myanmar for SIA's regional carrier Tradewinds (later renamed as SilkAir), SIA's Manager Victoria and Tasmania in Australia, and General Manager Germany.

Upon his return to Singapore in 1988, he served as Vice President Ground Services. He was then promoted to Divisional Vice President in 1999 and Senior Vice President Americas in 2001. In 2004, he returned to Singapore to take up the position of President & Chief Executive Officer of Singapore Airport Terminal Services Ltd (SATS). He left SATS to rejoin SIA and was promoted to his current position on 1 January 2008.

Mr Ng was previously a Director on the Boards of SATS Airport Services Pte Ltd, SATS Catering Pte Ltd, Beijing Airport Inflight Kitchen Ltd, Beijing Aviation Ground Services Co. Ltd and P T Jasa Angkasa Semesta Tbk.

Mr Ng graduated from the National University of Singapore with a First Class Honours degree in Engineering and holds a Master of Science in Management degree from the Massachusetts Institute of Technology, USA.

corporate data

BOARD OF DIRECTORS

Chairman
Stephen Lee Ching Yen

Deputy Chairman
Chew Choon Seng

Directors
Bey Soo Khiang

Paul Chan Kwai Wah

Koh Kheng Siong

Andrew Lim Ming-Hui

Tan Bian Ee

Ron Foo Siang Guan
(from 1 August 2007)

Lim Joo Boon
(from 1 August 2007)

Oo Soon Hee
(from 1 August 2007)

Thio Su Mien
(until 20 July 2007)

Wong Nang Jang
(until 20 July 2007)

N Varaprasad
(until 20 July 2007)

Company Secretary
Devika Rani Davar

AUDIT COMMITTEE

Chairman
Koh Kheng Siong

Members
Tan Bian Ee

Andrew Lim Ming-Hui
(from 20 July 2007)

Ron Foo Siang Guan
(from 15 August 2007)

Oo Soon Hee
(from 15 August 2007)

Thio Su Mien
(until 20 July 2007)

N Varaprasad
(until 20 July 2007)

NOMINATING COMMITTEE

Chairman
Tan Bian Ee
(from 22 October 2007)

Paul Chan Kwai Wah
(until 21 October 2007)

Members
Chew Choon Seng

Oo Soon Hee
(from 15 August 2007)

Wong Nang Jang
(until 20 July 2007)

COMPENSATION & HR COMMITTEE

Chairman
Paul Chan Kwai Wah
(from 5 November 2007)

N Varaprasad
(until 20 July 2007)

Members
Chew Choon Seng

Koh Kheng Siong

Lim Joo Boon
(from 15 August 2007)

BOARD COMMITTEE

Members
Bey Soo Khiang

Chew Choon Seng

Alternate
Paul Chan Kwai Wah
(from 20 July 2007)

Thio Su Mien
(until 20 July 2007)

REGISTRAR

M & C Services Private Limited
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
(appointed since FY2005/06)

REGISTERED OFFICE

SIA Engineering Company Limited
31 Airline Road
Singapore 819831

Email: siaec@singaporeair.com.sg
Website: www.siaec.com.sg
Tel: (65) 6541-4768
Fax: (65) 6546-0679

CONTACT PERSONS

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Company Secretary /
Vice President Corporate

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Fax: (65) 6546-0679

Chia Peck Yong
Senior Manager Public Affairs

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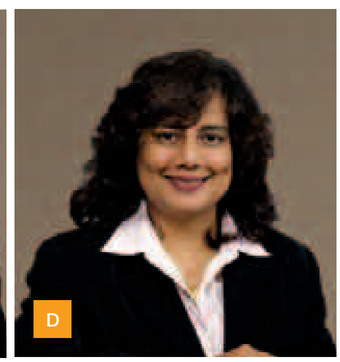
Tel: (65) 6541-5134
Fax: (65) 6546-0679

executive management

WILLIAM TAN SENG KOON
President & Chief Executive Officer



A
CHAN SENG YONG
Senior Vice President
(Services)

B
PNG KIM CHIANG
Senior Vice President
(Commercial)

C
JACK KOH SWEE LIM
Senior Vice President
(Line Maintenance
& Business Development)

D
ZARINA PIPERDI
Senior Vice President
(Human Resources)

E
IVAN NEO SEOK KOK
Senior Vice President
(Aircraft & Component Services)

ANNE ANG *(from 16 May 2008)*
CHIN SAK HIN *(until 15 May 2008)*
Chief Financial Officer

statistical highlights

	2007-08	2006-07	% Change
FINANCIAL STATISTICS [R1]			
Group ($ million)			
Revenue	**1,009.6**	977.4	+3.3
Expenditure	**906.7**	875.4	+3.6
Operating profit	**102.9**	102.0	+0.9
Profit before taxation	**285.5**	271.0	+5.4
Profit attributable to equity holders of the Company	**253.8**	242.1	+4.8
Share capital	**245.0**	214.5	+14.2
Reserves			
General reserve	**937.5**	811.7	+15.5
Share-based compensation reserve	**28.5**	18.0	+58.3
Fair value reserve	**2.7**	–	–
Foreign currency translation reserve	**(88.4)**	(47.1)	+87.7
Equity attributable to equity holders of the Company	**1,125.3**	997.1	+12.9
Return on shareholders' funds (%) [R2]	**23.9**	23.8	+ 0.1 pt
Total assets	**1,413.5**	1,315.0	+7.5
Net liquid assets [R3]	**437.2**	397.6	+10.0
Value added	**755.5**	717.0	+5.4
Per Share Data (cents)			
Earnings before tax	**26.7**	25.7	+3.9
Earnings after tax - basic [R4]	**23.7**	23.0	+3.2
- diluted [R5]	**23.3**	22.5	+3.6
Net asset value [R6]	**104.7**	93.9	+11.5
Dividends (cents per share)			
Interim dividend	**4.0**	4.0	–
Proposed final dividend	**16.0**	8.0	+100.0
Company ($ million)			
Revenue	**967.2**	946.2	+2.2
Expenditure	**865.9**	843.4	+2.7
Operating profit	**101.3**	102.8	-1.5
Profit before taxation	**223.9**	178.2	+25.6
Profit after taxation	**203.1**	157.9	+28.6
Value Added	**678.4**	615.5	+10.2
PRODUCTIVITY AND EMPLOYEE DATA			
Employee Productivity – Company			
Average number of employees	**5,550**	5,149	+7.8
Revenue per employee ($)	**174,265**	183,759	-5.2
Value added per employee ($)	**122,226**	119,540	+2.2
Employee Productivity – Group			
Average number of employees	**6,116**	5,661	+8.0
Revenue per employee ($)	**165,071**	172,651	-4.4
Value added per employee ($)	**123,528**	126,651	-2.5

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

2007

11 MAY
Announcement of FY2006/07 full-year financial results

14 MAY
Analyst briefing on FY2006/07 full-year financial results

15 JUN
Despatch of Summary Financial Statement to shareholders

2 JUL
Grant of share options under Employee Share Option Plan

4 JUL
Despatch of Annual Report to shareholders

20 JUL
25th Annual General Meeting

1 AUG
Announcement of FY2007/08 first-quarter financial results

31 OCT
Announcement of FY2007/08 second-quarter financial results

1 NOV
Analyst briefing on FY2007/08 second-quarter financial results

2008

29 JAN
Announcement of FY2007/08 third-quarter financial results

7 MAY
Announcement of FY2007/08 full-year financial results

7 MAY
Analyst briefing on FY2007/08 full-year financial results

13 JUN
Despatch of Summary Financial Statement to shareholders

27 JUN
Despatch of Annual Report to shareholders

1 JUL
Grant of share options under Employee Share Option Plan

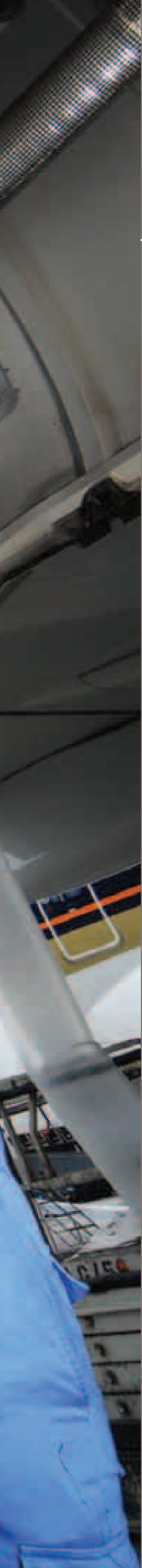
18 JUL
26th Annual General Meeting

24 JUL
Announcement of FY2008/09 first-quarter financial results

3 NOV
Announcement of FY2008/09 second-quarter financial results

3 NOV
Analyst briefing on FY2008/09 second-quarter financial results

global MRO **industry**



Singapore's aerospace industry hit a record output of US$6.9 billion, contributing 25% of the Asian aerospace MRO market

THE GLOBAL AIRLINE INDUSTRY IN 2007
2007 was a good year for airlines around the world as earnings hit US$5.6 billion with revenues of US$490 billion.

Asia continued to be boosted by growth in rapidly developing markets like India and China, both of which are home to some of the industry's strongest carriers and possess some of the newest airport infrastructure. With more than half of the world's population in Asia, air transport continues to play a pivotal role in Asia's economy.

The Middle East is another centre of aviation buzz, as shown by its growth in passenger demand. Currently, Dubai serves 35 million passengers annually and has connecting points in 159 destinations. Middle East, Africa and South Asia are spending US$68 billion on airport infrastructure.

Passenger traffic demand in Latin America gained a solid 8.4% growth from a 2.4% fall in 2006, emphasising the strong recovery from the effects of restructuring in the region. North America witnessed a 5.5% growth as compared to 5.7% in 2006 as the region's carriers transfer capacity to more lucrative international markets.

Global airfreight traffic slowed to 4.3%, lower than the 4.6% recorded in the previous year. Middle East led all regions with a 10.1% increase in airfreight demand, down sharply from 16.1% in 2006. The slowdown highlights the increasing competition from sea freight that has faster ships and cheaper fuel costs to its advantage.

The low cost carriers, while previously serving the regional market, have started expanding their portfolio to cater to the long haul flight demands, hence fanning up the competitive heat for the existing international airlines.

THE GLOBAL AIRCRAFT MARKET Demand for newer and more advanced aircraft has increased, especially in Asia, making it a battlefield for Airbus and Boeing. Together, they hit an industry record of nearly 2,750 aircraft orders in 2007[1].

Boeing set a record with 1,413 airplane orders to 80 countries, surpassing its previous orders of 1,044 and 1,002 in 2006 and 2005 respectively[2]. It delivered 441 commercial aircraft, an increase of 11% from the previous year, contributing an 8% rise in its year-on-year revenue to US$66.3 billion[3]. The Boeing 787 Dreamliner, the fastest selling plane in history, enjoyed a record setting year with 369 orders. However, the B737 had the strongest sales in history with a net order of 846 planes.

Airbus achieved net orders of 1,341, representing 49% of the market share[4]. Having delivered a total of 453 aircraft, Airbus maintains its pole position in aircraft deliveries. With orders of over 3,400 aircraft, Airbus is ensured full production for the next six years at increasing rates. In 2007, there are 33 firm orders for A380, totalling to 186 firm orders from 16 customers[5].

1 *The Business Times, 28 February 2008*
2 *Boeing – Press Release, 3 January 2008*
3 *Boeing – Press Release, 30 January 2008*
4 *Airbus 2007 Results, 16 January 2008*
5 *Airbus Annual Report 2007*

Escalating fuel prices, costs and highly competitive market conditions have spurred the demand for increasingly efficient aircraft operations. Expectedly, there is now a greater call for more environmental friendly aircraft to lower the costs of the airline. Boeing and Airbus are working on alternative fuels that are less expensive and environmental friendly[6]. Rolls-Royce, together with Singapore consortium, Enertek, is investing US$100 million in developing a commercially viable power system based on fuel cell technology[7].

AIR TRAFFIC AT CHANGI AIRPORT In 2007, Changi Airport handled record passenger traffic of 36.7 million, up almost 5% from the previous year[8]. Handling a total of 4,300 weekly arrival and departure flights, there is a need for Changi Airport to expand[9]. The opening of Terminal 3 in January 2008 has added capacity of 22 million passengers a year, bringing the total capacity of Changi Airport to 70 million passengers a year, which almost doubles the passenger traffic of 2007[10].

On the cargo front, 1.89 million tonnes of airfreight was handled[11]. This marginal slowdown of 0.9% compared to 2006 is mainly due to the softening demand for electronics in the US and the growing preference for sea freight.

Changi Airport won "Best Airport in the World" for the 20th consecutive year since 1988. The new Budget Terminal also clinched an award with the "Best Low Cost Airport" in the World Low Cost Airlines Congress.

THE MRO INDUSTRY IN SINGAPORE – A GLOBAL AEROSPACE HUB Singapore's aerospace industry hit a record output of US$6.9 billion last year with 10.4% growth from 2006[12]. Controlling 25% of the Asian aerospace MRO market, Singapore is the largest and most comprehensive MRO hub in Asia.

Singapore's dominance in aviation owes much to Changi Airport's position as a pan-Asian aviation hub and Singapore Airlines' stellar performance.

Since 1995, Seletar Airport has been rising in prominence as the other aviation hub in Singapore, specialising in smaller planes and charter flight operations. Its Aerospace Park will expand Singapore's aviation capabilities from MRO to the highly lucrative fields of manufacturing and design, as well as aviation training.

[6] *Business Times, 21 February 2008*
[7] *Edubourse, 19 February 2008*
[8] *Thomson Financial News, 28 January 2008*
[9] *The Straits Times, 27 November 2007*
[10] *Fact Sheet on Terminal 3, Singapore Changi Airport, 29 May 2007*
[11] *Changi Airport – Press Release, 28 January 2008*
[12] *The Straits Times, 20 February 2008*

Asia looks forward to more liberalisation of air traffic between capital cities

As a display of its confidence in Singapore's aerospace dominance, Rolls-Royce is building an engine production facility in Seletar Aerospace Park. "Facility of the Future" is Rolls-Royce's first technical facility in Asia and the most modern Rolls-Royce engine assembly and test facility for large commercial aero engines[13].

DEVELOPMENTS AHEAD Commercial jet orders are expected to decrease in 2008 after its historically high levels in the past two years[14]. Both Boeing and Airbus' order books will see them through to 2012. Airbus predicts that 28,534 passenger and freight aircraft would be flying in 2026, which is more than twice the current total of 13,284[15]. The US and China will be the biggest aircraft customers with 5,800 and 3,000 aircraft respectively. Britain will be the third largest customer for new aircraft with 1,100 jets. A third runway is slated to be built by 2020 in Heathrow airport to accommodate the additional aircraft.

In view of its strong performance in 2007, the global airline industry is expected to be more subdued for 2008. Nevertheless, Asia looks forward to more liberalisation of air traffic between capital cities. In December 2008, ASEAN members are looking to open the skies for its member countries and by year 2010, they will grant each other "fifth freedom" rights[16].

[13] *Edubourse, 19 February 2008*
[14] *The Business Times, 28 February 2008*
[15] *The Guardian, 8 February 2008*
[16] *12th ASEAN Summit, 3 May 2007 & Straits Times, 29 March 2008*

As a key pillar of the local aerospace industry, MRO is big business in Singapore. Singapore is also Asia's largest and most comprehensive MRO hub, accounting for a quarter of the MRO market in Asia.

Playing a large part in propelling Singapore as a global MRO hub is the exciting mix of world-class local and international companies that have chosen to anchor and ply their trade here. Execujet, Aeroflex and Goodrich have recently opened their facilities here to provide more timely services to their customers in the region. BJETS, a private jet operator will begin its operations from Singapore in 2008.

With an increasing number of aviation companies setting up facilities in Singapore, sufficient human resource is necessary to support the growth of the aerospace industry. An estimate of 1,500 new people a year is needed but there are currently only 1,350 aerospace graduates in a year. SIM University will be launching an Aerospace Systems Engineering degree in July 2008 to develop industry-ready graduates to cater to the demand.

excellence in operations

Strong demand at Singapore hub, overseas operations spread to more than 40 airports

LINE MAINTENANCE During the year in review, the SIA Engineering Company's team of 308 licensed aircraft engineers and 1,290 technicians at Line Maintenance Division serviced a total of 95,641 flights, a 6% rise from the previous year.

Serving an international client base of more than 60 airlines at Singapore Changi Airport, our engineers and technicians provide aircraft certification and ground handling services, ensuring high despatch reliability for aircraft on transit and night-stop at Changi.

Changi Airport saw a record number of 36.7 million passengers and 1.89 million tonnes of cargo handled in 2007. Today, the airport is connected to more than 189 cities in 60 countries by more than 82 airlines operating here. The number of scheduled flights has reached approximately 4,300 arrival and departure flights per week.

New Customers During the year in review, we secured five out of the six airlines that inaugurated services to Singapore. A total of 21 new contracts was secured, including Air Atlanta Icelandic, Air Bagan, Air Sahara, Euroatlantic Airways, Etihad Airways, Dragonair, Futura Airlines, Jetstar (Australia) International and Transaero Airlines. We also signed contracts with Rolls-Royce and Pratt & Whitney to support their respective On-Wing Care and Global Service Partners programmes. Under the contracts, the engine makers will refer airlines encountering engine problems to SIA Engineering Company, thereby increasing our revenue streams.

Servicing China Registered Aircraft For Chinese carriers operating outside China, the Civil Aviation Authority of China (CAAC) stipulates that only CAAC-licensed engineers are allowed to certify China-registered aircraft. Up till recently, Chinese carriers have to give up one commercial seat for a flight observer on every flight. In view of such regulations, SIA Engineering Company engaged its own CAAC-licensed engineers. Now, we are able to perform certification services for our Chinese airline customers, such as Air China, China Eastern, China Southern, Shanghai Cargo Airlines, Shenzhen Airlines and Yangtze River Express.

Line Maintenance Capabilities in Singapore and Overseas			
Name	Location	Line Maintenance	Capabilities
SIA Engineering Company	Singapore	**Aircraft:**	
		Airbus	A300B4, A300-600, A310-series, A320-series, A330-series, A340-200/300-series, A340-500/600, A380
		Boeing	B727-series, B737-series, B747-series, B747SP, B757-series, B767-series, B777-series, MD11
		Fokker	F70
		Bombardier	Learjet
		Engine:	
		General Electric	GE CF6-50/80/80E, CFM56, GE-90
		IAE	V2500
		Pratt & Whitney	PW4000, PW2037, PWJT8D, PW JT9D
		Rolls-Royce	Trent 500, Trent 700, Trent 800, Trent 900, RB211
		Honeywell	TFE731
Aviation Partnership (Philippines) Corporation	The Philippines	**Aircraft:**	
		Airbus	A320, A319
		Boeing	B777-200/300
		ATR	ATR72
		Engine:	
		General Electric	CFM56-5B
		IAE	V2500
		Pratt & Whitney	PW127M
		Rolls-Royce	Trent 800
Aircraft Maintenance Services Australia (AMSA)	Australia	**Aircraft:**	
		Airbus	A300-B4/600, A310, A319, A320, A321, A330-200/300, A340-200/300/500/600, A380
		Boeing	B727, B737-series, B747-series, B767-series, B777-series, BMcDC9/10, MD11
		Fokker	F27, F28, F50, F100
		Engine:	
		General Electric	CF6, CFM56, GE90-115
		IAE	V2500
		Pratt & Whitney	PW4000, PWJT3D, PWJT8D, PWJT9D
		Rolls-Royce	Trent 500, Trent 600, Trent 700, Trent 800, Trent 900, RB211, Dart, Spey, Tay
Pan Asia Pacific Aviation Services Limited (PAPAS)	Hong Kong	**Aircraft:**	
		Airbus	A310, A319, A320, A321, A330-200/300, A340-200/300/600
		Boeing	B737-400, B747-200/200F/400/400C/400F, B757-200ER, B767-300, B777-200/300/ER
		Engine:	
		General Electric	CF6-50/80, CFM 56, GE90
		IAE	V2500
		Pratt & Whitney	PW4056, PW4168, PW4152
		Rolls-Royce	Trent 500, Trent 700, Trent 800, RB211524/535
PT JAS Aero-Engineering Services (PT JAE)	Indonesia	**Aircraft:**	
		Airbus	A300, A310, A319, A320, A330, A340-500
		Boeing	B737, B747-400, B757-200, B767-200, B777-200, B777-300ER
		Engine:	
		General Electric	CF6, CFM56, GE90-90B, GE90-115
		IAE	V2500
		Pratt & Whitney	PW4000, PW4168, PWJT8D
		Rolls-Royce	Trent 500, Trent 700, Trent 800

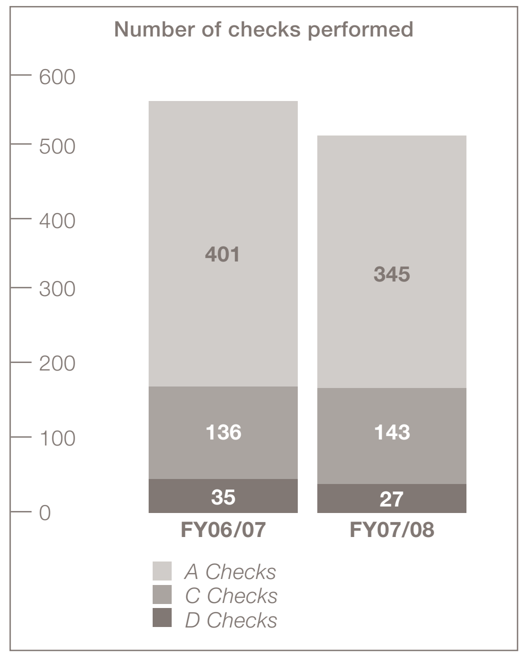
Responding to AOG Around the World Our Quick Action Team (QAT), a specialised team of experts who are ready to respond to aircraft-on-ground (AOG) situations around the world, 24 hours a day, seven days a week, had a busy year, including eight AOG engine changes for various airline customers in Singapore and overseas, like Dubai, Frankfurt, Kansai, Manchester, Shanghai and Stockholm.

Greater Network Support – Line Maintenance Overseas Joint Ventures We are providing line maintenance and technical handling at more than 40 airports in five countries. With the acquisition of AMSA in the financial year, we extended services for the Airbus A380 in Australia when it took its first commercial flight to Sydney.

Our overseas line maintenance joint ventures serve to provide our customers with greater network support in maintenance services.

AIRFRAME MAINTENANCE In FY2007/08, SIA Engineering Company conducted a total of 345 ‘A’ checks, 143 ‘C’ checks and 27 ‘D’ checks.

The combined number of ‘C’ checks increased due to stronger third-party work. The number of ‘A’ checks decreased from 401 to 345 as a result of a revised maintenance schedule that extended the intervals between checks. Though the number of ‘D’ checks came down, the checks performed were longer and more intensive in nature, which led to an increase in man-hours for the checks.



New Contracts During the year, we clinched new third-party contracts (including renewals) amounting to $311.6 million. New customers include Gulf Air, Transaero Airlines, Air Bridge Cargo, Kenya Airways, Avitas and Jetstar Airways. We renewed our contract with Japan Airlines to maintain their fleet of Airbus A300-600 aircraft. Other renewals include Dubai Air Wing, Air Canada and Qantas Airways.

Upgrade of Facilities In March 2007, the first Boeing B777-300ER aircraft from Singapore Airlines (SIA) was serviced at Hangar 3, which has specialised dockings for the B777-300ER’s wider wingspan and larger General Electric engines. 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.

All aircraft have to make regular scheduled visits to the hangars 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 Civil Aviation Bureau (JCAB).

SIA Engineering Company currently 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 AIRCRAFT:

"A" check – required every 600 flying hours (approximately 2 months)

"C" check – required every 7,500 flying hours (approximately 20 months)

"D" check – required every 25,000 flying hours (approximately 5 years)

Maintaining the Airbus A380 The world's first superjumbo, Airbus A380, which SIA took delivery in October 2007, will undergo light to moderate maintenance checks in the initial years. Provisioning of heavy equipment, such as tow tractors, ground power units and aircraft jacks for handling the mammoth aircraft has been completed. The Company now has the capability to support the Airbus A380's initial 24 months of operations, including its 750-hour and "C" checks. About 200 Licensed Aircraft Engineers and Technicians have been trained and certified to service the A380.

On 24 January 2008, SIA Engineering Company's team of qualified A380 Licensed Aircraft Engineers and Technicians undertook the first 750-hour check for SIA's first A380. Modifications to the Flight Crew and Cabin Crew Rest Compartments, and a scheduled engine change were carried out during the check. The aircraft check was completed on schedule.

With the experience of the first A380 maintenance check, an even more intensive check that included the In-Flight Entertainment System was accomplished successfully in February 2008 for SIA's second A380.

Construction of the A380 maintenance facility – our sixth hangar – is in progress and is expected to be

operational in the second half of 2008. Designed with LEAN principles that maximise efficiency and productivity in the workplace, Hangar 6 has space provisions for on-site repairs and efficient component flow to and from the workshops.

The completion of Hangar 6 will increase our total airframe maintenance capacity by a further 10%.

OUR HANGARS SPECIALISATION (total capacity 49,700 square metres)
Hangar 1 – B747 heavy maintenance
Hangar 2 – Airbus zonal checks
Hangar 3 – B777 heavy maintenance
Hangar 4 – B747 heavy maintenance and Passenger-to-Freighter conversions
Hangar 5 – B747 and B777 heavy maintenance
Hangar 6 – A380 and B747 checks

BOEING B747-400 PTF CONVERSION Converting jumbo jets used for carrying passengers to all-cargo freighters is a complex process. As it involves strengthening of the floorbeams to take on heavier cargo loads, the conversion operation is technically detailed, laborious and time-critical. In addition, Passenger-to-Freighter (PTF) conversion involves the removal of the entire interior, including seats and galleys, plugging of the windows, removing unused aircraft systems, and installing a large cargo door and cargo loading systems.

As such, PTF conversion is very knowledge-intensive and production oriented. 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.

During the year, SIAEC completed a total of three B747-400 conversions, which were delivered to Dragonair. We also significantly reduced the turnaround time from 163 days to 106 days with process improvements as we moved up the learning curve. The Company has another three more Boeing B747-400 from SIA to convert into freighters for SIA Cargo.

With new-generation aircraft such as the Airbus A380 and Boeing 787 Dreamliner gaining popularity, the replacement market for Boeing B747-400 passenger aircraft is strong, particularly with its potential as fuel-efficient cargo planes.

COMPONENT OVERHAUL

Increasing Revenue Streams Our Workshops Division, comprising 22 in-house workshops with state-of-the-art equipment to repair and overhaul more than 26,000 part numbers, is actively targeting non-traditional revenue sources, including performing warranty repair work on behalf of original equipment manufacturers (OEMs) like B/E Aerospace, CAE, General Electric and Iccobucci.

As the MRO partner of SIA, the Group has the unique opportunity to engage these OEMs to appoint us as their repair centre so that we can perform the warranty work in-house for SIA and other airline customers.

During the period in review, we also conducted panel refurbishments for a Saudi Arabian aircraft undergoing a heavy maintenance check in Kuala Lumpur; a set of landing gears for Balli Group PLC (a UK based company); component support work for commuter aircraft; cabin panel refurbishment work from MRO facilities in Seletar Airport, as well as radome repair for ATR airplanes.

Another major development in the area of component overhaul is the formation of a mobile team to support customers based overseas. Besides receiving components at the workshops, we also go onsite to conduct repairs. Recently, our staff flew to Yangon to conduct cabin repair work on an ATR42 aircraft. Within Singapore, our staff were also sent to repair a composite wing tip at Seletar Airport.

There is also an increasing trend for airlines to have a single point of contact for their outsourcing requirements. Tapping on our strength in finding the right vendors at competitive prices, we offered the Repair Vendor Management services to take care of airlines' subcontracting needs.

Component Capabilities for Airbus A380 To support our major customer SIA, which operates the largest fleet of Boeing B777 in the world, we have rapidly built up an extensive component overhaul capability for the B777. In addition, we have also geared up our test component capabilities for the A380 super-jumbo aircraft. In pursuit of this, a series of training programmes in specialty areas of thermoplastics, airframe composite repair, flight controls, landing gear and simulators were conducted. To date, the Company has a total of 139 staff who have acquired capabilities to service A380 ATEC components, wheels and brakes, seats and galley inserts, and to perform composite repair.

TOTAL COMPONENT PART NUMBERS: more than 26,000	
B747 capability	: 15,385 part numbers
B777 capability	: 4,225 part numbers
A340 and A380 capability	: 6,390 part numbers

ENGINE OVERHAUL Engine overhaul is a very complex operation that requires highly specialised technical know-how. Hence we have forged ten 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 ten engine and engine component overhaul joint ventures, seven are located in Singapore. They are Asian Surface Technologies, Combustor Airmotive Services, Eagle Services Asia, International Aerospace Tubes - Asia, International Engine Component Overhaul, Singapore Aero Engine Services and Turbine Coating Services. The other three are located in Taiwan, Hong Kong and Ireland.

FLEET MANAGEMENT PROGRAMME SIA Engineering Company's complete suite of offerings and experience in servicing a wide range of commercial aircraft, including the most advanced fleets in the world, strongly positions the Company to capitalise on the trend of increasing MRO outsourcing by airlines through our Fleet Management Programmes (FMP).

Customisation of Maintenance Plans FMP offers comprehensive and multi-layered engineering and MRO solutions that can be customised to provide partial or total maintenance support to airlines.

Comprising Fleet Technical Management and Inventory Technical Management, our FMP provides engineering and maintenance support activities, including formulating and up-keeping of aircraft maintenance programmes, maintenance planning, engineering design, consultation, quality and reliability programmes, 24/7 maintenance control, Aircraft-on-Ground support, materials support solutions, component repair and overhaul services, logistics and supply chain management. SIA Engineering Company's FMP enables a seamless integration of world-class airframe and engine maintenance and overhaul facilities to offer a complete and convenient one-stop shop to fulfill the MRO needs of our diverse customer base.

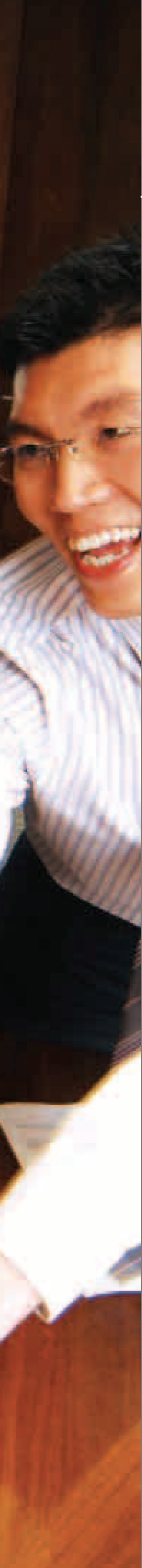
In FY2007/08, we extended our FMP territorial coverage to Australia to support Tiger Airways. The FMP contract with Cebu Pacific Air was also extended to cover an additional 18 aircraft.

As at 31 March 2008, we have seven airlines in our FMP customer base covering 109 aircraft. This comprises 57 aircraft in service and the remaining 52 awaiting delivery to the airlines.

AIRCRAFT IN SERVICE AS AT 31 MARCH 2008:	
Airbus Fleet (A319/A320)	
SilkAir	14
Tiger Airways	12
Cebu Pacific Air	16
Go Air	4
Mandala	6
Boeing Fleet (B747-400)	
Air Pacific	2
Great Wall Airlines	3

A recent addition to our expanding MRO service scope is the VIP aircraft cabin interior reconfiguration programme, which commenced with a large-scale job for a Boeing B747-400 Combi aircraft. This project was undertaken with expertise from our joint venture company, Jamco Aero Design & Engineering Private Limited (JADE) and other major aircraft system OEMs. It involves the engineering, modification and airworthiness certification of a production aircraft to incorporate a VIP lounge, customised passenger accommodation, state-of-the-art In-flight Entertainment System and a Satellite Communication capability.

excellence in support infrastructure



Our people, along with an efficient IT backbone, are central to our delivery of high quality and quick turnaround times

INFORMATION TECHNOLOGY The Company successfully completed the SAP system upgrade in November 2007. The new SAP software incorporates enhanced features and enables greater software compatibility with third-party products.

A BayWatch system was successfully rolled out in December 2007. It provides graphical display of aircraft location and serviceability status at Changi Airport on a real-time basis, thereby enhancing the Company's level of customer service and manpower deployment.

As part of the Company's ongoing efforts to improve aircraft component repair cycle time, we are embarking on the implementation of a Radio Frequency Identification (RFID) tracking, reporting and analysis system. With the system, there will be greater visibility on the repair status of components at any point in time. Critical information can also be transmitted more effectively between the hangar operations and the workshops that are repairing the components. This initiative also serves as a platform to prepare the Company for technologically advanced aircraft, such as the Boeing Dreamliner, which will have more than 2,000 RFID-enabled components.

TRAINING Our training programmes are designed to unlock the full potential of each individual.

As a People Developer certified by Spring Singapore since 1999, SIA Engineering Company is fully committed to workforce development and the inculcation of a continuous learning culture. We focus on equipping our staff with the relevant skills and knowledge to keep abreast with the technological developments in the industry.

On 13 December 2007, SIA Engineering Company became a pioneer member of the exclusive Airbus Maintenance Training Network. As an accredited Airbus Training Centre, our standard of training is recognised internationally to be on par with Airbus' and we enjoy access to Airbus latest training methodology. SIA Engineering Company became the first in the world (outside Toulouse) to embark on a new and more effective training methodology known as Airbus Active Learning and Competence-Focused Training (AACT).

Using the AACT, we successfully conducted our first in-house Airbus A380 maintenance course from November 2007 to March 2008.

The AACT uses advanced graphical simulation tools, such as the 2D Maintenance/Flight Training Devices and the interactive Virtual Aircraft, to provide hands-on experience that is not possible through conventional training methods. This significantly reduces the learning curve of our engineers and technicians undergoing training and gives us the competitive edge over other MRO providers.

During the year in review, 156 Apprentice Aircraft Maintenance Engineers (AAMEs) successfully completed our apprenticeship programmes and graduated as Licensed Aircraft Engineers. Another 300 AAMEs are in various stages of completion in the 3-year AAME programme.

In addition, 242 Trainee Technicians graduated as full-fledged Aircraft Technicians during the financial year. The Trainee Technician programme is a one-year course and there are 300 trainees currently enrolled in the programme.

Senior technicians are given the opportunity to be trained under the Certifying Technician programme. This is a 7 to 11-month programme, depending on operational requirements. Certifying Technicians are trained to take on some of the Licensed Aircraft Engineer's responsibilities. This allows the Engineers to focus on more complex troubleshooting and also increases the productivity of our technician workforce. To date, we have trained 208 Certifying Technicians.

HUMAN RESOURCES As a leading MRO company in the Asia-Pacific, SIA Engineering Company recognises that its workforce is its most vital and valuable asset. We need a dedicated, committed and highly skilled workforce to drive excellence and quality delivery in the work that we do. It is this drive towards excellence that sets SIA Engineering Company apart from the competition and positions the Group for greater achievements.

Staff Development The Company has successfully renewed its People Developer Certification for another three years (2008 to 2011). In FY2007/08, we invested $9 million in technical and management skills training. Other avenues for staff development include on-the-job training, participation in special projects, overseas postings and job rotations. In addition, mentorship and coaching programmes have helped to provide guidance to staff in their

personal growth and career advancement within the Company.

Two new initiatives, the "Buddy" and "Mentor" schemes, were introduced to improve the learning environment for the AAMEs. These two schemes involve partnering a junior apprentice with a technical instructor (Mentor) and a senior apprentice (Buddy) from the same technical specialisation. Regular dialogues are conducted between them, and the junior apprentice is encouraged to bring up issues that he encounters during training. These two initiatives have helped our junior apprentices adapt much faster to the work environment, as well as accelerated their learning during apprenticeship. In the long run, this will improve the quality of the AAMEs that graduate from our training programmes.

We continually engage our workforce at every level to integrate the Company's goals with our daily operations.

Employee Engagement To facilitate understanding and integration of the Company's objectives, it is critical to ensure that our workforce is continually engaged. SIA Engineering Company places a strong emphasis on employee communications, which include regular meetings with the Unions and staff, informal gatherings, company-wide events such as the Staff Carnival, sporting activities and sharing of information through various media.

During the year in review, the Company continued with its *Let'S PEAK* programme, which was launched in October 2006. A total of 500 staff attended the programme, which aims to equip all supervisory staff with the skills to manage and build effective working relationships. Through the programme, staff learn to conduct more effective communication sessions and to exhibit leadership skills to their subordinates.

Another new initiative, the STAR Employee Award, was launched on 1 October 2007 to recognise outstanding engineers, technicians and clerical staff from the three operational divisions (Base Maintenance, Line Maintenance and Workshops) on a quarterly basis. The award is given to staff who exemplified excellence in their work, rendered care and service beyond their normal course of duty and consistently demonstrated the Company's core values.

To instill in the workforce a sense of "esprit de corp", the Company organised its first SIAEC Staff Carnival on 28 July 2007 at the Singapore Zoological Gardens, with activities that encouraged teamwork and innovation. The event attracted a total participation of 10,000 staff and their families.

Industrial Relations The implementation of workplace transformation initiatives has emphasised the need to work closely and jointly with our Unions.

After almost one and a half years' of close collaboration in developing, implementing and fine-tuning these initiatives, the Company and its Unions have forged strong bonds based on transparency, understanding and staff engagement. Regular meetings, interspersed with impromptu discussions and informal gatherings, have helped in the resolution of issues that were surfaced. Such interaction is crucial in ensuring a healthy and harmonious industrial climate and has become an integral part of our working relationships. The Company strives to bring its partnership with the Unions to greater heights and achieve a win-win situation for both the business and our employees.

Recruitment Our apprenticeship schemes, specifically the Apprentice Aircraft Maintenance Engineer (AAME) and Trainee Technician (TT) Schemes, have fulfilled most of our technical manpower requirements. In view of the Company's plans to add capacity in the near future, we explored new schemes to meet our growing demand for engineers and technicians. These included tie-ups with the local polytechnics, which offer aerospace-related diploma courses that qualify for credits from CAAS. These graduates will be able to join SIA Engineering Company on an abridged AAME scheme. The Company has also been working closely with the Institute of Technical Education

(ITE) to develop a National ITE Certificate (NITEC) in Aerospace Technology programme, which will serve as an effective feeder for our TT programme.

At the management level, the Company has stepped up its recruitment of experienced mid-career managers and executives to complement and strengthen our existing team by bringing expertise from various industries.

QUALITY, SAFETY, SECURITY AND PRODUCTIVITY Constant reviews of our work procedures ensures that a high standard of service and quality is maintained.

From January to December 2007, the Quality and Safety Division conducted a total of 147 internal audits on various operating areas within the Company. During the same period, there were a total of 100 external audits, including 67 conducted by our airlines and MRO customers, 30 by airworthiness regulatory bodies and three by other certification bodies.

We currently hold regulatory approvals from 24 national aviation authorities and 26 airlines and customers. Regulatory approvals include the Civil Aviation Authority of Singapore (CAAS), Federal Aviation Administration (FAA), European Aviation Safety Agency (EASA), General Administration of Civil Aviation of China (CAAC), India Directorate General of Civil Aviation (DGCA) and newly obtained approvals from Australia Civil Aviation Safety Authority, Bangladesh Civil Aviation Authority, Bermuda Department of Civil Aviation, Myanmar Department of Civil Aviation and Vietnam Civil Aviation Administration.

In April 2007, our Environmental Management System was converted to comply with ISO 14001:2004 standards.

In September and October 2007, the Safe Act Walk and Accident Prevention campaigns were held to accentuate the importance of adopting safe work practices and a proactive attitude towards the prevention of accidents.

We continued to evaluate security measures for our facilities in 2007. Their effectiveness is highly dependable on the reliability of the security equipment installed and the enforcement by our security force. Hence, steps were taken to install newer CCTV cameras in the hangars. In early 2008, security upgrading was completed in Hangars 4

and 5, with the installation of Pan-Tilt-Zoom cameras to auto-pan and focus on critical areas.

In December 2007, we embarked on a month-long campaign – Quality Supervision, Winning Teams – to reinforce the concept of high quality and high safety standards in the workplace. Road shows were held, together with talks by consultants, to engage staff in dialogue sessions to enforce the need for quality supervision.

The Company has also recently embarked on an initiative to work with our joint venture companies on their security enforcement. PAPAS (Hong Kong) and Singapore Jamco are the first two companies we are working with under this programme.

Our Productivity Unit has been actively engaging the Operational divisions (Base Maintenance, Line Maintenance and Workshops) in coming up with ways to eliminate wastage in their business processes and to stay relevant in the MRO industry. Productivity Unit also conducted regular courses to educate our workforce on the principles of LEAN management through hands-on activities. To date, we have trained a total of 349 employees.

Corporate Social Responsibility

ENVIRONMENT MANAGEMENT At SIA Engineering Company, we are focused on balancing our goals of creating value in our business with a strong commitment to minimise the impact that our business activities have on the environment.

It is therefore our priority to closely monitor and manage our Group's environmental performance. Carbon emissions, climate change, noise pollution, air quality and waste management continue to be the main priorities of our environment management strategy. With a moral obligation to look after the health of our staff and the long-term sustainability of our environment, we have put in place an Environment Management System (EMS).

Our EMS ensures that work processes are in compliance with environmental regulations. Since April 1998, we have in place the ISO 14001 certification, which affirms that our management of environmental issues is in accordance with international best practices.

MRO work involves activities that potentially have an environmental impact, such as wastewater discharge, handling of chemicals and toxic waste disposal. As part of our EMS, we have taken measures ranging from maintaining records of toxic waste disposal to ensuring that sufficient spill kits are available. Staff awareness is key in any management system of this nature. For example, all staff have easy access to the Material Safety Data Sheets posted at the Chemwatch website. This encourages them to learn about the hazards and the proper measures to handle a wide range of chemicals used in the workplace.

The review of our environmental performance covers three main areas, namely, energy and water conservation, wastewater management and solid waste management.

Water Conservation With close to 6,000 employees in Singapore, the amount of resources consumed is substantial and hence we have been very proactive in the conservation of water resources

in our operations. One measure implemented was the installation of water-saving devices to existing taps at our hangars to reduce the water flow rate from 5-7 litres to 3 litres per minute. Others include collection of rainwater in water tanks on hangar rooftops, which is then used for general cleaning and watering of plants.

Wastewater Management Our hangars are equipped with stand-alone wastewater treatment plants where wastewater is treated to ensure it complies with the legal requirements before it is discharged into the public sewer system. The wastewater treatment facilities in Hangars 4 and 5 were recently upgraded with a Carbon Filter to further reduce the Chemical Oxygen Demand in the discharged water. Another $1.5 million will be invested in a new wastewater treatment plant for Hangar 1.

Promotion and facilitation of waste reduction are conducted through new and ongoing efforts aimed at reducing usage, reuse and where possible, recycling.

Management of Waste We have a comprehensive environmental action plan that includes an integrated waste management programme for handling hazardous substances and reducing waste.

Promotion and facilitation of waste reduction are conducted through new and ongoing efforts aimed at reducing usage, reuse and where possible, recycling.

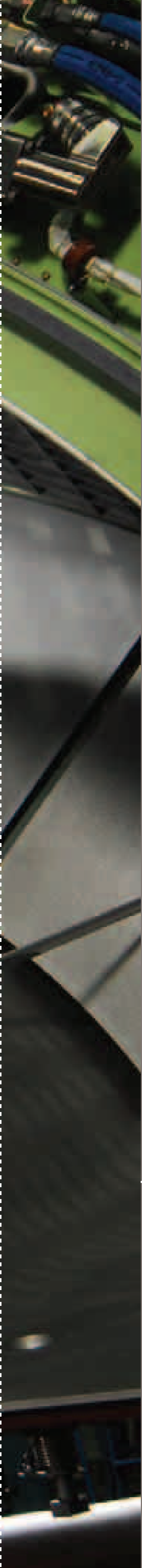
Paper usage has been reduced by 6.6% from FY2006/07 to FY2007/08. To encourage further reduction, a paper-recycling scheme is in place to recycle all paper type waste generated in our offices.

COMMUNITY OUTREACH The Group firmly believes in giving back to the community and encourages staff to be active in supporting the needy.

The SIA Community Service Club (CSC), comprising volunteers from the SIA Group, provides a platform for staff of SIA Engineering Company to extend a helping hand to the community. In the past year, CSC organised a total of 14 events for organisations such as the SIA Minds Employment Development Centre, Geylang East Home of the Aged, SILRA, APSN/Touch Ubi and Brighthill. Activities such as outings, games, karaoke are arranged to spread joy to the less fortunate. On special occasions like Christmas and Chinese New Year, gifts and hampers are also given out.

Our staff are also given the opportunity to pledge monthly donations to the Community Chest of Singapore. In the last three years, a total of $258,455.26 was collected for the charity.

excellence in partnerships



The 21 joint ventures span across seven countries and contribute more than half of the Group's pre-tax profits

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 recertification of hydraulic pumps, flight control actuators, servo-control actuators and thrust reverser actuators.

ACE Services is the first in the region to provide OEM MRO support of Parker hydro-mechanical components. The 33,000 square feet 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.

Since operations started in 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 hydro-mechanical components. ACE Services will continue to develop and add further capabilities to its list.

ASIAN SURFACE TECHNOLOGIES PTE LTD
SIA Engineering Company: 39.2%
PAS Technologies: 40.8%
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 plasma coating services for aerospace and industrial engineering products in the Asia-Pacific region. AST uses cutting-edge technology, such as Praxair's proprietary D-gun processes, for its coating services. It holds approvals from CAAS in Singapore, FAA in the US 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, PW2000, JT8D, V2500 and CFM56 combustion chambers, fuel nozzles, PW4000 Stage 3 Low Pressure Turbine duct assemblies, PW4000 High Pressure Turbine Stage 1 supports, Heat Shields and Band Segments. 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. In March 2007, CAS achieved the ACE site Gold status under the new Pratt & Whitney ACE criteria.

Much emphasis has also been given to the health, safety and welfare of its employees. For its company-wide health programme efforts, CAS received a Gold Health Award from the Singapore Health Promotion Board. In 2007, CAS received a Silver award from the Singapore Ministry of Manpower in its Annual Safety and Health Performance. In addition, CAS received a Silver award at SMA-WSHi Innovation Presentation for its introduction of the Contractor Corner, which is dedicated for the briefing of contractors on the safety policies in the facility. In driving safety as a value, CAS logged 1.6 million hours of work without injury or lost time since 2002.

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 has enabled ESA to establish itself as one of the largest MROs in Singapore and as the key PW Engine Centre specialising in the repair and overhaul of JT9D and PW4000 (94" and 100"), as well as GE90-115B engines.

ESA celebrated its 10th anniversary in 2008. Since inception, sales have increased more than four-fold. More than 2,100 engines have been tested and shipped, turnaround time on engine overhaul has been reduced by half and its employee group has expanded by more than 40% to meet a larger customer base. These facts reflect the development of an innovative and leading-edge organisation committed to offering integrated and customised engine servicing and overhaul solutions for a global customer base.

Being the first engine overhaul centre among PW's worldwide facilities to be awarded the Achieving Competitive Excellence (ACE) Silver status, ESA continues to strengthen its competitive edge through the rigorous application of United Technologies Corporation ACE programme. In 2007, ESA was awarded the Lifelong Learner Award from the Singapore Workforce Development Agency and achieved recognition for having reached more than one million hours worked without lost time injury. The many other awards in ESA's 10-year history include the Singapore Environmental Achievement Award, Singapore Health Award and Occupational Health Best Practice Excellence Award.

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 2007, FAST was presented with two awards – More than 5 years without a safety incident and the Best Quality Clinics among the 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.

GASCA is accredited to the Boeing Network Service Centre and more significantly, it was the first non-Boeing facility to receive such recognition. It has repair support agreement with Aircelle to service the A340-500/600 nacelle system, which could be expanded to include the Airbus A380 aircraft. GASCA secured a contract to design and build prototype fan cowls in support of the Pratt & Whitney Geared Turbofan flight test programme for the Next Generation Single Aisle aircraft development, which is a replacement for the Boeing B737 and Airbus A320 family of aircraft.

Operating out of its state-of-the-art facility in Changi North, GASCA's capability extends to virtually all commercial aircraft models today and serves more than 120 airlines and other customers in the Asia-Pacific region. GASCA expanded its facility to 550,000 square feet and hosts the aircraft component and systems maintenance campus. The Goodrich Singapore Campus was officially opened during the Singapore Airshow on 20 February 2008.

INTERNATIONAL AEROSPACE TUBES – ASIA PTE LTD

SIA Engineering Company: 33.33%
Pratt & Whitney (United Technologies Group): 66.67%

International Aerospace Tubes - Asia Pte Ltd (IAT-Asia) was incorporated in 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 Civil Aviation Authority of Singapore, Federal Aviation Administration, European Aviation Safety Agency, General Administration of Civil Aviation of China and Department of Civil Aviation 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 and 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 status 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 Centre ("Escape" refers to the case when customers returned the products during the warranty period). In 2007, IAT-Asia was presented with Silver award from Singapore Ministry of Manpower for Workplace Safety & Health.

INTERNATIONAL ENGINE COMPONENT OVERHAUL PTE LTD

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

Formed in 1997 and commenced operations in 1998 with an investment of more than US$15 million, International Engine Component Overhaul Pte Ltd (IECO) is located at the heart of Singapore's Aviation Park in Loyang, right on the doorstep of Singapore's Changi Airport. IECO's core business is in the repair and overhaul of Rolls-Royce Trent and RB211 Nozzle Guide Vanes and Compressor Stators, using state-of-the-art technology, combined with a well-trained and highly motivated workforce.

IECO currently has a worldwide customer base that encompasses the Asia-Pacific region, such as Singapore, Hong Kong, Australia, China and the rest of the world that includes the United Kingdom, USA and Europe. IECO is a Rolls-Royce certified Gold Centre of Excellence for the repair of Rolls-Royce aero engine components. IECO was the British Business Award Winner in the Science and Technology Category in 2006.

JAMCO AERO DESIGN & ENGINEERING PTE LTD

SIA Engineering Company: 45%
Jamco America: 50%
Jamco Corporation: 5%

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

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

JADE was awarded the first Supplemental Type Certificate by the Federal Aviation Administration under the Singapore-United States Bilateral Aviation Safety Agreement on 14 February 2008.

MESSIER SERVICES ASIA PTE LTD

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

Messier Services Asia Pte Ltd (MSA) operates one of the most comprehensive landing gear repair and overhaul facilities in the world. It is also the largest in the Asia-Pacific. MSA houses a Landing Gear Service Centre that has repair and overhaul capabilities for a wide range of Boeing and Airbus airliners, as well as many regional and commuter aircraft. It also owns a Component and Accessory Service Centre that provides component overhaul services to support a wide range of commercial aircraft.

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. It has signed a long-term spares and technical support agreement with Boeing to better serve its 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 a $185 million joint venture between Rolls-Royce, Hong Kong Aero Engines Services Limited and SIA Engineering Company. The modern 18,500 square metre air-conditioned engine overhaul facility is

located along Calshot Road, adjacent to Changi Airport. The facility, designed to handle up to 200 Rolls-Royce Trent engines a year, undertakes engine repair and overhaul for Singapore Airlines, Malaysia Airlines, Thai Airways, Virgin Atlantic, Emirates and Garuda. It also provides offload capacity for other Rolls-Royce Trent engine overhaul facilities worldwide. With the popularity of the Trent engines among the world's airlines, SAESL's business has grown rapidly.

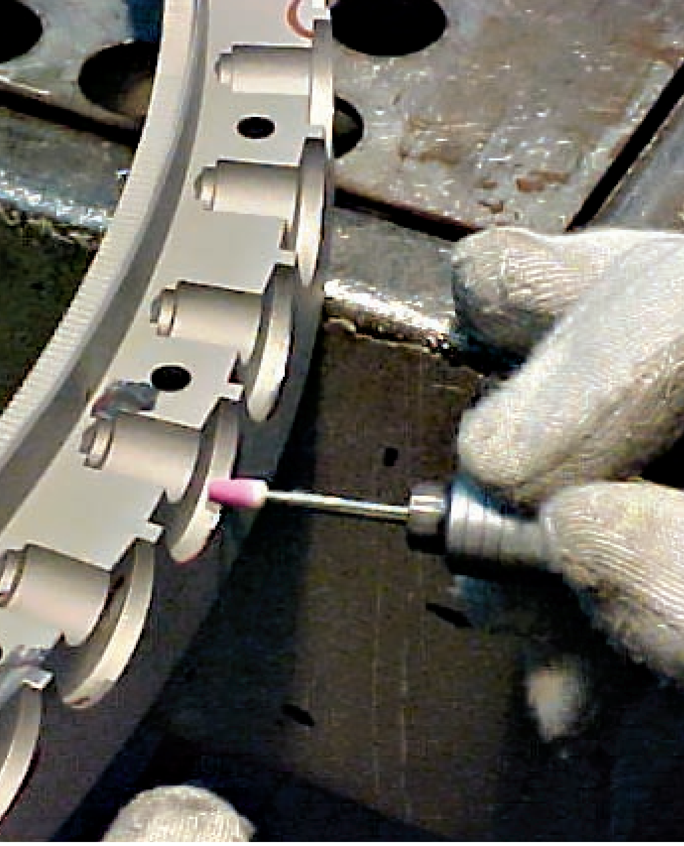
SAESL started operations in 2001 and now employs over 700 personnel, with over 85 per cent from Singapore. Through an innovative state-of-the-art in-line gantry system, the facility is capable of handling module change and module overhaul work of Trent 800 (B777) engines, Trent 700 (A330) engines, Trent 500 (A340) engines, and has recently added capability for the new Trent 900 engines, which entered into service with Singapore Airline's A380 in late 2007. In addition to engine capability, SAESL has developed component repair capability since 2002, including cells for compressor and fan blades in 2005. The Compressor Blade Cell is a $10 million investment with semi-automated process flow and the capability to tip weld compressor blades for all Trent engine variants. Facility expansion for a two-storey, 12,000 square metre building is underway and when completed in 2009, will enhance SAESL's service offerings, build on the company's position as a Trent Centre of Excellence and handle an additional 50 Trent engines a year.

With SAESL's customers operating over 450 Trent engines, and taking delivery of more than 100 additional Trents in the next three years, SAESL has developed a wide market base and established itself as a facility which is able to deliver reliable and efficient repair and overhaul of Trent engines.

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 galleys 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, galley inserts, carpets and insulation blankets fabrication and repair for commercial and business jets.



Being a comprehensive cabin interior service provider, the Company also provides cabin and line maintenance services at Changi Airport and is capable of supporting overseas maintenance programmes at short notice.

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 POA, SAR Part 21 DOA, EASA Part 145 Repair Approval, EASA Part 21 POA and Malaysian DCA Repair and Production Approvals.

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 (TCS) was established in 2000 to repair PW4000 High Pressure Turbine Blades. It has since added International Aero Engines (IAE) V2500 Turbine Blades to its capability list. TCS is co-located at Turbine Overhaul Services (TOS) and shares the same well-trained and dedicated workforce.

With the setting up of TCS, the joint venture brought in key coating technologies to Singapore, including Electron Beam Physical Vapour Deposition, Cathodic Arc and Cubic Boron Nitride coating. These coating technologies not only support the TCS products but also support products from TOS and other Pratt & Whitney repair units. Apart from the coating technologies, it also utilises state-of-the-art repair techniques in welding, machining, brazing and heat treatment.

Over the years, TCS has gained a reputation for delivering uncompromising quality and world-class turnaround time. This has been achieved through a culture of continuous improvement in business and shop floor processes.

TCS currently has a worldwide customer base that encompasses airlines as well as independent engine overhaul shops from Asia-Pacific, Europe and the Americas.

OVERSEAS VENTURES

AIRCRAFT MAINTENANCE SERVICES AUSTRALIA PTY LTD

SIA Engineering Company: 100%

Established in 1992 and fully acquired by SIA Engineering Company in 2007, Aircraft Maintenance Services Australia Pty Ltd (AMSA) provides highly skilled and trained aircraft maintenance engineers to undertake the mandatory engineering requirements for airlines operating in and out of, and within Australia. AMSA currently operates out of its main office in Brisbane International Airport with line stations at major Australian airports, including Sydney, Melbourne, Adelaide, Perth and Coolangatta. The company provides line maintenance services for the Boeing B737, B747, B777, B767, Airbus A310, A320, A330, A340, A380, Fokker 100 and F28.

ASIAN COMPRESSOR TECHNOLOGY SERVICES CO. LTD

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

Asian Compressor Technology Services Co. Ltd (ACTS) specialises in the overhaul and repair of High Pressure Compressor and Low Pressure Compressor components for the PW4000, PW2000/ F117 and CF6 families of engines. Components that ACTS repairs include stators, variable vane inner shrouds, outer air seals and honeycomb shroud guides.

ACTS is certified as a United Technologies Corporation (UTC) Achieving Competitive Excellence (ACE) Gold Site – the highest level achievable in UTC's ACE operating system. As of February 2008, the company successfully completed 52 months without Lost Time or Recordable injury and 44 months of 99% or better on-time delivery.

Established in 1995 and employing more than 110 people, ACTS differentiates itself in the marketplace through its consistent delivery performance, prompt customer service, dependable quality and overall ease of doing business. While its customer base is currently concentrated in Asia and North America, ACTS has recently started winning work from customers in Western Europe.

ACTS received ISO 9002 certification in 1998 and became an ISO14000 certified shop at the end of 2003. Air Agency Certifications acquired include authorisations from the Federal Aviation Administration, European Aviation Safety Agency, Civil Aeronautics Administration, Taiwan, General Administration of Civil Aviation of China, Civil Aviation Authority of Singapore and Department of Civil Aviation Malaysia.

In 2007, ACTS received the Voluntary Protection Programme and Taiwan Training Quality System awards from the Taiwan Government Council of Labour Affairs and the Energy Conservation award from the Taiwan Government Energy Bureau.

AVIATION PARTNERSHIP (PHILIPPINES) CORPORATION

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

Aviation Partnership (Philippines) Corporation is SIA Engineering Company's third line maintenance joint venture outside Singapore. The joint venture provides line maintenance, light aircraft checks and technical ramp handling for Cebu Pacific Air, Singapore Airlines, SilkAir and third-party airline customers at three major international airports – Manila, Cebu and Davao – as well as up to 17 domestic airports in the Philippines. They also provide flight mechanics on regional flights of Cebu Pacific Air to 12 Asian destinations.

HONG KONG AERO ENGINE SERVICES LTD

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

Hong Kong Aero Engine Services Ltd (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 customers.

HAESL possesses significant component repair capability for both in-house and third-party work, and currently operates four gold accredited component repair cells under the Rolls-Royce Centre of Excellence Programme. In December 2007, HAESL opened a new 3,000 square metre module repair workshop within the facility. It also plans to expand the facility further with a new component repair building scheduled to be operational in early 2010.

PAN ASIA PACIFIC AVIATION SERVICES LTD

SIA Engineering Company: 47.06%
Malaysia Airlines: 23.53%
PT Garuda Indonesia: 17.65%
Royal Brunei Airlines: 11.76%

Pan Asia Pacific Aviation Services Ltd (PAPAS) has been our line maintenance joint venture based in Hong Kong since 1998. With accreditation from major airworthiness authorities, including Civil Aviation Authority of Singapore, European Aviation Safety Agency and the Civil Aviation Department of Hong Kong, PAPAS offers a full suite of line maintenance services in Hong Kong. PAPAS' services include aircraft certification, defect rectification, technical ramp handling, aircraft interior cleaning, as well as aircraft monthly checks.

PAPAS continues to provide high quality service to existing customers, source for new potential customers and explore new opportunities to enhance its service offerings both within and outside Hong Kong.

PT JAS AERO–ENGINEERING SERVICES (PT JAE)

SIA Engineering Company: 49%
PT Jasa Angkasa Semesta: 51%

Having commenced operations in 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's second joint venture to offer line maintenance services outside Singapore and has a combined clientele of more than 29 international airlines and cargo operators, including SIA, SilkAir, EVA Air, Royal Brunei Airlines, Thai Airways, Valuair, Lufthansa, Qatar Airways, Emirates, Kuwait Airways, FedEx, Cathay Pacific, Saudia, Yemenia and Qantas.

The company has enhanced its certification recognition by obtaining the 145 approvals from EASA and 145 Repair Station Approvals from Federal Aviation Regulations.

The company has also captured business from new airlines flying into Indonesia, namely China Eastern Airlines, OZ Jet Airlines, TransAsia Airways. PT JAE also secured the contract from Jett8 Cargo and Hong Kong Express. On the domestic front, the company has secured Power-By-Hour line maintenance contract with Mandala Airlines for their Airbus A319/320 fleet and technical ramp handling for Megantara.

PT JAE has expanded its services beyond normal line maintenance activities to include 500-hour maintenance checks A & B, Interior & Exterior Aircraft Cleaning and Residual Disinsection.

PWA INTERNATIONAL LTD

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

PWA International Ltd (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 PW2000, PW4000 and V2500 engine cases.

SIA ENGINEERING (PHILIPPINES) CORPORATION

SIA Engineering Company: 65%
Cebu Pacific Air: 35%

SIA Engineering (Philippines) Corporation, a joint venture formed in April 2008, will provide maintenance, repair and overhaul (MRO) services for narrow and wide-body aircraft. It plans to construct three hangars over the next three years to provide heavy and light maintenance checks to international airlines. The initial investment capital for the construction of the three hangars, purchase of tools and equipment, and working capital is estimated to be $81 million.

This is the latest joint venture in SIAEC's stable of 21 joint ventures, which spreads across seven countries.

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. In substance, it goes beyond mere compliance with form. The essence of the framework is manifested in the composition of the Board and Board Committees, division of powers and duties, adoption of checks and balances and instilling the right corporate culture across the organisation. 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. All of these reflect the principles and spirit of the Code of Corporate Governance 2005 (the "Code").

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

The Board oversees the business affairs of the Company, providing entrepreneurial stewardship to Management and conferring with them regularly. It evaluates and sets the direction of the Company's strategic initiatives and performance objectives and targets. There is an objective decision-making process, which allows each Director to engage in constructive debate and exercise independent judgement. 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 performance 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, including the mid-year and year-end results. 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. Additionally, Chairman and the Independent Directors meet twice a year in the absence of Management.

Directors attend a full-day annual strategy meeting to discuss and prioritise the Company's strategic growth initiatives over a 5-year period. Proposals considered at the strategy meeting are further developed and discussed at subsequent Board Meetings with Management's inputs. At the strategy meeting held on 14 September 2007, Directors encouraged Management to, inter alia, venture further into Asia Pacific to take advantage of emerging markets and the competitive cost environment. Our recent entry into Australia with the acquisition of Aviation Maintenance Services Australia and the partnership with Cebu Pacific Air to set up our second heavy maintenance base at Clark International Airport culminate from the directions set at these annual meetings.

The contributions of the Directors are especially visible in the Company's four Board Committees, the composition of which is regularly reviewed to avail of the core competencies of existing and newly appointed Directors. These are the Audit Committee, Compensation and HR Committee, Nominating Committee and Board Committee. At all times, the Board and Board Committees have independent access to the Chief Executive Officer, other members of Senior Management and the Company Secretary, as well as independent specialist advisors, if the need arises. There is a clear demarcation of responsibilities between the Board and Management.

Orientation and Training for Directors

The Company's Directors have served on the Boards of other companies, including in many cases, listed companies.

Newly appointed Directors undergo a half-day orientation session, which includes presentations by Management to familiarise them on the Company and the 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 are kept updated on relevant new laws, regulations and changing commercial risks. This is done in furtherance of their training.

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

		Main Board		Audit Committee		Nominating Committee		Compensation & HR Committee		Board Committee	
Name	Status	Position	Att.	Position	Att.	Position	Att.	Position	Att.	Position	Att.
Stephen Lee Ching Yen (last re-appointed 21 Jul 2006 first appointed on 1 Dec 2005)	Non-Independent	Chairman	5/5								
Chew Choon Seng (last re-appointed on 25 Jul 2005, first appointed on 22 May 2003)	Non-Independent	Dy Chairman	5/5			Member	2/2	Member	6/6	Member	–
Bey Soo Khiang (last re-appointed on 21 Jul 2006, first appointed on 1 Mar 2000)	Non-Independent	Member	5/5							Member	–
Tan Bian Ee (last re-appointed on 20 Jul 2007, first appointed on 15 Apr 2004)	Independent	Member	5/5	Member	4/4	Chairman (elected on 22 Oct 2007)	2/2				
Koh Kheng Siong (last re-appointed 21 Jul 2006, first appointed on 1 Sep 2005)	Independent	Member	5/5	Chairman	4/4			Member	6/6		
Paul Chan Kwai Wah (last re-appointed on 20 Jul 2007, first appointed on 1 Aug 2006)	Independent	Member	4/5			Chairman (stepped down on 21 Oct 2007)	-	Chairman (appointed as member on 20 Jul 2007 & elected as Chairman on 5 Nov 2007)	3/3	Alternate (appointed on 20 Jul 2007)	–
Andrew Lim Ming-Hui (last re-appointed on 20 Jul 2007, first appointed on 1 Aug 2006)	Independent	Member	5/5	Member (appointed on 20 Jul 2007)	2/2						
Ron Foo Siang Guan (first appointed on 1 Aug 2007)	Independent	Member	2/3	Member (appointed on 15 Aug 2007)	2/2						
Lim Joo Boon (first appointed on 1 Aug 2007)	Independent	Member	2/3					Member (appointed on 15 Aug 2007)	2/3		
Oo Soon Hee (first appointed on 1 Aug 2007)	Independent	Member	3/3	Member (appointed on 15 Aug 2007)	1/2	Member (appointed on 15 Aug 2007)	2/2				
Wong Nang Jang (retired on 20 Jul 2007, last re-appointed on 26 Jul 2004, first appointed on 24 Mar 2000)	Independent	Member	1/1			Member (retired on 20 Jul 2007)	-				
N Varaprasad (retired on 20 Jul 2007, last re-appointed on 25 Jul 2005, first appointed on 1 Mar 2000)	Independent	Member	1/1	Member (retired on 20 Jul 2007)	2/2			Chairman (retired on 20 Jul 2007)	3/3		
Thio Su Mien (retired on 20 Jul 2007, last re-appointed on 21 Jul 2006, first appointed on 1 Mar 2000)	Independent	Member	1/1	Member (retired on 20 Jul 2007)	2/2					Alternate (retired on 20 Jul 2007)	–
Total Number of Meetings Held in FY07/08			5		4		2		6		–

Note: "Att." refers to the number of Board Meetings, Annual Strategy Meeting & Board Committee Meetings attended by Directors in FY2007/08.

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

Reviewing Board composition and recommending appointment of new Directors are within the purview of the Nominating Committee. Relying on a set of stringent criteria approved by the Board, Directors are carefully selected to augment core competencies of existing Directors to ensure consistent overall effectiveness of the Board. The Board has the requisite blend of expertise, skills and attributes necessary to oversee the Company's growing businesses. Collectively, they have competencies in areas such as airline operations, accounting, finance, law, information technology, logistics management and human resource development, and working experience in key markets. Details of the Directors' professional qualifications and background can be found on pages 13-18.

At the time of this report, 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.

As a principle of good corporate governance, all Directors are subject to retirement and re-election at least once every 3 years. 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 FY2007/08 are set out on page 62 and 63.

Overall, there is a clear demarcation of the roles and responsibilities of the Chairman and the Chief Executive Officer, consistent with the principle of instituting an appropriate balance of power and authority. The Chairman leads the Board to ensure its overall effectiveness and encourages constructive relations between Directors as well as the Board and Management. At Board Meetings, he facilitates participation of the Directors present. Together with the Directors, the Chairman promotes high standards of corporate governance.

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. The Chief Executive Officer also chairs the Senior Management Committee ("SMC"), members of which include the Senior Vice Presidents. The SMC decides on specific routine matters delegated by the Board.

BOARD PERFORMANCE (Principle 5)

The Board has implemented a process for assessing the effectiveness of the Board as a whole and the contributions of individual Directors. The process, managed by a leading firm of human resource consultants for impartiality, comprises an assessment of both qualitative and quantitative criteria. The qualitative assessment is structured to measure the overall performance of the Board and the Board Committees; there is also a peer evaluation of individual Directors' contributions. The quantitative assessment measures the Board's performance against key financial indicators.

This is the sixth year of implementation of the Board performance evaluation using a confidential questionnaire completed by each Director and submitted to the external consultants directly. The results of the evaluation are used to identify areas for improvement in the discharge of the Board's duties. Quantitative performance is measured against the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index, return on equity and economic value-add.

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

ACCOUNTABILITY AND ACCESS TO INFORMATION (Principles 6 & 10)

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, financial position and prospects, and are submitted to the Board on a monthly basis. Information papers on material developments or issues being dealt with by Management are also submitted to the Board.

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.

The Board has defined the role of the Company Secretary to, inter alia, 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 non-executive Directors, all of whom are independent. The members of the Audit Committee for the year under review were:

Chairman	Koh Kheng Siong
Members	Tan Bian Ee
	Andrew Lim Ming-Hui (appointed on 20 July 2007)
	Ron Foo Siang Guan (appointed on 15 August 2007)
	Oo Soon Hee (appointed on 15 August 2007)
	N Varaprasad (retired on 20 July 2007)
	Thio Su Mien (retired on 20 July 2007)

The Committee met four times during the year with Management and the internal and external auditors of the Company. The attendance of individual Directors at these meetings is shown on page 55. In the course of the year, the Committee performed the following in accordance with the duties and responsibilities under its Charter:-

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 auditor's report thereon before their submission to the Board of Directors;

e) reviewed the independence of the external auditor and the nature and extent of non-audit services provided by them;

f) considered and endorsed for Board approval the re-appointment of the external auditor and their audit fee;

g) reviewed the adequacy and effectiveness of the internal audit function;

h) reviewed interested person transactions;

i) reviewed the findings of investigations into complaints made pursuant to the whistle-blowing process established by the Company; and

j) reviewed the appropriateness of banking facilities.

The Committee has full access to and the co-operation of Management. The Committee has full discretion to invite any Director to attend its meetings, at which the Chief Executive Officer, Chief Financial Officer and Company Secretary are also present. The Committee has access to the Company's resources, including independent external specialist advisors, to discharge its functions.

During the year, the Committee also met with the internal and external auditors in the absence 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 Directors.

The review of the adequacy of operational controls and risk management policies is undertaken directly by the Board, and accordingly, these functions do not come under the purview of the Audit Committee. (Please refer to the report on Risk Management on page 63.)

The Directors are of the opinion that the Company complies with the Code on Audit Committees.

The various divisions within the Company have developed a Control Self Assessment programme, where annually, the operating departments' Management reviews and reports on the adequacy of their respective units' control environment.

The Board believes that, in the absence of evidence to the contrary, the system of internal control maintained by the Company's Management, and that was in place throughout the financial year and 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 Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

COMPENSATION AND HR COMMITTEE (Principle 7)

The Compensation and HR Committee comprises four non-executive Directors, three of whom (including the Chairman) are independent. The members of the Committee for FY2007/08 were:

Chairman	N Varaprasad (retired on 20 July 2007) Paul Chan Kwai Wah (appointed on 20 July 2007)
Members	Chew Choon Seng Koh Kheng Siong Lim Joo Boon (appointed on 15 August 2007)

The Committee, guided by the principles of the Code, regularly reviews the recruitment, appointment, development and compensation of senior staff with reference to market data provided by recognised surveys of comparative groups in the aerospace and general 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 FY2007/08, the Committee held six meetings and undertook, inter alia, the following:

a) reviewed and decided the allotment for the 9th ESOP Grant;

b) determined the eligibility and guidelines of the 9th ESOP Grant;

c) conducted the annual salary review and promotion exercise of senior staff;

d) approved the Profit Sharing Bonus Formula for managerial staff;

e) conducted a review of the RSP and PSP, i.e. the actual performance of KPIs versus performance targets set for the award of shares;

f) determined the allotment for the RSP and PSP for FY2007/08;

g) reviewed and approved the total compensation framework for managerial staff, including the implementation of market-based salary ranges and increment quantums;

h) reviewed and endorsed the Succession Development Framework for the Company;

i) reviewed the remuneration payable to Company Directors for FY2007/08;

j) reviewed and approved the Individual Scorecards of senior management; and

k) reviewed and approved in-principle a Performance Cash Plan as an alternative for ESOP from FY2009/10 for non-managerial 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. The Board believes that it is imperative to remunerate Directors equitably to attract and retain individuals with the necessary capabilities and desired attributes to serve on the Board.

The proposed Directors' remuneration for FY2007/08, comprising fees and allowances, amounts to $769,477 ($741,068 in FY2006/07) and is derived using the same rates as FY2006/07, which are as follows:

TYPE OF APPOINTMENT	Scale of Directors' Fees
Board of Directors	S$
Member's Fee ("Basic Fee")	45,000
Chairman's Allowance	40,000
Deputy Chairman's Allowance	30,000
Board Meeting Attendance Fee	1,000
Board Committee	
Member's Allowance	10,000
Audit Committee	
Member's Allowance	20,000
Chairman's Allowance	30,000
Other Board Committees	
Member's Allowance	10,000
Chairman's Allowance	20,000

Note:

Subject to Shareholders' approval of the fees payable for FY07/08, every Director will be entitled to receive the Basic Fee as shown in the table above for FY07/08. In addition, allowances are payable to the Chairman and Deputy Chairman of the Board, as well as the Chairman and Members of the relevant Board Committees. If a Director occupied a position for part of FY07/08, the fee or allowance payable to him/her will be pro-rated accordingly. An Attendance Fee of $1,000 is payable for each Board meeting and the Annual Strategy meeting.

Computed on the basis of the foregoing scale, the fee proposed for each Director for FY2007/08 is as shown in the table below:

Name of Director	Fee ($)
Stephen Lee Ching Yen	90,000
Chew Choon Seng[3]	110,000
N Varaprasad[1, 4]	26,779
Wong Nang Jang[1]	17,680
Bey Soo Khiang[3]	60,000
Thio Su Mien[1]	20,713
Tan Bian Ee	84,426
Koh Kheng Siong	90,000
Paul Chan Kwai Wah	71,186
Andrew Lim Ming-Hui	63,989
Ron Foo Siang Guan[2]	44,568
Lim Joo Boon[2]	38,284
Oo Soon Hee[2]	51,852
TOTAL	**769,477**

[1] N Varaparasad, Wong Nang Jang and Thio Su Mien retired as Directors at the close of the AGM on 20 July 2007.

[2] Ron Foo Siang Guan, Lim Joo Boon and Oo Soon Hee were appointed as Directors with effect from 1 August 2007.

[3] Fees due to Chew Choon Seng and Bey Soo Khiang are paid to, and retained by, Singapore Airlines Ltd.

[4] Fees due to N Varaprasad is paid to the Directorship & Consultancy Appointments Council.

Other than the foregoing, 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 2007 to 31 March 2008.

Key Executives' Remuneration

The Company's key executives' remuneration structure is designed to include long-term incentives, which allows the Company to align executive compensation with the market. The key executives' remuneration structure 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 a fixed basic salary and fixed allowances. The payment of variable bonuses and grants of share option and share awards are dependent on the achievement of prescribed performance measures, such as the Company's financial performance as well as the executives' individual performance.

The remuneration of the Company's top six executives in FY2007/08 was as follows:

Remuneration Bands & Top 6 Executives	Salary (%)	Bonus		Benefits (%)	Total (%)	Stock options granted during the year (on 2 July 2007)		Awards under SIAEC RSP	Awards under SIAEC PSP
		Fixed (%)	Variable# (%)			Number of Shares	Exercise Price ($)	Number of Shares*	Number of Shares*
$750,001 – $1,000,000									
William Tan Chief Executive Officer	50%	4%	37%	9%	100%	68,400	4.67	17,100	22,800
$250,001 – $500,000									
Chan Seng Yong Senior Vice President (Services)	62%	6%	28%	4%	100%	28,700	4.67	10,700	9,600
Png Kim Chiang Senior Vice President (Commercial)	62%	6%	27%	5%	100%	28,700	4.67	10,700	9,600
Jack Koh Swee Lim Senior Vice President (Line Maintenance & Business Development)	61%	5%	28%	6%	100%	28,700	4.67	10,700	9,600
Zarina Piperdi Senior Vice President (Human Resources)	59%	6%	30%	5%	100%	28,700	4.67	10,700	9,600
Ivan Neo Seok Kok Senior Vice President (Aircraft & Component Services) *(appointed on 1 October 2007)*	63%	6%	27%	4%	100%	42,800	4.67	10,700	–

The above remuneration bands 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 2008.

* 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.

Details of the Company's ESOP, RSP and PSP, and the options and/or awards granted can be found on page 79 of the Report by the Board of Directors in this Annual Report.

Profile of Senior Executives

Mr William Tan Seng Koon
President & Chief Executive Officer

Mr William Tan is the President & Chief Executive Officer of SIA Engineering Company (SIAEC). The SIAEC Group of companies, with its main operations in Singapore and 21 joint ventures in seven countries, caters to a global customer base of more than 85 international airlines.

Prior to his appointment as President & CEO of SIAEC in May 2001, Mr Tan served in various senior management positions in Singapore Airlines Ltd from 1978, including Senior Vice President Engineering from 1999 to 2001.

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

Mr Tan graduated from the University of Singapore with a Bachelor of Science (Engineering) degree and holds a Diploma in Business Administration from the National University of Singapore.

Mr Chan Seng Yong
Senior Vice President (Services)

Mr Chan joined the Engineering Division of Singapore Airlines Ltd in 1968. In 1997, he was appointed Vice President Engineering Planning. In April 2000, Mr Chan was transferred to SIA Engineering Company and was 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.

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

Mr Png Kim Chiang
Senior Vice President (Commercial)

Mr Png joined Singapore Airlines Ltd (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). In September 2005, he was appointed as Senior Vice President (Commercial) and is currently responsible for Marketing and Sales, Fleet Management and Partnership Management Divisions.

Mr Png is the Chairman of Aerospace Component Engineering Services Pte Ltd and Pan Asia Pacific Aviation Services Ltd, 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 Aviation Pte Ltd.

Mr Png holds a Bachelor of Science (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.

Mr Jack Koh Swee Lim
Senior Vice President (Line Maintenance and Business Development)

Mr Jack Koh joined Singapore Airlines Ltd (SIA) in 1971, served as Vice President Technical Projects in 1999 and was appointed Divisional Vice President Engineering in 2001 before joining SIA Engineering Company.

Mr Koh was appointed Senior Vice President (Line Maintenance and Materials) in SIA Engineering Company in September 2005 and Senior Vice President (Line Maintenance and Business Development) in October 2007. He is currently in charge of Business Development Division and the operations at Line Maintenance Division.

He is the Chairman of Aircraft Maintenance Services Australia Pty Ltd and Aviation Partnership (Philippines) Corporation, Deputy Chairman of PT JAS Aero-Engineering Services, and a Director on the Boards of SIA Cargo Pte Ltd, International Engine Component Overhaul Pte Ltd and Singapore Aero Engine Services Pte Ltd.

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

Ms Zarina Piperdi
Senior Vice President (Human Resources)

Ms Piperdi joined Singapore Airlines Ltd (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 Pte Ltd in 1997 to spearhead the formation of the cargo airline and was appointed as Vice President Finance & Human Resources 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.

Mr Ivan Neo Seok Kok
Senior Vice President (Aircraft and Component Services)

Mr Neo joined Singapore Airlines Ltd (SIA) in 1975. He served in various capacities in the Engineering Division of SIA before his transfer to SIA Engineering Company in 1993.

In SIA Engineering Company, Mr Neo was appointed Vice President in charge of Quality & Safety in 2001, and Base Maintenance and China Projects in 2004. In October 2007, Mr Neo was promoted to Senior Vice President (Aircraft & Component Services) and is currently responsible for Base Maintenance and Workshops Divisions.

Mr Neo is a director of Fuel Accessory Service Technologies Pte Ltd.

In addition to possessing an Aircraft Maintenance Engineer's Licence, Mr Neo holds a Master of Business and Technology degree from the University of New South Wales.

NOMINATING COMMITTEE (Principle 4)

Three non-executive Directors, two of whom are independent (including the Chairman), make up the Nominating Committee. For FY2007/08, the members of the Nominating Committee were:

Chairman	Paul Chan Kwai Wah (retired on 21 October 2007) Tan Bian Ee (elected Chairman on 22 October 2007)
Members	Chew Choon Seng Oo Soon Hee (appointed on 15 August 2007)

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 26th AGM to be held on 18 July 2008, Chew Choon Seng, Koh Kheng Siong and Bey Soo Khiang will retire under Article 83, and Ron Foo Siang Guan, Lim Joo Boon and Oo Soon Hee will retire under Article 90. Bey Soo Khiang, having served on the Board since March 2000, will retire at the close of the 2008 AGM.

After assessing their respective contributions, including their attendance, preparedness and participation at Board and Committee meetings, the Nominating Committee recommends the re-election of Chew Choon Seng, Koh Kheng Siong, Ron Foo Siang Guan, Lim Joo Boon and Oo Soon Hee.

The Company is also proposing the election of Ng Chin Hwee to succeed Bey Soo Khiang.

During the year under review, the Nominating Committee also attended, inter alia, to the following:

a) recommended the appointment of Andrew Lim Ming-Hui as a member of the Audit Committee and Paul Chan Kwai Wah as a member of the Compensation & HR Committee and an alternate member of the Board Committee with effect from 20 July 2007;

b) recommended the appointment of Ron Foo Siang Guan, Lim Joo Boon and Oo Soon Hee as Directors from 1 August 2007;

c) recommended the appointment of Ron Foo Siang Guan as a member of the Audit Committee, Lim Joo Boon as a member of the Compensation & HR Committee and Oo Soon Hee as a member of the Audit Committee and the Nominating Committee from 15 August 2007;

d) elected Tan Bian Ee as the Chairman of the Nominating Committee with effect from 22 October 2007;

e) determined the independence/non-independence of Directors based on individual Director's declaration;

f) considered and recommended Directors to retire by rotation and offer themselves for re-election at the AGM for 2008;

g) considered and recommended the election of Ng Chin Hwee to succeed Bey Soo Khiang;

h) reviewed the core competencies of Directors in relation to the needs of the Company and updated the "Skills Matrix" to denote the experience and expertise of the current Directors. The matrix will also be useful in the search for future candidates for appointment to the Board; and

i) considered ongoing training of Directors.

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 Board Committee comprised:

Members	Chew Choon Seng Bey Soo Khiang
Alternate	Paul Chan Kwai Wah (appointed on 20 July 2007)

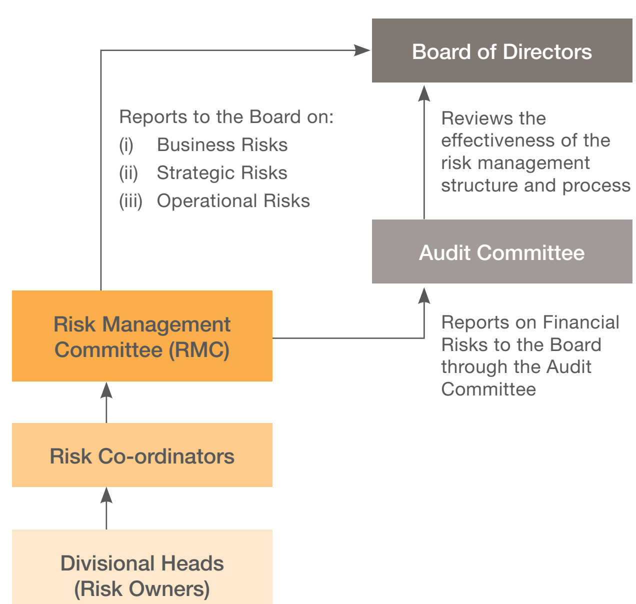
The Board Committee does not hold physical meetings. In practice, resolutions are passed by the Board Committee by circulation in writing. Resolutions approved by the Board Committee are reported to the Board at the meeting following the circulation.

The Board Committee has relieved 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.

RISK MANAGEMENT (Principle 12)

SIAEC formalised its Risk Management Framework in 2001 to assist business units in identifying and reporting risks within the Company. The Risk Management Committee ('RMC'), chaired by the Chief Executive Officer, assists the Audit Committee ('AC') and the Board to drive risk management activities within the Company.

Under the Company's Risk Management reporting structure, the adequacy of operational and compliance controls (for business, operational and strategic risks) is reviewed directly by the Board. Financial risk controls, on the other hand, are reviewed firstly by the AC and then the Board.



Risk Processes and Activities

The following risk-related processes and activities were carried out by the Company in FY2007/08:

a) **Annual Risk Management Review**

The Company carried out its Annual Risk Management Review in January 2008. Risks identified by various departments were consolidated and reviewed by the RMC before being surfaced to the Board. The Company's Risk Register was also updated.

b) **Business Disruption Exposure**

The business interruption impact of the Company's top risks was reviewed with the help of an external consultant. The exercise provides assurance that mitigation action measures and insurance coverage of key risks remain appropriate and adequate.

c) **Managing Joint Venture ('JV') Risks**

In FY2007/08, the RMC reviewed its key process controls in managing JV-related risks, and established a JV Risk Management Reporting framework. To further embed risk management across the SIAEC Group of Companies, workshops were also conducted to share with JV partners the processes and best practices of risk management.

d) **Risk Oversight and Audit**

Regular independent assessments are essential to ensure that established risk controls are effective and being complied with. In February 2008, SIA Internal Audit Department performed a risk management audit of the Company. The auditors were satisfied with the Company's risk management processes, and assessed that its risk methodology has been maintained and consistently applied at all levels.

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, a satisfactory system of internal controls and risk management is 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 specific areas pertaining to the operations of the Company. These Committees hold meetings with varying frequency, from daily, weekly, bi-weekly to monthly.

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

COMMUNICATIONS WITH SHAREHOLDERS
(Principle 14 & 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 and press releases, and on the Company's website. Since July 2003, the Company has been releasing quarterly reports of its corporate results.

The Company's Investor Relations Department communicates with analysts regularly and monitors the dissemination of material information to ensure that it is disclosed to the market in a timely manner and on a non-selective basis.

At Shareholders' meetings, every matter requiring approval is proposed as a separate resolution. 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. The Company will consider amending its relevant Articles of Association if the Board is of the view that there is justifiable demand for absentia voting, and after the Company has evaluated and put in place the necessary measures to facilitate such 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.

The Company prepares minutes of meetings, incorporating, inter alia, comments or views expressed by Shareholders and the Board's and/or Management's responses thereto. The final minutes are made available to Shareholders on request.

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 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 and material price-sensitive information, including employees in the offices of the Chief Executive Officer and Senior Vice Presidents, Finance, Corporate, Business Development, Partnership Management, Marketing & Sales Divisions, and any other employee and/or divisions/departments notified from time to time. The Policy and Guidelines also remind employees and Directors to be mindful of the insider trading prohibitions under the Securities and Futures Act 2001 whenever trading in the Company's or any other corporation's securities.

The Company's Score-card on Compliance with the Code

Code Principle, Guidelines & Commentaries	Page Reference of this Report	Compliance
Principle 1: The Board's Conduct of Affairs 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.	54	✓
Principle 2: Board Composition and Guidance 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.	56	✓

Code Principle, Guidelines & Commentaries	Page Reference of this Report	Compliance
Principle 3: Chairman and Chief Executive Officer 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.	56	✓
Principle 4: Board Membership There should be a formal and transparent process for the appointment of new Directors to the Board.	56, 62	✓
Principle 5: Board Performance 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.	56	✓
Principle 6: Access to Information 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.	57	✓
Principle 7: Procedures for Developing Remuneration Policies 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.	58	✓
Principle 8: Level and Mix of Remuneration 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.	59	✓
Principle 9: Disclosure of Remuneration Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. 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.	59	✓
Principle 10: Accountability The Board should present a balanced and understandable assessment of the company's performance, position and prospects.	57	✓
Principle 11: Audit Committee The Board should establish an Audit Committee ("AC") with written terms of reference, which clearly set out its authority and duties.	57	✓
Principle 12: Internal Controls The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.	57, 63	✓
Principle 13: Internal Audit The company should establish an internal audit function that is independent of the activities it audits.	64	✓
Principle 14: Communication with Shareholders Companies should engage in regular, effective and fair communication with shareholders.	65	✓
Principle 15: Greater Shareholder Participation Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.	65	✓

the financials

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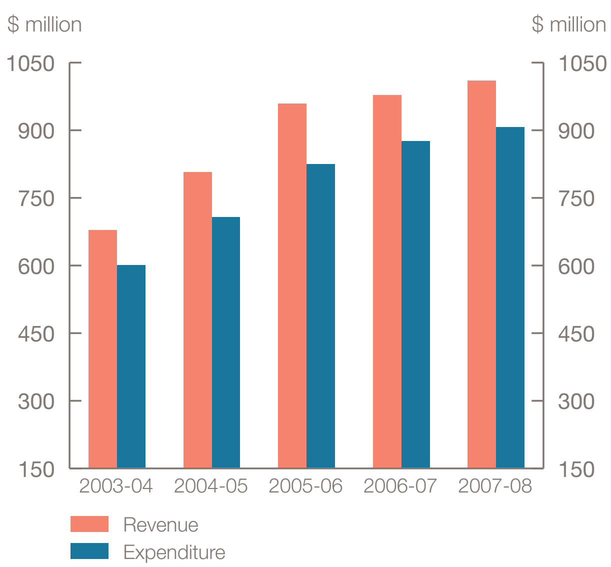
EARNINGS

The Group achieved a profit attributable to equity holders of the Company of $253.8 million for the financial year ended 31 March 2008, an increase of $11.7 million (+4.8%) over last year. Associated and joint venture companies continued their strong performance with profits increasing by $18.3 million (+13.1%) to $157.8 million. Operating profit was $102.9 million, an increase of $0.9 million (+0.9%) from last year. Profit before taxation increased $14.5 million (+5.4%) to $285.5 million.

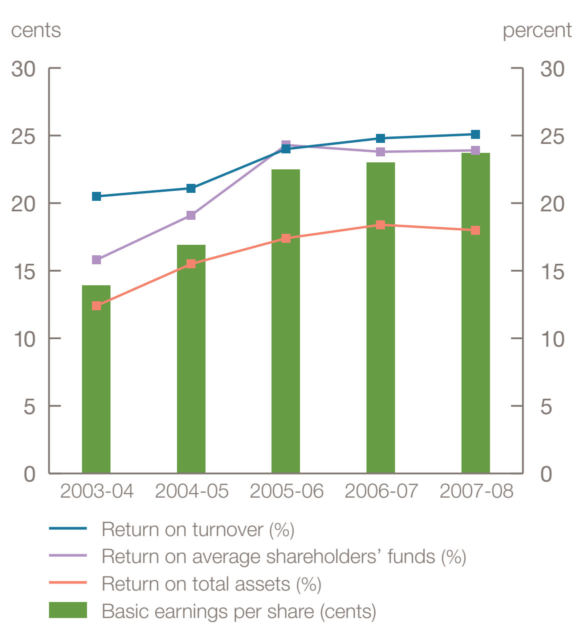
The Group's basic earnings per share rose 0.7 cents (+3.2%) to 23.7 cents.

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

	2007-08 %	2006-07 %	Change % points
Return on turnover	**25.1**	24.8	+0.3
Return on average shareholders' funds	**23.9**	23.8	+0.1
Return on total assets	**18.0**	18.4	-0.4

REVENUE

In 2007-08, the Group's revenue exceeded $1 billion for the first time, growing 3.3% or $32.2 million to $1,009.6 million.

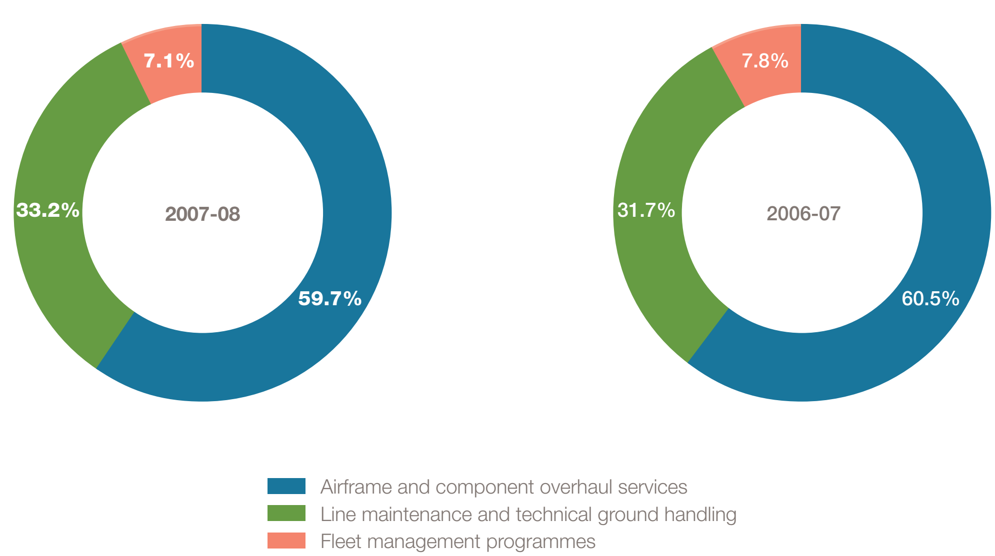
The Group's revenue composition is as follows:

	2007-08 $ million	2006-07 $ million	Change	
			$ million	%
Airframe and component overhaul services	**603.1**	591.8	+11.3	+1.9
Line maintenance and technical ground handling	**335.4**	309.5	+25.9	+8.4
Fleet management programmes	**71.1**	76.1	-5.0	-6.6
Total	**1,009.6**	977.4	+32.2	+3.3

Line maintenance revenue grew by 8.4% to $335.4 million with an increase in the number of flights handled at Changi Airport. Revenue from airframe and component overhaul work increased by 1.9% to $603.1 million from higher workload. These increases were partially offset by a 6.6% decline in fleet management revenue to $71.1 million.

Airframe and component overhaul services, line maintenance and fleet management work contributed 59.7%, 33.2% and 7.1% respectively to the Group's revenue.

Group Revenue Composition



EXPENDITURE

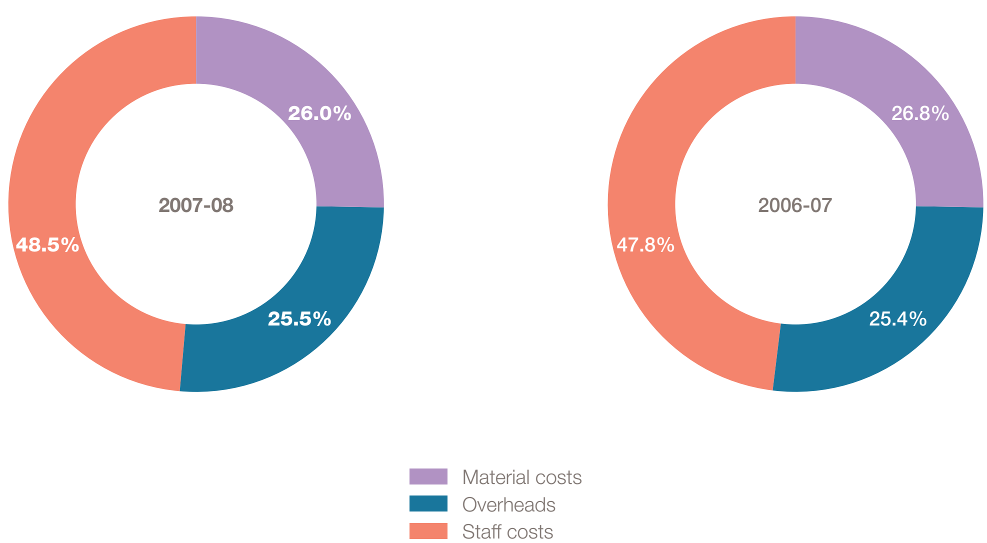
In 2007-08, the Group's expenditure was $906.7 million, an increase of $31.3 million (+3.6%) over last year.

The increase in the Group's expenditure came from:

	2007-08 $ million	2006-07 $ million	Change	
			$ million	%
Staff costs	**440.0**	418.2	+21.8	+5.2
Material costs	**235.6**	234.9	+0.7	+0.3
Overheads	**231.1**	222.3	+8.8	+4.0
Total	**906.7**	875.4	+31.3	+3.6

Staff costs rose $21.8 million (+5.2%) mainly due to an increase in staffing in the Company and subsidiaries to support growth. Material costs increased marginally by $0.7 million (+0.3%) to $235.6 million. Overheads increased $8.8 million (+4.0%) mainly due to higher depreciation of $6.3 million and a provision for impairment of trade debtors of $3.2 million compared to a write-back of $4.2 million last year.

Group Expenditure Composition



SHARE OF PROFITS OF ASSOCIATED AND JOINT VENTURE COMPANIES

Share of profits from associated and joint venture companies increased $18.3 million (+13.1%) to $157.8 million. This represents 55.3% of the Group's pre-tax profits.

TAXATION

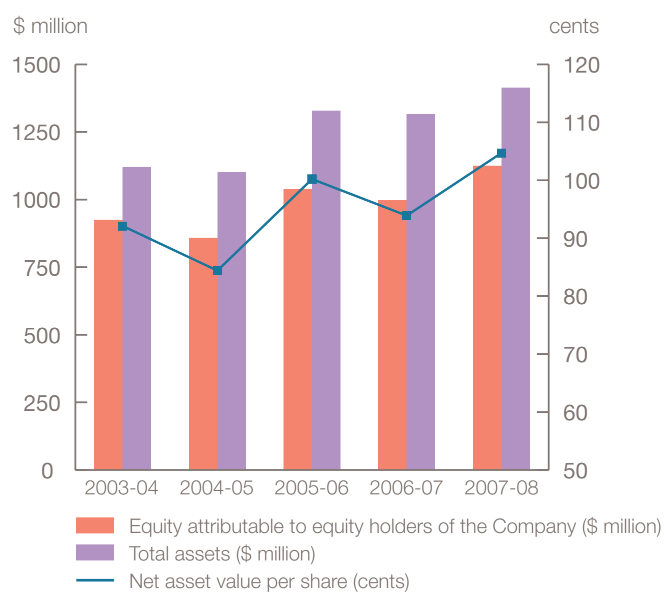
The Group's provision for taxation was $31.2 million in 2007-08, an increase of $1.8 million (+6.1%) compared to that in 2006-07 mainly due to higher profitability.

FINANCIAL POSITION

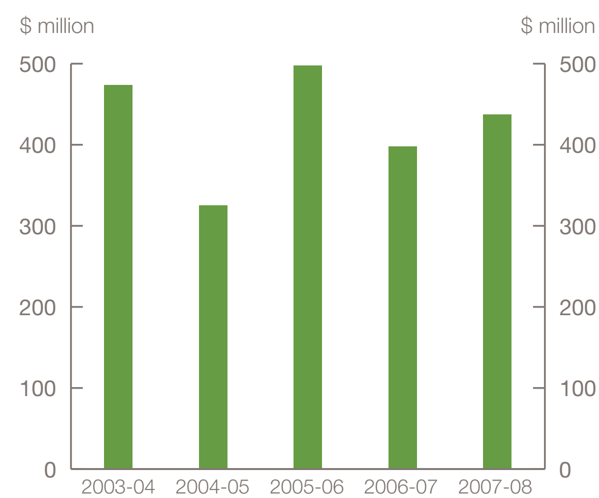
Equity attributable to equity holders of the Company stood at $1,125.3 million as at 31 March 2008, an increase of $128.2 million (+12.9%) from a year ago. Correspondingly, the net asset value per share of the Group rose 10.8 cents (+11.5%) to 104.7 cents as at 31 March 2008.

Total assets of the Group increased $98.5 million (+7.5%) to $1,413.5 million at the end of the financial year under review. The net liquid assets of the Group was $437.2 million as at 31 March 2008, $39.6 million (+10.0%) higher than at 31 March 2007.

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



Net Liquid Assets



SHARE CAPITAL AND SHARE OPTIONS

The share capital of the Company increased from $214,545,053 as at 31 March 2007 to $245,008,316 as at 31 March 2008. The increase was due to the issuance of 12,423,925 new ordinary shares pursuant to the exercise of share options under the Employee Share Option Plan.

On 2 July 2007, the Company made a ninth grant of share options to employees. 15,483,000 share options were accepted by eligible employees to subscribe for ordinary shares at the price of $4.67 per share for the exercise period from 2 July 2008 to 1 July 2017.

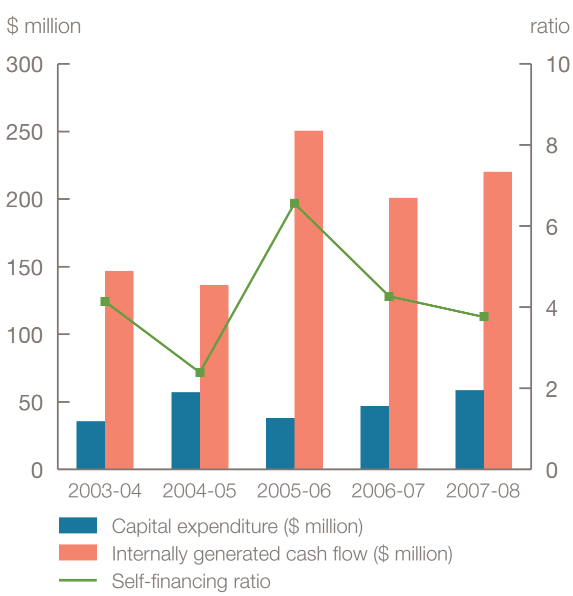
As at 31 March 2008, options to subscribe for 52,004,788 ordinary shares remain outstanding under the Employee Share Option Plan.

CAPITAL EXPENDITURE AND CASH FLOW

In 2007-08, capital expenditure by the Group was $58.5 million, $11.4 million (+24.2%) higher than in the previous year.

Internally generated cash flow increased $19.1 million (+9.5%) to $220.0 million. The self-financing ratio of cash flow to capital expenditure fell to 3.76 times from 4.27 times last year.

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



DIVIDENDS

A tax exempt one-tier interim dividend of 4.0 cents per share, amounting to $42.9 million, was paid on 20 November 2007.

A tax exempt one-tier final dividend of 16.0 cents per share, amounting to $171.9 million is proposed for 2007-08. The final dividend, if approved by shareholders during the Annual General Meeting to be held on 18 July 2008, will be paid on 5 August 2008.

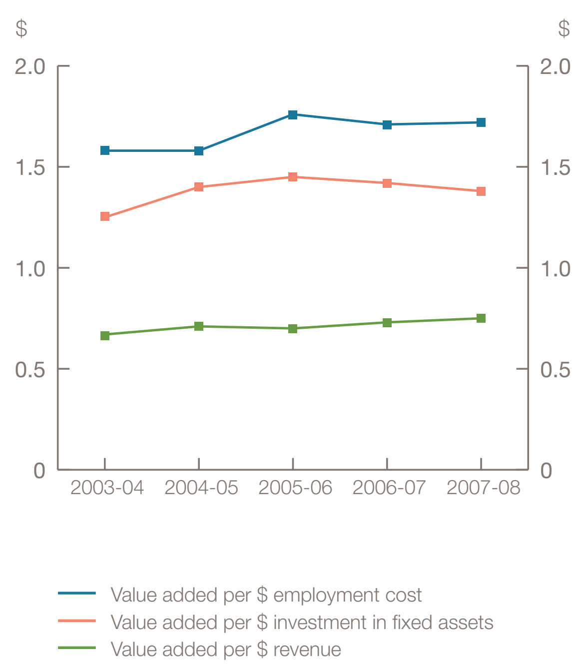
VALUE ADDED

Total value added for the Group in 2007-08 was $755.5 million, up $38.5 million (+5.4%) from financial year 2006-07. The increase was mainly attributable to higher revenue (+$32.2 million) and higher share of profits of associated and joint venture companies (+$17.6 million), partially offset by higher purchases of goods and services (+$6.8 million).

Salaries and other staff costs of $440.0 million accounted for 58.2% of the value added. Shareholders received $214.8 million (28.4%) in dividends and $21.7 million (2.9%) went to corporate taxes. The remaining $78.5 million (10.4%) was retained for future capital requirements.

Group Value Added Distribution

Group Value Added Productivity Ratios



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

	2007-08	2006-07	2005-06	2004-05	2003-04
Revenue	**1,009.6**	977.4	959.1	807.5	678.7
Less:					
Purchase of goods and services	**(427.3)**	(420.5)	(411.9)	(317.5)	(269.9)
Value added on operations	**582.3**	556.9	547.2	490.0	408.8
Add:					
Dividend income from long-term investment	**13.7**	15.4	11.9	4.8	0.4
Net interest income	**9.8**	13.6	9.2	3.8	3.0
Surplus on sale of fixed assets	**1.3**	0.3	1.9	0.4	0.8
Share of profits of associated / joint venture companies	**148.4**	130.8	100.6	69.0	43.7
Exceptional item	**-**	-	-	9.0	(3.1)
Total value added available for distribution	**755.5**	717.0	670.8	577.0	453.6
Applied as follows:					
To employees					
- Salaries and other staff costs	**440.0**	418.2	380.1	364.4	286.7
To government					
- Corporate taxes	**21.7**	20.6	27.8	17.1	4.9
To suppliers of capital					
- Ordinary dividends	**214.8**	127.2	103.3	76.1	45.2
- Special dividends	**-**	-	207.4	-	200.9
- Minority interests	**0.5**	(0.5)	(0.2)	0.3	0.1
Retained for future capital requirements / (applied from the business)					
- Depreciation	**33.1**	29.0	25.5	20.5	22.9
- Amortisation of intangibles	**6.4**	7.7	7.0	4.3	-
- Retained profit	**39.0**	114.8	(80.1)	94.3	(107.1)
Total value added	**755.5**	717.0	670.8	577.0	453.6
Value added per $ revenue ($)	**0.75**	0.73	0.70	0.71	0.67
Value added per $ employment cost ($)	**1.72**	1.71	1.76	1.58	1.58
Value added per $ investment in fixed assets ($)	**1.38**	1.42	1.45	1.40	1.25

Value added is a measure of wealth created. The statement above shows the Group's value added from 2003-04 to 2007-08 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.

STAFF STRENGTH AND INDICES

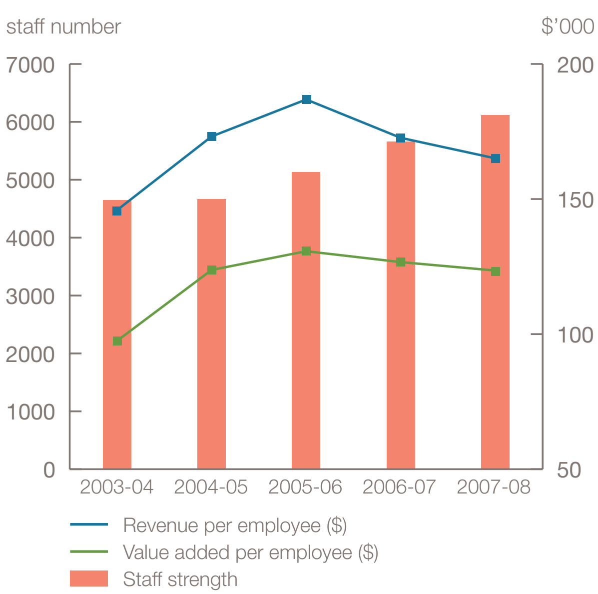
The Group's average staff strength in 2007-08 was 6,116, a 8.0% increase from the previous financial year.

	2007-08	2006-07	% Change
Revenue per employee ($)	**165,071**	172,651	-4.4
Value added per employee ($)	**123,528**	126,651	-2.5
Staff costs per employee ($)	**71,939**	73,867	-2.6
Average number of employees	**6,116**	5,661	+8.0

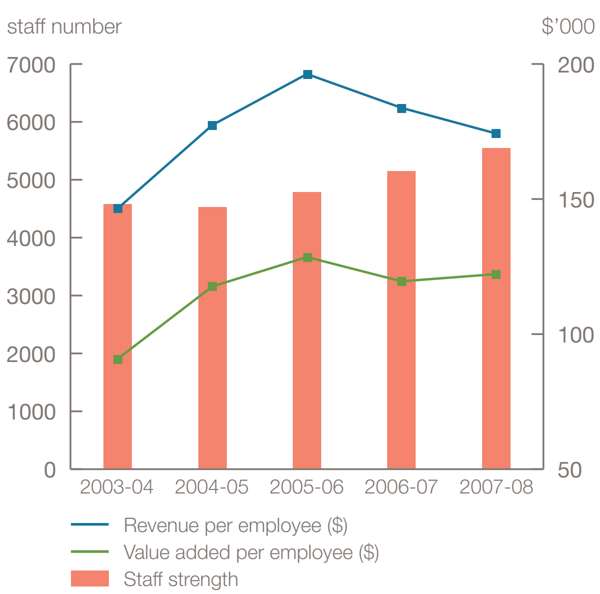
Group revenue per employee decreased $7,580 (-4.4%) to $165,071 and value added per employee fell $3,123 (-2.5%) to $123,528.

The Company's average staff strength was 5,550 in 2007-08, a 7.8% increase from the previous financial year.

Group Strength and Indices



Company Strength and Indices



The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2008.

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	
Tan Bian Ee	(Independent)
Koh Kheng Siong	(Independent)
Paul Chan Kwai Wah	(Independent)
Andrew Lim Ming-Hui	(Independent)
Ron Foo Siang Guan	(Independent) (appointed as Director on 1 August 2007)
Lim Joo Boon	(Independent) (appointed as Director on 1 August 2007)
Oo Soon Hee	(Independent) (appointed as Director on 1 August 2007)

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 of related companies:

	Direct interest			Deemed interest		
Name of Director	1.4.2007/ date of appointment	31.3.2008	21.4.2008	1.4.2007/ date of appointment	31.3.2008	21.4.2008
INTEREST IN SINGAPORE AIRLINES LIMITED						
Ordinary shares						
Stephen Lee Ching Yen	10,000	9,400	9,400	–	–	–
Chew Choon Seng	214,000	200,000	200,000	–	–	–
Koh Kheng Siong	15,000	14,000	14,000	–	–	–
Paul Chan Kwai Wah	–	–	–	20,000	18,800	18,800
Ron Foo Siang Guan	–	–	–	13,000	12,200	12,200
Options to subscribe for ordinary shares						
Chew Choon Seng	1,194,000	1,194,000	1,194,000	–	–	–
Bey Soo Khiang	420,000	420,000	420,000	–	–	–

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (continued)

	Direct interest			Deemed interest		
Name of Director	1.4.2007/ date of appointment	31.3.2008	21.4.2008	1.4.2007/ date of appointment	31.3.2008	21.4.2008
INTEREST IN SINGAPORE AIRLINES LIMITED (continued)						
Conditional award of Restricted Share Plan performance shares						
Chew Choon Seng	30,000	77,025	77,025	–	–	–
Bey Soo Khiang	10,000	27,215	27,215	–	–	–
Conditional award of Performance Share Plan performance shares						
Chew Choon Seng	27,000	77,025	77,025	–	–	–
Bey Soo Khiang	13,500	32,350	32,350	–	–	–
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	–	–	–
Ron Foo Siang Guan	15,000	15,000	15,000	25,000	25,000	25,000
Oo Soon Hee	–	–	–	2,000	2,000	2,000
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	10,500	10,500	10,500	–	–	–
Bey Soo Khiang	1,550	1,550	1,550	10,370	10,370	10,370
Tan Bian Ee	1,550	1,550	1,550	12,130	12,130	12,130
Koh Kheng Siong	10,500	10,500	10,500	2,900	2,900	2,900
Paul Chan Kwai Wah	54,600	54,600	54,600	1,550	1,550	1,550
Andrew Lim Ming-Hui	3,566	3,566	3,566	1,550	1,550	1,550
Lim Joo Boon	8,140	8,140	8,140	1,120	1,120	1,120
Oo Soon Hee	9,010	9,010	9,010	5,480	5,480	5,480
INTEREST IN SMRT CORPORATION LIMITED						
Ordinary shares						
Chew Choon Seng	50,000	50,000	50,000	–	–	–
Ron Foo Siang Guan	175,000	100,000	100,000	–	–	–

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (continued)

	Direct interest			Deemed interest		
Name of Director	1.4.2007/ date of appointment	31.3.2008	21.4.2008	1.4.2007/ date of appointment	31.3.2008	21.4.2008
INTEREST IN SINGAPORE TECHNOLOGIES ENGINEERING LIMITED						
Ordinary shares						
Koh Kheng Siong	34,361	34,361	34,361	–	–	–
Ron Foo Siang Guan	45,000	45,000	45,000	3,000	3,000	3,000
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
Lim Joo Boon	–	–	–	110,000	110,000	110,000
Oo Soon Hee	2,000	2,000	2,000	–	–	–
INTEREST IN MAPLETREE LOGISTICS TRUST						
Units in Mapletree Logistics Trust						
Paul Chan Kwai Wah	–	–	274,444	–	–	–

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 related companies, 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.

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:

Paul Chan Kwai Wah – Chairman
Chew Choon Seng
Koh Kheng Siong
Lim Joo Boon

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 15,483,000 unissued shares in the Company at an exercise price of $4.67 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 52,004,788 unissued shares in the Company were outstanding:

	Number of options to subscribe for unissued ordinary shares					
Date of grant	Balance at 1.4.2007/ date of grant	Cancelled	Exercised	Balance at 31.3.2008	Exercise price*	Exercisable period
28.03.2000	2,251,000	(46,800)	(734,700)	1,469,500	$1.65	28.03.2001 - 27.03.2010
03.07.2000	2,007,613	(37,600)	(483,000)	1,487,013	$1.55	03.07.2001 - 02.07.2010
02.07.2001	1,103,900	(26,000)	(358,300)	719,600	$1.01	02.07.2002 - 01.07.2011
01.07.2002	5,871,125	(45,600)	(1,631,175)	4,194,350	$1.98	01.07.2003 - 30.06.2012
01.07.2003	1,788,225	(32,400)	(563,550)	1,192,275	$1.35	01.07.2004 - 30.06.2013
01.07.2004	5,792,550	(73,400)	(1,429,925)	4,289,225	$1.69	01.07.2005 - 30.06.2014
01.07.2005	15,844,475	(111,100)	(7,182,500)	8,550,875	$2.25	01.07.2006 - 30.06.2015
03.07.2006	15,072,400	(249,075)	(40,775)	14,782,550	$3.44	03.07.2007 - 02.07.2016
02.07.2007	15,483,000	(163,600)	–	15,319,400	$4.67	02.07.2008 - 01.07.2017
	65,214,288	(785,575)	(12,423,925)	52,004,788		

* 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 the RSP and 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:

Paul Chan Kwai Wah – Chairman
Chew Choon Seng
Koh Kheng Siong
Lim Joo Boon

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 to the financial statements.

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 RSP and PSP are as follows:

RSP

	Number of Restricted shares			
Date of grant	Balance at 1.4.2007/ date of grant	Shares cancelled during financial year	Shares released during financial year	Balance at 31.3.2008
03.07.2006	203,200	(8,300)	–	194,900
02.07.2007	339,600	(1,300)	–	338,300
	542,800	(9,600)	–	533,200

PSP

	Number of Performance shares			
Date of grant	Balance at 1.4.2007/ date of grant	Shares cancelled during financial year	Shares released during financial year	Balance at 31.3.2008
03.07.2006	36,900	(5,800)	–	31,100
02.07.2007	61,200	–	–	61,200
	98,100	(5,800)	–	92,300

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.

7. AUDITORS

The auditors, Ernst & Young, Public Accountants and 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 6th day of May 2008

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 2008 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 6th day of May 2008

auditor's **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 subsidiary companies (collectively, the Group) set out on pages 85 to 146, which comprise the balance sheets of the Group and the Company as at 31 March 2008, the statements of changes in equity of the Group and the Company, and 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.

Management's responsibility for the financial statements

Management is 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 devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; 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 management, 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 provisions of 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 2008 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 subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Public Accountants and Certified Public Accountants
Singapore
Dated this 6th of May 2008

consolidated **profit and loss account**

For the financial year ended 31 March 2008 (in thousands of $)

	Notes	The Group 2007-08	The Group 2006-07
REVENUE	3	**1,009,572**	977,376
EXPENDITURE			
Staff costs	4	**439,982**	418,161
Material costs		**235,587**	234,902
Depreciation	14	**33,080**	26,794
Amortisation of intangibles	15	**6,387**	7,706
Company accommodation		**43,214**	42,455
Subcontract costs		**82,343**	84,015
Other operating expenses		**66,100**	61,314
		906,693	875,347
OPERATING PROFIT	5	**102,879**	102,029
Interest income	6	**9,796**	13,676
Interest on external borrowings		**(34)**	(33)
Surplus on disposal of fixed assets		**1,331**	274
Dividend received from long-term investment		**13,682**	15,452
Share of profits of associated companies		**107,088**	106,136
Share of profits of joint venture companies		**50,827**	33,427
PROFIT BEFORE TAXATION		**285,569**	270,961
Taxation	7	**(31,232)**	(29,388)
PROFIT FOR THE FINANCIAL YEAR		**254,337**	241,573
PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**253,802**	242,073
Minority interests		**535**	(500)
		254,337	241,573
BASIC EARNINGS PER SHARE (CENTS)	8	**23.7**	23.0
DILUTED EARNINGS PER SHARE (CENTS)	8	**23.3**	22.5

The notes on pages 91 to 146 form an integral part of these financial statements.

balance sheets

As at 31 March 2008 (in thousands of $)

	Notes	The Group		The Company	
		2008	2007	2008	2007
SHARE CAPITAL	10	**245,008**	214,545	**245,008**	214,545
RESERVES					
Share-based compensation reserve	11	**28,544**	17,971	**28,544**	17,971
Foreign currency translation reserve		**(88,378)**	(47,142)	**–**	–
Fair value reserve	11	**2,647**	–	**2,647**	–
General reserve		**937,497**	811,796	**635,406**	560,382
		880,310	782,625	**666,597**	578,353
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**1,125,318**	997,170	**911,605**	792,898
MINORITY INTERESTS		**14,840**	13,240	**–**	–
TOTAL EQUITY		**1,140,158**	1,010,410	**911,605**	792,898
DEFERRED TAXATION	12	**21,786**	13,191	**18,619**	13,129
LONG-TERM LIABILITY					
Finance lease commitments – repayable after one year	13	**102**	–	**–**	–
		1,162,046	1,023,601	**930,224**	806,027
Represented by:					
FIXED ASSETS	14	**275,726**	250,328	**257,960**	233,150
INTANGIBLES	15	**11,625**	15,258	**10,004**	14,916
SUBSIDIARY COMPANIES	16	**–**	–	**20,417**	16,320
ASSOCIATED COMPANIES	17	**343,595**	339,648	**164,672**	164,672
JOINT VENTURE COMPANIES	18	**94,394**	85,828	**56,599**	56,599
LONG-TERM INVESTMENTS	19	**14,606**	14,606	**14,606**	14,606
CURRENT ASSETS					
Trade debtors	20	**69,365**	56,011	**57,187**	45,866
Prepayments and other debtors	21	**21,788**	9,775	**21,235**	9,463
Immediate holding company	22	**53,805**	73,705	**51,168**	73,617
Related parties	23	**29,625**	22,221	**25,229**	19,099
Stocks	24	**19,181**	11,480	**15,593**	9,189
Work-in-progress		**42,526**	35,940	**41,226**	35,881
Short-term deposits	25	**370,881**	369,745	**363,466**	362,316
Cash and bank balances	26	**66,413**	30,556	**62,029**	24,057
		673,584	609,433	**637,133**	579,488
Less:					
CURRENT LIABILITIES					
Trade and other creditors	27	**231,111**	243,428	**211,603**	228,818
Bank loans	28	**–**	750	**–**	–
Finance lease commitments – repayable within one year	13	**50**	1,952	**–**	–
Current tax payable		**20,323**	45,370	**19,564**	44,906
		251,484	291,500	**231,167**	273,724
NET CURRENT ASSETS		**422,100**	317,933	**405,966**	305,764
		1,162,046	1,023,601	**930,224**	806,027

The notes on pages 91 to 146 form an integral part of these financial statements.

statement of **changes in equity**

For the financial year ended 31 March 2008 (in thousands of $)

	Notes	Attributable to Equity Holders of the Company							
		Share Capital	Share-based compensation reserve	Foreign currency translation reserve	Fair value reserve	General reserve	Total	Minority interests	Total equity
THE GROUP									
Balance at 1 April 2007		214,545	17,971	(47,142)	–	811,796	997,170	13,240	1,010,410
Currency translation differences		–	–	(41,236)	–	–	(41,236)	150	(41,086)
Net fair value changes on cash flow hedges		–	–	–	2,647	–	2,647	–	2,647
Net income and expense not recognised in the profit and loss account		–	–	(41,236)	2,647	–	(38,589)	150	(38,439)
Profit for the financial year		–	–	–	–	253,802	253,802	535	254,337
Net income and expense recognised for the financial year		–	–	(41,236)	2,647	253,802	215,213	685	215,898
Capital contribution		–	–	–	–	–	–	1,146	1,146
Share-based payment	11	–	16,415	–	–	–	16,415	–	16,415
Share options exercised	10	30,463	(5,432)	–	–	–	25,031	–	25,031
Share options lapsed		–	(410)	–	–	410	–	–	–
Dividends	9	–	–	–	–	(128,511)	(128,511)	(231)	(128,742)
Balance at 31 March 2008		245,008	28,544	(88,378)	2,647	937,497	1,125,318	14,840	1,140,158

The notes on pages 91 to 146 form an integral part of these financial statements.

For the financial year ended 31 March 2008 (in thousands of $)

	Notes	Attributable to Equity Holders of the Company						
		Share Capital	Share-based compensation reserve	Foreign currency translation reserve	General reserve	Total	Minority interests	Total equity
THE GROUP								
Balance at 1 April 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	11	–	13,229	–	–	13,229	–	13,229
Share options exercised	10	51,461	(6,640)	–	–	44,821	–	44,821
Share options lapsed		–	(516)	–	516	–	–	–
Dividends	9	–	–	–	(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 91 to 146 form an integral part of these financial statements.

statement of **changes in equity**

For the financial year ended 31 March 2008 (in thousands of $)

	Notes	Share Capital	Share-based compensation reserve	Fair value reserve	General reserve	Total
THE COMPANY						
Balance at 1 April 2006		163,084	11,898	–	718,331	893,313
Profit for the financial year						
Representing:						
Net income recognised for the financial year		–	–	–	157,886	157,886
Share-based payment	11	–	13,229	–	–	13,229
Share options exercised	10	51,461	(6,640)	–	–	44,821
Share options lapsed		–	(516)	–	516	–
Dividends	9	–	–	–	(316,351)	(316,351)
Balance at 31 March 2007		214,545	17,971	–	560,382	792,898
Net fair value changes on cash flow hedges not recognised in the profit and loss account		–	–	2,647	–	2,647
Profit for the financial year		–	–	–	203,125	203,125
Net income recognised for the financial year		–	–	2,647	203,125	205,772
Share-based payment	11	–	16,415	–	–	16,415
Share options exercised	10	30,463	(5,432)	–	–	25,031
Share options lapsed		–	(410)	–	410	–
Dividends	9	–	–	–	(128,511)	(128,511)
Balance at 31 March 2008		245,008	28,544	2,647	635,406	911,605

The notes on pages 91 to 146 form an integral part of these financial statements.

consolidated **cash flow statement**

For the financial year ended 31 March 2008 (in thousands of $)

	Notes	The Group 2007-08	The Group 2006-07
NET CASH PROVIDED BY OPERATING ACTIVITIES	29	**91,715**	145,386
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		**(58,502)**	(47,132)
Purchase of intangible assets		**(1,415)**	(3,764)
Proceeds from disposal of fixed assets		**1,148**	114
Acquisition of subsidiary, net of cash acquired	29	**(1,464)**	–
Proceeds from capital reduction of associated company		**–**	3,855
Dividend received from long-term investment		**13,682**	15,452
Dividends received from associated companies		**55,269**	31,900
Dividends received from joint venture companies		**33,719**	13,878
Interest received from deposits		**10,312**	13,900
NET CASH PROVIDED BY INVESTING ACTIVITIES		**52,749**	28,203
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		**25,031**	44,821
Proceeds from issuance of share capital by a subsidiary company to minority shareholders		**1,146**	–
Interest paid		**(34)**	(33)
Repayment of finance lease obligations		**(1,997)**	(245)
Repayment of bank loan		**(753)**	–
Dividends paid		**(128,511)**	(316,351)
Dividends paid by subsidiary companies to minority interests		**(231)**	(454)
NET CASH USED IN FINANCING ACTIVITIES		**(105,349)**	(272,262)
NET CASH INFLOW / (OUTFLOW)		**39,115**	(98,673)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		**400,301**	500,594
Effect of exchange rate changes		**(2,122)**	(1,620)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		**437,294**	400,301
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Short-term deposits	25	**370,881**	369,745
Cash and bank balances	26	**66,413**	30,556
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		**437,294**	400,301

The notes on pages 91 to 146 form an integral part of these financial statements.

1. GENERAL

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

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

The principal activities of the Company are the 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 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 6 May 2008.

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) Adoption of new and revised standards

In the current financial year, the Group has adopted all of the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2007. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's and Company's accounting policies and has no material effect on the accounts reported for the current or prior years except as disclosed below and in the notes to the financial statements.

<u>FRS 107 – Financial Instruments: Disclosures and amendments to FRS 1 Presentation of Financial Statements relating to capital disclosures</u>

The Group has adopted FRS 107 with effect from annual periods beginning on or after 1 January 2007. The new Standard has resulted in an expansion of the disclosures in these financial statements regarding the Group's financial instruments. The Group has also presented information regarding its objectives, policies and processes for managing capital (Note 33) as required by the consequential amendments to FRS 1 which are effective from annual periods beginning on or after 1 January 2007.

2. ACCOUNTING POLICIES (continued)

(b) Adoption of new and revised standards (continued)

At the date of authorisation of these financial statements, 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)
Revised FRS 1	Presentation of Financial Statements	1 January 2009
FRS 23	Borrowing Costs	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 112	Service Concession Arrangements	1 January 2008
INT FRS 113	Customer Loyalty Programmes	1 July 2008
INT FRS 114 – FRS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction	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.

(c) 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.

(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 2008 was $118,576,000 (2007: $99,036,000). 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 2008 was $20,323,000 (2007: $45,370,000) and $21,786,000 (2007: $13,191,000) respectively.

2. ACCOUNTING POLICIES (continued)

(c) Significant accounting estimates (continued)

(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 2008 was $42,526,000 (2007: $35,940,000).

(d) 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 16.

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.

Acquisitions of subsidiaries are accounted for using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of the business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2(f). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of the business combination is recognised in the profit and loss account on the date of acquisition.

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.

(e) 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 an entity over which the Group has the power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights.

An associated company is defined as an entity, not being a subsidiary company or joint venture company, in which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. A list of the Group's associated companies is shown in Note 17.

2. ACCOUNTING POLICIES (continued)

(e) Subsidiary, associated and joint venture companies (continued)

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investment in associated company is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated company. Goodwill relating to an associated company is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associated company in the period in which the investment is acquired.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

A joint venture company is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. A list of the Group's joint venture companies is shown in Note 18.

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.

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.

(f) 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.

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) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

2. ACCOUNTING POLICIES (continued)

(f) Intangible assets (continued)

(ii) Other intangible assets (continued)

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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.

Others

This includes costs relating to the development of the passenger-to-freighter conversion know-how and license acquired in business combination. Costs related to 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.

(g) 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.

2. ACCOUNTING POLICIES (continued)

(g) Functional and foreign currencies (continued)

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.

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.

(h) 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.

(i) 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 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.

2. ACCOUNTING POLICIES (continued)

(j) 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.

(k) 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.

(l) 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.

(m) 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.

2. ACCOUNTING POLICIES (continued)

(m) 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 if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(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(q).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives 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 less impairment loss.

(n) 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.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

2. ACCOUNTING POLICIES (continued)

(o) 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 extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the profit and loss account when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the profit and loss account. Net gains or losses on derivatives include exchange differences.

(p) Long-term investment

Long-term investment held by the Group is classified as available-for-sale. As there is no active market for the trading of this investment and fair value cannot be reliably measured, this investment is stated at cost. The accounting policy for this category of financial assets is stated in Note 2(m).

(q) 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(m).

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

(r) 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(m).

2. ACCOUNTING POLICIES (continued)

(s) 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.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiary, associated and joint venture companies, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 taxes are recognised in the profit and loss account except that deferred tax relating to items recognised directly is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on consolidation.

(t) 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.

(u) 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.

2. ACCOUNTING POLICIES (continued)

(u) Employee benefits (continued)

(i) Equity compensation plans (continued)

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 10.

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.

The share-based compensation reserve is transferred to general reserve upon cancellation or expiry of the vested options or awards. When the options are exercised or awards are released, the share-based compensation reserve is transferred to share capital if new shares are issued.

(ii) Defined contribution plan

As required by law, the companies in Singapore make contributions to the state pension scheme, the Central Provident Fund ("CPF"). One of the Group's subsidiary companies outside Singapore makes contributions to its respective country's pension schemes. 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.

(v) 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.

2. ACCOUNTING POLICIES (continued)

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. 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.

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 economic resources will be required to settle the obligation, the provision is reversed. 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 a finance cost.

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

(x) Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

(y) 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.

(z) 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.

(aa) 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.

(ab) Borrowing costs

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

2. ACCOUNTING POLICIES (continued)

(ac) 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 financial assets 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 is reduced either directly or through the use of an allowance account. The impairment loss is recognised in the profit and loss account.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit and loss account.

(ii) Assets carried at costs

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2. ACCOUNTING POLICIES (continued)

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

(iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversals of impairment losses in respect of equity instruments are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

(ad) 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 that do not qualify for hedge accounting 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.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedged item or transaction, the hedging instrument, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's (or transaction's) cash flows attributable or fair values to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows or fair value, and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they are designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

(i) Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in the fair value reserve (Note 11), while the ineffective portion is recognised in the profit and loss account.

2. ACCOUNTING POLICIES (continued)

(ad) Derivative financial instruments and hedging (continued)

(i) Cash flow hedges (continued)

Amounts taken to the fair value reserve are transferred to the profit and loss account when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. If the hedged item is the cost of a non-financial asset or liability, the amounts taken to the fair value reserve are transferred to the initial carrying amount of the non-financial asset or liability.

(ae) Segmental Reporting

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

3. REVENUE (in thousands of $)

	The Group	
	2007-08	2006-07
Airframe maintenance and component overhaul services	**603,064**	591,770
Line maintenance and technical ground handling	**335,385**	309,552
Fleet management programmes	**71,123**	76,054
	1,009,572	977,376

4. STAFF COSTS (in thousands of $)

	The Group	
	2007-08	2006-07
Salary, bonuses and other costs	**395,144**	380,382
CPF and other defined contributions	**28,445**	24,585
Share-based compensation expense	**16,393**	13,194
	439,982	418,161

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 $93,000 for 2007-08 and $55,000 for 2006-07. As these are not material to the total staff costs of the Group for 2007-08 and 2006-07, additional disclosures of the defined benefit plan are not shown. Disclosures relating to share-based compensation expense are in Note 10.

5. OPERATING PROFIT (in thousands of $)

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

	The Group	
	2007-08	2006-07
Exchange (gain) / losses, net #	(785)	2,950
Operating lease expenses	841	185
Provision for obsolete stocks, net	914	53
Write-back of warranty claims, net	(254)	(1,063)
Professional fee paid to a firm in which a director is a member	5	25
Remuneration for auditors of the Company		
- Audit fees	198	196
- Non-audit fees	176	204

Amount includes a fair value gain on forward currency contracts of $5,187,000 (2006-07: $829,000).

6. INTEREST INCOME (in thousands of $)

	The Group	
	2007-08	2006-07
Deposits placed with immediate holding company	8,527	11,719
Deposits placed with banks	1,215	1,853
Staff loans	54	104
	9,796	13,676

7. TAXATION (in thousands of $)

	The Group	
	2007-08	2006-07
Current taxation		
Provision for the financial year	(21,993)	(22,681)
Over provision in respect of prior years	8,874	444
Share of associated companies' taxation	(9,449)	(8,790)
Share of joint venture companies' taxation	(69)	(12)
	(22,637)	(31,039)
Deferred taxation		
Provision for the financial year	(7,029)	(47)
(Under) / Over provision in respect of prior years	(1,566)	273
Adjustment for reduction in Singapore statutory tax rate	–	1,425
	(8,595)	1,651
	(31,232)	(29,388)

7. TAXATION (in thousands of $) (continued)

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 2006-07 accounts. 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	
	2007-08	2006-07
Profit before taxation	**285,569**	270,961
Taxation at statutory tax rate of 18.0% (2007: 18%)	**(51,402)**	(48,773)
<u>Adjustments</u>		
Income not subject to tax	**24,313**	18,611
Income subject to a lower tax rate	**–**	1,973
Effect of change in statutory tax rate	**–**	1,425
Deferred tax assets not recognised	**(455)**	–
Expenses not deductible for tax purposes	**(7,820)**	(3,514)
Higher effective tax rates of other countries	**(92)**	(77)
Over provision in relation to prior years	**7,308**	717
Provision for withholding tax expense on share of associated companies' profits	**(3,319)**	–
Others	**235**	250
Taxation	**(31,232)**	(29,388)

8. EARNINGS PER SHARE

	The Group	
	2007-08	2006-07
Profit attributable to equity holders of the Company (in thousands of $)	**253,802**	242,073
Weighted average number of ordinary shares in issue used for computing basic earnings per share	**1,070,290,814**	1,053,684,896
Adjustment for share options	**17,274,939**	21,343,357
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	**1,087,565,753**	1,075,028,253
Basic earnings per share (cents)	**23.7**	23.0
Diluted earnings per share (cents)	**23.3**	22.5

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.

15,319,400 (2006-07: 15,072,400) 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.

9. DIVIDENDS PAID AND PROPOSED (in thousands of $)

	The Group and Company	
	2007-08	2006-07
Dividends Paid:		
Final dividend of 8.0 cents per share tax exempt one-tier in respect of 2006-07 (2006-07: 26.0 cents per share tax exempt one-tier, comprising an ordinary dividend of 6.0 cents per share and a special dividend of 20.0 cents per share in respect of 2005-06)	**85,586**	274,069
Interim dividend of 4.0 cents per share tax exempt one-tier in respect of current financial year (2006-07: 4.0 cents per share tax exempt one-tier in respect of 2006-07)	**42,925**	42,282
	128,511	316,351

The directors propose a final tax exempt one-tier ordinary dividend of 16.0 cents per share (2006-07: final tax exempt one-tier ordinary dividend of 8.0 cents per share), amounting to approximately $171,891,000 (2006-07: $85,586,000) to be paid for the financial year ended 31 March 2008.

10. SHARE CAPITAL (in thousands of $)

	The Group and Company	
	31 March	
	2008	2007
Issued and fully paid		
Balance at 1 April		
1,061,891,812 shares (2007: 1,036,801,075 shares)	**214,545**	163,084
12,423,925 share options exercised during the year (2006-07: 25,090,737)	**30,463**	51,461
Balance at 31 March		
1,074,315,737 shares (2007: 1,061,891,812 shares)	**245,008**	214,545

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 12,423,925 shares (2007: 25,090,737) 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.

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.

10. SHARE CAPITAL (in thousands of $) (continued)

(a) Share Option Plan (continued)

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

	2007-08		2006-07	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 April	**49,731,288**	**$2.40**	60,225,575	$1.82
Granted	**15,483,000**	**$4.67**	15,244,800	$3.44
Exercised	**(12,423,925)**	**$2.01**	(25,090,737)	$1.65
Cancelled	**(785,575)**	**$2.92**	(648,350)	$2.27
Outstanding at 31 March	**52,004,788**	**$3.16**	49,731,288	$2.40
Exercisable at 31 March	**20,424,138**	**$1.92**	17,836,788	$1.71

The range of exercise prices for options outstanding at the end of the year was $1.01 - $4.67 (2006-07: $1.01 - $3.44). The weighted average remaining contractual life for these options is 7.41 years (2006-07: 7.49 years).

The weighted average fair value of options granted during the year was $0.93 (2006-07: $1.22).

The weighted average share price for options exercised during the year was $4.47 (2006-07: $3.91).

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 2007 and July 2006 grants:

	July 2007 Grant	July 2006 Grant
Expected dividend yield (%)	Management's forecast in line with dividend policy	
Expected volatility (%)	23.13 - 24.83	25.06 - 25.36
Risk-free interest rate (%)	2.60 - 2.76	3.37 - 3.45
Expected life of options (years)	5.5 - 7.0	5.5 - 7.0
Exercise price ($)	4.67	3.44*
Share price at date of grant ($)	4.64	3.96

* 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.

10. SHARE CAPITAL (in thousands of $) (continued)

(a) Share Option Plan (continued)

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:

	2007-08	2006-07
Aggregate proceeds from shares issued (In thousands of $)	**25,031**	44,821

Details of share options granted during the financial year:

	2007-08	2006-07
Expiry date	**01.07.2017**	02.07.2016
Exercise price	**$4.67**	$3.44*

* 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.

Terms of share options outstanding as at 31 March 2008:

Exercisable period	Exercise price ($)	Number outstanding	Number exercisable
28.03.2001 - 27.03.2010	1.65	51,175	51,175
28.03.2002 - 27.03.2010	1.65	1,307,975	1,307,975
28.03.2003 - 27.03.2010	1.65	54,675	54,675
28.03.2004 - 27.03.2010	1.65	55,675	55,675
03.07.2001 - 02.07.2010	1.55	98,199	98,199
03.07.2002 - 02.07.2010	1.55	1,061,801	1,061,801
03.07.2003 - 02.07.2010	1.55	163,505	163,505
03.07.2004 - 02.07.2010	1.55	163,508	163,508

10. SHARE CAPITAL (in thousands of $) (continued)

(a) Share Option Plan (continued)

Exercisable period	Exercise price ($)	Number outstanding	Number exercisable
02.07.2002 - 01.07.2011	1.01	43,250	43,250
02.07.2003 - 01.07.2011	1.01	524,650	524,650
02.07.2004 - 01.07.2011	1.01	72,500	72,500
02.07.2005 - 01.07.2011	1.01	79,200	79,200
01.07.2003 - 30.06.2012	1.98	296,375	296,375
01.07.2004 - 30.06.2012	1.98	3,016,975	3,016,975
01.07.2005 - 30.06.2012	1.98	426,950	426,950
01.07.2006 - 30.06.2012	1.98	454,050	454,050
01.07.2004 - 30.06.2013	1.35	89,750	89,750
01.07.2005 - 30.06.2013	1.35	798,950	798,950
01.07.2006 - 30.06.2013	1.35	138,700	138,700
01.07.2007 - 30.06.2013	1.35	164,875	164,875
01.07.2005 - 30.06.2014	1.69	337,625	337,625
01.07.2006 - 30.06.2014	1.69	2,952,475	2,952,475
01.07.2007 - 30.06.2014	1.69	418,000	418,000
01.07.2008 - 30.06.2014	1.69	581,125	–
01.07.2006 - 30.06.2015	2.25	491,500	491,500
01.07.2007 - 30.06.2015	2.25	6,777,125	6,777,125
01.07.2008 - 30.06.2015	2.25	641,125	–
01.07.2009 - 30.06.2015	2.25	641,125	–
03.07.2007 - 02.07.2016	3.44	384,675	384,675
03.07.2008 - 02.07.2016	3.44	13,555,025	–
03.07.2009 - 02.07.2016	3.44	421,425	–
03.07.2010 - 02.07.2016	3.44	421,425	–
02.07.2008 – 01.07.2017	4.67	322,050	–
02.07.2009 – 01.07.2017	4.67	14,353,250	–
02.07.2010 – 01.07.2017	4.67	322,050	–
02.07.2011 – 01.07.2017	4.67	322,050	–
Total number of options outstanding / exercisable		52,004,788 @	20,424,138

@ The total number of options outstanding includes 3,849,875 (2006-07: 3,893,225) 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.

10. SHARE CAPITAL (in thousands of $) (continued)

(a) Share Option Plan (continued)

Details of share options exercised:

	No. of shares	Exercise price*	Share price
2007-08			
April to June	**1,099,125**	**$1.01-$2.25**	**$4.30-$4.84**
July to September	**9,678,400**	**$1.01-$3.44**	**$4.40-$4.96**
October to December	**867,600**	**$1.01-$2.25**	**$4.30-$4.82**
January to March	**778,800**	**$1.01-$2.25**	**$3.54-$4.47**
	12,423,925		
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		

* 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.

(b) Share-based incentive plans

The Restricted Share Plan ('RSP") and Performance Share Plan ("PSP") are share-based incentive plans approved by the shareholders of the Company on 25 July 2005.

The details of the two plans are described below:

	RSP	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.
Performance conditions	• EBITDA[#] Margin • Value Added per $ Employment Cost	• Absolute Total Shareholder Return (TSR) outperform Cost of Equity (COE) • Return on Equity (ROE)

10. SHARE CAPITAL (in thousands of $) (continued)

(b) Share-based incentive plans (continued)

	RSP	PSP
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

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 2007 and July 2006 award:

	July 2007 Award		July 2006 Award	
	RSP	PSP	RSP	PSP
Expected dividend yield (%)	Management's forecast in line with dividend policy			
Expected volatility (%)	19.05 – 20.43	19.16	16.82 - 22.31	17.49
Risk-free interest rate (%)	2.39 – 2.54	2.48	2.99 - 3.25	3.16
Expected term (years)	2.00 – 4.00	3.00	1.75 - 3.75	2.75
Share price at date of grant ($)	4.64	4.64	3.96	3.96

10. SHARE CAPITAL (in thousands of $) (continued)

(b) Share-based incentive plans (continued)

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 and PSP until the achievement of the targets can be accurately ascertained.

The details of the shares awarded under RSP and PSP are as follows:

RSP

	Number of Restricted shares			
Date of grant	Balance at 1.4.2007/ date of grant	Shares Cancelled during financial year	Shares Released during financial year	Balance at 31.3.2008
03.07.2006	203,200	(8,300)	–	194,900
02.07.2007	339,600	(1,300)	–	338,300
	542,800	(9,600)	–	533,200

Based on the Monte Carlo simulation model, the estimated fair value at date of grant for each share granted under the RSP ranges from $4.19 to $4.38 (2006-07: $3.71 to $3.84).

PSP

	Number of Performance shares			
Date of grant	Balance at 1.4.2007/ date of grant	Shares Cancelled during financial year	Shares Released during financial year	Balance at 31.3.2008
03.07.2006	36,900	(5,800)	–	31,100
02.07.2007	61,200	–	–	61,200
	98,100	(5,800)	–	92,300

The estimated fair value at date of grant for each share granted under the PSP is $3.53 (2006-07: $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 share 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 2008, were 533,200 (2007: 203,200) and 92,300 (2007: 36,900) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 639,840 (2007: 243,840) and 138,450 (2007: 55,350) fully-paid ordinary shares of the Company, for RSP and PSP respectively.

10. SHARE CAPITAL (in thousands of $) (continued)

(b) Share-based incentive plans (continued)

For the current financial year, the Group has provided approximately $914,000 (2006-07: $291,000) 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	
	2007-08	2006-07
Share-based compensation expense		
- Employee share option plan	**15,455**	12,903
- Restricted share plan	**858**	253
- Performance share plan	**80**	38
	16,393	13,194

11. 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	
	2008	2007
Balance at 1 April	**17,971**	11,898
Grant of equity-settled share options	**16,415**	13,229
Exercise of share options	**(5,432)**	(6,640)
Share options lapsed	**(410)**	(516)
Balance at 31 March	**28,544**	17,971

(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.

(c) Fair value reserve

During the year, the Group has completed the designation and documentation of the hedge relationship for its foreign currency hedging instruments, and being compliant with the hedge accounting requirements of Financial Reporting Standard (FRS) 39: Financial Instruments – Recognition and Measurement, the Group adopted hedge accounting. This resulted in the Group recognising the effective portion of the hedging gain or loss in the fair value reserve, and the ineffective portion in the profit and loss account.

11. OTHER RESERVES (in thousands of $) (continued)

(c) Fair value reserve (continued)

Fair value changes of derivative financial instruments designated as hedging instruments in cash flow hedges:

	The Group and Company	
	31 March	
	2008	2007
Balance at 1 April	–	–
Net gain on fair value changes	2,647	–
Balance at 31 March	2,647	–

12. DEFERRED TAXATION (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2008	2007	2008	2007
Balance at 1 April	13,191	14,842	13,129	14,522
Provision for the financial year	7,029	47	3,944	305
Under / (Over) provision in respect of prior years	1,566	(273)	1,546	(273)
Adjustment for reduction in Singapore statutory tax rate	–	(1,425)	–	(1,425)
Balance at 31 March	21,786	13,191	18,619	13,129

Deferred tax relates to the following items:

	Group				Company	
	Consolidated balance sheet 31 March		Consolidated profit and loss account		Balance sheet 31 March	
	2008	2007	2007-08	2006-07	2008	2007
Deferred tax liability						
Differences in depreciation	19,038	14,267	4,771	(1,847)	18,718	13,963
Revaluation of forward currency contracts to fair value	476	–	476	–	476	–
Undistributed profits of overseas associated companies	3,319	–	3,319	–	–	–
Deferred tax asset						
Other items	(1,047)	(1,076)	29	196	(575)	(834)
	21,786	13,191			18,619	13,129
Deferred income tax expense			8,595	(1,651)		

13. FINANCE LEASE COMMITMENTS (in thousands of $)

The Group has finance leases for certain equipment, vehicles and building. During the financial year, the lease commitment for a building with a lease term of 30 years, payable by instalment over a period of 24 months, at an interest of 2% per annum was fully repaid. The remaining finance leases for the equipment and vehicles mature between 2010 and 2011.

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			
	2008		2007	
	Minimum payments	Repayment of Principal	Minimum payments	Repayment of Principal
Not later than one year	50	50	1,952	1,952
Later than one year but not later than five years	102	102	–	–
Total future lease payments	152	152	1,952	1,952
Amounts representing interest	–	–	*	*
Principal value of long-term commitments under finance lease	152	152	1,952	1,952

* Amounts less than $1,000.

14. FIXED ASSETS (in thousands of $)

	Balance at 1 April 2007	Additions	Disposals/ Transfers	Acquisition of a subsidiary	Exchange Differences	Balance at 31 March 2008
GROUP						
Cost						
Leasehold land and buildings	201,002	1,022	–	–	1	202,025
Plant, equipment and tooling	219,525	18,787	(134)	192	125	238,495
Engine overhaul tooling	4,980	175	–	–	–	5,155
Aircraft rotable spares	51,639	23,427	(4,341)	–	–	70,725
Office furniture and equipment	22,326	2,872	179	51	3	25,431
Motor vehicles	6,518	842	(297)	149	(3)	7,209
	505,990	47,125	(4,593)	392	126	549,040
Advance and progress payments	2,673	11,868	(2,177)	–	–	12,364
	508,663	58,993	(6,770)	392	126	561,404
Accumulated depreciation and impairment						
Leasehold land and buildings	58,054	6,803	–	–	–	64,857
Plant, equipment and tooling	160,792	17,168	(1,459)	–	19	176,520
Engine overhaul tooling	4,536	103	–	–	–	4,639
Aircraft rotable spares	11,336	6,485	(3,697)	–	–	14,124
Office furniture and equipment	18,085	2,105	(303)	–	3	19,890
Motor vehicles	5,532	416	(297)	–	(3)	5,648
	258,335	33,080	(5,756)	–	19	285,678
Net book value	250,328					275,726

	Net Book Value 31 March 2008	2007
Leasehold land and buildings	**137,168**	142,948
Plant, equipment and tooling	**61,975**	58,733
Engine overhaul tooling	**516**	444
Aircraft rotable spares	**56,601**	40,303
Office furniture and equipment	**5,541**	4,241
Motor vehicles	**1,561**	986
Advance and progress payments	**12,364**	2,673
	275,726	250,328

	The Group 31 March 2008	2007
Net book value of fixed assets acquired under finance lease:		
- Leasehold land and building	**–**	2,282
- Plant, equipment and tooling	**78**	–
- Motor vehicles	**80**	–

14. FIXED ASSETS (in thousands of $) (continued)

GROUP	Balance at 1 April 2006	Additions	Disposals/ Transfers	Balance at 31 March 2007
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

	Net Book Value 31 March 2007	2006
Leasehold land and buildings	142,948	146,594
Plant, equipment and tooling	58,733	57,111
Engine overhaul tooling	444	542
Aircraft rotable spares	40,303	19,909
Office furniture and equipment	4,241	4,620
Motor vehicles	986	757
Advance and progress payments	2,673	551
	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

14. FIXED ASSETS (in thousands of $) (continued)

COMPANY	Balance at 1 April 2007	Additions	Disposals/ Transfers	Balance at 31 March 2008
Cost				
Leasehold land and buildings	190,176	843	–	191,019
Plant, equipment and tooling	212,312	17,097	(9)	229,400
Engine overhaul tooling	4,535	–	–	4,535
Aircraft rotable spares	48,518	22,816	(3,631)	67,703
Office furniture and equipment	21,395	2,743	204	24,342
Motor vehicles	6,251	832	(297)	6,786
	483,187	44,331	(3,733)	523,785
Advance and progress payments	2,673	11,768	(2,178)	12,263
	485,860	56,099	(5,911)	536,048
Accumulated depreciation and impairment				
Leasehold land and buildings	55,470	6,381	–	61,851
Plant, equipment and tooling	158,612	16,199	(1,346)	173,465
Engine overhaul tooling	4,500	23	–	4,523
Aircraft rotable spares	11,071	6,072	(3,619)	13,524
Office furniture and equipment	17,652	1,905	(307)	19,250
Motor vehicles	5,405	368	(298)	5,475
	252,710	30,948	(5,570)	278,088
Net book value	233,150			257,960

	Net Book Value 31 March 2008	Net Book Value 31 March 2007
Leasehold land and buildings	**129,168**	134,706
Plant, equipment and tooling	**55,935**	53,700
Engine overhaul tooling	**12**	35
Aircraft rotable spares	**54,179**	37,447
Office furniture and equipment	**5,092**	3,743
Motor vehicles	**1,311**	846
Advance and progress payments	**12,263**	2,673
	257,960	233,150

14. FIXED ASSETS (in thousands of $) (continued)

COMPANY	Balance at 1 April 2006	Additions	Disposals/ Transfers	Balance at 31 March 2007
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

	Net Book Value 31 March 2007	Net Book Value 31 March 2006
Leasehold land and buildings	134,706	138,333
Plant, equipment and tooling	53,700	54,165
Engine overhaul tooling	35	542
Aircraft rotable spares	37,447	19,909
Office furniture and equipment	3,743	4,221
Motor vehicles	846	756
Advance and progress payments	2,673	551
	233,150	218,477

14. 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

15. INTANGIBLES (in thousands of $)

GROUP	Balance at 1 April 2007	Additions	Disposals/ Transfers	Acquisition of a subsidiary	Exchange Difference	Balance at 31 March 2008
Cost						
Computer software	36,097	1,104	303	2	4	37,510
Other intangible assets	2,871	–	–	1,338	4	4,213
	38,968	1,104	303	1,340	8	41,723
Accumulated depreciation and impairment						
Computer software	23,097	5,430	–	–	1	28,528
Other intangible assets	613	957	–	–	–	1,570
	23,710	6,387	–	–	1	30,098
Net book value	15,258					11,625

	Net Book Value 31 March 2008	Net Book Value 31 March 2007
Computer software	**8,982**	13,000
Other intangible assets	**2,643**	2,258
	11,625	15,258

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

	Net Book Value 31 March 2007	Net Book Value 31 March 2006
Computer software	13,000	19,200
Other intangible assets	2,258	–
	15,258	19,200

15. INTANGIBLES (in thousands of $) (continued)

COMPANY	Balance at 1 April 2007	Additions	Disposals/ Transfers	Balance at 31 March 2008
Cost				
Computer software	35,198	1,015	276	**36,489**
Other intangible assets	2,871	–	–	**2,871**
	38,069	1,015	276	**39,360**
Accumulated depreciation and impairment				
Computer software	22,540	5,246	–	**27,786**
Other intangible assets	613	957	–	**1,570**
	23,153	6,203	–	**29,356**
Net book value	14,916			**10,004**

	Net Book Value 31 March 2008	2007
Computer software	**8,703**	12,658
Other intangible assets	**1,301**	2,258
	10,004	14,916

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

	Net Book Value 31 March 2007	2006
Computer software	12,658	18,898
Other intangible assets	2,258	–
	14,916	18,898

16. SUBSIDIARY COMPANIES (in thousands of $)

	The Company 31 March 2008	The Company 31 March 2007
Unquoted shares, at cost	**20,417**	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 2008	Cost 2007	Percentage equity held by the Group 2008	Percentage equity held by the Group 2007
Singapore Jamco Pte Ltd*	Manufacturing aircraft cabin equipment and refurbishment of aircraft galleys	Singapore	**3,816**	3,816	**65.0**	65.0
Aerospace Component Engineering Services Pte Limited*	Repair and overhaul of hydro-mechanical equipment for Boeing and Airbus aircraft	Singapore	**10,934**	9,742	**51.0**	51.0
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
Aircraft Maintenance Services Australia Pty Ltd^	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Australia	**2,905**	–	**100.0**	–
SIAEC Global Pte Ltd*	Investment holding	Singapore	@	@	**100.0**	**100.0**

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

During the financial year:

a) The Company completed the acquisition of its subsidiary, Aircraft Maintenance Services Australia Pty Ltd ("AMSA"), a privately owned line maintenance company in Australia. The Company paid a consideration of $1.6 million for its 100% equity interest in AMSA, with net tangible assets and intangible assets arising on acquisition of subsidiary amounting to $0.3 million and $1.3 million respectively. Subsequent to the acquisition, the Company injected an additional $1.3 million in AMSA.

b) The Company injected an additional $1.2 million in Aerospace Component Engineering Services Pte Limited ("ACES"). There was no change in the Group's 51% equity stake in ACES.

17. ASSOCIATED COMPANIES (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2008	2007	**2008**	2007
Unquoted shares, at cost	**164,672**	164,672	**164,672**	164,672
Share of post-acquisition profits	**277,034**	240,360	**–**	–
Goodwill written-off to reserves	**(25,237)**	(25,237)	**–**	–
Translation adjustment	**(72,874)**	(40,147)	**–**	–
	343,595	339,648	**164,672**	164,672

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	
			2008	2007	**2008**	2007
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**	2,718	**39.2**	39.2
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

17. 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	
			2008	2007	2008	2007
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 Service Center-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 Pte Ltd ## +	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 BDO, Hong Kong
** Audited by Ernst & Young, Singapore
^ Audited by RSM Chio Lim, Singapore
\+ Financial year end 30 November
++ Financial year end 31 December
+++ Financial year end 31 March

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

	The Group 31 March 2008	The Group 31 March 2007
Funds employed:		
Non-current assets	**79,189**	83,063
Current assets	**359,858**	302,945
	439,047	386,008
Current liabilities	**(92,052)**	(43,924)
Non-current liabilities	**(5,605)**	(4,965)
	341,390	337,119
Financed by:		
Shareholders' equity and loans	**341,390**	337,119

17. ASSOCIATED COMPANIES (in thousands of $) (continued)

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

	The Group	
	2007-08	2006-07
Results		
Revenue	**685,224**	710,200
Profit before taxation	**107,088**	106,136
Profit for the year	**97,640**	97,346

18. JOINT VENTURE COMPANIES (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2008	2007	2008	2007
Unquoted shares, at cost	**56,599**	56,599	**56,599**	56,599
Share of post acquisition profits	**53,498**	36,297	**–**	–
Translation adjustment	**(15,703)**	(7,068)	**–**	–
	94,394	85,828	**56,599**	56,599

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

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2008	2007	2008	2007
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
+ Financial year end 31 December

18. JOINT VENTURE COMPANIES (in thousands of $) (continued)

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

	The Group	
	31 March	
	2008	2007
Funds employed:		
Non-current assets	**47,654**	57,078
Current assets	**147,557**	135,437
	195,211	192,515
Current liabilities	**(63,539)**	(68,570)
Non-current liabilities	**(37,278)**	(38,117)
	94,394	85,828
Financed by:		
Shareholders' equity and loans	**94,394**	85,828

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

	The Group	
	2007-08	2006-07
Results		
Revenue	**542,613**	426,037
Profit before taxation	**50,827**	33,427
Profit for the year	**50,758**	33,415

19. LONG-TERM INVESTMENTS (In thousands of $)

	The Group		The Company	
	31 March		31 March	
	2008	2007	2008	2007
Unquoted equity investments, at cost	**14,606**	14,606	**14,606**	14,606

The Company holds a 10.0% (2007: 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.

20. TRADE DEBTORS (in thousands of $)

The table below is an analysis of trade debtors as at 31 March 2008:

	The Group		The Company	
	31 March		31 March	
	2008	2007	2008	2007
Not past due and not impaired	**30,690**	29,547	**22,494**	21,877
Past due but not impaired*	**38,675**	26,464	**34,693**	23,989
	69,365	56,011	**57,187**	45,866
Impaired trade debtors – collectively assessed	**7,284**	3,412	**7,208**	3,412
Less: Accumulated impairment losses	**(7,284)**	(3,412)	**(7,208)**	(3,412)
	–	–	**–**	–
Impaired trade debtors – individually assessed:				
Customers in bankruptcy or other financial reorganisation	**988**	1,832	**988**	1,832
Customers who default in payment within stipulated framework	**4**	42	**–**	–
Customers who dispute billing invoice	**–**	35	**–**	–
Less: Accumulated impairment losses	**(992)**	(1,909)	**(988)**	(1,832)
	–	–	**–**	–
Total trade debtors, net	**69,365**	56,011	**57,187**	45,866
* Aging of trade debtors that are past due but not impaired				
Less than 30 days	**13,130**	12,834	**12,676**	12,596
30 days to 60 days	**13,904**	5,812	**12,431**	5,111
60 days to 90 days	**5,707**	2,457	**5,189**	1,587
More than 90 days	**5,934**	5,361	**4,397**	4,695
	38,675	26,464	**34,693**	23,989

The carrying amount of trade debtors impaired by credit losses is reduced through the use of an allowance account unless on the date the impairment loss is recognised, the Group ascertains the amount to be uncollectible whereby it would be reduced directly. In subsequent periods when a trade debtor is ascertained to be uncollectible, it is written off against the allowance account.

20. TRADE DEBTORS (in thousands of $) (continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days aging of debtor balances) are considered indicators that the trade debtor is impaired. Individual trade debtor is written off when management deems the amount not to be collectible.

As at 31 March 2008, 90% of trade debtors (2007: 95%) 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		The Company	
	31 March		31 March	
	2008	2007	**2008**	2007
Balance at 1 April	**5,321**	10,107	**5,244**	10,072
Acquisition of subsidiary	**6**	–	**–**	–
Charge / (Write-back) to profit and loss, net	**2,949**	(4,786)	**2,952**	(4,828)
Balance at 31 March	**8,276**	5,321	**8,196**	5,244
Bad debts written-off directly to profit and loss account, net of debts recovered	**289**	644	**289**	644

21. PREPAYMENTS AND OTHER DEBTORS (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2008	2007	**2008**	2007
Prepayments	**1,244**	1,140	**977**	988
Other debtors	**20,544**	8,635	**20,258**	8,475
	21,788	9,775	**21,235**	9,463

Other debtors include deposits of $274,000 (2007: $236,000) and forward contracts of $4,484,000 (2007: $437,000) for the Group and deposits of $121,000 (2007: $116,000) and forward contracts of $4,484,000 (2007: $437,000) for the Company.

22. IMMEDIATE HOLDING COMPANY

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

23. RELATED PARTIES

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

24. STOCKS (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2008	2007	**2008**	2007
Aircraft and component spares	**16,689**	10,230	**14,510**	8,906
Consumable stores and stocks	**1,239**	422	**1,083**	283
Raw materials	**1,253**	828	**–**	–
Total stocks at lower of cost and net realisable value	**19,181**	11,480	**15,593**	9,189

During the financial year, the Group wrote down $0.1 million (2006-07: $0.1 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	
	2008	2007	**2008**	2007
Balance at 1 April	**5,401**	5,363	**5,336**	5,319
Charge to profit and loss, net	**914**	53	**884**	17
Provision utilised during the financial year	**(17)**	(15)	**–**	–
Balance at 31 March	**6,298**	5,401	**6,220**	5,336

Stocks are stated at:

	The Group		The Company	
	31 March		31 March	
	2008	2007	**2008**	2007
Cost	**4,697**	2,589	**1,109**	298
Net realisable value	**14,484**	8,891	**14,484**	8,891
	19,181	11,480	**15,593**	9,189

25. SHORT-TERM DEPOSITS (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2008	2007	**2008**	2007
Deposits placed with the immediate holding company	**361,467**	360,218	**361,467**	360,218
Fixed deposits placed with banks	**9,414**	9,527	**1,999**	2,098
	370,881	369,745	**363,466**	362,316

25. SHORT-TERM DEPOSITS (in thousands of $) (continued)

Funds surplus to the Group's working capital requirements are placed in short-term deposits with the immediate holding company and external financial institutions for varying periods depending on the immediate cash requirements of the Group. These deposits earn interest ranging from 0.5% to 7.26% (2007: 2.0% to 5.1%) per annum and can be withdrawn on demand. The interest rates are repriced at varying periods ranging 1-12 months (2007: 12 months).

As at 31 March 2008, 1.7% of short-term deposits (2007: 3.2%) 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 at floating rates based on daily bank deposit rates ranging from 0.0% to 3.8% (2007: 0.1% to 4.8%) per annum.

As at 31 March 2008, 68% of cash and bank balances (2007: 58%) were held in United States dollars by the Group.

27. TRADE AND OTHER CREDITORS (in thousands of $)

	The Group		The Company	
	31 March		31 March	
	2008	2007	**2008**	2007
Trade	**100,557**	96,755	**90,395**	86,908
Accruals	**128,907**	144,601	**120,656**	140,357
Provision for warranty claims	**552**	1,553	**552**	1,553
Sundry	**1,095**	519	**–**	–
	231,111	243,428	**211,603**	228,818

As at 31 March 2008, 52% of trade creditors (2007: 44%) were held in United States dollars by the Group.

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

	The Group		The Company	
	31 March		31 March	
	2008	2007	**2008**	2007
Balance at 1 April	**1,553**	3,029	**1,553**	3,029
Write-back to profit and loss, net	**(254)**	(1,063)	**(254)**	(1,063)
Provision utilised during the year	**(747)**	(413)	**(747)**	(413)
Balance at 31 March	**552**	1,553	**552**	1,553

28. BANK LOANS (in thousands of $)

	The Group	
	31 March	
	2008	2007
Revolving credit facility	**–**	750

During the year, the revolving credit facility denominated in Singapore dollars taken by a subsidiary company was fully repaid.

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

	The Group	
	2007-08	2006-07
Cash Flow From Operating Activities		
Profit before taxation	**285,569**	270,961
Adjustment for:		
Interest income	**(9,796)**	(13,676)
Interest on external borrowings	**34**	33
Depreciation	**33,080**	26,794
Amortisation of intangibles	**6,387**	7,706
Share of profits of associated / joint venture companies	**(157,915)**	(139,563)
Dividend income from long-term investment	**(13,682)**	(15,452)
Surplus on disposal of fixed assets	**(1,331)**	(274)
Exchange differences	**(785)**	2,950
Share-based payment	**16,369**	13,194
Operating profit before working capital changes	**157,930**	152,673
Increase in debtors	**(19,521)**	(14,839)
Increase in stocks / work-in-progress	**(14,286)**	(20,842)
(Decrease) / Increase in creditors	**(11,882)**	19,784
Decrease in amounts owing from related companies	**17,639**	18,292
Cash generated from operations	**129,880**	155,068
Income taxes paid	**(38,165)**	(9,682)
Net cash provided by operating activities	**91,715**	145,386

On 8 August 2007, the Company completed the acquisition of its subsidiary, Aircraft Maintenance Services Australia Pty Ltd ("AMSA"), a privately owned line maintenance company in Australia, and paid a consideration of $1.6 million for its 100% equity interest in AMSA.

A summary of effects of acquisition of AMSA is as follows:

	S$'000
Net assets acquired	
Current assets	1,079
Non-current assets	394
Current liabilities	(1,034)
Non-current liabilities	(143)
Net assets acquired	296
Intangible assets arising on acquisition of subsidiary	1,338
Purchase consideration satisfied by cash	1,634
Net cash flow on acquisition	
Cash paid	(1,634)
Cash acquired	170
Cash outflow on acquisition, net of cash acquired	(1,464)

From the date of acquisition to the end of financial year, AMSA incurred a net loss of approximately $921,000. If the acquisition had taken place at the beginning of the financial year, the revenue and net profit of the Group is estimated to be approximately $1,011,534,000 and $253,876,000 respectively.

30. CAPITAL AND OTHER COMMITMENTS

(a) Capital expenditure commitments

The Group and the Company have contractual commitments for capital expenditure. Such commitments aggregated approximately $68,323,000 (2007: approximately $57,622,000) for the Group and approximately $68,323,000 (2007: approximately $57,579,000) for the Company.

In addition, the Group's share of a joint venture company's purchase commitments for fixed assets total approximately $1,534,000 (2007: approximately $6,235,000).

(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 Company	
	31 March	
	2008	2007
Within one year	**605**	258
After one year but less than 5 years	**1,191**	574
More than 5 years	**3,090**	1,437
	4,886	2,269

31. 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 seven 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.

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, revenue 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.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Foreign currency risk

The Group is exposed to the effects of foreign exchange rate fluctuations because of its foreign currency denominated operating revenue and expenses. For the financial year ended 31 March 2008, these accounted for 18% of total revenue (2006-07: 19%) and 8% of total operating expenses (2006-07: 6%). 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) 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.

(c) Counterparty risk

Surplus funds are invested in interest-bearing bank deposits, deposits with immediate holding company and other high quality short-term liquid investments. Counterparty risks are managed by limiting aggregated exposure on all outstanding financial instruments to any individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material loss arising in the event of non-performance by counterparties.

The Group determines concentrations of credit risk by monitoring the industry, country and credit rating of its counterparties. The table below shows an analysis of credit risk exposure that exceeds 5% of the financial assets of the Group and the company as at 31 March:

	The Group				The Company			
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	Outstanding balance ($'000)		Percentage of total financial assets		Outstanding balance ($'000)		Percentage of total financial assets	
Counterparty profiles								
By industry:								
Airlines	**474,486**	485,353	**76%**	84%	**465,300**	478,498	**78%**	87%
Financial institutions	**75,813**	40,063	**12%**	7%	**64,028**	26,146	**11%**	5%
Others	**10,165**	4,601	**2%**	1%	**4,522**	1,212	**1%**	0%
By region:								
East Asia	**530,778**	504,586	**85%**	88%	**505,323**	480,600	**85%**	88%
Europe	**6,367**	5,734	**1%**	1%	**6,282**	5,726	**1%**	1%
South West Pacific	**4,980**	1,906	**1%**	0%	**4,133**	1,873	**1%**	0%
Americas	**12,119**	7,920	**2%**	1%	**11,962**	7,801	**2%**	1%
West Asia and Africa	**6,220**	9,871	**1%**	2%	**6,150**	9,856	**1%**	2%

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Counterparty risk (continued)

	The Group				The Company			
	2008	2007	2008	2007	2008	2007	2008	2007
	Outstanding balance ($'000)		Percentage of total financial assets		Outstanding balance ($'000)		Percentage of total financial assets	
Counterparty profiles								
By Moody's credit ratings:								
Investment grade (A to Aaa)	**74,607**	38,247	**12%**	7%	**64,028**	26,146	**11%**	5%
Investment grade (Baa)	**–**	–	**–**	–	**–**	–	**–**	–
Non-rated	**485,857**	491,770	**78%**	85%	**469,822**	479,710	**79%**	87%

(d) Liquidity risk

As at 31 March 2008, the Group had at its disposal, cash and short-term deposits amounting to $437.3 million (2007: $400.3 million). In addition, the Group had available short-term credit facilities of approximately $9.4 million (2007: $10.7 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.

The maturity profile of the financial liabilities of the Group and the Company is as follows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
2008 ($'000)							
THE GROUP							
Bank loans	–	–	–	–	–	–	–
Finance lease commitments	50	68	30	4	–	–	152
Trade and other creditors	230,559	–	–	–	–	–	230,559
Derivative financial instruments: Forward currency contracts	92,239	–	–	–	–	–	92,239
THE COMPANY							
Trade and other creditors	211,051	–	–	–	–	–	211,051
Derivative financial instruments: Forward currency contracts	92,239	–	–	–	–	–	92,239

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
2007 ($'000)							
THE GROUP							
Bank loans	750	–	–	–	–	–	750
Finance lease commitments	1.952	–	–	–	–	–	1.952
Trade and other creditors	241,875	–	–	–	–	–	241,875
Derivative financial instruments: Forward currency contracts	28,523	–	–	–	–	–	28,523
THE COMPANY							
Trade and other creditors	227,265	–	–	–	–	–	227,265
Derivative financial instruments: Forward currency contracts	28,523	–	–	–	–	–	28,523

(e) Credit Risk

The maximum exposure to credit risk for the Group and the Company are as follows:

	The Group		The Company	
	31 March		31 March	
(In thousands of $)	**2008**	2007	**2008**	2007
Unquoted equity investments	**14,606**	14,606	**14,606**	14,606
Trade debtors	**69,365**	56,011	**57,187**	45,866
Prepayments and other debtors	**21,788**	9,775	**21,235**	9,463
Immediate holding company	**53,805**	73,705	**51,168**	73,617
Related Parties	**29,625**	22,221	**25,229**	19,099
Short term deposits	**370,881**	369,745	**363,466**	362,316
Cash and bank balances	**66,413**	30,556	**62,029**	24,057
	626,483	576,619	**594,920**	549,024

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 2008, the only trade debtor exceeding 10% of the Group's trade debtors was an amount of approximately $53,805,000 (2007: approximately $73,705,000) due from its immediate holding company, Singapore Airlines Limited.

32. FINANCIAL INSTRUMENTS (in thousands of $)

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the balance sheet by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

	Loans and receivables	Available-for-sale financial assets	Derivatives used for hedging	Financial liabilities at amortised cost	Total
2008					
THE GROUP					
Assets					
Unquoted equity investments	–	14,606	–	–	14,606
Trade debtors	69,365	–	–	–	69,365
Other debtors	16,060	–	4,484	–	20,544
Immediate holding company	53,805	–	–	–	53,805
Related parties	29,625	–	–	–	29,625
Short term deposits	370,881	–	–	–	370,881
Cash and bank balances	66,413	–	–	–	66,413
Total financial assets	606,149	14,606	4,484	–	625,239
Total non-financial assets					788,291
Total assets					1,413,530
Liabilities					
Finance lease commitments	–	–	–	152	152
Trade and other creditors	–	–	–	230,559	230,559
Total financial liabilities	–	–	–	230,711	230,711
Total non-financial liabilities					42,661
Total liabilities					273,372
2008					
THE COMPANY					
Assets					
Unquoted equity investments	–	14,606	–	–	14,606
Trade debtors	57,187	–	–	–	57,187
Other debtors	15,774	–	4,484	–	20,258
Immediate holding company	51,168	–	–	–	51,168
Related parties	25,229	–	–	–	25,229
Short term deposits	363,466	–	–	–	363,466
Cash and bank balances	62,029	–	–	–	62,029
Total financial assets	574,853	14,606	4,484	–	593,943
Total non-financial assets					567,448
Total assets					1,161,391
Liabilities					
Trade and other creditors	–	–	–	211,051	211,051
Total financial liabilities	–	–	–	211,051	211,051
Total non-financial liabilities					38,735
Total liabilities					249,786

32. FINANCIAL INSTRUMENTS (in thousands of $) (continued)

(a) Classification of financial instruments (continued)

	Loans and receivables	Available-for-sale financial assets	Derivatives used for hedging	Financial liabilities at amortised cost	Total
2007					
THE GROUP					
<u>Assets</u>					
Unquoted equity investments	–	14,606	–	–	14,606
Trade debtors	56,011	–	–	–	56,011
Other debtors	8,198	–	437	–	8,635
Immediate holding company	73,705	–	–	–	73,705
Related parties	22,221	–	–	–	22,221
Short term deposits	369,745	–	–	–	369,745
Cash and bank balances	30,556	–	–	–	30,556
Total financial assets	560,436	14,606	437	–	575,479
Total non-financial assets					739,622
Total assets					1,315,101
<u>Liabilities</u>					
Bank loans	–	–	–	750	750
Finance lease commitments	–	–	–	1,952	1,952
Trade and other creditors	–	–	–	241,875	241,875
Total financial liabilities	–	–	–	244,577	244,577
Total non-financial liabilities					60,114
Total liabilities					304,691
2007					
THE COMPANY					
<u>Assets</u>					
Unquoted equity investments	–	14,606	–	–	14,606
Trade debtors	45,866	–	–	–	45,866
Other debtors	8,038	–	437	–	8,475
Immediate holding company	73,617	–	–	–	73,617
Related parties	19,099	–	–	–	19,099
Short term deposits	362,316	–	–	–	362,316
Cash and bank balances	24,057	–	–	–	24,057
Total financial assets	532,993	14,606	437	–	548,036
Total non-financial assets					531,715
Total assets					1,079,751
<u>Liabilities</u>					
Trade and other creditors	–	–	–	227,265	227,265
Total financial liabilities	–	–	–	227,265	227,265
Total non-financial liabilities					59,588
Total liabilities					286,853

32. FINANCIAL INSTRUMENTS (in thousands of $) (continued)

(b) 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.

(i) 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.

(ii) 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, amounts owing by/to subsidiary, immediate holding company, associated and joint venture companies, loans, trade and other debtors and creditors. The carrying values of the long-term lease commitments approximate their fair values.

(iii) 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.

The Company has no intention to dispose of their interests in the above investments in the foreseeable future.

(c) Derivative financial instruments and hedging activities

Derivative financial instruments included in the balance sheets are as follows:

	The Group		The Company	
	31 March		31 March	
	2008	2007	**2008**	2007
Assets*				
Forward currency contracts	**4,484**	437	**4,484**	437

* Included under other debtors

(d) Market risk sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to the profit and loss and equity of a 1% strengthening or weakening in Singapore dollar ("SGD") against all other currencies, from the rates applicable at 31 March 2008, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation. The sensitivity analysis is based on the following assumptions:

32. FINANCIAL INSTRUMENTS (in thousands of $) (continued)

(d) Market risk sensitivity analysis (continued)

(i) Foreign currency risk

The following table demonstrates the sensitivity to a 1% strengthening or weakening of SGD exchange rate, with all other variables held constant, of the Group and Company's profit before taxation and equity.

	The Group		The Company	
	31 March		31 March	
	2008	2007	**2008**	2007
Effect of strengthening of SGD				
Profit before taxation	**(184)**	(167)	**(195)**	(63)
Equity	**561**	–	**561**	–
Effect of weakening of SGD				
Profit before taxation	**184**	167	**195**	63
Equity	**(561)**	–	**(561)**	–

(ii) Other price risks

As at 31 March 2008, hypothetical changes in other risk variables would not significantly affect the price of financial instruments at that date.

33. CAPITAL MANAGEMENT

The primary objective of the management of the Company's capital structure is to maintain an efficient capital base while retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The Directors regularly review the Company's capital structure and make adjustments to reflect economic conditions, business strategies and future commitments.

During the financial year ended 31 March 2008, the Company made a total dividend payment to shareholders of $128.5 million.

Capital for the Group and Company (in thousands of $) is tabulated below:

	The Group		The Company	
	31 March		31 March	
	2008	2007	**2008**	2007
Bank loans	**–**	750	**–**	–
Less: Cash and cash equivalents	**437,294**	400,301	**425,495**	386,373
Net debt	**(437,294)**	(399,551)	**(425,495)**	(386,373)
Share capital	**245,008**	214,545	**245,008**	214,545
Reserves	**880,310**	782,625	**666,597**	578,353
Total capital	**1,125,318**	997,170	**911,605**	792,898
Capital and net debt	**688,024**	597,619	**486,110**	406,525

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.

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 $)	2007-08	2006-07	2007-08	2006-07
Income				
Sales of services and related materials to:				
- the immediate holding and related companies	**719,873**	689,957	**696,793**	668,550
- associated companies	**3,171**	4,901	**3,171**	4,901
- joint venture companies	**10,387**	9,142	**10,387**	9,142
Interest income from the immediate holding company	**8,528**	11,718	**8,528**	11,718
Equipment fee charged to the immediate holding company	**4,115**	4,828	**4,115**	4,828
Rental of office space charged to the immediate holding company	**1,281**	1,397	**1,281**	1,397
Expense				
Management fees charged by the immediate holding company for corporate, general and administrative, technical and insurance services and equipment leases	**10,598**	11,659	**10,598**	11,659
Rental of workshop and office space charged by the immediate holding company	**23,388**	22,805	**23,388**	22,805
Purchases of materials from the immediate holding company	**189,259**	199,499	**189,259**	199,499
Purchases of goods from:				
- associated companies	**7,359**	5,005	**7,359**	5,005
- joint venture companies	**1**	13	**1**	13
Services rendered by:				
- the immediate holding company	**9,342**	9,389	**9,342**	9,389
- a related company	**2,628**	2,936	**2,628**	2,936

34. RELATED PARTY TRANSACTIONS (continued)

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

	The Company	
	2007-08	2006-07
Directors		
Directors' fees	**769,477***	741,068
Key executives (excluding executive directors)		
Salary, bonuses and other costs	**2,357,000**	2,994,000
CPF and other defined contributions	**49,000**	49,000
Share based compensation expense	**654,000**	530,000

* 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	68,400	$4.67	1,511,200	430,000	–	1,081,200
Chan Seng Yong	28,700	$4.67	776,925	633,225	–	143,700
Png Kim Chiang	28,700	$4.67	738,900	502,200	–	236,700
Jack Koh Swee Lim	28,700	$4.67	71,700	–	–	71,700
Ivan Neo Seok Kok	42,800	$4.67	454,900	224,975	–	229,925
Zarina Piperdi	28,700	$4.67	106,700	–	–	106,700

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	17,100	40,200*	–	–	40,200
Chan Seng Yong	10,700	17,200	–	–	17,200
Png Kim Chiang	10,700	17,200	–	–	17,200
Jack Koh Swee Lim	10,700	17,200	–	–	17,200
Zarina Piperdi	10,700	19,100	–	–	19,100
Ivan Neo Seok Kok	10,700	17,200	–	–	17,200
PSP					
William Tan	22,800	36,500*	–	–	36,500
Chan Seng Yong	9,600	15,400*	–	–	15,400
Png Kim Chiang	9,600	15,400*	–	–	15,400
Jack Koh Swee Lim	9,600	15,400*	–	–	15,400
Zarina Piperdi	9,600	9,600*	–	–	9,600

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

35. SUBSEQUENT EVENT

On 4 April 2008, the Company signed a joint venture agreement with Cebu Pacific Air to set up an aircraft heavy maintenance facility at Clark International Airport in the Philippines. The joint venture will be incorporated in the Philippines. The Company will hold a 65 percent stake, while Cebu Pacific Air will hold the remaining 35 percent stake.

1. INTERESTED PERSON TRANSACTIONS (in thousands of $)

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

Name of interested person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Singapore Airlines Ltd	–	6,154
Singapore Airport Terminal Services Ltd	–	180
SilkAir Pte Ltd *(100% owned by Singapore Airlines Ltd)*	–	5,000
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)*	–	89,385
Senoko Energy Supply Pte Ltd *(100% owned by Senoko Power Limited and ultimately by Temasek Holdings Pte Ltd)*	–	2,400
ST Kinetics Ltd *(100% owned by Singapore Technologies Engineering Ltd which is 54.3% owned by Temasek Holdings Pte Ltd)*	–	5,640
ST Aerospace Supplies Pte Ltd *(100% owned by ST Aerospace Ltd which is 100% owned by Singapore Technologies Engineering Ltd)*	–	1,020
ASprecise Pte Ltd *(66% owned by Temasek eVentures and ultimately by Temasek Holdings Pte Ltd)*	–	1,128
Great Wall Airlines Limited *(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)*	–	600
Keppel Electric Pte Ltd *(100% owned by Keppel Energy Pte Ltd, which is a wholly-owned subsidiary of Keppel Corporation Ltd (KCL) and 31% of KCL is owned by Temasek Holdings Pte Ltd)*	–	1,311
Total	–	**112,818**

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:						
2007-08	**($ million)**	**270.1**	**265.8**	**248.6**	**225.1**	**1,009.6**
	(%)	**26.8**	**26.3**	**24.6**	**22.3**	**100.0**
2006-07	($ million)	248.6	244.3	245.8	238.7	977.4
	(%)	25.4	25.0	25.2	24.4	100.0
Expenditure:						
2007-08	**($ million)**	**240.9**	**231.7**	**229.5**	**204.6**	**906.7**
	(%)	**26.6**	**25.5**	**25.3**	**22.6**	**100.0**
2006-07	($ million)	215.5	209.6	219.3	231.0	875.4
	(%)	24.6	23.9	25.1	26.4	100.0
Operating profit:						
2007-08	**($ million)**	**29.2**	**34.1**	**19.1**	**20.5**	**102.9**
	(%)	**28.4**	**33.1**	**18.6**	**19.9**	**100.0**
2006-07	($ million)	33.1	34.7	26.5	7.7	102.0
	(%)	32.5	34.0	26.0	7.5	100.0
Profit before taxation:						
2007-08	**($ million)**	**77.7**	**82.8**	**61.2**	**63.8**	**285.5**
	(%)	**27.2**	**29.0**	**21.4**	**22.4**	**100.0**
2006-07	($ million)	74.5	80.4	63.5	52.6	271.0
	(%)	27.5	29.7	23.4	19.4	100.0
Profit attributable to equity holders of the Company:						
2007-08	**($ million)**	**70.5**	**74.5**	**53.6**	**55.2**	**253.8**
	(%)	**27.8**	**29.4**	**21.1**	**21.7**	**100.0**
2006-07	($ million)	66.4	72.0	55.3	48.4	242.1
	(%)	27.4	29.8	22.8	20.0	100.0
Earnings (after tax) per share – basic:						
2007-08	**(cents)**	**6.6**	**7.0**	**5.0**	**5.1**	**23.7**
	(%)	**27.9**	**29.5**	**21.1**	**21.5**	**100.0**
2006-07	(cents)	6.4	6.8	5.2	4.6	23.0
	(%)	27.8	29.6	22.6	20.0	100.0

five year **financial summary of the group**

	2007-08	2006-07	2005-06	2004-05	2003-04
Profit and loss account ($ million)					
Revenue	**1,009.6**	977.4	959.1	807.5	678.7
Expenditure	**906.7**	875.4	824.4	706.7	600.7
Operating profit	**102.9**	102.0	134.7	100.8	78.0
Other income	**24.8**	29.5	23.0	9.0	4.3
Share of profits of associated / joint venture companies	**157.8**	139.5	105.6	75.5	48.8
Exceptional item	**–**	–	–	9.0	(3.1)
Profit before taxation	**285.5**	271.0	263.3	194.3	128.0
Profit attributable to equity holders of the Company	**253.8**	242.1	230.6	170.4	139.0
Balance sheet ($ million)					
Share Capital	**245.0**	214.5	163.1	101.8	100.5
Reserves					
General reserve	**937.5**	811.7	885.5	741.0	828.4
Share-based compensation reserve	**28.5**	18.0	11.9	5.6	0.9
Foreign currency translation reserve	**(88.4)**	(47.1)	(21.7)	(15.5)	(10.4)
Fair value reserve	**2.7**	–	–	–	–
Share premium	**–**	–	–	25.6	6.4
Equity attributable to equity holders of the Company	**1,125.3**	997.1	1,038.8	858.5	925.8
Minority interests	**14.8**	13.2	14.1	2.3	2.1
Deferred taxation	**21.8**	13.2	14.8	14.4	11.6
Fixed assets	**275.7**	250.3	230.1	221.5	207.4
Intangibles [R1]	**11.6**	15.3	19.2	24.8	–
Associated companies	**343.6**	339.6	299.8	277.2	246.4
Joint venture companies	**94.4**	85.8	69.8	56.0	52.6
Long-term investments	**14.6**	14.6	14.6	14.6	17.3
Current assets	**673.6**	609.4	694.1	506.3	596.5
Total assets	**1,413.5**	1,315.0	1,327.6	1,100.4	1,120.2
Long-term liability	**0.1**	–	2.0	–	–
Current liabilities	**251.5**	291.5	257.9	225.2	180.7
Total liabilities	**251.6**	291.5	259.9	225.2	180.7
Net liquid assets [R2]	**437.2**	397.6	497.6	325.2	473.7
Cash flow statement ($ million)					
Cash flow from operations	**129.9**	155.0	185.5	105.9	118.6
Internally generated cash flow [R3]	**220.0**	200.9	250.5	136.0	146.8
Capital expenditure	**58.5**	47.1	38.2	56.9	35.5

	2007-08	2006-07	2005-06	2004-05	2003-04
Profitability ratios (%)					
Return on shareholders' funds R4	**23.9**	23.8	24.3	19.1	15.8
Return on total assets	**18.0**	18.4	17.4	15.5	12.4
Return on turnover	**25.1**	24.8	24.0	21.1	20.5
Productivity and employee data					
Value added ($ million)	**755.5**	717.0	670.8	577.0	453.6
Value added per employee ($)	**123,528**	126,651	130,690	123,751	97,508
Revenue per employee ($)	**165,071**	172,651	186,857	173,173	145,889
Average number of employees	**6,116**	5,661	5,133	4,663	4,652
Per share data (cents)					
Earnings before tax	**26.7**	25.7	25.6	19.2	12.8
Earnings after tax – basic R5	**23.7**	23.0	22.5	16.9	13.9
– diluted R6	**23.3**	22.5	22.1	16.7	13.8
Net asset value R7	**104.7**	93.9	100.2	84.4	92.1
Gross dividends (cents per share)					
Interim dividend	**4.0**	4.0	4.0	3.0	2.0
Final dividend – ordinary	**16.0 #**	8.0	6.0	4.5	2.5
– special	-	-	20.0	-	20.0
Total dividends	**20.0**	12.0	30.0	7.5	24.5

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 comparative for 2003-04 has 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 2008

SIA Engineering Company Limited

Subsidiary Companies

100%	Aircraft Maintenance Services Australia Pty Ltd
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 Pte Ltd

shareholding **statistics**

As at 15 May 2008

Number of shares in issue	:	1,074,637,937
Class of shares	:	ordinary shares
Voting rights	:	1 vote for 1 share

Range of Shareholdings	Number of Shareholders	%	Amount of Shareholdings	%
1 --- 999	200	1.92	93,342	0.01
1,000 --- 10,000	9,236	88.76	19,464,858	1.81
10,001 --- 1,000,000	961	9.23	29,980,611	2.79
1,000,001 and above	9	0.09	1,025,099,126	95.39
Total	10,406	100.00	1,074,637,937	100.00

MAJOR SHAREHOLDERS

Name	Number of shares held	%
Singapore Airlines Limited	870,000,000	80.96
DBS Nominees Pte Ltd	64,173,317	5.97
HSBC (Singapore) Nominees Pte Ltd	26,744,950	2.49
Raffles Nominees Pte Ltd	24,064,427	2.24
DBSN Services Pte Ltd	16,913,784	1.57
Citibank Nominees Singapore Pte Ltd	14,421,948	1.34
Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,177,700	0.39
United Overseas Bank Nominees Pte Ltd	3,003,000	0.28
TM Asia Life Singapore Ltd-par Fund	1,600,000	0.15
OCBC Nominees Singapore Pte Ltd	845,802	0.08
Merrill Lynch (Singapore) Pte Ltd	595,100	0.06
Wong Ket Seong @ Wong Ket Yin	570,000	0.05
DB Nominees (S) Pte Ltd	453,356	0.04
Png Kim Chiang	382,200	0.04
Phillip Securities Pte Ltd	315,503	0.03
Realty & Investment Holdings Pte Ltd	305,000	0.03
NTUC Thrift & Loan Co-operative Limited	300,000	0.03
Chan Seng Yong	290,525	0.03
OCBC Securities Private Ltd	268,825	0.02
CYL Investments Limited	264,000	0.02
Total	1,029,689,437	95.82

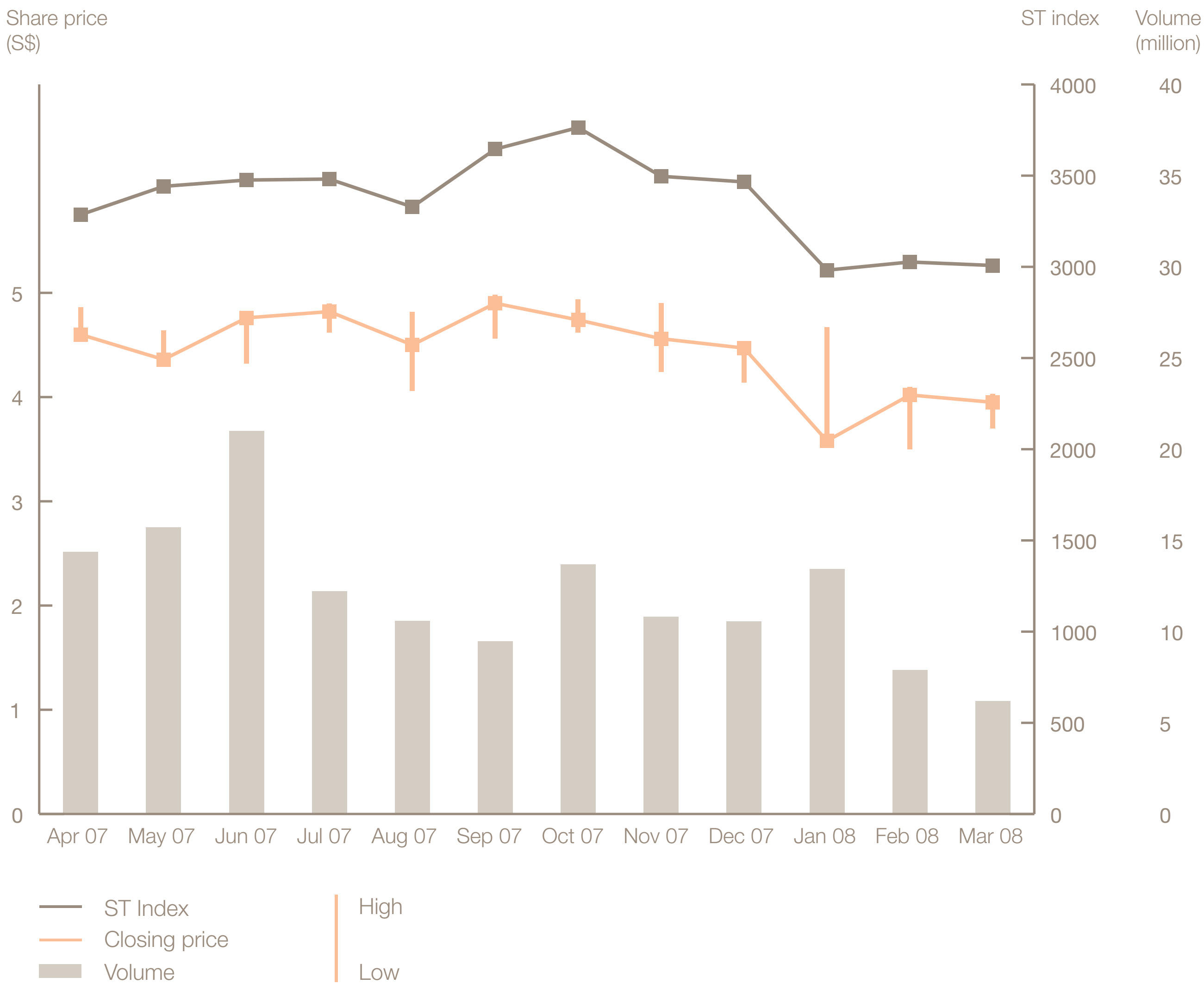
SUBSTANTIAL SHAREHOLDERS

Name	Direct interest	Indirect interest	Total interest	%
Temasek Holdings (Pte) Ltd	Nil	872,646,000	872,646,000	81.20%
Singapore Airlines Ltd	870,000,000	Nil	870,000,000	80.96%

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as of 15 May 2008, 18.79 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 the SGX-ST is complied with.

share price and turnover



	2007-08	2006-07
Share Price (S$)		
Highest closing price	**4.96**	4.94
Lowest closing price	**3.53**	3.12
31 March closing price	**3.95**	4.70
Market Value Ratios*		
Price / Earnings	**16.67**	20.43
Price / Book Value	**3.77**	5.01
Price / Cash Earnings**	**14.42**	17.90

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 26th Annual General Meeting of SIA Engineering Company Limited ("the Company") will be held at Olivia Room, Level 4, Raffles City Convention Centre, 2 Stamford Road, Singapore 178882 on Friday, 18 July 2008 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 March 2008 and the Auditors' Report thereon.

2. To declare a final tax exempt (one tier) dividend of 16 cents per ordinary share for the year ended 31 March 2008.

3. To re-elect the following Directors who are retiring by rotation pursuant to Article 83 of the Company's Articles of Association and who, being eligible, offer themselves for re-election pursuant to Article 84 of the Company's Articles of Association:

   3.1 Mr Chew Choon Seng

   3.2 Mr Koh Kheng Siong

4. To re-elect the following Directors who are retiring 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 Ron Foo Siang Guan

   4.2 Mr Lim Joo Boon

   4.3 Mr Oo Soon Hee

5. To appoint Mr Ng Chin Hwee as Director pursuant to Article 89 of the Company's Articles of Association.

6. To approve the Directors' Fees of $769,477 (FY2006/07: $741,068) for the year ended 31 March 2008.

7. 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

8. To consider and, if thought fit, approve, with or without modification, the following resolutions as Ordinary Resolutions:

   8.1 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,

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 (excluding treasury 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 (excluding treasury 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 (excluding treasury 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 share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

   (ii) any subsequent bonus issue or 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.

8.2 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 (excluding treasury shares) in the capital of the Company from time to time.

8.3 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 Shareholders dated 13 June 2008 (the "Letter") with any party who is of the class of interested persons described in the Appendix, 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 executing all such documents as may be required), as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this Resolution.

9. 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 26th Annual General Meeting to be held on 18 July 2008, the Share Transfer Books and Register of Members of the Company will be closed on 25 July 2008 for preparation of dividend warrants.

Duly completed and stamped transfers (together with all relevant documents of or evidencing title) received by the Company's Share Registrar, M & C Services Private Limited, at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906, up to 5.00 p.m. on 24 July 2008 will be registered to determine shareholders' entitlement to the final dividend. Subject as aforesaid, shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 24 July 2008 will be entitled to the final dividend.

The final dividend, if so approved by shareholders, will be paid on 5 August 2008.

By Order of the Board

DEVIKA RANI DAVAR
Company Secretary
13 June 2008
Singapore

Explanatory Notes:

1. In relation to Ordinary Resolution No. 3, Mr Chew Choon Seng and Mr Koh Kheng Siong will be retiring from office at the Annual General Meeting pursuant to Article 83 of the Company's Articles of Association and will be standing for re-election at the Annual General Meeting. Mr Chew will, upon re-election, continue to serve as a member of the Nominating Committee, Compensation & HR Committee and Board Committee. Mr Koh will, upon re-election, continue to serve as Chairman of the Audit Committee and as a member of the Compensation & HR Committee. Mr Chew is considered a non-independent Director, while Mr Koh is considered an independent Director. Please refer to the sections on Board of Directors and Corporate Governance in the FY2007/08 Annual Report for information on Mr Chew and Mr Koh.

2. In relation to Ordinary Resolution No. 4, Article 90 of the Company's Articles of Association permits the Directors to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election. Mr Ron Foo Siang Guan, Mr Lim Joo Boon and Mr Oo Soon Hee, all of whom were appointed on 1 August 2007, are considered independent Directors and are seeking re-election at the forthcoming 26th Annual General Meeting. Mr Foo will, upon re-election, continue to serve as a member of the Audit Committee. Mr Lim will, upon re-election, continue to serve as a member of the Compensation & HR Committee. Mr Oo will, upon re-election, continue to serve as a member of the Audit Committee and Nominating Committee. Please refer to the sections on Board of Directors and Corporate Governance in the FY2007/08 Annual Report for information on Mr Foo, Mr Lim and Mr Oo.

3. In relation to Ordinary Resolution No. 5, approval will be sought for the appointment of Mr Ng Chin Hwee as an addition to the existing Directors at the Annual General Meeting pursuant to Article 89 of the Company's Articles of Association. Mr Ng is considered to be a non-independent Director. Please refer to the section on "Proposed New Director" in the FY2007/08 Annual Report for information relating to Mr Ng.

4. Ordinary Resolution No. 8.1, 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 (excluding treasury 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 total number of issued shares (excluding treasury 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 bonus issue or consolidation or subdivision of shares. For the avoidance of doubt, shareholders' approval will be required for any consolidation or sub-division of shares.

5. Ordinary Resolution No. 8.2 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 was 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.

6. Ordinary Resolution No. 8.3, if passed, will 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 must be deposited at the Company's Share Registrar, M & C Services Private Limited, 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 not less than 48 hours before the time fixed for holding 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 26th 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 Olivia Room, Level 4, Raffles City Convention Centre, 2 Stamford Road, Singapore 178882 on Friday, 18 July 2008 at 10.00 a.m. 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 and, if necessary, to demand a poll, at the AGM and at any adjournment thereof.

No.		**For	**Against
	Ordinary Business		
1.	Adoption of the Directors' Report, Audited Financial Statements and the Auditors' Report		
2.	Declaration of ordinary dividend		
3.	Re-election of Directors retiring by rotation pursuant to Article 83 of the Articles of Association of the Company: 3.1 Mr Chew Choon Seng		
	3.2 Mr Koh Kheng Siong		
4.	Re-election of Directors retiring pursuant to Article 90 of the Articles of Association of the Company: 4.1 Mr Ron Foo Siang Guan		
	4.2 Mr Lim Joo Boon		
	4.3 Mr Oo Soon Hee		
5.	Appointment of Mr Ng Chin Hwee as Director		
6.	Approval of Directors' Fees for the year ended 31 March 2008		
7.	Re-appointment and remuneration of Auditors		
	Special Business		
8.1	Authority for Directors to issue shares or make or grant offers, agreements or options requiring shares to be issued		
8.2	Authority for Directors to offer and grant options and/or grant awards, and to allot and issue shares in accordance with the provisions of the Employee Share Option Plan, the Performance Share Plan and the Restricted Share Plan		
8.3	To approve the proposed renewal of the IPT Mandate		
9.	Any other business		

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

Dated this ________ day of ______________ 2008

Total number of Ordinary Shares held:-

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

Notes:-
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 the Company's Share Registrar, M & C Services Private Limited, 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

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