

Mission Statement

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

Corporate Profile

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

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

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

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

In 2002, SIA Engineering was awarded "Most Transparent Company" in the services/ utilities/agriculture sector by the Securities Investors Association of Singapore and "Best Asia-Pacific Airline MRO Operation of the Year" by Aviation Week magazine.



“SIA Engineering was chosen for this Award by the editors and writers of Overhaul & Maintenance and Aviation Week because of its dedication to safety and quality, its demonstrated operational excellence, and because of the way the Company and its managers have successfully navigated one of the most difficult economic periods in the history of commercial aviation.”

Frank Jackman, Editor-in-Chief of Aviation Week's publication, Overhaul & Maintenance magazine

“Accessibility to management and tour of facilities provide me and my clients with a good understanding of the MRO business.”

Charles Neo, Director, UBS Warburg

“SIA Engineering's excellent and proactive investor relations programme has certainly contributed to the award. We also find the management very accessible and ready to answer investor queries, an attribute which is very well appreciated by the investment community.”

Seah Hiang Hong, Head of Research, Kim Eng Ong Asia Securities



Statistical Highlights

Financial Statistics

	2002-2003	2001-2002	% Change
Group (\$ million)			
Revenue	878.1	835.6	+ 5.1
Expenditure	737.2	631.9	+ 16.6
Operating profit	140.9	203.7	- 30.8
Profit before tax	216.4	252.5	- 14.3
Profit attributable to shareholders	205.2	223.0	- 8.0
Share capital	100.0	100.0	-
Distributable reserves	736.9	582.7	+ 26.5
Non-distributable reserves:			
Share premium	0.8	-	+ 100.0
Shareholders' funds	837.7	682.7	+ 22.7
Return on shareholders' funds (%)	27.0	38.2	- 11.2 points
Total assets	1,089.8	906.2	+ 20.3
Net liquid assets	404.2	284.5	+ 42.1
Value added	569.7	536.1	+ 6.2
Per Share Data			
Earnings before tax (cents)	21.6	25.3	- 14.3
Earnings after tax (cents)	20.5	22.3	- 8.0
Net asset value (cents)	83.7	68.3	+ 22.7
Dividends			
Interim dividend (cents)	2.0	1.5	+ 33.3
Proposed final dividend (cents)	2.5	3.0	- 16.7
Company (\$ million)			
Revenue	871.2	830.9	+ 4.9
Expenditure	730.5	627.7	+ 16.4
Operating profit	140.7	203.2	- 30.7
Profit before tax	167.8	216.0	- 22.3
Profit after tax	164.5	190.6	- 13.7
Value added	526.8	501.6	+ 5.0
Employee Indices - Company			
Average number of employees	4,570	4,245	+ 7.7
Revenue per employee (\$)	190,640	195,735	- 2.6
Value added per employee (\$)	115,267	118,177	- 2.5
Employee Indices - Group			
Average number of employees	4,624	4,293	+ 7.7
Revenue per employee (\$)	189,928	194,675	- 2.4
Value added per employee (\$)	123,209	124,907	- 1.4

Notes:

- SIA Engineering's financial year is from 1 April to 31 March. Throughout this report, all figures are in Singapore Dollars, unless stated otherwise.
- Return on shareholders' funds is the profit after taxation and minority interests expressed as a percentage of average shareholders' funds.
- Net liquid assets is derived by offsetting current loans against liquid assets.
- Earnings per share is computed by dividing the profit after taxation and minority interests by the weighted average number of fully paid shares in issue.

Chairman's Statement

Dear Shareholders,

The financial year started well in April 2002 as airlines showed clear signs of recovery from the effects of the terrible events on 11 September 2001. Then came the Bali bomb blasts in October, which threatened to derail the fragile recovery. The beginning of 2003 saw air travel depressed by the threat of war against Iraq, followed by the war itself. And as our financial year came to a close in March, SARS (severe acute respiratory syndrome) dealt a devastating blow to carriers in Asia, the epicentre of the virus outbreak. Loads plummeted, forcing airlines to slash services and ground aircraft.

Against this tumultuous backdrop, the Group posted a revenue growth of 5.1% to \$878.1 million. Net earnings declined 8.0% to \$205.2 million, mainly because of profit-sharing bonus payments to staff. Discounting bonus payments, which were not made in FY01/02, net earnings for the year under review would have shown an increase of 15.0% compared to the previous year.

Revenue from airframe and component overhaul rose 7.2% to \$548.4 million, supported by an increase of base maintenance work and activities in our 23 workshops.

Line maintenance saw a modest increase in revenue of 1.7% to \$329.7 million. While there was a drop in flights through Changi, we managed to secure all six airlines that inaugurated services to Singapore in 2002.

Our associate companies and joint ventures continued to do well, increasing their contribution to profits by 67.7% to \$71.1 million. These earnings formed 32.9% of the Group's pre-tax profit, a vindication of our strategy of forging strategic alliances with leading original equipment manufacturers (OEM), from whom we gain access to OEM markets and cutting-edge technology.

Positioned for the Long Haul

The current difficult operating conditions notwithstanding, SIA Engineering Company is positioning itself for the long haul. We remain committed to building a cluster of comprehensive capabilities in Singapore, even as we continue to pursue growth opportunities in key markets overseas.





“The current difficult operating conditions notwithstanding, SIA Engineering Company is positioning itself for the long haul. We remain committed to building a cluster of comprehensive capabilities in Singapore, even as we continue to pursue growth opportunities in key markets overseas.”

In the year under review, we increased our stake in Singapore-based Rohr Aero Services-Asia (RASA) from 30% to 40%. With a new facility starting September this year that is two and a half times its present capacity, RASA will be able to build on its current customer base of 48 airlines.

On the overseas front, in July 2002, we signed a Memorandum of Understanding with PT JAS, a leading airport ground services operator in Indonesia, for a joint venture to provide aircraft line maintenance and technical ramp handling services at Indonesia's major airports.

Our partnerships with OEMs and airlines, backed by our in-house capabilities, enable us to offer a comprehensive range of services to our customers. As airlines' needs grow in sophistication, engineering management services are becoming an important part of what we offer. During the year, we signed a five-year contract with Air Pacific to provide Fleet Technical Management, and a Memorandum of Understanding with China Airlines to provide assistance on engineering management and consultancy services.

Awards

The Company was voted *Best Asia-Pacific Airline MRO Operation of the Year* by Aviation Week, a renowned worldwide aviation publication, in recognition of its dedication to quality and safety.



We adhere scrupulously to good governance in all aspects of our business. Recognition in this area came from the Securities Investors Association of Singapore, which deemed us to be *Most Transparent Company* in the services/utilities/agriculture sector.

Outlook

The months ahead are fraught with difficulty and uncertainty. Much will depend on the persistence of SARS and the pace of recovery. The drastic drop in business and consequential surplus of resources, including manpower, necessitate painful measures of wage cuts and staff retrenchment among others. I thank staff for their dedication, forbearance and fortitude.

Acknowledgements

In my final message to you as Chairman, I note with satisfaction the progress and achievements of the SIA Engineering Group.

Eleven years ago, the operations and support departments in SIA Engineering Division were amalgamated under one structure with the corporatisation of SIA Engineering Company. From an internal focus on SIA's needs, the Company today reaches out to more than 80 airlines and aerospace companies from five continents, and has a stable of 16 joint ventures in four countries.

I wish to thank everyone in SIA Engineering Company for his or her splendid effort through the years. The employees of the Company have so much to be proud of.

I take this opportunity also to thank my colleagues on the Board for their invaluable contribution and welcome Mr Koh Boon Hwee who takes over as Chairman. I wish him every success as he steers the SIA Engineering Group into new horizons.

Cheong Choong Kong

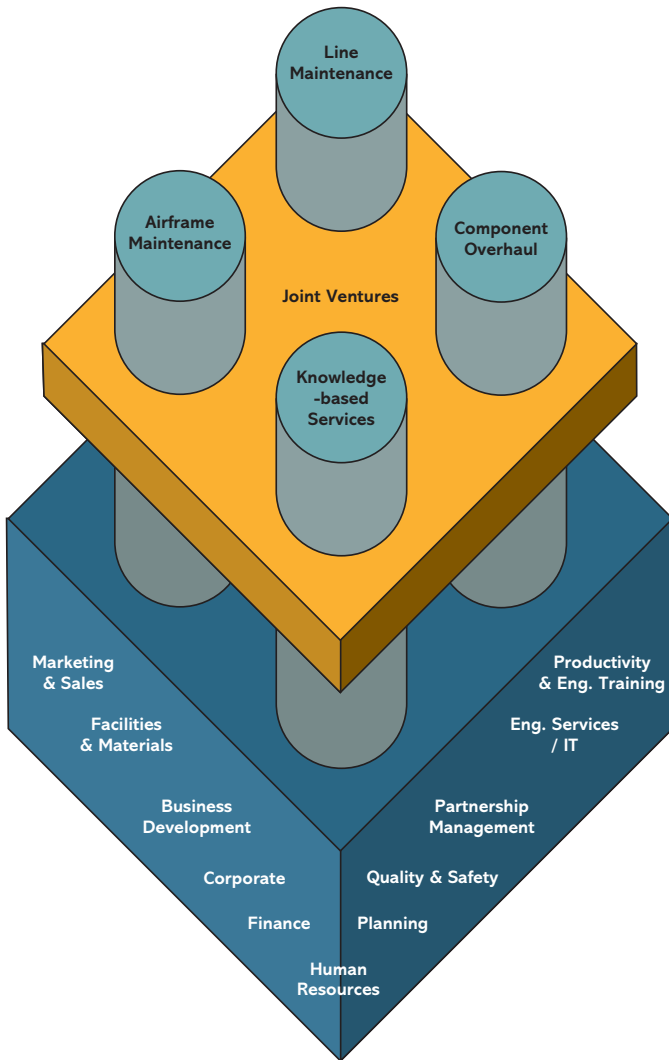
Chairman

21 May 2003

Corporate Calendar

17 May 2002	Announcement of FY 2001/2002 results
20 May 2002	Analyst/media briefing on FY 2001/2002 results
3 June 2002	Despatch of Summary Financial Statement to shareholders
20 June 2002	Despatch of Annual Report to shareholders
6 July 2002	Annual General Meeting
26 July 2002	Payment of FY 2001/2002 final dividend
25 October 2002	Announcement of FY 2002/2003 half-year results
28 October 2002	Analyst/media briefing on FY 2002/2003 half-year results
21 May 2003	Announcement of FY 2002/2003 results
22 May 2003	Analyst/media briefing on FY 2002/2003 results
7 June 2003	Despatch of Summary Financial Statement to shareholders
24 June 2003	Despatch of Annual Report to shareholders
12 July 2003	Annual General Meeting
30 July 2003	Announcement of FY 2003/2004 first quarter results
31 July 2003	Payment of FY 2002/2003 final dividend
29 October 2003	Announcement of FY 2003/2004 second quarter results

Operational Structure



LINE MAINTENANCE CAPABILITIES

Aircraft Type	Engine Type
• A300B4	• GE CF6-50
• A300-600	• PW 4000 SERIES /GE CF6-80C2
• A310 SERIES	• PW JT9D-7R4E1 /PW 4000 SERIES/GE CF6-80C2
• A320 SERIES	• IAE V2500 /CFM56
• A330 SERIES	• PW 4000 SERIES /RR TRENT 700
• A340 SERIES	• CFM56-5C4
• B727	• PW JT8D
• B737 SERIES	• PW JT8D /CFM56-3
• B747 SERIES	• PW 4000 SERIES /RR RB211-524GH/T /GE CF6-80C2
• B747 SERIES/B747SP	• PW JT9D-7A/-7Q/-7R4G2 /RR RB211-524D4 /GE CF6-50/-80A
• B757 SERIES	• PW 2037 /RB211-535E
• B767 SERIES	• PW JT9D /PW 4000 SERIES/GE CF6-80C2
• B777 SERIES	• RR TRENT 800 /PW 4000 SERIES
• FOKKER 70	• RR-TAY
• LEARJET M31 & M45	• TFE 731
• DC10	• GE CF6-50

AIRFRAME MAINTENANCE & OVERHAUL SERVICES

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

Our engineers are certified on

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

OUR 23 WORKSHOPS

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

KNOWLEDGE-BASED SERVICES

- Fleet Technical Management
- Inventory Management
- On-site Technical Support
- Technical Training

OUR JOINT VENTURES

- Asian Compressor Technology Services
- Asian Surface Technologies
- Combustor Airmotive Services
- Eagle Services Asia
- Fuel Accessory Service Technologies
- Hong Kong Aero Engine Services
- IAT-Asia
- International Engine Component Overhaul
- Messier Services Asia
- Pan Asia Pacific Aviation Services
- PWA International
- Rohr Aero Services - Asia
- Singapore Aero Engine Services
- Singapore Jamco
- Taikoo (Xiamen) Aircraft Engineering Company
- Turbine Coating Services

Koh Boon Hwee



Cheong Choong Kong



Board of Directors

Chairman (from 22 May 2003) - Mr Koh Boon Hwee is appointed Chairman of SIA Engineering with effect from 22 May 2003. Among other board appointments, he is the Chairman of Singapore Airlines (SIA) as well as the Nanyang Technological University Council, a director of Broadvision Inc and Executive Director of MediaRing Ltd. He serves on the boards of several private companies, including Temasek Holdings Pte Ltd, as a director, and Infiniti Solutions Pte Ltd, as Chairman. He is also a council member of the Singapore Business Federation.

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

Chairman (until 22 May 2003) - Dr Cheong Choong Kong was Chairman of SIA Engineering until his retirement from the Board on 22 May 2003.

He joined SIA in 1974, serving in various departments before becoming Managing Director in 1984, and Deputy Chairman and CEO in August 1996. He will retire from SIA on 9 June 2003.

Dr Cheong has degrees in Mathematics from the University of Adelaide and Australian National University in Canberra. He was an Associate Professor at the University of Malaya, and was Chairman of the Singapore Broadcasting Corporation and its immediate successor, the Singapore International Media. He is currently Chairman of the Council of the National University of Singapore as well as Vice Chairman of the Singapore-United States Business Council and a Council member of Asialink. Dr Cheong currently serves as Board Director of Singapore Press Holdings Ltd and Oversea-Chinese Banking Corporation Ltd. Dr Cheong will be Chairman and Executive Director of Oversea-Chinese Banking Corporation Ltd. with effect from 1 July 2003.

Dr Cheong was previously on the Boards of Singapore Airport Terminal Services, Air New Zealand Limited, KTB Limited and Keppel Capital Holdings Limited. He also served on the Board of Directors of Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Virgin Travel Group Limited until 1 March 2003.

Chew Choon Seng



Chew Leng Seng



Wong Nang Jang



Deputy Chairman (from 22 May 2003) - Mr Chew Choon Seng is appointed Deputy Chairman of SIA Engineering with effect from 22 May 2003.

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

Mr Chew joined SIA in 1972 and has held a variety of managerial positions, including heading several regional offices and the Divisions of Planning, Marketing and Finance. He was appointed Senior Executive Vice-President (Administration) in May 2001. He was appointed a director of SIA in March 2003, having previously been named as CEO-Designate.

Mr Chew is Chairman of SMRT Corporation Ltd and of Singapore Aircraft Leasing Enterprise. He is Deputy Chairman of Singapore Airport Terminal Services Ltd and is also a member of the Boards of Virgin Atlantic Limited and the Singapore International Foundation.

Deputy Chairman (until 22 May 2003) - Mr Chew Leng Seng joined SIA as an apprentice engineer in 1958 and graduated as a Licensed Aircraft Engineer in 1963. He was made Chief Planning Engineer in 1970, Assistant Director of Engineering in 1972 and Director of Engineering in 1975. He became Deputy Managing Director (Technical) in 1988 and was re-titled Executive Vice-President (Technical) in July 1998.

Mr Chew was appointed Chief Executive Officer of SIA Engineering effective 1 April 2000. On 1 May 2001 Mr Chew retired as the Company's Chief Executive Officer.

Mr Chew remains a director on the Board of SIA Engineering.

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

N Varaprasad



Wong Ngit Liong



Bey Soo Kiang



Dr N Varaprasad is Deputy President of the National University of Singapore. He joined SIA Engineering as a director on 1 March 2000. He was the founding Principal and CEO of Temasek Polytechnic from 1990 to 2001. He has also 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), earned a Master of Engineering (First Class) degree from the University of Auckland and a PhD in Transport Studies from the Cranfield Institute of Technology, UK. He attended the Stanford Executive Program in 1998.

Dr Varaprasad currently serves on the Health Promotion Board and chairs its Audit Committee, serves on the Raffles Institution Board of Governors, and is Chairman of the Centre for International Service Learning. Dr Varaprasad was a member of the Sub-committee on Enhancing Human Capital of the Economic Review Committee. He received the Public Administration Award (Gold) in 1996.

Mr Wong Ngit Liong is the Managing Director of Venture Corporation Limited and joined SIA Engineering as a director on 1 March 2000. Mr Wong graduated with a first class honours degree in Electrical Engineering from the University of Malaya and earned a Master of Science electrical engineering degree from the University of California at Berkeley, where he was a Fulbright Scholar. He gained an additional Master of Business Administration degree from McGill University under the Canadian Commonwealth Fellowship.

Mr Wong is also a director of Singapore Exchange Ltd, the Economic Development Board and International Enterprise Singapore. He was previously on the Boards of k1 Venture Limited, Keppel Capital Holdings Limited and Keppel Tat Lee Bank Limited.

Lt-Gen (NS) Bey Soo Kiang was Chief of Air Force from 1992 to 1995 and Chief of Defence Force in the Ministry of Defence from 1995 to 2000. He was appointed Executive Vice-President (Technical) of SIA on 1 July 2000 and became its Senior Executive Vice-President (Technical and Human Resources) on 1 April 2002.

Lt-Gen (NS) Bey graduated with a Bachelor of Arts (First Class Honours) degree in Engineering and has a Master of Arts degree in Engineering from the University of Cambridge. In 1988, he also earned a Master of Public Administration degree from Harvard University. Prior to assuming

Thio Su Mien



Jimmy Phoon



Maurice de Vaz



his appointment in SIA, Lt-Gen (NS) Bey attended the Advanced Management Program at the Harvard Business School in Spring 2000.

Lt-Gen (NS) Bey was appointed a director of SIA Engineering on 1 March 2000. He was previously on the Boards of Air New Zealand Limited and Singapore Technologies Engineering Limited.

Dr Thio Su Mien was appointed a director of SIA Engineering on 1 March 2000. She currently holds various directorships, including one at MobileOne Ltd. She is an Advocate and Solicitor of the Supreme Court of Singapore and is currently a Senior Executive Director of TSMP Law Corporation.

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

She has served on the Board of Legal Education, chaired one of the Disciplinary Committees set up by the Chief Justice, is an Accredited Arbitrator at the Singapore International Arbitration Centre, served as Judge and Senior Vice-President of the World Bank Administrative Tribunal and as a member of the Asian Development Bank Administrative Tribunal.

Mr Jimmy Phoon Siew Heng is Managing Director of Strategic Development (Asia Investments) in Temasek Holdings (Private) Limited. He was previously an Executive Director of Standard Chartered Merchant Bank Asia Limited (SCMBA) where he worked for 7 years. Mr Phoon was a Deputy Director of the Ministry of Finance from 1988 to 1992 before joining SCMBA.

He holds a Bachelor of Economics (Honours) degree from Monash University, Australia. Mr Phoon is currently a Director of SMRT Corporation Ltd and Singapore Airport Terminal Services Limited. Mr Phoon was appointed a director of SIA Engineering on 21 May 2002.

Capt Maurice de Vaz joined SIA as a cadet pilot in 1963 and attained the rank of captain in 1969. He was promoted to Chief Pilot in 1979, Acting Assistant Director of Flight Operations in 1980 and Senior Vice-President of Flight Operations in 1981, from which position he retired on 15 January 2002. He also served as Chairman of Singapore Flying College Pte Ltd from 1988 to 2002. Captain de Vaz was appointed a director of SIA Engineering on 17 February 2000 and retired from the Board on 31 July 2002.



Corporate Data

Executive Management

William Tan Seng Koon
Chief Executive Officer

Oh Wee Khooon
Senior Vice President
(Commercial)

Chan Seng Yong
Senior Vice President
(Operations)

Png Kim Chiang
Senior Vice President
(Services)

BOARD OF DIRECTORS

Chairman

Cheong Choong Kong
(retired on 22 May 2003)

Koh Boon Hwee
(appointed on 22 May 2003)

Deputy Chairman

Chew Leng Seng
*(stepped down as Deputy
Chairman on 22 May 2003)*

Chew Choon Seng
(appointed on 22 May 2003)

Directors

Chew Leng Seng
Wong Nang Jang
N Varaprasad
Wong Ngit Liong
Bey Soo Khiang
Thio Su Mien
Jimmy Phoon Siew Heng
(appointed on 21 May 2002)
Maurice de Vaz
(retired on 31 July 2002)

Company Secretary

Devika Rani Davar

AUDIT COMMITTEE

Chairman

Wong Nang Jang

Members

Chew Leng Seng
N Varaprasad
Thio Su Mien

NOMINATING COMMITTEE

Chairman

Wong Ngit Liong

Members

Cheong Choong Kong
(until 22 May 2003)
Wong Nang Jang
Chew Choon Seng
(effective 22 May 2003)

COMPENSATION COMMITTEE

Chairman

N Varaprasad

Members

Cheong Choong Kong
(until 22 May 2003)
Wong Ngit Liong
Chew Choon Seng
(effective 22 May 2003)

BOARD COMMITTEE

Members

Cheong Choong Kong
(until 22 May 2003)
Chew Leng Seng
Chew Choon Seng
(effective 22 May 2003)

Alternate

Thio Su Mien
Maurice de Vaz
(until 31 July 2002)

CAPITAL STRUCTURE COMMITTEE

Chairman

Chew Leng Seng

Members

Wong Nang Jang
Jimmy Phoon Siew Heng

REGISTRAR

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



Division Heads

Goh Mong Huat Vice President Workshops	Toh Mun Wah Vice President Line Maintenance	Liu Kim Yoong Vice President Base Maintenance	Kwok Puay Nee Chief Financial Officer/Vice President Finance	Devika Rani Davar Vice President Corporate	Graeme Gilmore Vice President Planning	Lim-Ho Geok Choo Vice President Human Resources
Ivan Neo Vice President Quality & Safety	Lee Kok Foong Vice President Business Development	Tang Mun Tak Vice President Partnership Management	Lee Huan Shang Vice President Facilities & Materials	Lim Yeow Khee Vice President Productivity & Engineering Training	Chew Siong Hee Vice President Engineering/ Information Technology	Lim Lin Eng Vice President Marketing & Sales

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

Audit Partner
Winston Ngan
*(since financial year ended
31 March 2001)*

EXECUTIVE MANAGEMENT
Chief Executive Officer
William Tan Seng Koon

**Senior Vice President
(Commercial)**
Oh Wee Khoon

**Senior Vice President
(Operations)**
Chan Seng Yong

**Senior Vice President
(Services)**
Png Kim Chiang

Chief Financial Officer
Kwok Puay Nee

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

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

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



The Global MRO Industry Report

THE TWIN IMPACT OF THE IRAQ WAR AND THE SARS OUTBREAK HAVE SENT AIRLINES REELING. MAINTENANCE, REPAIR AND OVERHAUL (MRO) COMPANIES ARE BRACING THEMSELVES FOR ANOTHER UNCERTAIN YEAR AHEAD.

The global airline industry in 2002

According to passenger and freight statistics compiled by the International Air Transport Association (IATA), the global airline industry had begun to show some signs of recovery in 2002. While international passenger traffic increased marginally by 0.06%, there had been a 3.3% improvement in the overall passenger load factor for the year. Freight traffic rose by 6.5%, on the back of a 2.5% shrinkage in overall capacity. Asia-Pacific airlines performed relatively better, with passenger and freight traffic growing by 5.8% and 13.3% respectively.

Just as the global airline industry began to recover, the war in Iraq and the Severe Acute Respiratory Syndrome (SARS) outbreak sent Asian carriers into a tailspin.

As SARS spread through Asia, the World Health Organisation issued travel advisories on the affected places, and many countries imposed travel restrictions to the region. As a result, passenger loads plummeted and airlines were forced to slash capacity.

Airport authorities and airlines in many Asian cities have since implemented precautionary measures, including health screenings on incoming and outgoing passengers and disinfection of aircraft after flights.



Impact on the MRO industry

As airlines reduced frequencies and aircraft usage in response to declining loads, this invariably impacted MRO activity as aircraft are grounded, retired or used less frequently.

How fast the MRO market recovers is dependent on a variety of factors, including how quickly the SARS outbreak is contained in the various hotspots in Asia, growth in the major economies and the speed at which passenger and cargo traffic recover.

Indeed, Asia's MRO companies, accounting for 17% of the world's MRO market, are experiencing their greatest challenge ever as Asian airlines brace themselves for difficult and uncertain times ahead.

All eyes are on China as Asia's economic powerhouse battles to contain SARS. With 510 aircraft operated by 25 Chinese carriers in 2002 – largely Boeing and Airbus equipment - the collective fleet size of Chinese airlines was expected to surge to 2,273 by 2021. The full impact of SARS on the growth of China's aviation industry is still uncertain.

The MRO industry in Singapore

Before the SARS outbreak took its toll on Singapore's economy, the performance of Singapore's aerospace industry was strong. In 2002, according to the Singapore Economic Development Board (EDB), the industry's consolidated output reached \$4.1 billion, registering a 16.8% growth over 2001. It also recorded a 15% growth in value-added, which amounted to S\$1.8 billion. The aviation aftermarket industry in Singapore represents about 4% of the global MRO markets, and more than 20% in Asia. 58 aerospace companies, including the world's leading OEMs, have set up shop in Singapore - providing a whole spectrum of MRO, manufacturing and research activities.



These companies provide technology transfer and boost the capabilities and capacity of Singapore's aviation industry. They have chosen to base their operations in Singapore because of the ease of doing business here, strong government support and a ready pool of skilled labour proficient in English - an important criteria for OEMs in the industry.

To further develop Singapore into an aerospace hub, several new initiatives were launched in 2002. These include:

- The Civil Aviation Authority of Singapore and EDB's Airport Systems Technology, Research and Innovation Platform (AIRSTRIP), which allows companies to use Changi Airport as a test-bed for the commercialisation of their innovations
- The Honeywell Aerospace Centre of Excellence for Avionics Design
- New training programmes such as:
 - Diploma courses in aeronautical engineering, aerospace technology and avionics which are being introduced in Singapore's leading polytechnics
 - Three new electives in the Institute of Technical Education's NITEC in Precision Engineering (Aerospace) and NITEC in Precision Engineering (Machining) modules, aimed at training technicians in aerospace manufacturing as well as airframe, engine and component MRO
 - AeRO (Aerospace Reskilling Operations) programme for re-deploying workers in the growing aerospace industry

Moving forward, EDB plans to strengthen the technical capabilities of Singapore-based aerospace suppliers, both in mechanical and avionics components, to capture the growing outsourcing opportunities in the aviation industry. A strong aerospace supporting industry can attract more OEMs to set up manufacturing and design operations here.

The Future of MRO

The outlook for the industry remains cautious given the current regional and global economic uncertainties.

Having chalked up losses of US\$12 billion in 2002, the global airline industry is increasingly aware of the need to tightly control costs so that it is in a better position to weather the effects of shocks and down cycles in the global environment. The highly competitive business environment dominates as carriers seek to improve profits by reducing capital investment, keeping a tight lid on capacity and operating costs.



Airlines are focusing increasingly on total life-cycle cost of maintaining their fleet. When new airplanes are introduced, operators have to evaluate whether in-house maintenance infrastructure can accommodate them. In some cases, operators will choose to avoid additional infrastructure investments, creating opportunities for third-party MRO companies who can provide total solutions, such as integrated systems, processes and infrastructure to support the efficient use of airplane fleets.

To increase efficiency, major MRO companies today are developing Centres of Excellence where specific aircraft, engines or components are repaired and overhauled, to leverage on greater economies of scale and a more streamlined, cost-efficient operation serving as a one-stop shop for both heavy maintenance and complementary overhaul of components and engines.

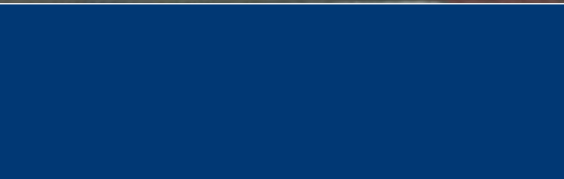
MRO companies can partner OEMs where such technical expertise and service reliability are assured, while MRO companies provide the baseload of customers as well as integrated, one-stop service for airlines.

Airlines are looking to MRO companies to tie MRO costs more closely to aircraft usage. Rising passenger expectations and the increasing importance of on-time arrival/departure and the functionality of onboard services, such as inflight entertainment and seat serviceability, will impact passenger satisfaction. In view of this, airlines are placing increasing importance on the despatch reliability of inflight entertainment and cabin equipment.



POSITIONED FOR THE LONG HAUL: ENHANCING CAPABILITIES

Being strategically linked to SIA and leading OEMs provides us access to the most modern planes and the latest aviation technology – a unique competitive advantage few MRO providers in the world have.





BEING STRATEGICALLY LINKED TO SIA AND LEADING OEMS PROVIDES US ACCESS TO THE MOST MODERN PLANES AND THE LATEST AVIATION TECHNOLOGY – A UNIQUE COMPETITIVE ADVANTAGE FEW MRO PROVIDERS IN THE WORLD HAVE.

Competitive Advantages

Being the MRO provider to SIA, which has one of the most modern fleets in the world, including one of the world's largest B747-400 and B777 fleets, SIA Engineering not only has a strong captive market but also benefits from the technology transfer from OEMs like Airbus and Boeing. Such exclusive opportunities have enabled the Company to build up a trained pool of expertise in servicing new aircraft types, thereby sharpening the Company's competitive edge. SIA Engineering's strategy is to specialise in new aircraft types, thereby gaining first-to-market advantage, greater resilience during economic downturns and better yields.

Being airline-linked, SIA Engineering is able to slot in the shorter "A" & "C" checks between heavy maintenance "D" checks, thereby optimising resources and improving productivity.

Having achieved nearly 100% component overhaul capability level for B747-400 and A310, we are currently increasing our in-house capabilities for B777 aircraft.

Our capabilities in new aircraft types allow us to offer comprehensive services to airlines and aircraft operators which may have smaller fleets of new aircraft and find it more cost-effective to outsource their maintenance needs.



Our Singapore Base - an MRO Centre of Excellence

We have forged strategic alliances with leading OEMs from around the world, culminating in 16 joint ventures in Singapore, China, Hong Kong, Taiwan and Ireland. 11 of these are in Singapore alone, bringing critical support services to our maintenance base, thereby shortening turn-times for our customers.

These strategic partnerships provide us with greater access to technology and proprietary processes compared to non-OEM linked MRO companies. This enables us to tap new markets, leverage on our partners' extensive marketing networks and attract aircraft operators from all over the world.



Joint Ventures - a key growth engine for SIA Engineering

A key thrust of our growth strategy is to grow our earnings base beyond SIA. The combined revenue from all our joint ventures in FY2002/03 amounted to \$2.0 billion. 73.0% of this was derived from non-SIA customers. We intend to leverage on our core expertise while tapping on our local partners' knowledge and network for growth opportunities in less developed aviation markets.

Already, our 5 joint ventures in China, Hong Kong, Taiwan and Ireland have proven successful. More recently, we signed a Memorandum of Understanding with PT Jasa Angkasa Semesta (PT JAS) to form a joint venture providing line maintenance services in Indonesia's international and domestic airports, replicating a similar strategic model from an earlier joint venture, Pan Asia Pacific Aviation Services (PAPAS) in Chek Lap Kok International Airport in Hong Kong.

Growth of our external wing will be driven through strategic joint ventures with leading OEMs and airlines, as well as acquisitions.

Our value-added services

We have also devised innovative, value-added solutions for our customers, such as Power-By-Hour and On-site Technical Support to complement our in-house capabilities in airframe maintenance, repair and overhaul of components and line maintenance.

We are also focusing more on knowledge-based services such as fleet technical management, inventory management, engineering planning and training.



Power-By-Hour

- A maintenance programme tailor-made to meet customers' maintenance and regulatory needs
- Aircraft operators make monthly payments based on the number of hours the aircraft has flown instead of a one-time charge
- Allows operators to effectively budget maintenance costs and ease cashflow
- Management of maintenance schedules and technical records can be provided as value-added services

On-site Technical Support

- Quality Engineers are deployed to aircraft assembly plants to inspect and audit work processes during aircraft production



DURING THE YEAR IN REVIEW, LINE MAINTENANCE REVENUE WAS \$329.7 MILLION, A 1.7% INCREASE YEAR-ON-YEAR. OUR OPERATIONS, WHICH ACCOUNTED FOR 37.6% OF THE GROUP'S REVENUE, BENEFITED FROM EXPANDED WORK SCOPE AND VOLUME AT CHANGI AIRPORT, AS WELL AS NEW AIRLINE CUSTOMERS OPERATING INTO CHANGI AIRPORT.

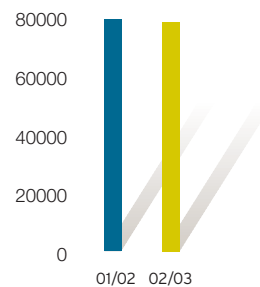
LINE MAINTENANCE

Line Maintenance serviced a total of 78,159 flights. In 2002, we welcomed 6 new airline customers who commenced scheduled services to Changi Airport - Air Macau, Australian Airlines, Gemini Air Cargo, Pacific Airlines, Orient Thai and Xiamen Airlines.

Besides providing aircraft certification and ground handling services to our 63 airline customers, our experienced team of engineers and technicians also assist in the scheduling and monitoring of customers' maintenance plans.

The division expanded its work scope by undertaking maintenance of inflight entertainment systems and major component changes, such as landing gears and engines. By doing this additional work during night stops at Changi Airport, airlines are able to optimise time on ground, thereby enhancing efficiency and fleet utilisation. During the year in review, we performed a total of 87 engine changes, up from 27 previously.

Total Number of Flights Serviced





We have also seen an increase in services that enhance aircraft appearance such as exterior cleaning, deep cleaning of aircraft cabins and disinsecting services.

To assist our customers in aircraft-on-ground (AOG) situations, a Quick Action Team was formed to provide swift response when emergency repairs are required. Other innovative services include our Maintenance Control Centre at Changi Airport, which coordinates customer flights worldwide, as well as a Defect Analysis Section to provide dedicated defect troubleshooting and rectification.

During the year, among the various initiatives implemented to improve customer service, we introduced a cost-effective method of preventing cargo airplanes' tails from tipping over during loading. The nose landing gear tethering system requires a relatively shorter time to install compared to positioning a tail stand and removes the risk of damage to airplane.



REVENUE FROM AIRFRAME AND COMPONENT OVERHAUL GREW BY 7.2% TO \$548.4 MILLION IN FY02/03. THIS BUSINESS SEGMENT, WHICH COMPRISES BASE MAINTENANCE ACTIVITIES AS WELL AS 23 WORKSHOPS, ACCOUNTED FOR 62.4% OF THE GROUP'S REVENUE.

AIRFRAME MAINTENANCE & OVERHAUL (BASE MAINTENANCE)

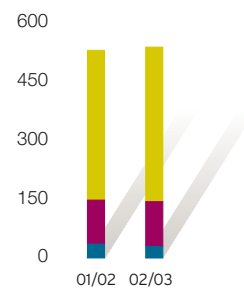
Base Maintenance division offers a comprehensive range of maintenance capabilities covering airframe structural repair & modification, cabin overhaul/refurbishment and major avionics retrofit. It is the hub where major maintenance activities are carried out. Besides performing scheduled maintenance checks, the division also delivers essential engineering services, such as emergency aircraft-on-ground (AOG) services at airports around the world.

During the year in review, several new customers, including Air Asia, Pegasus Aviation, Air France and Iberia L.A.E., were added to our customer base, which includes Atlas Air, Air Canada, Asiana Airlines, Biman Bangladesh Airlines, Polar Air, Air India, Federal Express and China Northwest.

While we continue to market our services to airlines, we are also establishing synergies with leasing companies, as evidenced by services performed for Singapore Aircraft Leasing Enterprise and Ansett Worldwide Aviation Services. We also performed work for MyTravel, a tour and charter services operator based in the UK.

We signed a 7-year airframe maintenance contract with Air Asia, covering its fleet of five B737-300 planes. By July 2002, we completed "C" checks, modification and painting on two of Air Asia's B737 airplanes. Another B737 aircraft, belonging to Singapore Aircraft Leasing Enterprise, underwent a total seat re-configuration, painting and modification programme before being leased to Air Asia.

Total Checks Performed



	FY02/03	FY01/02
A Checks	390	378
C Checks	113	111
D Checks	29	35



With Air Pacific, another new customer, we signed a 5-year Power-by-Hour airframe and component maintenance and overhaul services on its B747-400 aircraft.

The progressive acquisition and build-up of tools and equipment in Base Maintenance has qualified the division to conduct "D" checks on SIA's B777 aircraft. To date, we have performed 7 B777 D checks for SIA, with a turnaround time of 20 days, one of the shortest in the industry.

A new Material Management Process, which tracks the replacement and overhaul of components by Base Maintenance, was successfully incorporated into all aircraft checks.

Another productivity improvement, the Dock Control Process, was also implemented. With this new procedure, major non-routine work, special tool needs, vendor support, progress of checks and job targets are closely monitored.

Base Maintenance installed 42 of SIA's B747 aircraft with the critical EGPWS (Enhanced Ground Proximity Warning System), ahead of the mandated ICAO and CAAS deadline of 1 January 2003. Due to the extensive rewiring of the electronics shelves and cockpit panels, dedicated modification teams were deployed to perform the system installation.

In May 2002, the first two SIA B747-400 aircraft were retrofitted with SpaceBeds, while the first two B777-200ER aircraft were retrofitted in July 2002. During the retrofit programme, which will involve a total of 45 B747 and B777 aircraft, the in-flight entertainment system was also upgraded to the new-generation Matsushita S3000 system. A new built-in power system for laptops was also installed in all seats. During the year, a total of 29 B747-400 and B777 underwent the SpaceBed upgrade programme.

During the year, Base Maintenance completed a number of thrust reverser lock installations, a modification recommended by an Airworthiness Directive. This called for the installation of a third locking system on thrust reversers to provide an additional level of protection against an uncommanded deployment of thrust reversers.

During base maintenance checks, Non-Destructive Tests (NDT) are performed. These include borescope and video-borescope inspections on engines, as well as X-ray, ultrasonic and eddy current inspections to check for defects in airframes and engines. NDT inspections, especially ultrasonics, are routinely performed on composite materials that are increasingly being used in the manufacture of airplanes.

In August 2002, our NDT laboratory received a certificate of accreditation from the Singapore Accreditation Council (SAC). This is in recognition of our achieving the SAC-Singapore Laboratory Accreditation Scheme (SAC-SINGLAS) accreditation ISO/IEC 17025. The SAC-SINGLAS accords formal recognition to laboratories that have demonstrated technical competence and capabilities in performing specific services in calibration and testing.



COMPONENT MAINTENANCE AND OVERHAUL

A heavy maintenance programme, such as a B747-400 'D' check, yields some 1,500 components that are removed for overhaul and tests. 98% of these components are sent to our 23 workshops, which provide inspection, overhaul, repair, modification and testing of these components.

While we maintain our component capabilities for B747-300/400, A310 and A340-300, we have also made significant achievements in raising our B777 component capability, which will further reinforce our position as the market leader in Asia-Pacific for airframe maintenance and component overhaul of the B777 aircraft. In response to market demand, we are also increasing our capability for the A320 aircraft to support SilkAir and other regional airlines.

In order to perform release-to-service certifications for aircraft components, we have to be accredited by regulatory authorities, the major ones being Civil Aviation Authority of Singapore (CAAS), Federal Aviation Administration (FAA) and Joint Aviation Authorities (JAA).

Spanning 22,000 square metres, our modern workshop facilities, some of which also serve as regional warranty centres for OEMs, are equipped with the latest computerised test equipment. These include nine state-of-the-art automatic test stations to analyse and test a large variety of aircraft auto-flight, communication, navigation and radio computers from a wide range of Airbus and Boeing aircraft.

During the year in review, components we serviced include those from new customers, such as Matsushita Avionics Systems, Air Asia and Air Paradise.

To further boost customer service, staff were nominated as Workshop Focal Points to liaise with customers and provide fast, efficient service. We have also initiated a new marketing strategy - to pair marketing executives with technical specialists from our workshops - and to assign them



to approach potential airline customers in North America, Europe, Asia, Middle East and Asia-Pacific.

Our Hydraulics workshop added another computer-aided engine-driven pump test stand, which will enable the workshop to test hydraulic pressure and flow rates for higher capacity pumps, such as those used on newer generation B777 and A340 aircraft, at a much faster speed than conventional manual test stands.

With the acquisition of the new SBU 120 oxygen test stand used for testing, adjustment and fault isolation of oxygen supply equipment in Instrument workshop, testing is now fully automated, hence increasing our productivity significantly.

Our Engine Test Facility has acquired a new capability to carry out tests on the V2500 engines which powers SilkAir's A319 and A320 aircraft, and has since obtained the Certificate of Approval from the Civil Aviation Authority of Singapore. The first engine was rolled out in June 2002.

Other acquisitions include the new Matsushita System 3000 Test Station in our Radio workshop for testing audio and video-on-demand components.

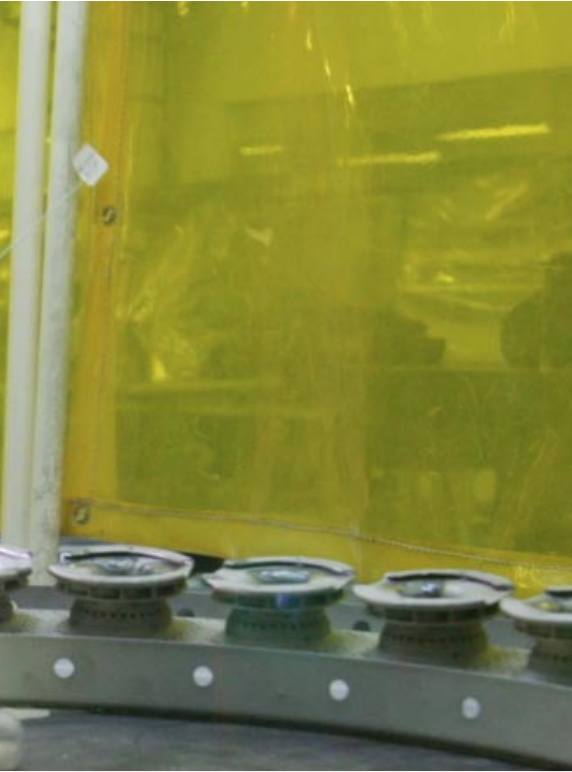
Following the debut of SIA's SpaceBed, our Electrical workshop has geared up its capabilities to refurbish third-generation aircraft passenger seats.

In May 2002, we successfully relocated an A320 flight simulator. Belonging to CAE International, it is used by SilkAir for the training of its crew. Planning was very crucial for a project of such magnitude as it involved the disassembly and reinstallation of complex and sensitive avionics equipment, including some modifications to suit the new site requirements. This latest addition means we are providing support for a total of 9 simulators for the SIA Group round-the-clock, including a Learjet 45 simulator for the Singapore Flying College in Australia.



POSITIONED FOR THE LONG HAUL: EXPANDING BEYOND

Beyond Singapore, our joint ventures in Ireland, China, Hong Kong and Taiwan are the fusion of OEM advanced technology with airline networks and base loads.





BEYOND SINGAPORE, OUR JOINT VENTURES IN IRELAND, CHINA, HONG KONG AND TAIWAN ARE THE FUSION OF OEM ADVANCED TECHNOLOGY WITH AIRLINE NETWORKS AND BASE LOADS.

SINGAPORE JOINT VENTURES

Singapore Jamco

A joint venture with Jamco Corporation and Itochu of Japan, Singapore Jamco manufactures cabin interior equipment and refurbishes aircraft galleys, lavatories and galley inserts.

Accredited by Civil Aviation Authority of Singapore (CAAS), Singapore Jamco applies its manufacturing and MRO capabilities to a full suite of cabin interior products and specialised products such as hospital food carts. Linked to a premier aircraft interior design company, Jamco Corporation, Singapore Jamco services airline customers as well as MRO companies.

Messier Services Asia

Our joint venture partner in Messier Services Asia (MSA) is Messier Services International, which is owned by Messier-Dowty, a world leader in landing gears, and Messier-Bugatti, a leading company in high-performance brakes and hydraulics. Both are part of Snecma, Europe's top-tier propulsion and equipment aerospace group.

Located in Loyang, MSA operates one of the most comprehensive landing gear repair and overhaul facilities in the world. It has a Landing Gear Service Centre, whose repair and overhaul capability covers the entire range of commercial aircraft landing gears. Its Component & Accessory Service Centre provides component and accessory overhaul services to support a wide range of commercial aircraft.



From left: Messier Services Asia, Singapore Jamco, Rohr Aero Services-Asia.

With sophisticated engineering workshops, highly-skilled technical personnel, an experienced management team and a commitment to total quality, MSA holds approvals from Civil Aviation Authority of Singapore, Federal Aviation Administration in the US and Europe's Joint Aviation Authorities, among others.

Rohr Aero Services-Asia

SIA Engineering has a 40% stake in Rohr Aero Services-Asia (RASA) while Goodrich, a leading supplier of nacelle and pylon systems to the world's major commercial airframe and engine manufacturers, owns the remaining 60%.

Incorporated in 1995, RASA operates a 12,100 square metre facility in Singapore's aerospace hub at Loyang. It repairs and overhauls nacelle, pylon and thrust reverser components for over 40 airlines in the Asia-Pacific region.

Armed with comprehensive repair capabilities, RASA offers a highly specialised service which has found rising demand as advanced composite materials are increasingly being used in new-generation commercial aircraft.

To cater for future business growth, RASA plans to expand its capacity by repairing and overhauling airframe composite-material components as well. RASA is currently constructing a new 22,000 square metre facility in Changi North, which will feature the largest autoclave facility in the region to accommodate B777 and A380 components. Due for completion by September 2003, the autoclave will enable engine nacelles to be repaired in Singapore instead of abroad.



Combustor Airmotive Services

A joint venture with Pratt & Whitney, Combustor Airmotive Services (CAS) is a one-stop shop for the repair and overhaul of a full range of combustion chambers and fuel nozzles for major engines. Its customers include airlines as well as aviation companies.

With its extensive capabilities, CAS is able to provide its customers with high quality repairs at fast turn-times.

Asian Surface Technologies

Incorporated in 1994, Asian Surface Technologies (AST), a joint venture with Praxair and Pratt & Whitney, repairs and overhauls fan blades for JT9D and PW4000 series engines. AST also provides coating services for aerospace and industrial engineering products in the Asia-Pacific region.

From its Loyang facility, AST enjoys a first-mover advantage in setting up fan blade repair capabilities in the Asia-Pacific region, servicing airlines and aviation firms.

In the near term, AST is looking at developing the fan blade repair business for other engine models besides the JT9D and PW4000.

International Engine Component Overhaul

International Engine Component Overhaul (IECO), incorporated in 1997, is a 50-50 joint venture between SIA Engineering and Rolls-Royce, focusing on the repair and overhaul of engine components, such as nozzle guide vanes and compressor stators.



From left (clockwise): Combustor
Airmotive Services, Asian
Surface Technologies, Eagle
Services Asia, International
Engine Component Overhaul.



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

IECO is currently developing capabilities for the new Trent 700 and 500 Engine series as well as preparing for the Trent 900 engines which will power the A380 aircraft.

Eagle Services Asia

A joint venture with Pratt & Whitney (P&W), Eagle Services Asia (ESA) combines the technology of a world-renowned OEM with the extensive capabilities of an airline-linked MRO company.

The Company expects to increase its market share in the JT9D and PW4000 engines in its role as a Centre of Excellence for P&W engines in Asia-Pacific. ESA's competitive advantage is enhanced by Singapore's position as a regional hub for MRO services as well as having access to P&W's full range of technical expertise.

In responding to a highly competitive business environment, ESA will continually strive for higher productivity and more value-added work processes, such as increasing its in-house repair capacity and capabilities.



Singapore Aero Engine Services

A joint venture with Rolls-Royce and Hong Kong Aero Engine Services Ltd (HAESL), Singapore Aero Engine Services Limited (SAESL) is a Centre of Excellence for the repair and overhaul of Rolls-Royce's Trent engines.

Having commenced operations in early 2002, SAESL has completed a full year of business, servicing airlines in the region. It aims to eventually overhaul 200 engines annually, with an average turnaround for a full engine overhaul of 65 days. It also plans to increase its engine overhaul capabilities to include the Trent 500 and 700 series in 2003.

Turbine Coating Services

Turbine Coating Services (TCS) is a joint venture company with Pratt & Whitney holding a 51% stake, and SIA Engineering and Singapore Technologies Aerospace holding equal stakes of 24.5%.

TCS focuses on new technologies such as the Electron Beam Physical Vapour Deposition coating technology, as well as Cubic Boron Nitric and Cathodic Arc technology. These are licensed to TCS and are used on PW4000 high pressure turbine blade repairs. Its customers include airlines as well as MRO providers.

In its first full year of operations, TCS has delivered a total of 48,000 parts and has gained a reputation for reliable, quality service and achieving a delivery turn-time of less than 35 days. It aims to lower the delivery turn-time to less than 30 days in the near term.



From left: Singapore Aero Engine Services, Fuel Accessory Service Technologies, IAT-Asia.

Fuel Accessory Service Technologies

Fuel Accessory Service Technologies (FAST) is a joint venture with Hamilton Sundstrand, a leading OEM of fuel and electronic components. Set up in 1999, FAST focuses on providing the best quality jet fuel control and engine accessory repair services to airlines and other customers in the Asia-Pacific region.

At its state-of-the-art facility at Loyang, FAST offers complete repair, overhaul and modification capabilities for a wide range of Hamilton Sundstrand and other OEMs' fuel components installed in large commercial engines and auxiliary power units. The Company adopts ACE (Achieving Competitive Excellence), an integrated approach for continuous improvement to ensure the highest quality and the shortest turn-times for all fuel accessory products.

Supported by a team of OEM-trained technicians and engineers, FAST is the Hamilton Sundstrand-dedicated regional repair station for customers in the Asia-Pacific region. FAST is looking forward to be appointed Hamilton Sundstrand Power Systems' (HSPS) authorised repair station in Asia-Pacific for APS3200 APU fuel accessories.

IAT-Asia

IAT-Asia, a specialist in the repair of aerospace tubes and manifolds for PW4000 engines, commenced business in December 2002. A joint venture with International Aerospace Tubes (a joint venture between Tube Processing Company and Pratt & Whitney), IAT-Asia received approvals from the Civil Aviation Authority of Singapore and Federal Aviation Administration in December 2002 for the repairs of aircraft metal conduits.

The Company's efforts in developing repair capabilities for tubes of PW4000 Diffuser & Combustor, Intermediate Case and Turbine Exhaust Case are on schedule.

OVERSEAS JOINT VENTURES

China: Taikoo (Xiamen) Aircraft Engineering Company

Taikoo (Xiamen) Aircraft Engineering Company Limited (TAECO), was set up on 1 July 1993 by a conglomerate of partners, namely Hong Kong Aircraft Engineering Company, Cathay Pacific Airways, Japan Airlines, Xiamen Aviation Industry, The Boeing Company, Beijing Kai Lan Technology Development Services and SIA Engineering, to provide heavy maintenance, line maintenance and structural modifications.

Hong Kong: Pan Asia Pacific Aviation Services

Pan Asia Pacific Aviation Services (PAPAS) is SIA Engineering's line maintenance joint venture in Hong Kong, a major gateway to China and the Pearl River Delta area.

Operational in 1998, PAPAS builds on SIA Engineering's reputation as a leading MRO provider in Asia-Pacific. With accreditation from major airworthiness authorities, PAPAS offers a full suite of line maintenance services. These include aircraft certification, defect rectification, technical ramp handling, aircraft cleaning, as well as "A" checks.

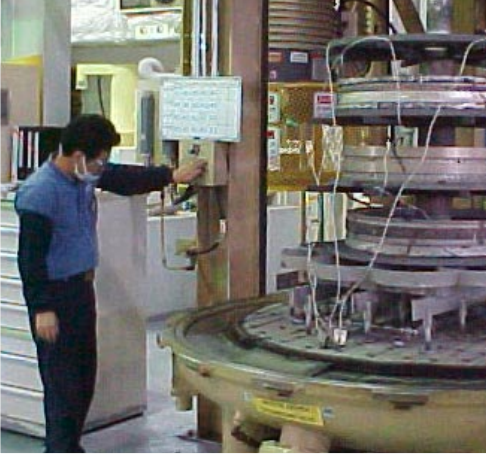
Initially set up to provide line maintenance services to partners of the joint venture, namely SIA, Malaysia Airlines, Garuda Indonesia and Royal Brunei, PAPAS has since won contracts from other airlines.

Hong Kong: Hong Kong Aero Engine Services

Hong Kong Aero Engine Services Ltd (HAESL), an engine repair and overhaul joint venture with Rolls-Royce and Hong Kong Aircraft Engineering Company (HAECO), commenced operations in 1997.

HAESL specialises in Rolls-Royce Trent and RB211 - series engines.





From left (clockwise): Taikoo (Xiamen) Aircraft Engineering Company, PWA International, Asian Compressor Technology Services.

Taiwan: Asian Compressor Technology Services

Asian Compressor Technology Services (ACTS), a joint venture with China Airlines and Pratt & Whitney, commenced operations in June 1997.

In 1998, ACTS expanded its business scope, taking on engine repair for its principal investors, China Airlines and SIA, as well as other regional carriers. Having achieved ISO 9002 certification in 1998, ACTS has also ensured that its operations meet the national guidelines for safety and environmental standards, as well as those of international organisations.

Ireland: PWA International

Located in Dublin, Ireland, this joint venture with Pratt & Whitney specialises in the overhaul and repair of large commercial jet engine cases. Commencing operations in 1990, PWA International (PWA) is committed to providing customers with customised, dependable solutions. It strives to offer the highest levels of quality, with competitive turn-times and pricing, through a combination of continuous improvement, value-added approach, modern technology and a highly motivated workforce.



Joint Ventures - providing synergy for core activities



Singapore Aero Engine Services - Repair and overhaul of Trent engines



Eagle Services Asia - Repair and overhaul of JT9D, PW4000 and CFM56-5 series engines and modules



Combustor Airmotive Services - Repair and overhaul of JT9D series and PW4000 series combustion chambers and fuel nozzles



PWA International - Repair and overhaul of engine cases



Hong Kong Aero Engine Services - Repair and overhaul of Rolls-Royce Trent and RB211-series engines



Rohr Aero Services-Asia - Repair and overhaul of nacelles, thrust reversers and pylons for Boeing and Airbus aircraft



IAT-Asia - Repair of engine tubes, ducts and manifolds



Singapore Jamco - Manufacture of cabin equipment and refurbishment of aircraft galley, lavatory and cabin equipment



Messier Services Asia - Overhaul and repair of Boeing and Airbus landing gears and components



Fuel Accessory Service Technologies - Repair and overhaul of fuel component accessories for JT9D, PW4000 and CFM56 engines, and PWA901 APU



International Engine Component Overhaul - Repair and overhaul of RB211 and Trent engine nozzle guide vanes and compressor stators



Asian Surface Technologies - Repair and overhaul of JT9D series and PW4000 series fan blades



Turbine Coating Services - Repair and overhaul of PW4000 turbine airfoils



Asian Compressor Technology Services - Repair and overhaul of PW4000 high-pressure compressor stators



Pan Asia Pacific Aviation Services - Line maintenance services, including technical and non-technical handling



Taikoo (Xiamen) Aircraft Engineering Company - General aircraft maintenance and overhaul



POSITIONED FOR THE LONG HAUL: HARNESSING RESOURCES



Retaining our competitive edge often involves our ability to tap on resources, whether it is through modern information technology, motivating our human capital to boost productivity or simply protecting our natural environment.





RETAINING OUR COMPETITIVE EDGE OFTEN INVOLVES OUR ABILITY TO TAP ON RESOURCES, WHETHER IT IS THROUGH MODERN INFORMATION TECHNOLOGY, MOTIVATING OUR HUMAN CAPITAL TO BOOST PRODUCTIVITY OR SIMPLY PROTECTING OUR NATURAL ENVIRONMENT.

INFORMATION TECHNOLOGY

Staying on the cutting edge of technology

SIA Engineering strives to continually stay on the cutting-edge of technology in order to boost productivity, efficiency and explore new frontiers in customer care and service.

Today, almost all aspects of SIA Engineering's MRO operations are IT-enabled - from the management of its spare inventories to the detailed planning and execution of maintenance inspections on airframes, engines and components.

The Company continually upgrades its IT systems, equipment and infrastructure, introducing new systems whenever it is cost-effective to do so.

The Company is in the process of establishing an efficient, process-focused organisation structure through SAP. A common SAP platform will allow for better process control, management reporting and resource accountability, and seek to integrate all relevant technical, commercial and administrative processes of a customer-centric MRO operation.

With all systems hardware in place, the project is in its final stages of integration testing.



Business-to-Business Programme

A business-to-business (B2B) exchange that provides vital information through the Internet has been developed for our customers. With this, our customers have direct access to real-time information on the repair status, turnaround time and delivery status of their aircraft undergoing maintenance and repair at the company's facilities. They can also place repair orders, check on the type and cost of materials used, approve invoices and exchange technical information with our team of MRO specialists.

As the development of this programme is an ongoing project, improvements to the system's functionalities and features are continually being made to ensure that it meets the needs of the customers. These include adding enhancements such as component capability list, Request For Quotation option, maintenance services checksheets, forum-based technical information exchange with customers, aircraft technical log update frequency, recurrent defect tracking and engine reliability services.

The B2B exchange is also able to provide subscription-based services such as notifications to customers about high engine oil consumption, real-time technical log entries and file transfer services which enable customers to upload or download data.

Pervasive Computing

The Company is exploring the use of pervasive computing in its operations to speed up the flow of information through online updates or changes in information. Operations staff will be able to make use of the pervasive equipment to access maintenance manuals necessary for their work. Staff no longer need to leave their place of work just to print out an electrical drawing, for example. The wireless technology will enable them to book their jobs without having to leave their workplace.



Pervasive computing technology promises the freedom of mobility - allowing our staff to access information anytime, anywhere.

IT Training

To strengthen IT security, specialised training sessions on information security awareness are currently being conducted for all staff in the organisation. The training covers the basic principles of information security, the SIA Group's Information Security Policy as well as the proper use of corporate information assets. This training forms part of the corporate campaign to promote IT security awareness among staff.

Preparation for the introduction of SAP company-wide began as early as 2000. End-user training will also be conducted for all affected staff before the SAP system is cut over. An extensive awareness campaign to promote SAP to all staff has also been completed. Specific end-user training on the use of the new system has also commenced, and will continue until the system completely cuts over.

Predictive Maintenance

Predictive maintenance is gaining popularity in the way MRO companies are tapping on technology to boost productivity and efficiency. First introduced in the 1990s, predictive maintenance is now being actively developed.

At SIA Engineering, we have been using sophisticated monitoring programmes in our predictive maintenance systems such as the Aircraft Conditioning Monitoring System and the Engine Health Monitoring System. The data captured in these applications are used in fault diagnosis and to predict the failure trends of critical components used in the engines, systems or aircraft structures. The timely corrective actions taken on these components will help to improve aircraft availability and despatch reliability, while decreasing maintenance costs and investments in spares.





Together with new support software, the Company has started to utilise these tools to track, monitor and provide alerts on potential aircraft defects, thus minimising aircraft time on ground. These are in addition to the current industry reliability and condition based maintenance requirements. With more sophisticated airborne avionics systems and ground software available, we will continue to tap and expand its capabilities in areas of predictive maintenance.

Gearing for technology of the future

Airplanes of the future will have a more sophisticated on-board IT network that poses greater challenges as compared to the conventional maintenance and repair of commercial aircraft. To prepare ourselves for future technology and the various operational implications, we have spearheaded internal work groups and are having regular dialogues with aircraft manufacturers and OEMs.

We are progressively converting aircraft technical documents, wiring diagrams and illustrated parts catalogues in our technical library into digital formats. In the near future, maintenance manuals from aircraft and engine manufacturers will also be in digital form, which are more intuitive and user-friendly.

Already, we have a portal, called Digital Information Management For Engineering (DIME), that can handle the myriad of digital formats provided by the manufacturers, allowing our engineers and technicians access to digital information at their workstations.



HUMAN CAPITAL

New generation aircraft, such as the B777 and A340-500, adopt advanced technology that provides computerised, self-diagnostic troubleshooting tools. To optimise the use of these tools, SIA Engineering continually upgrades employees' skill-sets and knowledge to analyse and use data more effectively, so as to save time and repair costs for customers.

Our people are our greatest asset. Our ability to compete for the long haul lies in our employees. Thus, we strive to ensure that our people feel valued and their performance is recognised and rewarded. Staff are also given opportunities to further their careers and hone their skills.

Our Company places a very high priority on attracting, developing, motivating and retaining our human capital. Stringent recruitment criteria and processes not only match candidates with the right profile to each job, but also ensures the best are selected.

There is also a need for tools to promote employee productivity and enable the Human Resources (HR) division to serve its internal customers consistently and cost-effectively. In May 2002, our SAP HR Services and Employee Self-Service was launched, enabling staff to request for benefits products such as staff travel, loans and air cargo rebates using electronic terminals within the workplace. In addition, an SAP HR Helpdesk was set up to assist staff.



TRAINING FOR THE LONG HAUL

At SIA Engineering, we place a very high priority on developing our human capital and achieving higher productivity with our continuous improvement programmes. During the year in review, the Company invested a total of \$16.8 million, or 5.0% of our annual payroll, on staff training. With a total of 37,739 man-days deployed, each employee received an average of 49 hours of training.

Fundamental to our ability to attract and retain the right talent is providing opportunities to learn in a dynamic business environment. Our Productivity & Engineering Training division conducts technical courses to equip our engineers and technicians with the latest knowledge and processes in aircraft maintenance.

Whenever a new aircraft type is added to SIA's fleet, our staff will be trained by the aircraft manufacturer, thereby gaining new capabilities in servicing the most modern aircraft. Having access to the latest technology from the world's best aviation manufacturers is one of SIA Engineering's competitive advantages.

The highly specialised MRO business requires our engineers and technicians to be trained and certified by regulatory authorities, such as the Civil Aviation Authority of Singapore, Federal Aviation Administration and Joint Aviation Authorities.

The Productivity Unit provides internal consultancy services and facilitates productivity training for SIA Engineering's operational divisions and joint venture companies. Productivity for Achieving Competitive Excellence (PACE), a company-wide initiative to improve our competitive edge, was implemented across all operational divisions. The programme has a strong focus on Continuous Improvement (CI) skills and tools, setting up CI committees in various work areas and monitoring the results of these activities. Since it was established, a total of 42,746 man-hours have been invested in CI training, averaging two training days per employee in the operational divisions.

On 3 January 2003, the division's Skills Training Centre was relocated to a new 3,644 square metre facility located at Chai Chee Technopark. The expanded facilities include specialised aircraft maintenance skills training workshops, seven classrooms and a Lecture Theatre for skills training and basic aircraft courses. The existing facilities at SIA Engineering Company Hangar will continue to be used for aircraft-specific training and as an administration centre for trainee engineers and technicians under on-the-job (OJT) attachments to the operational divisions.

SAFETY AT THE WORKPLACE

Occupational safety is of paramount importance to SIA Engineering. In April 2002, we received OHSAS 18001 certification from PSB Certification Pte Ltd, which reaffirms our commitment in providing and maintaining a safe and healthy working environment.

Our Quality & Safety division oversees the Occupational Health and Safety Management System. Safety Champions, made up of staff from various divisions, help to promote and resolve Occupational Health and Safety related issues at work level. They report to two Safety Committees – the Line Maintenance/Apron Safety Committee and the Base Maintenance/Workshop Safety Committee. These committees oversee all Occupational Health and Safety matters, and formulate policies and regulations that comply with statutory requirements at the Company level. These include identifying unsafe work practices and conditions, implementing corrective measures, conducting safety inspections and organising safety promotion programmes. The various work areas are inspected regularly to ensure that they comply with the current safety legislation.

In 2002, approximately 1,400 employees attended safety awareness training. An additional 400 employees from Line Maintenance attended a seminar on safe driving practices in July 2002.

ENVIRONMENT MANAGEMENT

As a socially responsible company, we aim to be a good corporate citizen wherever we operate world-wide. We have a moral obligation to look after the health of our staff and the long-term sustainability of our environment. To achieve these goals, we have put in place an Environment Management System (EMS).

Our EMS steers our work procedures and ensure that our work processes are in compliance with environmental regulations. In April 1998, we obtained the ISO 14001 certification which affirms that our management of environmental issues is in accordance with international best practices.



Our work procedures cover activities that may pose environmental hazards, including spray painting, chemical spillage and the disposal of toxic wastes. 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. As such, all staff have access to Material Safety Data Sheets, specially produced to raise awareness about the hazards and proper handling of a wide range of chemicals used in the workplace.

Our EMS in fact begins at the source. We work with purchasers and facilities managers to ensure that plant/equipment purchased and facilities built meet the current environmental legislations.

Besides conducting regular internal cross-division audits, we also work closely with external authorities, such as the National Environmental Agency, to ensure that we are compliant with international regulations.

Corporate Governance

The Company's standards of corporate governance are generally consistent with the Code of Corporate Governance (the "Code") established by the Singapore Corporate Governance Committee in April 2001. The Board will continue to uphold good corporate governance practices within the Company to create long-term value to Shareholders.

Board of Directors

After 19 years on the Board of the Company, the last 7 years as Chairman, Cheong Choong Kong retired on 22 May 2003. Koh Boon Hwee and Chew Choon Seng were appointed as Directors on 22 May 2003 and elected Chairman and Deputy Chairman respectively. Chew Leng Seng stepped down as Deputy Chairman and remains a Director. Koh Boon Hwee and Chew Choon Seng are both non-independent Directors. Chew Choon Seng was also appointed to fill the vacancies in the Nominating Committee, the Compensation Committee and the Board Committee, following Cheong Choong Kong's retirement.

At the end of FY02/03, the Board comprised eight non-executive Directors, four of whom are independent, as determined in accordance with the guidance notes of the Code. Maurice de Vaz, a non-executive and non-independent Director, retired on 31 July 2002.

The Company continues to benefit from the diverse background, qualities, expertise and experience of its Board members. Cheong Choong Kong and four of the current Board members, namely Koh Boon Hwee, Chew Choon Seng, Chew Leng Seng and Bey Soo Khiang, hail from an airline background, giving the Company an intimate understanding of the high expectations and demands of airline customers in the competitive MRO business. Collectively, we have Directors with core competencies in finance, legal, industry, business and management.

The Board supervises the Management of the Company. It meets regularly and focuses on strategies and policies, with particular attention paid to strategic growth opportunities, major investments and financial performance. The Board also reviews and approves major financial transactions according to internal guidelines.

Papers submitted to the Board by Management are detailed, providing the background, explanatory information and justification for each decision and mandate sought by Management, including where applicable, relevant budgets, forecasts and projections. Information papers are also circulated to the Board to inform the Board of material matters and issues currently being dealt with by Management. As part of good corporate governance, Board papers for decision or discussion at Board meetings are circulated a reasonable period in advance of the meetings for Directors' review and consideration. Key decisions are reserved for discussion at Board meetings rather than by circulation. The detailed agenda of each Board meeting, prepared by Management and approved by the Chairman, contains both regular items such as reports on its subsidiaries and associated companies, updates on business development, latest monthly management accounts, and productivity and performance indicators, as well as matters for the decision or information of the Board. Monthly management accounts of the Company which are not circulated to the Board for discussion at Board meetings are circulated separately to the Board for their information.

Eight Board meetings were held between April 2002 and March 2003. The attendance of individual Directors at Board meetings and the respective Board Committees on which they serve are detailed in Table 1.

The Board has separate and independent access to the Chief Executive Officer, other members of Senior Management and the Company Secretary at all times. Board procedures also enable Directors, either individually or as a group, to seek independent professional advice at the Company's expense, if necessary, in the furtherance of their duties.

Newly appointed Directors are briefed by Management to familiarise them with the Company's business and strategic directions. Jimmy Phoon, who was appointed as Director during FY02/03, was briefed on the Company's activities and given a tour of its key facilities.

Name	Main Board			Audit Committee		Nominating Committee		Compensation Committee		Capital Structure Committee		Board Committee	
	Status	Position	Att.	Position	Att.	Position	Att.	Position	Att.	Position	Att.	Position	Att.
Cheong Choong Kong (retired on 22 May 2003, last re-appointed on 6 Jul 2002, first appointed on 1 Aug 1984)	Non-Independent	Chairman	8			Member	2	Member	3			Member	-
Chew Leng Seng (last re-appointed on 7 Jul 2001, first appointed on 16 Mar 1982)	Non-Independent	Deputy Chairman (stepped down on 22 May 2003)	8	Member	4					Chairman	1	Member	-
Wong Nang Jang (last re-appointed on 7 Jul 2001, first appointed on 24 Mar 2000)	Independent	Member	7	Chairman	4	Member	2			Member	1		
N Varaprasad (last re-appointed on 6 Jul 2002, first appointed on 1 Mar 2000)	Independent	Member	7	Member	4			Chairman	3				
Wong Ngit Liang (last re-appointed on 6 Jul 2002, first appointed on 1 Mar 2000)	Independent	Member	5			Chairman	2	Member	1				
Bey Soo Khiang (last re-appointed on 7 Jul 2001, first appointed on 1 Mar 2000)	Non-Independent	Member	7										
Thio Su Mien (last re-appointed on 14 Jul 2000, first appointed on 1 Mar 2000)	Independent	Member	8	Member	3							Alternate	-
Jimmy Phoon Siew Heng (last re-appointed on 6 Jul 2002, first appointed on 21 May 2002)	Non-Independent	Member	4							Member	1		
Maurice de Vaz (retired on 31 July 2002, last re-appointed on 14 Jul 2000, first appointed on 17 Feb 2000)	Non-Independent	Member	3									Alternate	-
Total Number of Meetings Held In FY02/03			8		4		2		3		1		-

- Note: i) "Att." refers to the number of meetings attended by respective Directors.
ii) The Board does not consist of any Executive Director.
iii) The Board Committee does not conduct physical meetings as described further below.
iv) Cheong Choong Kong retired as Chairman on 22 May 2003. On the same day, Chew Leng Seng stepped down as Deputy Chairman and remains a Director.
v) Koh Boon Hwee and Chew Choon Seng were appointed as Directors on 22 May 2003 and elected Chairman and Deputy Chairman respectively. Chew Choon Seng was also appointed to the Nominating Committee, Compensation Committee and Board Committee, taking over from Cheong Choong Kong.

Directors are, from time to time, updated at Board meetings on relevant new laws, regulations and changing commercial risks. During FY02/03, a half-day joint presentation to the Boards and Senior Managements of the Company and Singapore Airport Terminal Services Limited was organised. The presentation included an update on key changes in financial reporting standards and practices, the implications of quarterly reporting and a briefing on principal changes in the law and the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST). In addition, Directors are encouraged to attend relevant seminars conducted by external organisations, at the Company's expense.

The Board is supported in its duties by five Board Committees, which are the Audit Committee, the Nominating Committee, the Compensation Committee, the Capital Structure Committee and the Board Committee. The composition of each of these Committees is detailed in Table 1. The functions of these Committees are also described in detail below.

Under Article 83 of the Company's Articles of Association, at each Annual General Meeting (AGM), one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third are required to retire from office. Retiring Directors are selected on the basis of those who have been longest in office since their last election, failing which they shall be selected by agreement or by lot. They are eligible for re-election under Article 84. An amendment to Article 83 has been tabled before Shareholders at the Company's Extraordinary General Meeting (EGM) scheduled on 12 July 2003 to the effect that all Directors, including the Chief Executive Officer if he is a Director, be required to submit themselves for re-nomination and re-election at least once every three years, in accordance with the requirements of Guidance Note 4.2 of the Code.

The Directors standing for re-election at the AGM for FY02/03 are Chew Leng Seng, Bey Soo Khiang and Thio Su Mien. The Nominating Committee has recommended their re-election, after assessing their respective contributions (including their attendance, preparedness and participation at Board meetings), and additionally, in the case of Thio Su Mien, her qualification as an independent Director. The Nominating Committee had also recommended, and the Board had approved, the appointment of Koh Boon Hwee and Chew Choon Seng as Directors, who were elected Chairman and Deputy Chairman respectively, with effect from 22 May 2003. In accordance with Article 90, Koh Boon Hwee and Chew Choon Seng will be seeking re-election at the AGM.

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

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer. The Chief Executive Officer, who is not a Board member, is responsible for managing the day-to-day operations of the Company.

Nominating Committee

Three non-executive Directors, two of whom are independent (including the Chairman), make up the Nominating Committee. The members of the Nominating Committee for FY02/03 were:

Chairman	Wong Ngit Liong
Members	Cheong Choong Kong (till 22 May 2003) Wong Nang Jang

The terms of reference of the Nominating Committee were expanded to include proposing objective performance criteria and benchmarks to evaluate the Board's performance to ensure that the mix of skills and experience of the Directors continue to meet the needs of the Company.

The Board has implemented a formal process for assessing the effectiveness of the Board as a whole, with the objective of continuous improvement of the Board's performance. The Nominating Committee appointed a consulting firm, specialising in Board evaluation and human resource, to assist the Board to design and implement the Board evaluation process. Briefly, the process is in two parts - a structured qualitative assessment of the functioning of the Board, and its contribution to the performance of the Company on the basis of a review of selected financial performance indicators. Both sets of performance criteria were recommended by the consultant and approved by the Nominating Committee and the Board. The consultant's analysis of the Board performance evaluation has been given to the Directors.

The Nominating Committee and the Board will implement a formal process for assessing the contribution of each Director to the effectiveness of the Board in the second phase. The consultant, who has been appointed for a three-year term, will guide the Nominating Committee in establishing a process for this purpose.

For FY02/03, the Committee performed, inter alia, the following functions over two meetings:

- (a) recommended to the Board the appointment of Jimmy Phoon as Director;
- (b) determined the independence/non-independence of Directors based on individual Director's declaration; and

- (c) considered and recommended Directors to retire by rotation and seek re-election at the AGM for FY02/03.

The Committee gives due regard to the principles of corporate governance in the Code in considering Board membership.

Audit Committee

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

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

In the course of the year, the Committee held four meetings and performed, inter alia, the following functions in accordance with its responsibilities and duties 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 internal financial, accounting and compliance controls, and the co-operation given by the Company's officers to the auditors;
- (b) reviewed the half-year and full-year announcements of results and annual financial statements of the Group and the Company and the external auditors' report thereon before their submission to the Board of Directors;
- (c) reviewed the independence of the external auditors of the Company and the nature and extent of non-audit services provided by the external auditors;
- (d) nominated the external auditors of the Company for reappointment;
- (e) reviewed the adequacy and effectiveness of the internal audit function;
- (f) reviewed the Company's risk management processes and oversaw the work of the Risk Management Committee in respect of financial risks; and
- (g) reviewed interested person transactions.

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

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

The audit committee confirms that it has undertaken a review of all non-audit services provided by the auditors and they would not, in the audit committee's opinion, affect the independence of the auditors.

Minutes of the Committee's meetings were circulated to the Directors of the Company.

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

Compensation Committee

The Compensation Committee comprises three non-executive Directors, two of whom (including the Chairman) are independent. The members of the Compensation Committee for FY02/03 were:

Chairman	N Varaprasad
Members	Cheong Choong Kong (till 22 May 2003) Wong Ngit Liong

In the course of the year, the Committee met 3 times and performed, inter alia, the following main functions:

- (a) monitored the status of previous Employee Share Option Plan ("ESOP") grants (1st, 2nd and 3rd grants);
- (b) determined the eligibility and guidelines of the 4th ESOP grant;
- (c) reviewed Director's Remuneration for FY02/03;
- (d) conducted the annual salary review and promotion exercise of senior staff; and
- (e) considered the findings of the review of Senior Officers' salary structure and remuneration by consultants appointed for this purpose.

The Committee, guided by the principles of the Code, regularly reviews the recruitment, appointment, development and compensation of Senior Officers with reference to market data provided by recognised surveys of comparative groups in the aerospace and other related sectors.

Capital Structure Committee

The Capital Structure Committee was formed on 21 August 2002 and comprises 3 non-executive Directors, two of whom are independent. The members of the Capital Structure Committee are:

Chairman	Chew Leng Seng
Members	Wong Nang Jang Jimmy Phoon

In the course of the financial year, the Committee held one meeting to review the Company's financial position, capital structure, and investment and financing requirements.

Board Committee

To facilitate day-to-day administration and to expedite decisions thereon, a two-member Board Committee was set up to deputise for the Board on routine matters, including opening of bank accounts, approving capital expenditure from \$200,001 to \$5,000,000 where budgeted, and from \$100,001 to \$5,000,000 where unbudgeted, 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. For FY02/03, the Committee comprised:

Members	Cheong Choong Kong (till 22 May 2003) Chew Leng Seng
Alternates	Thio Su Mien Maurice de Vaz (till 31 July 2002)

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

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

Company Secretary

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

Remuneration Report

Directors' remuneration for FY02/03, comprising fees and allowances, amounts to \$341,447.00 (\$291,260.00 in FY01/02; \$353,644.00 in FY00/01) and is derived using the following rates:

Type of Appointment	Proposed Fee For FY02/03		Fee Paid in FY01/02	Fee Paid in FY00/01
	Full	50% Waived		
Board of Directors	\$	\$	\$	\$
Member's Fees (Basic)	1 x Basic Fee = 28,000	14,000	1 x Basic Fee = 23,800	28,000
Chairman's Allowance	1 X Basic Fee = 28,000	14,000	1 x Basic Fee = 23,800	28,000
Board Committee				
Member's Allowance	0.15 x Basic Fee = 4,200	2,100	0.25 x Basic Fee = 5,950	7,000
Audit Committee				
Member's Allowance	0.30 x Basic Fee = 8,400	4,200	0.3 x Basic Fee = 7,140	7,000
Chairman's Allowance	0.60 x Basic Fee = 16,800	8,400	0.6 x Basic Fee = 14,280	14,000
Other Board Committees				
Member's Allowance	0.15 x Basic Fee = 4,200	2,100	0.15 x Basic Fee = 3,570	7,000
Chairman's Allowance	0.30 x Basic Fee = 8,400	4,200	0.3 x Basic Fee = 7,140	14,000

Notes:

- (1) In FY01/02, there was a 15% reduction in the Basic Fee of Directors in light of the general economic downturn, the events of 11 September 2001 and wage cuts of the Company's employees.
- (2) Subject to Shareholders' approval, every Director will be entitled to receive the full Basic Fee as shown in the table above for FY02/03. In addition, he will be entitled to receive the Chairman's allowance if he is Chairman of the Board as well as the relevant allowances (depending on whether he is Chairman or a Member of the relevant Board Committee) for each position he holds on a Board Committee, subject to an overall cap on the total fees and allowances to be received by him. The overall cap for the Chairman of the Board is three times the amount of the Basic Fee, and that for each Director is two times the amount of the Basic Fee. If the Director occupied a position for part of FY02/03, the fee or allowance payable will be pro-rated accordingly.

However, the Directors have decided to waive 50% of their fees and allowances for FY02/03 in response to the deteriorating business conditions facing the Company. After factoring in the respective waivers, the remuneration of each Director is as shown in the table on the right:

Name of Director	Fees Received (\$)
Cheong Choong Kong	34,300
Chew Leng Seng	20,300
Wong Nang Jang	24,500
N Varaprasad	22,400
Wong Ngit Liong	20,300
Bey Soo Khiang	14,000
Thio Su Mien	18,200
Jimmy Phoon Siew Heng	12,044
Maurice de Vaz (till 31 July 2002)	4,679
Total Fees	170,723

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

Remuneration Bands & Top 4 Executives	Salary (%)	Bonuses		Benefits (%)	Total (%)	Share options granted during the year	
		Fixed (%)	Variable# (%)			Number	Exercise Price (\$)
\$500,001 - \$750,000							
William Tan Chief Executive Officer	55	5	25	15	100	380,000	2.38
\$250,000 - \$500,000							
Oh Wee Khoon Senior Vice President (Commercial)	69	6	20	5	100	160,000	2.38
Chan Seng Yong Senior Vice President (Operations)	69	6	20	5	100	160,000	2.38
Png Kim Chiang Senior Vice President (Services)	66	6	19	9	100	160,000	2.38

The Remuneration Bands above do not include the value of the share options granted.

Includes profit-sharing bonus determined on an accrual basis for the financial year ended 31 March 2003.

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

Executives' Profile

Chief Executive Officer - Mr William Tan, 51, was appointed Chief Executive Officer of SIA Engineering Company in May 2000.

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

Senior Vice President (Commercial) - Mr Oh Wee Khoon, 44, graduated from University of Manchester Institute of Science and Technology with a First Class Honours degree in Mechanical Engineering and holds a Master Degree in Business Administration from National University of Singapore.

Mr Oh joined Singapore Airlines in 1975 and was transferred to SIA Engineering Company in 1993. Mr Oh served in various management positions in SIA and SIA Engineering before his appointment as Senior Vice President (Commercial) on

1 April 2000. Mr Oh is responsible for Business Development, Partnership Management, Facilities & Materials and Productivity & Engineering Training Divisions.

Senior Vice President (Operations) - Mr Chan Seng Yong, 55, joined the Engineering Division of SIA in 1968. In 1997, he was appointed Vice-President Engineering Planning. In April 2000, Mr Chan was transferred to SIA Engineering Company. Currently, he is the Senior Vice President (Operations) and is responsible for all operational divisions.

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

Senior Vice President (Services) - Mr Png Kim Chiang, 44, joined SIA as an apprentice aircraft maintenance engineer in 1975. He served in various departments of the Engineering Division of SIA and 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) and is responsible for the Marketing & Sales, Planning and Engineering & IT divisions.

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

Internal Audit

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

Internal Controls

The Board believes that, in the absence of evidence to the contrary, the system of internal controls 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 includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of enterprise risks. The Board notes that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Risk Management

The Company has institutionalised its risk management practices under a formal risk management framework.

The Risk Management Committee (RMC) was formed in January 2003 to act as a focus and driver of the risk management process. The RMC took over the functions of the Operations Risk Management Committee (ORMC), which was set up in August 2001. The RMC is chaired by the Chief Executive Officer and members include Senior Management of the Company. The RMC assists the Audit Committee and the Board in meeting the requirements of the Code.

The RMC meets monthly to ensure a continuing risk management effort throughout the Company. For FY02/03, the RMC held three meetings. The predecessor, ORMC, which oversaw operational risks, conducted 5 meetings in the period April 2002 to December 2002.

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

Risk Reporting Structure

Within the risk management framework, the risk reporting structure of the Company was formalised as follows:



The respective Division Heads are the risk owners and are held accountable and responsible for risks management within their respective Divisions. Risks management activities are reported from the Division levels to the RMC before they are reported to the Audit Committee and the Board.

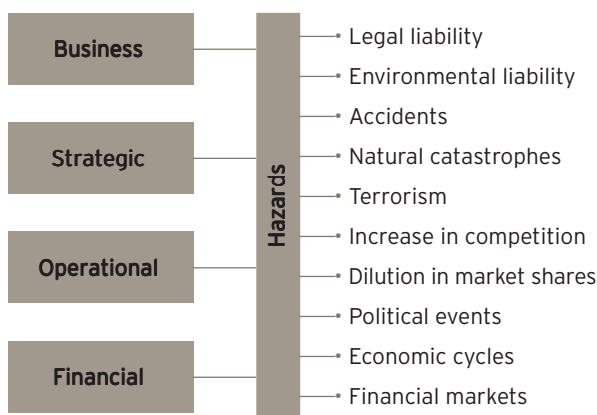
Risk Communication

To improve communication of risks, the Company adopts the concept that risks may be classified under 4 broad areas, namely:

- (a) Business Risks;
- (b) Strategic Risks;
- (c) Operational Risks; and
- (d) Financial Risks.

The following diagram shows the 4 areas of risks, and the examples of hazards that may result in damage to the Company in one or more of the 4 areas.

Risk Areas



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

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

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

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

Risk Focused Approach

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

Risk Management Process

To ensure consistency across the Company, we adopt a simplified 5-step risk management process adapted from international best practices as shown below:



This process is applied at all levels in the Company, and the objective is to have this process embedded in the everyday work process of all risk owners.

The Company has also engaged a consulting firm to conduct an Integrated Risk Assessment and Control Self Assessment exercise across all divisions. This exercise will help to develop a structured framework for line management to self-assess themselves against key controls identified to mitigate risks. This framework will form an integral part of our risk management process.

Risk Management Initiatives

Some of the Company's risk management initiatives in FY02/03 included:

- (i) the conduct of fire drills and aircraft evacuation drills;
- (ii) the implementation of additional security measures in response to current terrorist threats;
- (iii) the review of the adequacy of the Company's existing back-up capabilities and the establishment of contingency plans to ensure business continuity in the event of a computer disaster;
- (iv) the implementation of a Safety Management System to manage and resolve safety and health issues, and to introduce safe work practices in the Company, especially in the operational areas; and
- (v) the conduct of a physical Crisis Management Drill by the Crisis Management Committee.

In addition to the above, the Company established strict precautionary measures to prevent the spread of Severe Acute Respiratory Syndrome (SARS) as well as business continuity plans in the event of a SARS outbreak within the Company. These included:

- (i) disseminating advisories and information on SARS to all staff;
- (ii) prohibiting meetings with visitors from SARS-affected areas and minimising meetings with colleagues and visitors from overseas;
- (iii) reducing meetings and programmes that involve large groups of people;
- (iv) encouraging communication via email, teleconference and video conference;

- (v) requiring daily temperature checks for all staff and submitting health declarations to the Human Resources Division;
- (vi) requiring subcontractors and vendors to monitor movement of their staff at SIAEC facilities and making health declarations before proceeding to SIAEC premises;
- (vii) stepping up the cleaning of common areas where human contact is made, such as stair-rails, door knobs and lift buttons; and
- (viii) segregating operational Divisions and Departments into two or more groups working in separate areas, to ensure that if a quarantine order is enforced on one group, another group will be able to continue operations.

Annual Risk Management Review

In December 2002, the Company carried out its first formal Annual Risk Management Review Exercise ("Review Exercise"). The Review Exercise adopted a bottom-up approach where the risk management process was applied at Department levels to identify and evaluate potential risks that may cause a failure to achieve corporate objectives. The major risks at these levels were then consolidated and reviewed at Division levels, before being raised to the RMC. In this manner, risks that are significant are brought to the attention of Senior Management, while lesser risks are managed at the appropriate Division or Department levels.

The results of the Review Exercise showed that the major risks of the Company have been addressed and are being monitored closely. These major risks have been reported to the Audit Committee and the Board, and notified to the SIA Group Risk Management Committee.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its responsibility for the overall system of internal controls and risk management but recognises that systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Having reviewed the risk management process in the Company, the Board believes that the system of internal controls and risk management maintained by the Company's Management is adequate to meet the needs of the Company in its current business environment.

Management Committees

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

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

Communications with Shareholders

The Company strives to convey to Shareholders pertinent information in a clear, detailed and timely manner and on a regular basis. The Company holds a media and analyst briefing of its half-year and full-year results. These results are published through the MASNET, news releases and the Company's website. From July 2003, the Company will commence quarterly reporting of corporate results.

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

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

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

Securities Transactions

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

Financial Review

Group Operating Profit, Profit Before Tax and Profit Attributable to Shareholders



Group Profitability Ratios



Earnings

For the financial year 2002-03, the Company's operating profit was \$140.7 million, a decrease of \$62.5 million (-30.7%) from 2001-02. Revenue was \$40.3 million (+4.9%) higher at \$871.2 million. The 4.9% increase in revenue, achieved under difficult operating conditions due to the slump in the aviation industry, came mainly from the Company's core activity of airframe and component overhaul. Expenditure increased 16.4% (+\$102.8 million) to \$730.5 million. The increase was primarily due to provision for profit-sharing bonus, higher aviation insurance premium and lower recovery of doubtful debts.

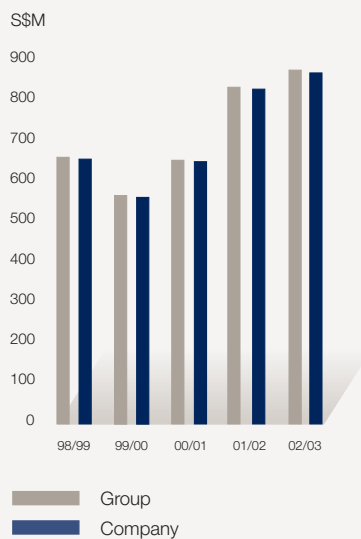
The Company's profit before tax was \$167.8 million, a drop of \$48.2 million (-22.3%). The Company's profit after tax was \$164.5 million, a decrease of \$26.1 million (-13.7%).

The Group's operating profit was \$140.9 million, down \$62.8 million (-30.8%) from 2001-02. Profit before tax declined at a lower rate of 14.3% or \$36.1 million to \$216.4 million, mainly due to an increase of \$28.7 million in share of profits from associated companies and joint venture companies.

Profit attributable to shareholders at \$205.2 million was 8.0% lower (-\$17.8 million). The Group's basic earnings per share (based on weighted average number of ordinary shares in issue) decreased 8.0% (-1.8 cents) to 20.5 cents.

The Group's shareholders' funds rose 22.7% to \$837.7 million. Return on average shareholders' funds was 27.0%, a reduction of 11.2 percentage points from 2001-02. Return on turnover was 23.4%, 3.3 percentage points lower while return on total assets was 18.8%, a decrease of 5.8 percentage points over last year.

Revenue by Group and Company



Revenue

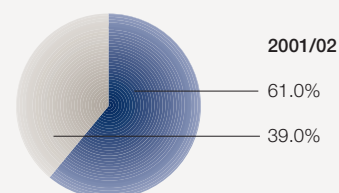
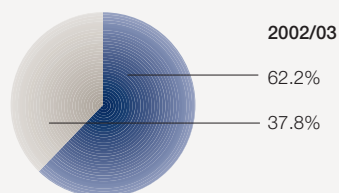
In 2002-03, the Company's revenue was \$871.2 million, up 4.9% (+\$40.3 million) from last year. The Group's revenue increased 5.1% (+\$42.5 million) to \$878.1 million.

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

	\$million
Airframe and component overhaul services	+ 34.7
Line maintenance and technical ground handling	+ 5.6
	+ 40.3

Airframe and component overhaul revenue rose 6.9% (+\$34.7 million) to \$541.5 million. This is mainly due to workload increase as a result of additional capacity from the third hangar, commissioned in October 2001. Line maintenance and technical ground handling revenue was up 1.7% (+\$5.6 million) to \$329.7 million. Airframe and component overhaul revenue, and line maintenance and technical ground handling contributed 62.2% and 37.8% respectively to total revenue of the company.

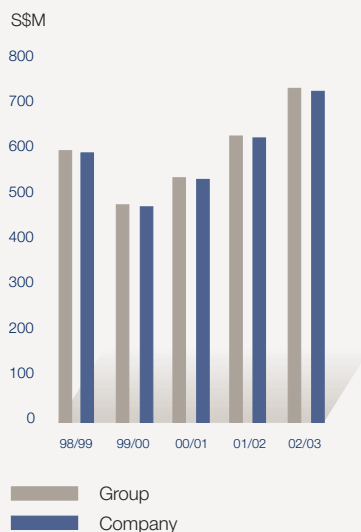
Company Revenue Composition



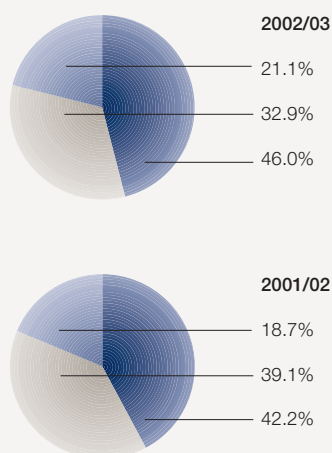
	2002-2003		2001-2002		Change
	S\$M	%	S\$M	%	
Airframe and component overhaul services	541.5	62.2	506.7	61.0	6.9
Line maintenance and technical ground handling	329.7	37.8	324.2	39.0	1.7
	871.2	100.0	830.9	100.0	4.9

Financial Review

Expenditure by Group and Company



Company Expenditure Composition



	2002-2003		2001-2002		Change %
	S\$M	%	S\$M	%	
Staff cost	336.3	46.0	264.8	42.2	27.0
Material cost	240.1	32.9	245.3	39.1	-2.1
Overheads	154.1	21.1	117.6	18.7	31.0
	730.5	100.0	627.7	100.0	16.4

Expenditure

In 2002-03, the Company's expenditure was \$730.5 million, up 16.4% (+\$102.8 million) from the previous year. The Group's expenditure was \$737.2 million, up 16.6% (+\$105.3 million).

The increase in the Company's expenditure came from:

	\$million
Staff costs	+ 71.6
Material costs	- 5.2
Overheads	+ 36.4
	<u>+ 102.8</u>

The rise in staff costs of \$71.6 million (+27.0%) was largely due to the provision for profit sharing bonus this year compared with nil provision in the previous year. Material costs were \$5.2 million lower (-2.1%). Overheads increased \$36.4 million (+31.0%) mainly due to higher aviation insurance premium and lower recovery of doubtful debts.

Share of results of Associated Companies and Joint Venture Companies

Share of profits from associated companies and joint venture companies increased \$28.7 million (+67.7%) to \$71.1 million and represent 32.9% of the Group's current pre-tax profit.

Our 16 associated companies and joint ventures in Singapore, China, Hong Kong, Taiwan and Ireland generated about \$2.0 billion in revenue, with 73.0% derived from airlines outside the Singapore Airlines Group, and employ about 4,300 staff.

Taxation

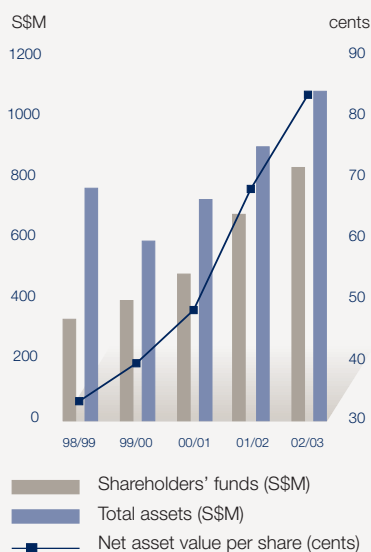
The Company's taxation decreased by \$22.2 million (-87.2%) over 2001-02.

The Group's provision for taxation in 2002-03 was \$11.2 million, a reduction of \$18.1 million (-61.9%) from 2001-02. The decrease was mainly due to (i) a higher provision for deferred tax arising from timing differences made in 2001-02, (ii) effect of a reduction in the statutory tax rate for 2001-02 adjusted in 2002-03, (iii) write-back of provision made in 2001-02 no longer required. This is partially offset by additional tax from the increase in share of profits of associated companies.

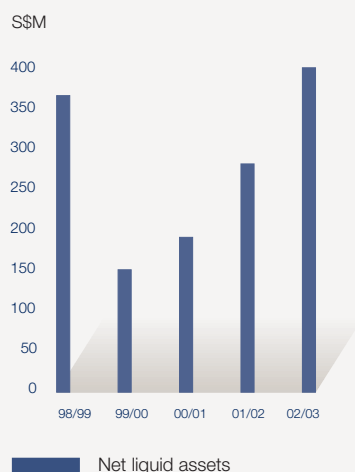
Share Capital

During the financial year, the Company issued 437,000 new ordinary shares pursuant to the exercise of 437,000 share options under the Employee Share Option Plan. The issued and paid-up capital of the Company increased to \$100,043,700 as at 31 March 2003.

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



Net Liquid Assets



Share Options

On 1 July 2002, the Company made a fourth grant of share options to employees. 16,594,800 share options were accepted by eligible employees to subscribe for ordinary shares at the exercise price of \$2.38 per share for the exercise period 1 July 2003 to 30 June 2012. As at 31 March 2003, options to subscribe for 60,301,000 ordinary shares remain outstanding under the Employee Share Option Plan.

Dividends

An interim dividend of 2.0 cents per share, less income tax at 22.0% amounting to \$15.6 million, was paid on 27 November 2002.

A final dividend of 2.5 cents per share (1.2 cents less income tax at 22.0% and 1.3 cents tax-exempt), amounting to \$22.4 million, is proposed for 2002-03. This brings the total net of tax dividend for 2002-03 to 4.5 cents per share (\$38.0 million).

Financial Position

Shareholders' funds of the Group stood at \$837.7 million on 31 March 2003, up 22.7% (+\$155.0 million) from a year ago.

The net asset value per share of the Group rose 22.7% (+15.4 cents) to 83.7 cents at 31 March 2003.

The Group's total assets was \$1,089.8 million as at 31 March 2003, 20.3% (+\$183.6 million) higher from 2001-02.

The net liquid assets of the Group increased 42.1% (+\$119.7 million) to \$404.2 million at 31 March 2003.

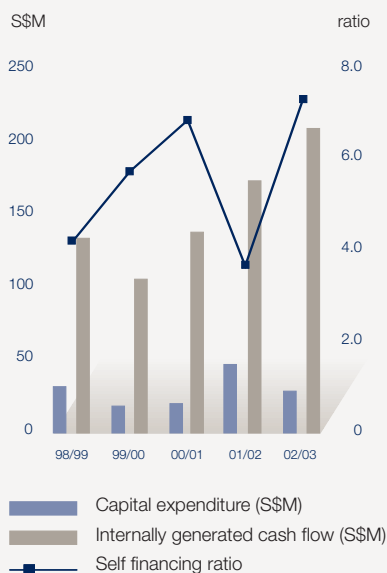
Capital Expenditure and Cash Flow

In 2002-03, capital expenditure by the Group was \$28.8 million, 38.9% (-\$18.4 million) lower than the previous year.

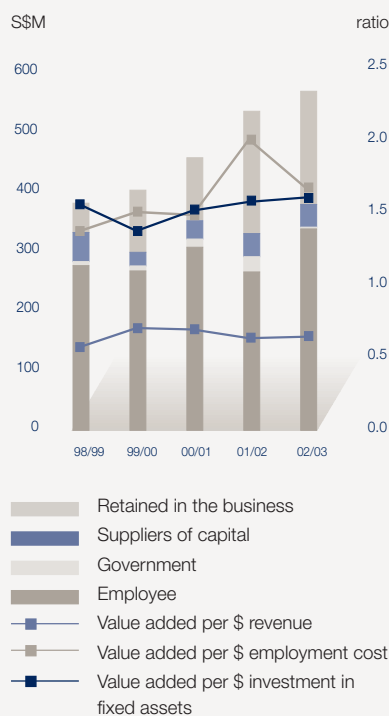
Internally generated cash flow increased 20.8% (+\$36.1 million) to \$209.9 million. The self financing ratio of cash flow to capital expenditure increased to 7.29 times from 3.68 times last year.

Financial Review

Capital Expenditure, Internally Generated Cash Flow and Self Financing Ratio



Value Added for the Group



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

	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999
Revenue	878.1	835.6	654.4	567.4	661.8
Less:					
Purchase of goods and services	(376.0)	(345.7)	(211.6)	(188.9)	(301.6)
Value added on operation	502.1	489.9	442.8	378.5	360.2
Add:					
Gain on sale of long-term investment	-	-	3.0	-	-
Dividend income from long-term investment	0.4	-	-	-	-
Net interest income	3.7	5.7	7.7	9.5	11.8
Surplus on sale of fixed assets	0.5	1.8	0.1	1.2	-
Share of profits of associated/joint venture companies	63.0	38.7	4.4	14.3	9.6
Total value added available for distribution	569.7	536.1	458.0	403.5	381.6

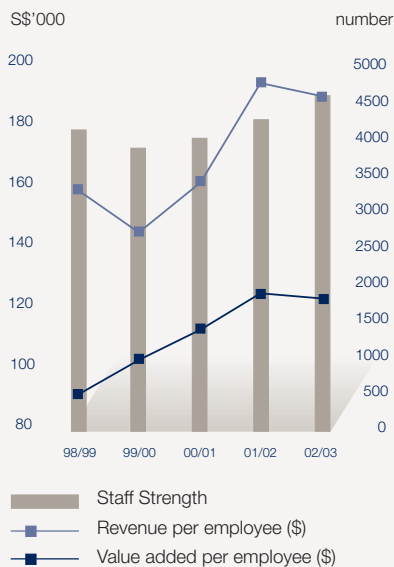
Applied as follows:

To employees					
- Salaries and other staff costs	338.4	266.1	307.6	267.8	276.6
To government					
- Corporate taxes	3.0	25.6	13.8	8.4	6.9
To suppliers of capital					
- Dividends	38.0	38.7	30.1	22.9	49.1
- Minority Interests	0.1	0.2	(0.1)	-	(0.2)
Retained for future capital requirements					
- Depreciation	23.0	21.2	20.8	23.5	21.4
- Retained profit	167.2	184.3	85.8	80.9	27.8
Total value added	569.7	536.1	458.0	403.5	381.6

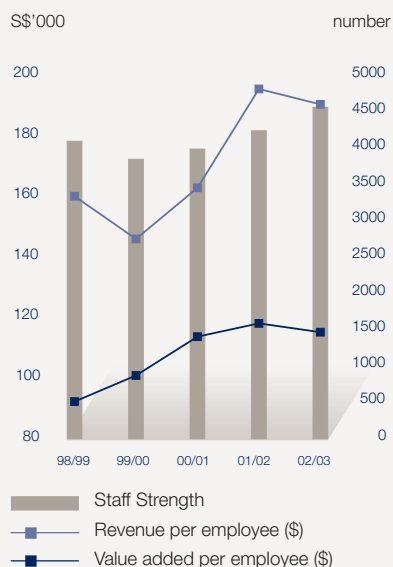
Value added per \$ revenue	0.65	0.64	0.70	0.71	0.58
Value added per \$ employment cost	1.68	2.01	1.49	1.51	1.38
Value added per \$ investment in fixed assets	1.61	1.58	1.52	1.38	1.56

Value added is a measure of wealth created. The statement above shows the Group's value added from 1998-99 to 2002-03 and its distribution by way of payments to employees, government, and to those who have provided capital. It also indicates the portion retained in the business for future capital requirements.

Group Staff Strength and Indices



Company Staff Strength and Indices



Value Added

During the year under review, total value added of the Group increased \$33.6 million (+ 6.2%) to \$569.7 million.

Salaries and other staff costs accounted for \$338.4 million (59.4%) of the value added. Another \$38.1 million (6.7%) was applied on dividends to shareholders and minority interests. \$3.0 million (0.5%) was for corporate taxes. The remaining \$190.2 million (33.4%) was retained for future capital requirements.

Staff Strength and Indices

In 2002-03, the Company average staff strength was 4,570, an increase of 325 (+7.7%) over the previous financial year.

	2002-2003	2001-2002	% change
Revenue per employee (\$)	190,640	195,735	-2.6
Value added per employee (\$)	115,267	118,177	-2.5
Staff costs per employee (\$)	73,595	62,370	+18.0
Average number of employees	4,570	4,245	+7.7

The Group's staff strength increased 331 (+7.7%) to 4,624.

Group revenue per employee decreased 2.4% to \$189,928, while value added per employee dropped 1.4% to \$123,209.

Report by the Board of Directors

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2003.

1. Results for the Financial Year (In thousands of S\$)

	The Group 2002-2003	The Company 2002-2003
Profit after taxation	205,243	164,542
Minority interest	(57)	-
Profit attributable to shareholders	205,186	164,542

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year have not been affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

2. Transfers to/from Reserves and Provisions

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

3. Dividends

A final dividend of 3.0 cents (1.2 cents less income tax at 22% and 1.8 cents tax exempt) per \$0.10 ordinary share, amounting to \$27,361,000 was paid in respect of the last financial year as proposed in the previous directors' report.

An interim dividend of 2.0 cents per \$0.10 ordinary share less income tax at 22%, amounting to \$15,607,000 was paid on 27 November 2002.

The directors propose a final dividend of 2.5 cents (1.2 cents less income tax at 22% and 1.3 cents tax exempt) per \$0.10 ordinary share, amounting to \$22,370,000, to be paid for the financial year ended 31 March 2003.

4. Principal Activities

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

5. Directors of the Company

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

Cheong Choong Kong - Chairman
 Chew Leng Seng - Deputy Chairman
 Bey Soo Khiang
 Jimmy Phoon (appointed on 21 May 2002)
 N Varaprasad
 Thio Su Mien
 Wong Nang Jang
 Wong Ngjit Liong

(b) The following directors who held office at the end of the financial year have, according to the register required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in the ordinary shares and share options of the Company, and in the shares, share options, debentures and rights of the Company's immediate holding company and the subsidiary companies of the Company's immediate and ultimate holding company:-

Name of Director	Direct interest			Deemed interest		
	1.4.2002	31.3.2003	21.4.2003	1.4.2002	31.3.2003	21.4.2003
Interest in Singapore Airlines Limited						
(Ordinary shares of \$0.50 each)						
Cheong Choong Kong	480,800	480,800	480,800	24,000	24,000	24,000
Chew Leng Seng	90,000	80,000	70,000	-	-	-
N Varaprasad	2,000	2,000	2,000	-	-	-
Options to subscribe for ordinary shares of \$0.50 each						
Cheong Choong Kong	708,000	936,000	936,000	-	-	-
Chew Leng Seng	110,000	110,000	110,000	-	-	-
Bey Soo Khiang	114,000	266,000	266,000	-	-	-
Fixed Rate Notes 2011 of \$250,000 each						
Cheong Choong Kong	1	1	1	-	-	-
Interest in SIA Engineering Company Limited						
(Ordinary shares of \$0.10 each)						
Cheong Choong Kong	58,000	58,000	58,000	3,000	3,000	3,000
Chew Leng Seng	18,000	18,000	18,000	-	-	-
Bey Soo Khiang	13,000	13,000	13,000	-	-	-
N Varaprasad	10,000	5,000	5,000	-	-	-
Thio Su Mien	13,000	13,000	13,000	-	-	-
Wong Nang Jang	13,000	30,000	30,000	17,000	30,000	30,000
Wong Ngjit Liong	13,000	13,000	13,000	-	-	-
Options to subscribe for ordinary shares of \$0.10 each						
Chew Leng Seng	380,000	380,000	380,000	-	-	-

Report by the Board of Directors

Name of Director	Direct interest			Deemed interest		
	1.4.2002	31.3.2003	21.4.2003	1.4.2002	31.3.2003	21.4.2003
Interest in Singapore Airport Terminal Services Limited						
(Ordinary shares of \$0.10 each)						
Cheong Choong Kong	56,000	56,000	56,000	3,000	3,000	3,000
Bey Soo Khiang	-	-	-	1,000	1,000	1,000
Interest in Singapore Telecommunications Limited						
(Ordinary shares of \$0.15 each)						
Cheong Choong Kong	121,690	1,740	1,740	1,690	1,740	1,740
Chew Leng Seng	11,690	1,740	1,740	1,690	1,690	1,690
Bey Soo Khiang	1,490	1,540	1,540	1,490	1,540	1,540
Jimmy Phoon	1,750*	1,820	1,820	2,690*	2,740	2,740
N Varaprasad	5,000	-	-	1,690	1,740	1,740
Thio Su Mien	1,490	1,540	1,540	1,490	1,540	1,540
Wong Nang Jang	1,690	1,740	1,740	1,690	1,740	1,740
Wong Ngit Liong	1,490	1,540	1,540	850	900	900
Interest in Singapore Food Industries Ltd						
(Ordinary shares of \$0.05 each)						
Wong Ngit Liong	60,000	60,000	60,000	-	-	-
Interest in SMRT Corporation Ltd						
(Ordinary shares of \$0.10 each)						
Chew Leng Seng	100,000	-	-	-	-	-
Bey Soo Khiang	3,000	3,000	3,000	3,000	3,000	3,000
N Varaprasad	4,000	-	-	-	-	-
Interest in CapitaLand Limited						
(Ordinary shares of \$1.00 each)						
Chew Leng Seng	-	-	50,000	-	2,750	2,750
N Varaprasad	6,000	14,000	14,000	-	-	-
Wong Nang Jang	-	-	-	12,875	12,875	12,875
Fixed Rate Notes 2003 of \$250,000 each						
Cheong Choong Kong	1	-	-	-	-	-
Interest in CapitaMall Trust Management Limited						
(Ordinary shares of \$1.00 each)						
Chew Leng Seng	-	140,000	140,000	-	-	-
N Varaprasad	-	5,000	5,000	-	5,000	5,000
Interest in Raffles Holdings Limited						
(Ordinary shares of \$0.50 each)						
N Varaprasad	2,000	-	-	-	-	-

* at date of appointment

Name of Director	Direct interest			Deemed interest		
	1.4.2002	31.3.2003	21.4.2003	1.4.2002	31.3.2003	21.4.2003
Interest in Chartered Semiconductor Manufacturing Ltd						
(Ordinary shares of \$0.26 each)						
Bey Soo Khiang	-	-	-	10,000	25,000	25,000
N Varaprasad	4,000	-	-	-	-	-
Thio Su Mien	-	-	-	30,000	-	-
Wong Ngit Liong	135,000	-	-	-	-	-
Interest in ST Assembly Test Services Ltd						
(Ordinary shares of \$0.25 each)						
N Varaprasad	2,000	1,500	1,500	-	-	-
Interest in ST Engineering Ltd						
(Ordinary shares of \$0.10 each)						
Chew Leng Seng	20,000	18,000	18,000	-	-	-
Interest in Sembawang Corporation Industries Ltd						
(Ordinary shares of \$0.25 each)						
Chew Leng Seng	6,000	-	-	-	-	-
Interest in SembCorp Marine Ltd						
(Ordinary shares of \$0.10 each)						
Chew Leng Seng	-	-	-	-	10,000	10,000
N Varaprasad	-	10,000	10,000	-	-	-
Interest in DBS Group Holdings Ltd						
(Ordinary shares of \$1.00 each)						
Chew Leng Seng	-	-	-	-	3,040	3,040

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares and share options in, or debentures of, the Company or any other body corporate, other than pursuant to the SIA Engineering Company Limited Employee Share Option Plan.

- (c) No directors who held office at the end of the financial year had an interest in shares or debentures of the Company's holding companies or any of the subsidiary companies of the Company's holding companies other than those disclosed in paragraph 5(b) above.
- (d) Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than those disclosed in paragraph 5(b) above.
- (e) Since the end of the previous financial year, no director has received or has become entitled to receive benefits under contracts required to be disclosed by section 201(8) of the Companies Act, Cap. 50, save as disclosed in the financial statements.

Report by the Board of Directors

6. Audit Committee

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

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

With the exception of Dr Thio Su Mien, all the members were in attendance at the Committee's four meetings during the year with the internal and external auditors of the Company. Dr Thio Su Mien attended three of the meetings. The Committee performs the following functions:-

- (a) reviews the audit plans of the internal auditors 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) reviews the half-year and full-year announcements of results and annual financial statements of the Group and the Company and the external auditors' report thereon before their submission to the Board of Directors;
- (c) reviews the independence of the external auditors of the Company and the nature and extent of non-audit services provided by the external auditors;
- (d) nominates the external auditors for re-appointment;
- (e) reviews the adequacy and effectiveness of the internal audit function;
- (f) reviews the Company's risk management processes and provides oversight to the work of the Risk Management Committee (RMC) in respect of financial risks; and
- (g) reviews interested person transactions.

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

7. Acquisition/Disposal of Subsidiary Companies

During the financial year, the following subsidiary company was incorporated:-

Name of subsidiary company (Country of incorporation)	Contributed capital \$	Consideration \$	Percentage holding %
SIAEC Global Pte Ltd (Singapore)	2	2	100

There was no other acquisition or disposal of subsidiary companies by the Company during the financial year.

8. Issue of Shares and Debentures

During the financial year, the Company issued 437,000 new ordinary shares pursuant to the exercise of 437,000 share options at exercise prices of \$1.41, \$1.95 and \$2.05. Share premium of \$823,000 arose from the issue of the new shares. The new shares rank pari passu in all respects with the existing ordinary shares of the Company.

There were no other issues of shares or debentures during the financial year.

9. Options on Shares in the Company

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

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

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

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

The Committee administering the Plan comprises the following directors:-

N Varaprasad - Chairman
Cheong Choong Kong
Wong Ngit Liong

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

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

During the financial year, in consideration of the payment of \$1.00 for each offer of options accepted, offers of options were granted pursuant to the Employee Share Option Scheme and the Senior Executive Share Option Scheme in respect of 16,679,200 unissued shares of \$0.10 each in the Company at an offering price of \$2.38 per share.

Report by the Board of Directors

At the end of the financial year, options to take up 60,301,000 unissued shares of \$0.10 each in the Company were outstanding:-

Date of grant	Number of unissued ordinary shares of \$0.10 each						Exercise price	Expiry date
	Balance at 1.4.2002 / date of grant	Cancelled	Exercised	Adjustments*	Balance at 31.3.2003			
28.03.2000	15,079,650	(158,200)	(216,700)	-	14,704,750	\$2.05	27.03.2010	
03.07.2000	14,067,750	(133,000)	(207,100)	-	13,727,650	\$1.95	02.07.2010	
02.07.2001	15,431,000	(80,800)	(13,200)	-	15,337,000	\$1.41	01.07.2011	
01.07.2002	16,679,200	(63,200)	-	(84,400)	16,531,600	\$2.38	30.06.2012	
	61,257,600	(435,200)	(437,000)	(84,400)	60,301,000			

* the adjustments to share options granted pertain to options granted but not taken up.

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

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

10. Other Statutory Information

- (a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:-
- (i) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate provision had been made for doubtful debts, and
 - (ii) to ensure that any current assets which were unlikely to realise their book value in the ordinary course of business were written-down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:-
- (i) the amount written-off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent, and
 - (ii) the values attributed to current assets misleading.

- (c) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.
- (d) As at the date of this report:-
 - (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person; and
 - (ii) there are no material contingent liabilities which have arisen since the end of the financial year.
- (e) No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company or its subsidiary companies to meet their obligations as and when they fall due.
- (f) In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

11. Auditors

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

On behalf of the Board,

CHEONG CHOONG KONG
Chairman

CHEW LENG SENG
Deputy Chairman

Dated this 13th day of May 2003

Statement by the Directors

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

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

- (a) the accompanying financial statements set out on pages 82 to 113 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 2003, the results of the business, the changes in shareholders' equity of the Group and of the Company and the cash flows of the Group for the financial year then ended;
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

CHEONG CHOONG KONG

Chairman

CHEW LENG SENG

Deputy Chairman

Dated this 13th day of May 2003

Auditor's Report

to the Members of SIA Engineering Company Limited

We have audited the financial statements of SIA Engineering Company Limited and its subsidiary companies set out on pages 82 to 113. These financial statements comprise the balance sheets of the Group and the Company as at 31 March 2003, the profit and loss accounts, the statements of changes in shareholders' equity of the Group and the Company and cash flow statement of the Group for the financial year then ended, and notes thereto. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements and consolidated financial statements are properly drawn in accordance with the provisions of the Companies Act, Cap. 50 ("Act"), and Singapore Statements of Accounting Standard and so as to give a true and fair view of:-
 - (i) the state of affairs of the Group and of the Company as at 31 March 2003, the results, the changes in shareholders' equity of the Group and of the Company and cash flows of the Group for the financial year then ended; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- (b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under section 207(3) of the Act.

ERNST & YOUNG
Certified Public Accountants

Dated this 13th of May 2003
Singapore

Profit and Loss Accounts

For the financial year ended 31 March 2003

(In thousands of S\$)	Notes	The Group		The Company	
		2002-2003	2001-2002	2002-2003	2001-2002
REVENUE	4	878,132	835,642	871,226	830,897
EXPENDITURE					
Staff costs	28	338,404	266,124	336,327	264,762
Material costs		242,304	246,623	240,097	245,325
Depreciation	12	22,968	21,172	22,639	20,878
Company accommodation		39,818	38,160	39,688	38,063
Other operating expenses		93,698	59,809	91,719	58,667
		<u>737,192</u>	<u>631,888</u>	<u>730,470</u>	<u>627,695</u>
OPERATING PROFIT	5	140,940	203,754	140,756	203,202
Interest income	6	3,738	5,732	3,738	5,732
Interest on external borrowings		(20)	(31)	-	-
Surplus on sale of fixed assets		506	1,819	506	3,428
Dividends from associated companies		-	-	22,372	3,659
Dividends from long-term investment		434	-	434	-
Amortisation of goodwill on acquisition of associated companies		(312)	-	-	-
Write-off of goodwill on acquisition of subsidiary and associated companies		-	(1,116)	-	-
Share of profits of associated companies		69,316	46,091	-	-
Share of profits/(losses) of joint venture companies		1,812	(3,732)	-	-
PROFIT BEFORE TAXATION		<u>216,414</u>	<u>252,517</u>	<u>167,806</u>	<u>216,021</u>
Provision for taxation	7	(11,171)	(29,315)	(3,264)	(25,438)
PROFIT AFTER TAXATION		<u>205,243</u>	<u>223,202</u>	<u>164,542</u>	<u>190,583</u>
Minority interest		(57)	(174)	-	-
PROFIT ATTRIBUTABLE TO SHAREHOLDERS FOR THE FINANCIAL YEAR		<u>205,186</u>	<u>223,028</u>	<u>164,542</u>	<u>190,583</u>
BASIC EARNINGS PER SHARE (CENTS)	8	<u>20.5</u>	<u>22.3</u>		
DILUTED EARNINGS PER SHARE (CENTS)	8	<u>20.4</u>	<u>22.2</u>		

The accounting policies and explanatory notes on pages 87 to 113 form an integral part of the financial statements.

Balance Sheets

As at 31 March 2003

(In thousands of S\$)	Notes	The Group		The Company	
		2003	2002	2003	2002
SHARE CAPITAL					
Authorised	10	300,000	300,000	300,000	300,000
Issued and fully paid	10	100,044	100,000	100,044	100,000
RESERVES					
Distributable					
General reserve		731,890	569,672	659,255	537,681
Foreign currency translation reserve		4,988	12,991	308	800
Non-distributable					
Share premium		823	-	823	-
		737,701	582,663	660,386	538,481
SHARE CAPITAL AND RESERVES		837,745	682,663	760,430	638,481
MINORITY INTEREST		2,012	1,955	-	-
DEFERRED TAXATION	11	10,715	14,162	10,715	13,937
		850,472	698,780	771,145	652,418
Represented by :-					
FIXED ASSETS	12	194,841	189,387	190,615	185,369
SUBSIDIARY COMPANIES	13	-	-	5,277	5,387
ASSOCIATED COMPANIES	14	244,446	203,620	160,725	152,399
JOINT VENTURE COMPANIES	15	52,619	45,426	57,538	50,483
LONG-TERM INVESTMENTS	16	23,599	29,289	23,599	29,289
CURRENT ASSETS					
Trade and other debtors	17	50,546	54,652	49,531	53,660
Immediate holding company	18	58,547	56,376	58,287	56,288
Related parties	19	24,538	20,255	24,553	20,518
Term-loan due from an investee company	16	882	-	882	-
Stocks	20	13,134	10,326	12,245	9,337
Work-in-progress		27,687	16,814	26,972	15,971
Short-term deposits	21	338,303	208,929	338,303	208,929
Cash and bank balances	22	60,798	71,069	59,616	70,703
		574,435	438,421	570,389	435,406
Less:-					
CURRENT LIABILITIES					
Trade and other creditors	23	218,358	179,016	216,838	178,518
Bank loans	24	950	950	-	-
Provision for taxation		20,160	27,397	20,160	27,397
		239,468	207,363	236,998	205,915
NET CURRENT ASSETS		334,967	231,058	333,391	229,491
		850,472	698,780	771,145	652,418

The accounting policies and explanatory notes on pages 87 to 113 form an integral part of the financial statements.

Statement of Changes in Shareholders' Equity

For the financial year ended 31 March 2003

(In thousands of S\$)	Share capital	General reserve	Share premium	Foreign currency translation reserve	Total
The Group					
Balance at 31 March 2001	100,000	376,844	-	8,314	485,158
Foreign currency translation differences	-	-	-	4,677	4,677
Profit attributable to share- holders for the financial year	-	223,028	-	-	223,028
Dividends (Note 9)	-	(30,200)	-	-	(30,200)
Balance at 31 March 2002	100,000	569,672	-	12,991	682,663
Issue of new shares	44	-	823	-	867
Foreign currency translation differences	-	-	-	(8,003)	(8,003)
Profit attributable to share- holders for the financial year	-	205,186	-	-	205,186
Dividends (Note 9)	-	(42,968)	-	-	(42,968)
Balance at 31 March 2003	100,044	731,890	823	4,988	837,745

The accounting policies and explanatory notes on pages 87 to 113 form an integral part of the financial statements.

Statement of Changes in Shareholders' Equity

For the financial year ended 31 March 2003

(In thousands of S\$)	Share capital	General reserve	Share premium	Foreign currency translation reserve	Total
The Company					
Balance at 31 March 2001	100,000	377,298	-	580	477,878
Foreign currency translation differences	-	-	-	220	220
Profit attributable to share- holders for the financial year	-	190,583	-	-	190,583
Dividends (Note 9)	-	(30,200)	-	-	(30,200)
Balance at 31 March 2002	100,000	537,681	-	800	638,481
Issue of new shares	44	-	823	-	867
Foreign currency translation differences	-	-	-	(492)	(492)
Profit attributable to share- holders for the financial year	-	164,542	-	-	164,542
Dividends (Note 9)	-	(42,968)	-	-	(42,968)
Balance at 31 March 2003	100,044	659,255	823	308	760,430

The accounting policies and explanatory notes on pages 87 to 113 form an integral part of the financial statements.

Cash Flow Statements

For the financial year ended 31 March 2003

(In thousands of S\$)	Notes	The Group	
		2002-2003	2001-2002
NET CASH PROVIDED BY OPERATING ACTIVITIES	25	178,864	164,797
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to fixed assets		(28,840)	(47,183)
Proceeds from sale of fixed assets		532	4,631
Purchase of investment from minority shareholders of a subsidiary company		-	(560)
Investments in associated companies		(13,626)	(1,050)
Dividends from investee companies		434	-
Dividends from associated companies		22,424	3,077
Proceeds from capital reduction of associated companies		-	5,397
Investments in joint venture companies		(8,015)	(13,636)
Proceeds from sale of long-term investments		-	6,051
Repayment of loan from investee companies, net		4,279	161
Repayment of loan from associated companies		5,152	-
NET CASH USED IN INVESTING ACTIVITIES		(17,660)	(43,112)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issuance of new shares		867	-
Repayment of long-term borrowings		-	(150)
Dividends paid	9	(42,968)	(30,200)
NET CASH USED IN FINANCING ACTIVITIES		(42,101)	(30,350)
NET CASH INFLOW		119,103	91,335
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		279,998	188,663
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		399,101	279,998
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Short-term deposits	21	338,303	208,929
Cash and bank balances	22	60,798	71,069
		399,101	279,998

The accounting policies and explanatory notes on pages 87 to 113 form an integral part of the financial statements

Notes to the Financial Statements

31 March 2003

1. General

The financial statements of SIA Engineering Company Limited (“the Company”) for the financial year ended 31 March 2003 were authorised for issue in accordance with a resolution of the directors on 13th May 2003.

The Company is a limited liability company incorporated in the Republic of Singapore. Its immediate holding company is Singapore Airlines Limited, and its ultimate holding company is Temasek Holdings (Private) Limited. Both are incorporated in Singapore.

Related companies in these financial statements refer to Singapore Airlines Limited and its subsidiary companies. Related parties in these financial statements refer to related companies, directors and director related entities and companies which controlling shareholders have control or significant influence.

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

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

2. Accounting Policies

The main accounting policies of the Group, which are consistent with those of the previous financial year and have been consistently applied, are described in the following paragraphs:-

(a) Basis of accounting

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

(b) Consolidation

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

The Group’s share of the consolidated results of associated companies for the financial year or period is included in the consolidated profit and loss account and the Group’s share of the post-acquisition reserves is added to the value of investments in associated companies shown in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the associated companies concerned, adjusted as appropriate to the end of the financial year or period.

Notes to the Financial Statements

31 March 2003

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

(c) Goodwill

When subsidiary companies or interests in joint venture and associated companies are acquired, any excess of the consideration over the fair value of the net assets as at the date of acquisition represents goodwill. Goodwill arising from business combinations on or after 1 April 2001 is amortised using the straight-line method over a period not exceeding twenty years. Goodwill arising from business combinations prior to 31 March 2001 has been written-off against reserves in the financial year in which it arose.

(d) Revenue

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

(e) Income from investments

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

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

(f) Training and development costs

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

(g) Foreign currencies

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

For the purposes of consolidation, the net assets of associated companies and joint venture companies, whose financial statements are maintained in a currency other than Singapore dollars, are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date. The share of results of associated companies and joint venture companies are translated at average exchange rates applicable for the financial year. The resulting conversion adjustments are included in the foreign currency translation reserve.

(h) **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals is capitalised and expenditure for maintenance and repairs is charged to the profit and loss account. When assets are sold or retired, their costs and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

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

(i) **Depreciation of fixed assets**

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

Leasehold land and buildings

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

Plant, equipment and tooling

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

Other fixed assets

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

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

(j) **Subsidiary, associated and joint venture companies**

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

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

Notes to the Financial Statements

31 March 2003

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

A list of the associated companies is shown in Note 14 to the financial statements.

A joint venture company is defined as a company, not being a subsidiary or an associated company, in which the Company has a share in the control of the company's financial and operating affairs.

A list of the joint venture companies is shown in Note 15 to the financial statements.

(k) Long-term investments

These are stated at cost and provision is made for any impairment in value.

(l) Stocks

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

(m) Trade and other debtors

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

(n) Work-in-progress

Work-in-progress is stated at cost plus a proportion of estimated profit earned to-date, based upon the degree 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.

(o) Warranty claims

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

(p) Deferred taxation

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

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary, associated and joint venture companies, except where the timing of the reversal of the

temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and losses, can be utilised.

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

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

(q) Loans and borrowings

Loans and borrowings are recognised at cost.

(r) Borrowing costs

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

(s) Employee benefits

Equity compensation plan

The Company has in place the SIA Engineering Company Limited Employee Share Option Plan for granting share options to senior executives and all other employees. There are no charges to the profit and loss account upon the grant or exercise of the options. Details of the plans are disclosed in Note 28 to the financial statements.

Defined contribution plan

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

(t) Trade and other creditors

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

Notes to the Financial Statements

31 March 2003

(u) Cash and cash equivalents

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

3. Segment Reporting

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

4. Revenue

Revenue comprised:-

(In thousands of S\$)	The Group		The Company	
	2002-2003	2001-2002	2002-2003	2001-2002
Airframe and component overhaul services	548,388	511,488	541,482	506,743
Line maintenance and technical ground handling	329,744	324,154	329,744	324,154
	<u>878,132</u>	<u>835,642</u>	<u>871,226</u>	<u>830,897</u>

5. Operating Profit

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

(In thousands of S\$)	The Group		The Company	
	2002-2003	2001-2002	2002-2003	2001-2002
Auditors' remuneration				
- Audit fees	117	95	102	80
- Non-audit fees	356	249	349	242
Bad debts recovered	(1,601)	(2,142)	(1,601)	(2,142)
Consultancy fee paid to a director	276	253	276	253
Emoluments for directors				
- of the Company	344	512	341	507
- of the subsidiary companies	7	43	-	-
Exchange losses/(gains), net	5,567	(2,004)	5,511	(1,942)
Operating lease expenses	113	124	-	-
Professional fee paid to a firm in which a director has an interest	-	27	-	27
Provision for obsolete stock, net	1,691	1,742	1,596	1,636
(Write-back)/provision for warranty claims, net	(147)	404	(147)	404
Provision/(write-back) for doubtful debts, net	<u>4,344</u>	<u>(13,012)</u>	<u>4,344</u>	<u>(13,012)</u>

6. Interest Income

Interest income comprised:-

(In thousands of S\$)	The Group		The Company	
	2002-2003	2001-2002	2002-2003	2001-2002
Deposits placed with immediate holding company	2,310	4,076	2,310	4,076
Deposits placed with banks	714	633	714	633
Loans to subsidiary companies	-	-	4	7
Loans to associated companies	198	363	194	356
Loans to long-term investee companies	227	332	227	332
Staff loans	289	328	289	328
	<u>3,738</u>	<u>5,732</u>	<u>3,738</u>	<u>5,732</u>

7. Provision for Taxation

Taxation has been provided in respect of:-

(In thousands of S\$)	The Group		The Company	
	2002-2003	2001-2002	2002-2003	2001-2002
Current taxation	9,703	12,745	9,703	12,745
Deferred taxation (Note 11)	(3,447)	8,878	(3,222)	8,653
Under-provision in relation to prior years	315	4,040	315	4,040
Write-back of provision no longer required	(3,532)	-	(3,532)	-
Share of associated companies' taxation	8,128	3,601	-	-
Share of joint venture companies' taxation	4	51	-	-
	<u>11,171</u>	<u>29,315</u>	<u>3,264</u>	<u>25,438</u>

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

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

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(In thousands of S\$)	The Group		The Company	
	2002-2003	2001-2002	2002-2003	2001-2002
Profit before taxation for the year	216,414	252,517	167,806	216,021
Taxation at statutory tax rate of 22.0% (2002: 24.5%)	47,611	61,867	36,917	52,925
Adjustment for:-				
Qualifying income under Economic Expansion Incentives not subject to tax	(25,597)	(35,415)	(25,597)	(35,415)
Other income not subject to tax	(3,651)	(643)	(3,724)	(269)
Expenses not deductible for tax purposes	1,067	731	1,067	731
Lower tax rates enjoyed by group companies	(7,516)	(6,725)	-	-
Effect of change in tax rates	(2,753)	-	(2,753)	-
Write-back of provision no longer required	(3,532)	-	(3,532)	-
Change in tax rates used for deferred tax computation	-	2,818	-	2,818
Under-provision in relation to prior years	315	4,040	315	4,040
Others	5,227	2,642	571	608
	11,171	29,315	3,264	25,438

The statutory income tax rate applicable to Singapore companies of the Group was reduced to 22.0% for Year of Assessment 2003 from 24.5% for Year of Assessment 2002.

8. Earnings per Share

(In thousands of S\$)	The Group	
	2002-2003	2001-2002
Profit attributable to shareholders	205,186	223,028
Weighted average number of ordinary shares in issue used for computing basic earnings per share	1,000,315,983	1,000,000,000
Adjustment for share options	4,646,564	5,114,978
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	1,004,962,547	1,005,114,978
Basic earnings per share (cents)	20.5	22.3
Diluted earnings per share (cents)	20.4	22.2

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

Diluted earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

9. Dividends Paid and Proposed

(In thousands of S\$)	The Group		The Company	
	2002-2003	2001-2002	2002-2003	2001-2002
Dividends Paid:-				
Final dividend of 3.0 cents per share (1.2 cents less 22.0% tax and 1.8 cents tax exempt) in respect of previous financial year (2001: 2.5 cents per share less 24.5% tax)	27,361	18,875	27,361	18,875
Interim dividend of 2.0 cents per share less 22.0% tax (2002: 1.5 cents per share less 24.5% tax)	15,607	11,325	15,607	11,325
	42,968	30,200	42,968	30,200

The directors propose a final dividend of 2.5 cents (1.2 cents less income tax at 22% and 1.3 cents tax exempt) per \$0.10 ordinary share, amounting to \$22,370,000 (2002:\$27,361,000), be paid for the financial year ended 31 March 2003.

10. Share Capital

(In thousands of S\$)	The Group and Company 31 March	
	2003	2002
Authorised:-		
Balance at beginning and end of the financial year - 3,000,000,000 ordinary shares of \$0.10 each	300,000	300,000
Issued and fully paid:-		
Balance at beginning of the financial year - 1,000,000,000 ordinary shares of \$0.10 each	100,000	100,000
Issued during the financial year - 437,000 (2002: nil) ordinary shares of \$0.10 each	44	-
Balance at end of financial year - 1,000,437,000 (2002: 1,000,000,000) ordinary shares of \$0.10 each	100,044	100,000

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

During the financial year, in consideration of the payment of \$1.00 for each offer of options accepted, offers of options were granted pursuant to the Employee Share Option Scheme and the Senior Executive Share Option Scheme in respect of 16,679,200 unissued shares of \$0.10 each in the Company at an offering price of \$2.38 per share.

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At the end of the financial year, share options granted to employees under the SIA Engineering Company Limited Employee Share Option Plan to take up 60,301,000 unissued shares of \$0.10 each in the Company were outstanding as follows:-

Date of grant	Number of unissued ordinary shares of \$0.10 each						
	Balance at 1.4.2002 / date of grant	Cancelled	Exercised	Adjustments*	Balance at 31.3.2003	Exercise price	Expiry date
28.03.2000	15,079,650	(158,200)	(216,700)	-	14,704,750	\$2.05	27.03.2010
03.07.2000	14,067,750	(133,000)	(207,100)	-	13,727,650	\$1.95	02.07.2010
02.07.2001	15,431,000	(80,800)	(13,200)	-	15,337,000	\$1.41	01.07.2011
01.07.2002	16,679,200	(63,200)	-	(84,400)	16,531,600	\$2.38	30.06.2012
	61,257,600	(435,200)	(437,000)	(84,400)	60,301,000		

* the adjustments to share options granted pertain to options granted but not taken up.

During the financial year, 437,000 new ordinary shares of \$0.10 each were issued pursuant to the exercise of 437,000 share options at exercise prices of \$1.41, \$1.95 and \$2.05. Share premium of \$823,000 arose from the issue of the new shares.

11. Deferred Taxation

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Balance at 1 April	14,162	5,284	13,937	5,284
(Reversal)/provision for the financial year (Note 7)	(3,447)	8,878	(3,222)	8,653
Balance at 31 March	10,715	14,162	10,715	13,937

The deferred taxation arises as a result of:-

Excess of net book value over tax written-down value of fixed assets	14,913	16,254	14,913	16,254
Undistributed reserves of associated companies	-	225	-	-
Other timing differences	(4,198)	(2,317)	(4,198)	(2,317)
	10,715	14,162	10,715	13,937

12. Fixed Assets

(In thousands of S\$)	Balance at 1 April 2002	Additions	Disposals/ Transfers	Balance at 31 March 2003
Group				
Cost				
Leasehold land and buildings	137,176	621	8	137,805
Plant, equipment and tooling	169,628	8,000	(1,922)	175,706
Engine overhaul tooling	4,544	578	(652)	4,470
Office furniture and equipment	22,055	4,117	3,674	29,846
Motor vehicles	5,836	178	93	6,107
	<u>339,239</u>	<u>13,494</u>	<u>1,201</u>	<u>353,934</u>
Advance and progress payments	14,468	15,346	(7,327)	22,487
	<u>353,707</u>	<u>28,840</u>	<u>(6,126)</u>	<u>376,421</u>
Accumulated depreciation				
Leasehold land and buildings	30,553	4,628	-	35,181
Plant, equipment and tooling	111,539	13,607	(3,192)	121,954
Engine overhaul tooling	1,326	873	(653)	1,546
Office furniture and equipment	16,970	3,309	(1,697)	18,582
Motor vehicles	3,932	551	(166)	4,317
	<u>164,320</u>	<u>22,968</u>	<u>(5,708)</u>	<u>181,580</u>
Net book value	<u>189,387</u>			<u>194,841</u>

(In thousands of S\$)	Depreciation		Net Book Value 31 March	
	2002-2003	2001-2002	2003	2002
Leasehold land and buildings	4,628	4,383	102,624	106,623
Plant, equipment and tooling	13,607	12,483	53,752	58,089
Engine overhaul tooling	873	996	2,924	3,218
Office furniture and equipment	3,309	2,714	11,264	5,085
Motor vehicles	551	596	1,790	1,904
Advances and progress payments	-	-	22,487	14,468
	<u>22,968</u>	<u>21,172</u>	<u>194,841</u>	<u>189,387</u>

Notes to the Financial Statements

31 March 2003

(In thousands of S\$)	Balance at 1 April 2002	Additions	Disposals/ Transfers	Balance at 31 March 2003
Company				
Cost				
Leasehold land and buildings	132,191	425	8	132,624
Plant, equipment and tooling	167,405	7,805	(1,289)	173,921
Engine overhaul tooling	4,544	578	(652)	4,470
Office furniture and equipment	21,786	3,969	3,681	29,436
Motor vehicles	5,746	178	93	6,017
	<u>331,672</u>	<u>12,955</u>	<u>1,841</u>	<u>346,468</u>
Advance and progress payments	14,386	15,346	(7,327)	22,405
	<u>346,058</u>	<u>28,301</u>	<u>(5,486)</u>	<u>368,873</u>
Accumulated depreciation				
Leasehold land and buildings	29,290	4,437	-	33,727
Plant, equipment and tooling	109,456	13,529	(2,560)	120,425
Engine overhaul tooling	1,326	873	(653)	1,546
Office furniture and equipment	16,747	3,261	(1,691)	18,317
Motor vehicles	3,870	539	(166)	4,243
	<u>160,689</u>	<u>22,639</u>	<u>(5,070)</u>	<u>178,258</u>
Net book value	<u>185,369</u>			<u>190,615</u>

(In thousands of S\$)	Depreciation		Net Book Value 31 March	
	2002-2003	2001-2002	2003	2002
Leasehold land and buildings	4,437	4,209	98,897	102,901
Plant, equipment and tooling	13,529	12,415	53,496	57,949
Engine overhaul tooling	873	996	2,924	3,218
Office furniture and equipment	3,261	2,674	11,119	5,039
Motor vehicles	539	584	1,774	1,876
Advances and progress payments	-	-	22,405	14,386
	<u>22,639</u>	<u>20,878</u>	<u>190,615</u>	<u>185,369</u>

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 Jan 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

13. Subsidiary Companies

(In thousands of S\$)	The Company 31 March	
	2003	2002
Unquoted shares, at cost	5,277	5,277
Term-loan to a subsidiary company	106	221
Less: Current portion of term-loan due within 12 months (Note 19)	(106)	(111)
	<u>5,277</u>	<u>5,387</u>

The term-loan to SIAEC Services Pte Ltd is unsecured and bears interest between 1.6% and 2.1% (2002: 2.1% and 5.3%) per annum. The term loan principal of US\$180,000 was drawn down on 8 September 1999 and is repayable in 3 equal instalments. The first and second principal repayments were made in March 2000 and March 2003 respectively. The last instalment is to be repaid in December 2003. The loan forms part of the Company's loan to its associated company, Eagle Services Asia Private Limited (see Note 14).

Details of the subsidiary companies at 31 March 2003 are as follows:-

Name of company (Country of incorporation and business)	Principal activities	Cost		Percentage of equity held by the Company	
		2003	2002	2003	2002
Singapore Jamco Pte Ltd * (Singapore)	Manufacturing aircraft cabin equipment and refurbishment of aircraft galleys	3,816	3,816	65.0	65.0
SIAEC Services Pte Ltd * (Singapore)	Investment holding	1,461	1,461	100.0	100.0
SIAEC Global Pte Ltd * (Singapore)	Investment holding	#	-	100.0	-
		<u>5,277</u>	<u>5,277</u>		

* Audited by Ernst & Young, Singapore

Cost of investment and issued and paid-up share capital is \$2

Notes to the Financial Statements

31 March 2003

14. Associated Companies

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Unquoted shares, at cost	162,185	148,558	160,725	147,098
Share of post-acquisition profits	102,783	64,020	-	-
Goodwill written-off	(24,095)	(24,095)	-	-
Goodwill amortised	(312)	-	-	-
Translation adjustment	3,885	9,726	-	-
Term-loan receivables	-	5,411	-	5,301
	<u>244,446</u>	<u>203,620</u>	<u>160,725</u>	<u>152,399</u>

During the financial year, the Company acquired an additional 10.0% equity interest in Rohr Aero Services-Asia Pte Ltd at a cost of \$10,044,000 on 24 June 2002. Goodwill arising from this acquisition amounting to \$4,154,000 was capitalised and is being amortised over a period of ten years.

During the financial year, the Company acquired 33.3% equity interest in a newly incorporated associated company, International Aerospace Tubes-Asia Pte Ltd, at a cost of \$3,583,000.

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

(In thousands of S\$)	The Group 31 March	
	2003	2002
Goodwill		
Balance at 1 April	24,095	23,045
Additions during the financial year	4,154	1,050
Balance at 31 March	<u>28,249</u>	<u>24,095</u>
Goodwill written-off		
Balance at 1 April	(24,095)	(23,045)
Charge to profit and loss*	-	(1,050)
Balance at 31 March	<u>(24,095)</u>	<u>(24,095)</u>
Amortisation of goodwill		
Balance at 1 April	-	-
Charge to profit and loss	(312)	-
Balance at 31 March	<u>(312)</u>	<u>-</u>
Carrying values at 31 March	<u>3,842</u>	<u>-</u>

* this relates to consideration adjustment arising from the acquisition of an associated company in financial year ended 31 March 2001

The term-loan due from an associated company, Eagle Services Asia Private Limited, is unsecured and bears interest at between 1.6% and 2.1% (2002: 2.1% and 5.3%) per annum. The term-loan principal totalling US\$8,820,000 was provided in two parts, US\$8,640,000 by the Company and US\$180,000 by SIAEC Services Pte Ltd (note13), on 8 September 1999 and is repayable in 3 equal instalments. The first and second principal repayments were made in March 2000 and March 2003 respectively. The last instalment is to be repayable in December 2003. Details of the term-loan receivable are as follows:-

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Term-loan receivable from Eagle Services Asia Pte Ltd	5,186	10,822	5,080	10,601
Less: Current portion due within 12 months (Note 19)	(5,186)	(5,411)	(5,080)	(5,300)
Non-current portion due later than 12 months	-	5,411	-	5,301

Details of the associated companies at 31 March 2003 are as follows:-

Name of company (Country of incorporation and business)	Principal activities	Cost		Percentage of equity held by the Group	
		2003	2002	2003	2002
Asian Compressor Technology Services Co Ltd (The Republic of China)	Research and development, manufacture and repair of aircraft engines and compressors	4,104	4,104	24.5	24.5
Asian Surface Technologies Pte Ltd (Singapore)	Repair of aircraft fan blades and supply of wear-resistance coating	6,376	6,376	29.0	29.0
Combustor Airmotive Services Pte Ltd (Singapore)	Servicing of aircraft engines and sale of aircraft engines and parts	3,011	3,011	49.0	49.0
Eagle Services Asia Private Limited (Singapore)	Repair and overhaul of aircraft engines	71,588	71,588	49.0	49.0
Fuel Accessory Service Technologies Pte Ltd (Singapore)	Repair and overhaul of engine fuel components and accessories	5,071	5,071	49.0	49.0
International Aerospace Tubes - Asia Pte Ltd (Singapore)	Repair of tubes, ducts and manifolds for aircraft engines and airframe application	3,583	-	33.3	-

Notes to the Financial Statements

31 March 2003

Name of company (Country of incorporation and business)	Principal activities	Cost		Percentage of equity held by the Group	
		2003	2002	2003	2002
Messier Services Asia Private Limited (Singapore)	Repair and overhaul of Boeing and Airbus series landing gears	13,971	13,971	40.0	40.0
Pan Asia Pacific Aviation Services Ltd (Hong Kong, Special Administrative Region)	Operation of aircraft maintenance facilities	5,373	5,373	47.1	47.1
PWA International Limited (Ireland)	Re-manufacture of aircraft turbine engine cases, component thereof and related parts	6,217	6,217	49.0	49.0
Rohr Aero Services-Asia Pte Ltd (Singapore)	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	37,220	27,176	40.0	30.0
Turbine Coating Services Private Limited (Singapore)	Repair of PW4000 turbine airfoils	5,671	5,671	24.5	24.5
		<u>162,185</u>	<u>148,558</u>		

15. Joint Venture Companies

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Unquoted equity shares, at cost	57,538	50,483	57,538	50,483
Share of post acquisition losses	(5,714)	(7,522)	-	-
Translation adjustment	795	2,465	-	-
	<u>52,619</u>	<u>45,426</u>	<u>57,538</u>	<u>50,483</u>

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

(In thousands of S\$)	The Group 31 March	
	2003	2002
Revenue	92,611	8,388
Expenditure	(90,799)	(12,120)
Profit before taxation	1,812	(3,732)
Taxation	(4)	(51)
	1,808	(3,783)

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

(In thousands of S\$)	The Group 31 March	
	2003	2002
Fixed and other assets	49,200	49,723
Current assets	40,833	18,214
Current liabilities	(12,099)	(5,629)
Long-term liabilities	(25,315)	(16,882)
	52,619	45,426

Details of the joint venture companies at 31 March 2003 are as follows:-

Name of company (Country of incorporation and business)	Principal activities	Cost		Percentage of equity held by the Group	
		2003	2002	2003	2002
International Engine Component Overhaul Pte Ltd (Singapore)	Repair of nozzle guide vanes and compressor stators of Rolls-Royce RB 211 and Trent aero-engines and other aircraft components	11,006	11,967	50.0	50.0
Singapore Aero Engine Services Pte Ltd (Singapore)	Repair and maintenance of Trent aero-engines	46,532	38,516	50.0	50.0
		57,538	50,483		

During the financial year, there was a capital reduction exercise by International Engine Component Overhaul Pte Ltd.

During the financial year, the Company made additional capital contribution of \$8,016,000 in Singapore Aero Engine Services Pte Ltd in accordance with the joint venture agreement.

Notes to the Financial Statements

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16. Long-Term Investments

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Unquoted equity investments, at cost	17,323	17,323	17,323	17,323
Long-term loan to investee companies	7,158	11,966	7,158	11,966
	24,481	29,289	24,481	29,289
Less: Current portion of long-term loan due within 12 months	(882)	-	(882)	-
	23,599	29,289	23,599	29,289

The Company holds a 5.0% (2002: 5.0%) equity interest in Taikoo (Xiamen) Aircraft Engineering Company Limited which is incorporated and operates in the People's Republic of China.

The Company also holds a 10.0% (2002: 10.0%) interest in the equity of Hong Kong Aero Engine Services Limited, which is incorporated and operates in Hong Kong Special Administrative Region of the People's Republic of China.

The term-loan to Taikoo (Xiamen) Aircraft Engineering Company Limited of US\$500,000 (2002: US\$500,000) is unsecured, interest free and is expected to be repayable in year 2003, subject to further review with the investee company.

The Company has also provided Hong Kong Aero Engine Services Limited with a shareholders' loan of US\$3,557,510 (2002: US\$6,001,000 of which \$1,290,000 is interest free and US\$4,711,000 is interest bearing) which is unsecured, bears interest between 1.9% and 2.8% (2002: 2.4% and 6.2%) per annum. The loan has no fixed repayment term, and is not expected to be repayable within the next 12 months.

17. Trade and Other Debtors

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Trade debtors	29,613	30,075	28,617	29,110
Other debtors	20,933	24,577	20,914	24,550
	50,546	54,652	49,531	53,660

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

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Balance at 1 April	6,148	20,128	6,148	20,128
Charge/(write-back) to profit and loss, net	4,344	(13,012)	4,344	(13,012)
Provision utilised during the year	-	(968)	-	(968)
Balance at 31 March	10,492	6,148	10,492	6,148
Bad debts recovered and credited directly to profit and loss	(1,601)	(2,142)	(1,601)	(2,142)

Other debtors consist of:-

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Staff loans and advances	7,475	9,543	7,475	9,543
Deposits and prepayments	535	1,233	516	1,209
Amounts rechargeable to customers	3,869	1,872	3,869	1,872
Others	9,054	11,929	9,054	11,926
	20,933	24,577	20,914	24,550

Included in staff loans are loans to the Company's staff who are directors of its subsidiary companies, amounting to approximately \$123,000 (2002: nil). These loans have been granted in accordance with schemes approved by the shareholders of the Company.

18. Immediate Holding Company

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

19. Related Parties

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Amounts receivable on current account	19,352	14,844	19,367	15,107
Current portion of term-loan due from a subsidiary company (Note 13)	-	-	106	111
Current portion of term-loan due from an associated company (Note 14)	5,186	5,411	5,080	5,300
	24,538	20,255	24,553	20,518

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

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20. Stocks

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Aircraft and component spares	12,101	8,504	12,101	8,504
Raw materials	889	989	-	-
Consumable stores and stocks	144	833	144	833
	13,134	10,326	12,245	9,337

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

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Balance at 1 April	2,471	863	2,469	833
Charge to profit and loss, net	1,691	1,742	1,596	1,636
Provision utilised during the year	(25)	(134)	-	-
Balance at 31 March	4,137	2,471	4,065	2,469

Stocks are stated at:-

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Cost	144	8,827	144	8,827
Net realisable value	12,990	1,499	12,101	510
	13,134	10,326	12,245	9,337

21. Short-Term Deposits

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Deposits placed out via the immediate holding company	336,101	206,657	336,101	206,657
Fixed deposits	2,202	2,272	2,202	2,272
	338,303	208,929	338,303	208,929

Funds surplus to the Company's working capital requirements are placed in short-term deposits with external financial institutions through the immediate holding company. These deposits earn interest ranging from 0.6% to 1.8% (2002: 0.7% to 4.3%) per annum and can be withdrawn on demand.

22. Cash and Bank Balances

These balances are placed in interest bearing current accounts earning interest ranging from 0.1% to 1.5% (2002: 0.1% to 4.3%) per annum.

23. Trade and Other Creditors

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Trade	88,190	109,717	87,064	109,586
Accruals	129,081	68,067	128,689	67,700
Provision for warranty claims	1,085	1,232	1,085	1,232
Sundry	2	-	-	-
	<u>218,358</u>	<u>179,016</u>	<u>216,838</u>	<u>178,518</u>

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

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Balance at 1 April	1,232	828	1,232	828
(Write-back)/charge to profit and loss, net	(147)	404	(147)	404
Balance at 31 March	<u>1,085</u>	<u>1,232</u>	<u>1,085</u>	<u>1,232</u>

24. Bank Loans

(In thousands of S\$)	The Group 31 March	
	2003	2002
Revolving credit facility	<u>950</u>	<u>950</u>

The revolving credit facility taken by Singapore Jamco Pte Ltd is unsecured, repayable 31 March 2004 and bears interest between 1.8% and 2.1% (2002: 2.1% and 3.6%) per annum.

Notes to the Financial Statements

31 March 2003

25. Cash flow from operating activities

(In thousands of S\$)	The Group	
	2002-2003	2001-2002
Profit before taxation	216,414	252,517
Adjustment for:-		
Interest income	(3,738)	(5,732)
Interest expense	20	31
Depreciation of fixed assets	22,968	21,172
Share of profits of associated/joint venture companies	(71,128)	(42,359)
Amortisation of goodwill on acquisition of associated companies	312	-
Write-off of goodwill on acquisitions of subsidiary and associated companies	-	1,116
Dividend income from investee companies	(434)	-
Surplus on sale of fixed assets	(506)	(1,819)
Exchange differences	5,567	(2,004)
Operating profit before working capital changes	169,475	222,922
Increase in debtors	(2,267)	(3,384)
Increase in stock/work-in-progress	(13,682)	(11,567)
Increase/(decrease) in creditors	39,563	(41,224)
Increase in amounts owing from related companies	(6,145)	(636)
Cash generated from operations	186,944	166,111
Interest received from deposits	3,726	5,829
Interest paid	(20)	(31)
Income taxes paid	(11,786)	(7,112)
Net cash provided by operating activities	178,864	164,797

26. Capital and Other Commitments

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

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Capital call in associated/joint venture companies	3,528	7,362	3,528	7,362
Commitments in respect of contracts placed for purchase of fixed assets	109,156	127,073	109,156	127,038
Other amounts approved by directors but not committed, for the purchase of fixed assets	80,400	51,100	80,400	51,100
	193,084	185,535	193,084	185,500

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

(In thousands of S\$)	The Group 31 March	
	2003	2002
Within one year	180	183
After one year but less than 5 years	558	525
More than 5 years	2,090	2,457
	<u>2,828</u>	<u>3,165</u>

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

27. Contingent Liabilities, Unsecured

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

(In thousands of S\$)	The Group 31 March		The Company 31 March	
	2003	2002	2003	2002
Guarantees given to banks in connection with credit facilities granted to investee companies	1,124	1,883	1,124	1,883
Bankers guarantees given with respect to securing foreign work permits for staff and their accommodation	401	181	310	131
Bankers guarantees given with respect to the development of Hangar 4 & 5 and lease of premises	536	-	536	-
Performance bond given to immediate holding company	11	-	-	-
Performance bond given to a third party customer	1,711	1,785	1,711	1,785
	<u>3,783</u>	<u>3,849</u>	<u>3,681</u>	<u>3,799</u>

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

Notes to the Financial Statements

31 March 2003

28. Employee Benefits

	The Group		The Company	
	2002-2003	2001-2002	2002-2003	2001-2002
Average number of employees	4,624	4,293	4,570	4,245
Staff costs (In thousands of S\$) (including Executive Directors):-				
Salary, bonuses and other costs	308,298	237,641	306,332	236,360
CPF contribution	30,106	28,483	29,995	28,402
	338,404	266,124	336,327	264,762

Share Option Plan

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

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

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

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

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

(In thousands of S\$)	2002-2003	2001-2002
Outstanding at 1 April	44,578,400	29,339,600
Granted	16,679,200	15,638,700
Exercised	(437,000)*	-
Cancelled	(435,200)	(277,900)
Adjustments	(84,400)	(122,000)
Outstanding at 31 March	60,301,000	44,578,400
Exercisable at 31 March	27,867,861	14,997,513

* considerations received from share options exercised during the financial year was:-

(In thousands of S\$)	2002-2003	2001-2002
Aggregate proceeds from shares issued	867	-

Details of share options granted during the financial year:-

	2002-2003	2001-2002
Expiry date	30.06.2012	01.07.2011
Exercise price	\$2.38	\$1.41

Terms of share options outstanding as at 31 March 2003:-

Exercise period	Exercise price (\$)	Number outstanding	Number exercisable
28.03.2001 - 27.03.2010	2.05	322,012	322,012
28.03.2002 - 27.03.2010	2.05	13,738,713	13,738,713
28.03.2003 - 27.03.2010	2.05	322,012	322,012
28.03.2004 - 27.03.2010	2.05	322,013	-
03.07.2001 - 02.07.2010	1.95	569,086	569,086 ^(b)
03.07.2002 - 02.07.2010	1.95	12,034,788	12,034,788
03.07.2003 - 02.07.2010	1.95	561,888	-
03.07.2004 - 02.07.2010	1.95	561,888	-
02.07.2002 - 01.07.2011	1.41	815,750	815,750 ^(b)
02.07.2003 - 01.07.2011	1.41	12,976,150	-
02.07.2004 - 01.07.2011	1.41	772,550	-
02.07.2005 - 01.07.2011	1.41	772,550	-
01.07.2003 - 30.06.2012	2.38	984,425	65,500 ^(b)
01.07.2004 - 30.06.2012	2.38	13,709,325	-
01.07.2005 - 30.06.2012	2.38	918,925	-
01.07.2006 - 30.06.2012	2.38	918,925	-
Total number of shares issued		60,301,000 ^(a)	27,867,861

(a) The total number of options outstanding includes an aggregate of 3,794,950 share options held 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;

(b) The total number of options outstanding includes an aggregate of 119,900 share options held by employees who have completed their fixed term contracts during the financial year. The said options, if unvested yet, shall immediately vest and be exercisable from the date of cessation of employment to the date falling one year from the date of cessation of employment.

Notes to the Financial Statements

31 March 2003

29. Financial Instruments

Financial risk management objectives and policies

The Group operates principally in Singapore and generates revenue mainly in Singapore dollars. The Group also has investments in associated and joint venture companies that operate in four 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 minimise the effects of such volatility on its financial performance. Financial risk management policies are periodically renewed and approved by the Board of Directors.

Credit risk exposures and significant concentrations of credit risk

The Group's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet as of 31 March 2003.

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 2003, the only trade debtor exceeding 10% of the Group's trade debtors was an amount of \$58,547,000 (2002: \$56,376,000) due from its immediate holding company, Singapore Airlines Limited.

Interest rate risk

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

Foreign currency risk

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

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

Fair values

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

The carrying value of the long-term loan to the investee company, Hong Kong Aero Engine Services Limited approximates its fair value which is calculated based on the discounted cash flow analysis based on market rate.

30. Related Party Transactions

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

(In thousands of S\$)	The Group		The Company	
	2002-2003	2001-2002	2002-2003	2001-2002
Income				
Sales of services and related materials to the immediate holding and related companies	722,297	694,971	720,513	693,098
Rental of office space charged to the immediate holding company	2,001	2,001	2,001	2,001
Interest income from the immediate holding company	2,310	4,076	2,310	4,076
Equipment fee charged to the immediate holding company	6,202	5,626	6,202	5,626
Sales of services and related materials to associated companies	1,808	1,030	1,808	1,030
Sales of services and related materials to joint venture companies	4,894	372	4,894	372
Sales of services and related materials to a related party	182	-	182	-
Expense				
Management fees charged by the immediate holding company for corporate, general and administrative, technical and insurance services and equipment leases	8,618	7,611	8,618	7,611
Rental of workshop and office space charged by the immediate holding company	25,621	25,493	25,621	25,493
Purchases of materials from the immediate holding company	237,388	242,198	237,388	242,198
Service rendered by the immediate holding company	7,537	8,368	7,537	8,368
Service rendered by a related company	1,825	1,352	1,825	1,352

Other transactions with related parties are disclosed in Notes 5, 6 and 17.

Additional Information

1. Directors' Emoluments

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

	The Company	
	2002-2003	2001-2002
\$500,000 and above	-	-
\$250,000 - \$499,999	1	1
Below \$250,000	8	7
	<u>9</u>	<u>8</u>

The directors' emoluments for the financial year ended 31 March 2003 include directors' fees of \$341,447 which is derived using the following rates:-

(In thousands of S\$)	The Company 2002-2003
Type of Appointment	
(i) Board of Directors	
- Basic Fee	28
- Chairman's Allowance	28
(ii) Board Committee	
- Member's Allowance	4
(iii) Audit Committee	
- Chairman's Allowance	17
- Member's Allowance	8
(iv) Other Board Committees	
- Chairman's Allowance	8
- Member's Allowance	<u>4</u>

2. Interested Person Transactions

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

Name of interested person (In thousands of S\$)	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)
Autoscan Technology Pte Ltd	-	329
Keppel Engineering (Pte) Ltd	-	580
Singapore Airlines Limited and its associates	-	46,310
ST Aviation Services Co Pte Ltd	-	202
Wan Tien Realty (Pte) Ltd	-	2,968
Total	<u>-</u>	<u>50,389</u>

SIAEC has subsisting contracts with Singapore Airlines Limited and its Group companies. The details of the transactions entered into pursuant to these contracts can be found in Note 30 to the financial statements on page 113 and Point No. 2 of the Additional Information on Interested Person Transactions on page 114. Save for the aforementioned contracts, neither SIAEC nor any of its subsidiaries has entered into any material contract, involving the interests of SIAEC's chief executive officer, director or controlling shareholder, which is either still subsisting at the end of the financial year ended 31 March 2003 or entered into since the end of the previous financial year ended 31 March 2002.

Half-Yearly Results of the Group

		First half year	Second half year	Total
Revenue:				
2002-2003	(\$million)	426.4	451.7	878.1
	(%)	48.6	51.4	100.0
2001-2002	(\$million)	417.5	418.1	835.6
	(%)	50.0	50.0	100.0
Expenditure:				
2002-2003	(\$million)	354.1	383.1	737.2
	(%)	48.0	52.0	100.0
2001-2002	(\$million)	331.4	300.5	631.9
	(%)	52.4	47.6	100.0
Operating profit:				
2002-2003	(\$million)	72.3	68.6	140.9
	(%)	51.3	48.7	100.0
2001-2002	(\$million)	86.1	117.6	203.7
	(%)	42.3	57.7	100.0
Profit before taxation:				
2002-2003	(\$million)	111.3	105.1	216.4
	(%)	51.4	48.6	100.0
2001-2002	(\$million)	104.6	147.9	252.5
	(%)	41.4	58.6	100.0
Profit after taxation:				
2002-2003	(\$million)	101.4	103.9	205.3
	(%)	49.4	50.6	100.0
2001-2002	(\$million)	97.7	125.5	223.2
	(%)	43.8	56.2	100.0
Earnings (after tax) per share:				
2002-2003	(cents)	10.1	10.4	20.5
	(%)	49.3	50.7	100.0
2001-2002	(cents)	9.8	12.5	22.3
	(%)	43.8	56.2	100.0

Five-Year Financial Summary of the Group

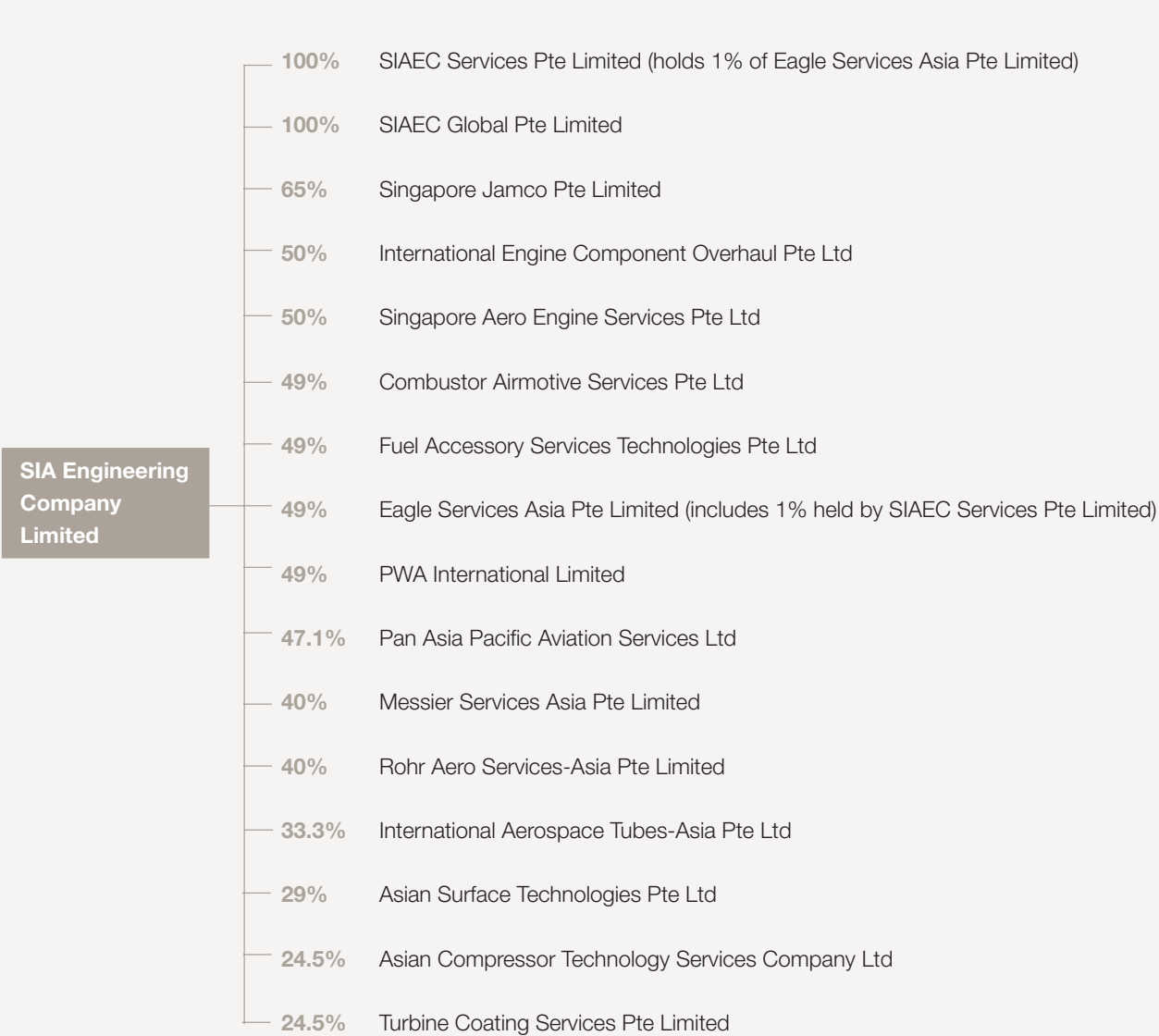
	2002-03	2001-02	2000-01	1999-00	1998-99
Profit and loss account (S\$ million)					
Revenue	878.1	835.6	654.4	567.4	661.8
Expenditure	737.2	631.9	539.9	480.1	599.6
Operating profit	140.9	203.7	114.5	87.3	62.2
Other income (loss)	75.5	48.8	14.7	27.4	21.4
Exceptional item	-	-	-	202.6	-
Profit before tax	216.4	252.5	129.2	317.3	83.6
Profit attributable to shareholders	205.2	223.0	115.9	306.4	76.8
Balance sheet (S\$ million)					
Paid-up capital	100.0	100.0	100.0	100.0	50.3
Distributable reserves	736.9	582.7	385.1	297.6	285.3
Non-distributable reserves	0.8	-	-	-	-
Shareholders' funds	837.7	682.7	485.1	397.6	335.6
Minority interest	2.0	2.0	2.3	2.4	2.4
Deferred taxation	10.7	14.1	5.3	1.9	2.3
Deferred gain	-	-	-	-	192.1
Fixed assets	194.8	189.4	164.5	165.2	171.1
Associated companies	244.4	203.6	167.8	137.4	119.5
Joint venture companies	52.6	45.4	35.0	15.0	9.3
Long-term investments	23.6	29.3	29.2	29.9	6.5
Current assets	574.4	438.5	335.2	246.7	462.7
Total assets	1089.8	906.2	731.7	594.2	769.1
Long-term liabilities	-	-	-	1.4	1.4
Current liabilities	239.4	207.4	239.0	190.9	235.3
Total liabilities	239.4	207.4	239.0	192.3	236.7
Net liquid assets	404.2	284.5	192.9	152.5	369.5
Cash flow statement (S\$ million)					
Cash flow from operations	186.9	166.1	136.9	102.8	134.2
Internally generated cash flow #	209.9	173.8	138.8	106.0	134.2
Capital expenditure	28.8	47.2	20.2	18.5	31.9

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

	2002-03	2001-02	2000-01	1999-00	1998-99
Profitability ratios (%)					
Return on shareholders' funds	27.0	38.2	26.3	28.3	23.9
Return on total assets	18.8	24.6	15.8	17.5	10.0
Return on turnover	23.4	26.7	17.7	18.3	11.6
Value added and employee data					
Value added (S\$ million)	569.7	536.1	458.0	403.5	381.6
Value added per employee (S\$)	123,209	124,907	113,463	103,485	91,864
Revenue per employee (S\$)	189,928	194,675	162,095	145,475	159,400
Average number of employees	4,624	4,293	4,037	3,900	4,152

Group Corporate Structure

As at 31 March 2003



Information on Shareholdings

as at 13 May 2003

Authorised share capital	:	3,000,000,000 ordinary shares of S\$0.10 each
Issued and fully paid	:	1,000,437,000 ordinary shares of S\$0.10 each
Voting Rights	:	One Vote Per Share

Analysis of Shareholdings

Range of Shareholdings	Number of Shareholders	%	Amount of Shareholdings	%
1 – 999	6	0.03	2,657	0.00
1,000 – 10,000	16,443	97.23	28,146,800	2.81
10,001 – 1,000,000	451	2.67	19,080,527	1.91
1,000,001 and above	12	0.07	953,207,016	95.28
Total	16,912	100.00	1,000,437,000	100.00

Based on information available to the Company as at 13 May 2003, 13.02% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

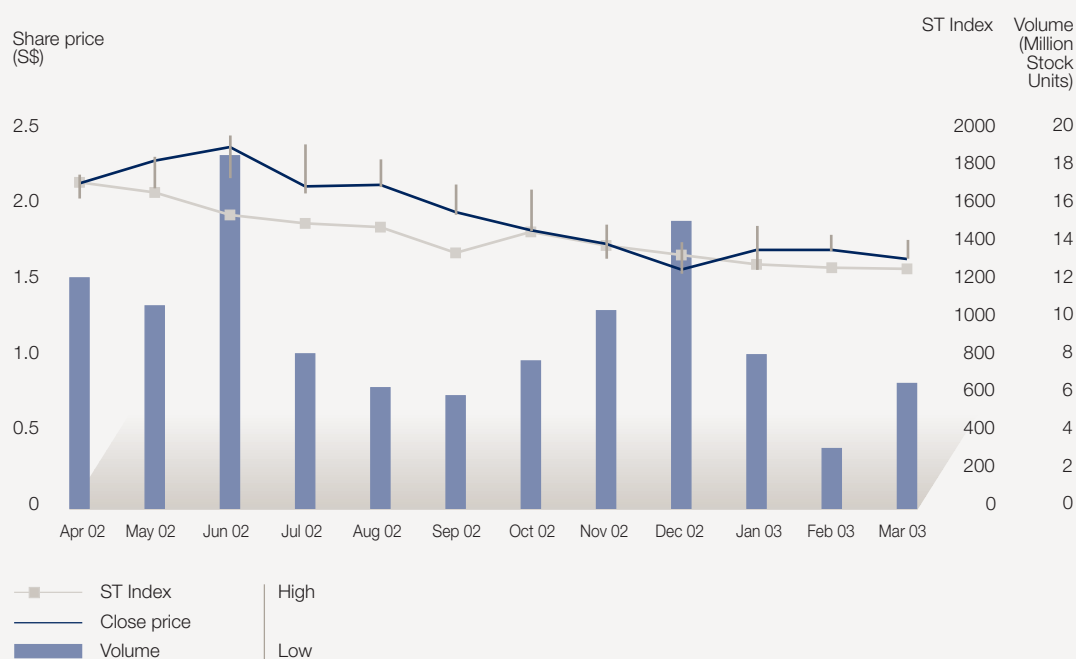
Major Shareholders

No	Name	Number of Shares Held	%
1	Singapore Airlines Limited	870,000,000	86.96
2	Raffles Nominees Pte Ltd	32,344,000	3.23
3	Citibank Nominees Singapore Pte Ltd	12,823,443	1.28
4	United Overseas Bank Nominees Pte Ltd	10,703,200	1.07
5	DBS Nominees Pte Ltd	9,329,013	0.93
6	The Asia Life Assurance Society Ltd-Singapore Life Fund	3,635,000	0.36
7	Oversea-Chinese Bank Nominees Pte Ltd	3,456,000	0.35
8	HSBC (Singapore) Nominees Pte Ltd	3,311,000	0.33
9	DB Nominees (S) Pte Ltd	2,420,360	0.24
10	Kim Eng Ong Asia Secs Pte Ltd	2,074,000	0.21
11	Morgan Stanley Asia (Singapore) Sec Pte Ltd	1,854,000	0.19
12	BNP Paribas Nominees Singapore Pte Ltd	1,257,000	0.13
13	OCBC Securities Private Ltd	558,000	0.06
14	DBS Vickers Securities (S) Pte Ltd	518,000	0.05
15	UOB Kay Hian Pte Ltd	472,000	0.05
16	Liew Chee Kong	446,000	0.04
17	Prima Portfolio Pte Ltd	390,000	0.04
18	Ooi Carole	370,000	0.04
19	John Hancock Life Assurance Co Ltd-Life Fund Account	351,000	0.03
20	Zhong-Hsin (Singapore) Pte Ltd	350,000	0.03
	Total	956,662,016	95.62

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

Name	Direct Interest	Indirect Interest	Total Interest	%
Temasek Holdings (Pte) Ltd	-	870,000,000	870,000,000	86.96
Singapore Airlines Ltd	870,000,000	-	870,000,000	86.96

Share Prices and Turnover



	2002-2003	2001-2002	2000-2001
Share Price (S\$)			
Highest closing price	2.46	2.09	1.94
Lowest closing price	1.56	0.93	1.18
31 March closing price	1.65	2.07	1.18
Market Value Ratio*			
Price/Earnings	8.05	9.28	10.18
Price/Book Value	1.97	3.03	2.43
Price/Cash Earnings**	7.23	8.48	8.63

Notes:

* Based on closing price on 31 March

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

Notice of Annual General Meeting

SIA Engineering Company Limited

NOTICE IS HEREBY GIVEN that the 21st Annual General Meeting of SIA Engineering Company Limited (“the Company”) will be held at the Mandarin Ballrooms 1 and 2, 6th Floor, South Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867 on Saturday, 12 July 2003 at 10.00 a.m. to transact the following business:

Ordinary Business

1. To receive and adopt the Directors’ Report and Audited Accounts of the Company for the year ended 31 March 2003 and the Auditors’ Report thereon.
2. To declare a final dividend of 2.5 cents per share (1.2 cents less income tax at 22% and 1.3 cents tax exempt) for the year ended 31 March 2003.
3. To re-elect Mr Chew Leng Seng, a Director retiring pursuant to Article 83 of the Company’s Articles of Association and who, being eligible, will offer himself for re-election as a Director.

Note: Mr Chew Leng Seng, a non-independent Director, will upon re-election, continue to serve as chairman of the Capital Structure Committee, a member of the Board Committee and a member of the Audit Committee.

4. To re-elect Lt-Gen (NS) Bey Soo Kiang, a Director retiring pursuant to Article 83 of the Company’s Articles of Association and who, being eligible, will offer himself for re-election as a Director.
5. To re-elect Dr Thio Su Mien, a Director retiring pursuant to Article 83 of the Company’s Articles of Association and who, being eligible, will offer herself for re-election as Director.

Note: Dr Thio Su Mien, will upon re-election, continue to serve as a member of the Audit Committee and an alternate member of the Board Committee. She will be considered independent for the purposes of Clause 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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

Note: Mr Koh Boon Hwee, a non-independent Director, will upon re-election, continue to serve as Chairman of the Board.

7. To re-elect Mr Chew Choon Seng, a Director retiring pursuant to Article 90 of the Company’s Articles of Association and who, being eligible, will offer himself for re-election as Director.

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

8. 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

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

9.1 “That the Directors’ Fees of \$341,447.00 (FY2001/2002: \$291,260.00) for the year ended 31 March 2003 be and are hereby approved for payment.”

9.2 “That subject to the Companies Act (Cap. 50), the Articles of Association of the Company and the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be and are hereby authorised pursuant to Section 161 of the Companies Act (Cap. 50), to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, **PROVIDED ALWAYS THAT:-** (a) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per cent. of the total issued share capital of the Company for the time being, of which the aggregate number of shares that may be issued other than on a pro rata basis to existing shareholders shall not exceed 20 per cent. of the total issued share capital of the Company for the time being, and the aggregate number of shares that may be issued under this proviso shall be calculated in accordance with the listing rules of the SGX-ST, and (b) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law or the Articles of Association of the Company to be held, whichever is the earlier.”

9.3 “That, for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“Chapter 9”):-

9.3.1 approval be and is hereby given, for the Company, its subsidiaries and relevant associated companies comprising entities at risk under the provisions of Chapter 9, or any of them to enter into any of the transactions falling within the types of interested person transactions, particulars of which are set out in the Company’s Mandate for Interested Person Transactions approved at the Extraordinary General Meeting of the Company held on 7 July 2001 and renewed at the Annual General Meeting held on 6 July 2002 (“IPT Mandate”) with any party who is of the class of interested persons described in the IPT Mandate;

9.3.2 such approval shall, unless revoked or varied by the Company in General Meeting, continue in force until the next Annual General Meeting of the Company; and

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

Notice of Annual General Meeting

SIA Engineering Company Limited

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

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

NOTICE IS HEREBY GIVEN that, subject to approval being obtained at the 21st Annual General Meeting of the Company for the declaration of the final dividend which will be paid on 31 July 2003, registrable transfers received by the Company’s Share Registrars, KPMG, at 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906, up to 5.00 p.m. on 18 July 2003 will be registered to determine shareholders’ entitlement to the proposed final dividend (depositors whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 18 July 2003 will be entitled to the proposed final dividend), and thereafter the Share Transfer Books and Register of Members of the Company will be closed on 21 and 22 July 2003 for the preparation of dividend warrants.

BY ORDER OF THE BOARD

DEVIKA RANI DAVAR

Company Secretary

7 June 2003

Singapore

Explanatory notes on Special Business to be transacted

- i. Ordinary Resolution No. 9.1 is to approve the payment of Directors' fees of \$341,447.00 (FY2001/2002:- \$291,260.00) for the year ended 31 March 2003, for services rendered by Directors on the Board as well as various Board Committees except for the Capital Structure Committee. Given the ad-hoc nature of the Capital Structure Committee, no fees will be payable to the members thereof. The Directors have, however, agreed to waive 50 per cent. of their fees for the year ended 31 March 2003, in response to the deteriorating business conditions facing the Company.
- ii. Ordinary Resolution No. 9.2 is to empower the Directors from the date of the above Annual General Meeting until the date of the next Annual General Meeting to issue shares in the Company. The number of shares which the Directors may issue under the Resolution would not exceed 50 per cent. of the issued share capital of the Company for the time being. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be issued shall not exceed 20 per cent. of the existing issued share capital of the Company for the time being, calculated in accordance with the listing rules of the Singapore Exchange Securities Trading Limited.
- iii. Ordinary Resolution No. 9.3 is to renew the IPT Mandate (modified and restated and approved by shareholders at the Extraordinary General Meeting held on 7 July 2001 and renewed at the Annual General Meeting held on 6 July 2002) to allow the Company, its subsidiaries and relevant associated companies or any of them to enter into certain interested person transactions with persons who are considered "interested persons" in accordance with the terms of the IPT Mandate.
- iv. Ordinary Resolution No. 9.4 is to authorise the Directors to offer and grant Options and to allot and issue shares upon the exercise of such Options in accordance with the provisions of the Company's Employee Share Option Plan (the "Plan"). The Plan was approved at the Extraordinary General Meeting held on 24 March 2000, prior to the Company's initial public offering and was modified and restated at the Extraordinary General Meeting held on 7 July 2001.

Notes

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

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Proxy Form

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

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.

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

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

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

Or failing *him/her, the Chairman of the Annual General Meeting ("AGM") of the Company, as *my/our *proxy/proxies to attend and to vote for *me/us and on *my/our behalf, at the AGM of the Company to be held on 12 July 2003 and at any adjournment thereof.

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

No.	Ordinary Business	**For	**Against
1.	Adoption of the Directors' Report, Audited Accounts and the Auditors' Report		
2.	Declaration of final dividend		
3.	Re-election of Mr Chew Leng Seng retiring in accordance with Article 83		
4.	Re-election of Lt-Gen (NS) Bey Soo Khiang retiring in accordance with Article 83		
5.	Re-election of Dr Thio Su Mien retiring in accordance with Article 83		
6.	Re-election of Mr Koh Boon Hwee retiring in accordance with Article 90		
7.	Re-election of Mr Chew Choon Seng retiring in accordance with Article 90		
8.	Re-appointment and remuneration of Auditors		
Special Business			
9.1	Approval of Directors' Fees		
9.2	Authority for Directors to issue shares pursuant to Section 161 of the Companies Act (Cap. 50)		
9.3	Renewal of IPT Mandate		
9.4	Authority for Directors to offer and grant options and issue shares in accordance with the provisions of the SIAEC Employee Share Option Plan		
10.	Any other business		

* Delete Accordingly

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

Dated this _____ day of _____ 2003

Total number of Ordinary Shares held:-

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

IMPORTANT: Please read Notes on the reverse.



NOTES:-

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

a. Fold along this line



Affix
Postage
Stamp

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

b. Fold along this line

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