



the leading edge

ANNUAL REPORT 2003/04

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SIA ENGINEERING COMPANY



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Mission Statement

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

Corporate Profile

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.

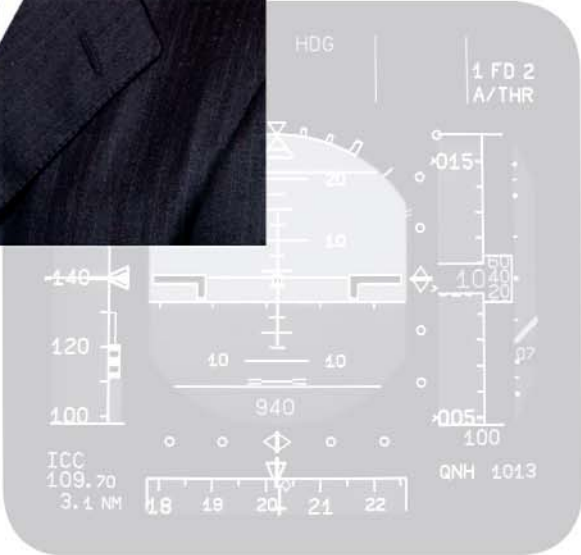
In addition, SIA Engineering Company actively seeks alliances and partnerships with industry specialists and original equipment manufacturers to extend the breadth and depth of its services.

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.

Recent awards won by SIA Engineering Company include:

- “Best Annual Report” (Merit Award) in 2004
- “Best Managed Board” by Singapore Institute of Directors in 2003
- “Most Transparent Company” for the second year running in 2003, by Securities Investors Association of Singapore (SIAS)
- “Best Asia-Pacific Airline MRO Operation of the Year”, by Aviation Week magazine, 2002

Chairman's Statement





Dear Shareholders,

2003 was another challenging year for the global aviation industry. The decline in air travel was particularly precipitous in Asia, which bore the full brunt of the devastating effects of the Sars contagion. In the wake of the 9/11 events, the Bali bomb blasts and the war in Iraq, it had indeed been a turbulent and defining period in aviation annals. We are heartened to see a recovery that is gaining momentum since the close of 2003.

Still, the aviation industry remains in a state of transition and flux, fuelled by transformations in the competitive landscape, including the emergence of low-cost carriers across Asia. Against this backdrop, the threats of pestilence and terrorism continue to loom.

To navigate the uncertainties ahead, we remain steadfast in our strategy of staying at the leading edge of technology, skills and service quality, forging strategic alliances with key industry players and strengthening our value propositions to customers.

Our Performance in FY2003/04

During the year, the Group's revenue fell 22.7% to \$678.7 million, due to lower demand and depressed rates as a result of the aviation downturn, particularly in the first half of the year. The decrease was partially offset by a 18.6% reduction in expenditure, in line with the lower workload. Net profits declined 31.8% to \$140.0 million.

In the last quarter, flight movements at Changi Airport recovered to pre-Sars levels, driven by restored confidence in air travel and festive demand. This helped to moderate the decline in our line maintenance business, which saw a decrease in revenue of 25.0% to \$247.4 million for the year.

With airlines scaling back flights and grounding aircraft in response to plummeting loads in the aftermath of Sars, maintenance checks were deferred or cancelled. As a result, revenue from airframe and component overhaul declined 21.3% to \$431.3 million. With a 3-6 month lag effect, the benefits of the recovery trend seen in the last quarter of FY2003/04 are expected to filter down to airframe maintenance and component overhaul by early FY2004/05.

Our associated companies and joint ventures, which were also impacted by the aviation downturn, registered a commendable performance. Their contribution to earnings (\$48.8 million) continued to form a substantial 37.9% of the Group's overall pre-tax profit.

Strategic Joint Ventures

Alliances are central to our strategy of expanding the Group's global footprint. In August 2003, we announced our 17th joint venture, PT JAS Aero-Engineering Services, a strategic collaboration with PT Jasa Angkasa Semesta (PT JAS). PT JAS is a full-service airport handling company operating out of a wide network of airports in Indonesia, with more than 28 airline customers.

We have a 49% stake in the joint venture, which currently undertakes line maintenance services at ten airports in Indonesia, including Cengkayang, Surabaya, Denpasar and Medan.

In October, we reached an understanding with Indian Airlines to form a joint venture in India. Services we plan to offer include airframe maintenance in Delhi, line maintenance at ten major Indian airports, as well as component overhaul and repair.

To tap the growing aircraft cabin retrofit and reconfiguration market, SIA Engineering Company signed a Memorandum of Understanding with Jamco America and Jamco Corporation for a joint venture to provide turnkey aircraft interior modifications. The proposed joint venture will be one of the first in the region to provide initial cabin modification conceptual design and certification right through to final installation. By offering total solutions, we will be able to optimise cost-efficiencies and turnaround time for airline customers.

Chairman's Statement

New Contracts

Despite a difficult operating environment, we managed to clinch a significant number of new contracts for aircraft maintenance and component overhaul. These included Air Europe, Air Pacific, Air Plus Comet, China Eastern Airlines, China Northern Airlines, Debis Air Finance, Dubai Air Wing, Global Supply Systems, Iberia, Islandsflug and Northwest Airlines. These airlines joined a growing client base that includes Air Canada, Air India, Atlas Air, Biman Bangladesh Airlines, Dragonair, Federal Express, Polar Air and Royal Brunei Airlines.

We are pleased that some of these new contracts come under our Fleet Management Programmes (FMP). Through FMP, in addition to maintenance services, we deliver to customers high value-added services, such as fleet technical management and inventory technical management.

Awards

In 2003, SIA Engineering Company won the Most Transparent Company Award (first runner-up) from the Securities Investors Association of Singapore (SIAS). This is the second consecutive year that we have won the award.

We are also gratified that our efforts at good governance and transparency resulted in two prestigious awards - Best Managed Board, awarded by the Singapore Institute of Directors in 2003, and a Merit Award in Annual Report Awards 2004.

Maintaining the Leading Edge

Unfazed by external circumstances, SIA Engineering Company continues to make major investments to stay on the leading edge of technology and skills - the very pillars of strength that have shaped the Company's success.

To position ourselves for the recovery of the aviation industry and to capture a larger slice of the global maintenance, repair and overhaul (MRO) market, we are investing up to S\$120 million in two new hangars, which will increase our airframe maintenance capacity by 30%. The investment includes the latest fittings, state-of-the-art workshop test equipment and training of some 800 new engineers and technicians.

Positioned for the long haul, SIA Engineering Company remains committed to expanding its capacity and capabilities in the Singapore hub, and delivering more innovative services to meet customer needs.

We will be launching new services this year to handle new aircraft and engine models that airlines are introducing, such as the Airbus A340-500 aircraft and the Rolls-Royce Trent 500 and 700 engines.

New-generation aircraft are manufactured with new materials and processes, and fitted with an increasing level of computerisation. Our goal is to continually climb the technology ladder, focusing on the latest commercial aircraft. This gives us first-mover advantage in the global MRO market and fortifies our position as a pre-eminent MRO hub of the Asia-Pacific.





Dividend

The Directors have proposed a final dividend of 22.5 cents per share, comprising a tax-exempt ordinary dividend of 2.5 cents per share and a tax-exempt special dividend of 20.0 cents per share. This brings the total dividend for FY2003/04 to 24.5 cents per share, which translates to a gross dividend yield of 13.4% (based on the closing price of \$1.83 on 31 March 2004) and a payout ratio of 175.9%.

Outlook

With airlines reporting passenger and cargo traffic returning to pre-Sars levels, the market outlook is improving and we believe the MRO industry will ride on the momentum of recovery.

The Group aims to capture a larger share of the MRO market by introducing new service offerings, including maintenance checks geared to the needs of low-cost carriers and passenger-to-freighter aircraft conversions. We will also continue to pursue the growth of our global footprint, with China and India very much on our radar screens.

Acknowledgements

In May 2003, former Chairman, Dr Cheong Choong Kong, retired from the Board, after being a Director for 19 years, with the last 7 years as Chairman. The Group is deeply indebted to Dr Cheong for his visionary leadership and distinguished service.

The Board extends a warm welcome to Mr Chew Choon Seng, who joined the Board as Deputy Chairman, and Mr Tan Bian Ee. They bring to the Board a wealth of experience in the airline and technology industries respectively.

The aviation industry has undergone an unprecedented and tumultuous period in the last three years. Despite being assailed by the upheaval, one characteristic remained immutable in the Group - the ability of our people to overcome adversity. I am grateful to Management and Staff for their sacrifices and fortitude, which have enabled us to ride the storm.

With the competitive environment intensifying and constantly changing, I am confident our people will continue to adapt and work with the Group to grow.

I would also like to take this opportunity to thank my colleagues on the Board for their thoughtful advice, unwavering support and passionate commitment.

KOH BOON HWEE
Chairman

Statistical Highlights

Financial Statistics

	2003-2004	2002-2003	% Change
Group (\$ million)			
Revenue	678.7	878.1	- 22.7
Expenditure	599.8	737.2	- 18.6
Operating profit	78.9	140.9	- 44.0
Exceptional item	(3.1)	-	-
Profit before tax	128.9	216.4	- 40.4
Profit attributable to shareholders	139.9	205.2	- 31.8
Share capital	100.5	100.0	+ 0.5
Distributable reserves	818.9	736.9	+ 11.1
Non-distributable reserves:			
Share premium	6.4	0.8	-
Shareholders' funds	925.8	837.7	+ 10.5
Return on shareholders' funds (%)	15.9	27.0	- 11.1 points
Total assets	1,120.2	1,089.8	+ 2.8
Net liquid assets	473.7	404.2	+ 17.2
Value added	453.6	569.7	- 20.4
Per Share Data			
Earnings before tax (cents)	12.9	21.6	- 40.3
Earnings after tax (cents)	14.0	20.5	- 31.7
Net asset value (cents)	92.1	83.7	+ 10.0
Dividends			
Interim dividend (cents)	2.0	2.0	-
Proposed final dividend - ordinary (cents)	2.5	2.5	-
- special (cents)	20.0	-	-
Company (\$ million)			
Revenue	670.7	871.2	- 23.0
Expenditure	592.0	730.5	- 19.0
Operating profit	78.7	140.7	- 44.1
Exceptional item	(3.1)	-	-
Profit before tax	111.3	167.8	- 33.7
Profit after tax	125.3	164.5	- 23.8
Value added	416.0	526.8	- 21.0
Employee Indices - Company			
Average number of employees	4,577	4,570	+ 0.2
Revenue per employee (\$)	146,547	190,640	- 23.1
Value added per employee (\$)	90,881	115,267	- 21.2
Employee Indices - Group			
Average number of employees	4,652	4,624	+ 0.6
Revenue per employee (\$)	145,889	189,928	- 23.2
Value added per employee (\$)	97,508	123,209	- 20.9

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.

Corporate Calendar

21 May 2003	Announcement of FY 2002/2003 results
22 May 2003	Analyst/media briefing on FY 2002/2003 results
07 Jun 2003	Despatch of Summary Financial Statement to shareholders
24 Jun 2003	Despatch of Annual Report to shareholders
12 Jul 2003	21st Annual General Meeting & Extraordinary General Meeting
30 Jul 2003	Announcement of FY 2003/2004 first quarter results
31 Jul 2003	Payment of FY 2002/2003 final dividend
29 Oct 2003	Announcement of FY 2003/2004 second quarter results
30 Oct 2003	Analyst/media briefing on FY 2003/2004 second quarter results
05 Feb 2004	Announcement of FY 2003/2004 third quarter results
14 May 2004	Announcement of FY 2003/2004 results
17 May 2004	Analyst/media briefing on FY 2003/2004 results
11 Jun 2004	Despatch of Summary Financial Statement to shareholders
02 Jul 2004	Despatch of Annual Report to shareholders
26 Jul 2004	22nd Annual General Meeting & Extraordinary General Meeting
30 Jul 2004	Announcement of FY 2004/2005 first quarter results
11 Aug 2004	Payment of FY 2003/2004 final dividend

Board of Directors



Koh Boon Hwee



Chew Choon Seng



Wong Nang Jang



Wong Ngit Liong



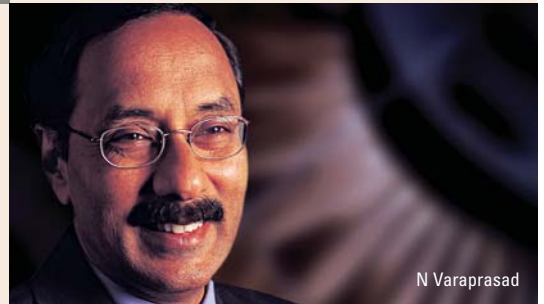
Thio Su Mien



Cheong Choong Kong



Chew Leng Seng



N Varapasad



Bey Soo Khiang



Jimmy Phoon



Tan Bian Ee

Board of Directors

Mr Koh Boon Hwee
Chairman (from 22 May 2003)

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

Mr Koh has previously served on the Boards of SPH AsiaOne Limited, QAD Inc, USA and Singapore International Foundation.

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.

Dr Cheong Choong Kong
Chairman (until 22 May 2003)

was Chairman of SIA Engineering Company until his retirement from the Board on 22 May 2003.

He joined Singapore Airlines (SIA) in 1974, serving in various departments before becoming Managing Director in 1984, and Deputy Chairman and CEO in August 1996. He retired from SIA in 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, as well as Vice Chairman of the Singapore – United States Business Council. He is currently Chairman of the Council of the National University of Singapore, Chairman and Executive Director of Oversea-Chinese Banking Corporation Limited and Board Director of Singapore Press Holdings.

Dr Cheong has served previously on the Boards of Singapore Airport Terminal Services Limited, Air New Zealand Limited, KTB Limited and Keppel Capital Holdings Limited, Virgin Atlantic Limited, Virgin Atlantic Airways Limited and Virgin Travel Group Limited.

Mr Chew Choon Seng
Deputy Chairman (from 22 May 2003)

was appointed Deputy Chairman of SIA Engineering Company 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 Singapore Airlines in 1972. He held senior assignments in Tokyo, Rome, Sydney, Los Angeles and London, and headed the Planning and the Marketing divisions at corporate headquarters. Before becoming CEO in June 2003, he was Senior Executive Vice-President for Administration, covering finance, treasury, corporate planning, human resources, legal and corporate affairs. He was appointed to the Board of Directors of Singapore Airlines in March 2003.

Mr Chew is the Chairman of Singapore Aircraft Leasing Enterprise. He is the Deputy Chairman of Singapore Airport Terminal Services Limited, a Director of Virgin Atlantic Airways, and a member of the Board of Governors of the Singapore International Foundation.

Mr Chew Leng Seng
Deputy Chairman (until 22 May 2003)

joined Singapore Airlines as an apprentice engineer in 1958 and graduated as a Licensed Aircraft Engineer in 1963. He was made Chief Planning Engineer in 1970, Assistant Director of Engineering in 1972 and Director of Engineering in 1975. He became Deputy Managing Director (Technical) in 1988 and was re-titled Executive Vice President (Technical) in July 1998.

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

Mr Chew remains a Director on the Board of SIA Engineering Company.

Dr N Varaprasad

is Deputy President of the National University of Singapore, after serving 11 years as CEO of Temasek Polytechnic. He joined SIA Engineering Company as a Director on 1 March 2000. He has also served on various statutory boards as well as professional and social organisations.

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

Dr Varaprasad currently serves on the Health Promotion Board and chairs its Audit Committee, serves on the Civil Service College Board of Directors, and is Chairman of Singapore University Press (Private) Limited. He received the Public Administration Award (Gold) in 1996.

Board of Directors

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

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

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

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

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

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

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

Dr Thio has served on the Board of Legal Education, chaired one of the Disciplinary Committees set up by the Chief Justice, 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

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

Mr Phoon holds a Bachelor of Economics (Honours) degree from Monash University, Australia.

Mr Phoon is a Director of Singapore Airport Terminal Services Limited and a Board Commissioner in PT Bank Internasional Indonesia Tbk. Mr Phoon was appointed a Director of SIA Engineering Company on 21 May 2002.

Mr Phoon was previously a Director of SMRT Corporation Limited and Board Commissioner of PT Bank Danamon Indonesia Tbk.

Mr Tan Bian Ee

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

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

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

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

Corporate Data



Board of Directors

Chairman

Koh Boon Hwee
(appointed on 22 May 2003)

Cheong Choong Kong
(retired on 22 May 2003)

Deputy Chairman

Chew Choon Seng
(appointed on 22 May 2003)

Chew Leng Seng
(stepped down as Deputy Chairman 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
Tan Bian Ee
(appointed on 15 April 2004)

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

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

Executive Management

Chief Executive Officer
William Tan Seng Koon

Senior Vice President (Operations)
Chan Seng Yong

Senior Vice President (Commercial)
Oh Wee Khoon

Senior Vice President (Services)
Png Kim Chiang

Compensation & HR Committee

Chairman
N Varaprasad

Members

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

Board Committee

Members

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

Alternate

Thio Su Mien

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

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)

Registered Office

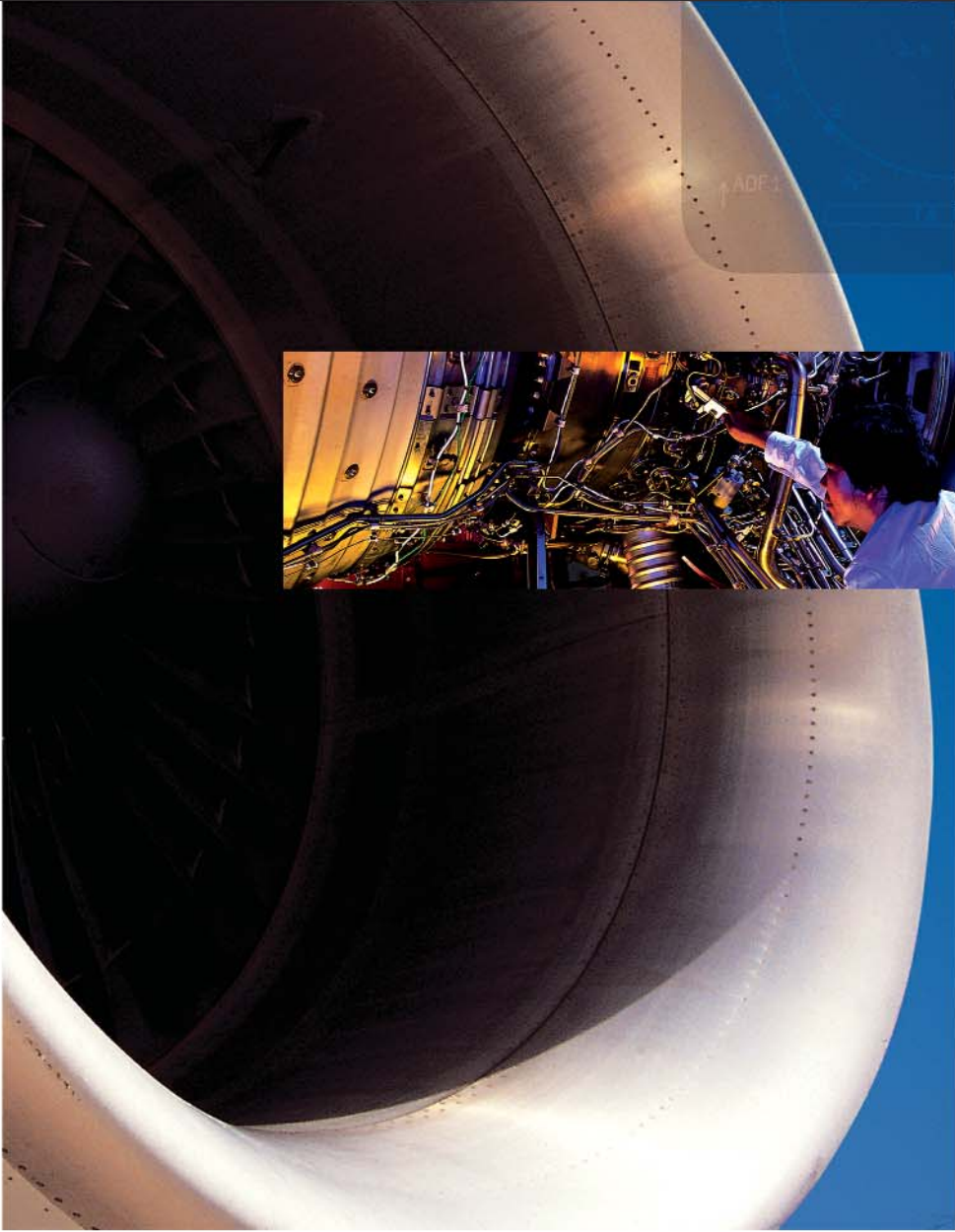
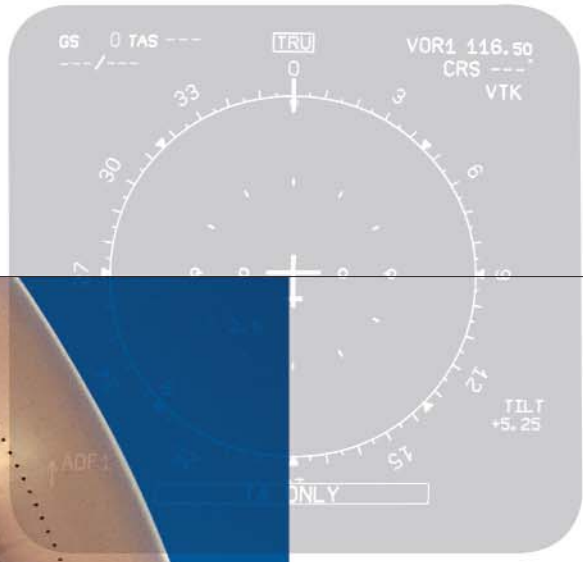
SIA Engineering Company Limited
31 Airline Road
Singapore 819831
E-mail: siaec@singaporeair.com.sg
Website: www.siaec.com.sg
Tel: (65) 6542 3333
Fax: (65) 6546 0679

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



Global MRO Industry Report

The Global Airline Industry In 2003

In the first half of the year, the aviation industry was dealt yet another devastating blow with the deadly Severe Acute Respiratory Syndrome (Sars), shortly following the war in Iraq and the ensuing global economic downturn. The dismal environment culminated in a severe drop in air traffic and passenger loads, particularly in the Asia-Pacific region.

With passenger numbers dropping to an all-time low, plagued by spiralling consumer confidence decline in air travel, losses were estimated to amount to US\$4 billion *in the Asia-Pacific region in the four months from March to July alone.*¹

A global effort was deployed to fight the Sars epidemic, as airlines worked closely with the World Health Organisation (WHO) and the International Air Transport Association (IATA) to enforce health screening procedures for passengers and airport workers. At airports, airline staff conducted pre-boarding screening of passengers, and disseminated Sars information and mandatory health declaration forms. Masks were provided on certain routes for both passengers and crew, and cabin crew distributed health forms prior to landing. Airlines also increased fresh air circulation on their flights and the frequency of cleaning air-conditioning systems and changing filters.

On 7 July 2003, the world welcomed the declaration from WHO that the Sars outbreak had been contained worldwide, after claiming almost 700 lives.

Life after Sars and the Iraq war

As airports and air traffic services took on painful recovery strategies and implemented vigorous cost-cutting measures in the year, passenger figures steadily improved. Over the second half of the year, traffic gradually returned, with recovery strengthening in the last quarter.

For the full year of 2003, IATA recorded a 2.4% decrease in international passenger traffic as compared to 2002. Capacity increased by 0.1% with a resulting load factor of 72.2%. The decline in traffic started in February and hit rock-bottom in May.²

Carriers in North America and the Asia-Pacific were the most badly hit, with passenger loads falling 22.0% and 41.3% respectively. *These regions took longer to recover from the drastic impact of SARS, recording growth only by October 2003.*³

In Singapore alone, passenger traffic fell by as much as 15%, whilst cargo volumes were down by 1.6% compared to 2002.⁴

Overall, freight traffic grew 4.9% in 2003 on the back of healthy growth in the Middle East. Freight figures in North America and Asia were below 2002 levels for much of the year, but recovered in December with an overall 1.9% and 8.0% increase respectively over the previous year.⁵

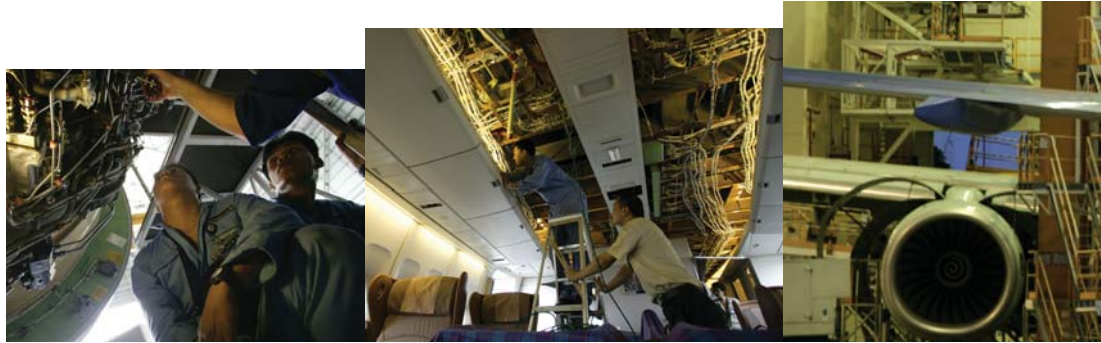
1 IATA SARS Information Website: "SARS update: August 2003"

2 IATA International Traffic Statistics, December 2003: "2003: A difficult year ending on an upbeat note", 27 February 2004

3 IATA International Traffic Statistics, December 2003: "2003: A difficult year ending on an upbeat note", 27 February 2004

4 Shipping Times, 13 April 2004

5 IATA International Traffic Statistics, December 2003: "2003: A difficult year ending on an upbeat note", 27 February 2004



The industry has proven that it possesses the ability to cope with crises and challenges. It is not known when Sars may attack again. However, the grueling lessons learnt in 2003 have ensured that comprehensive measures are in place. Not only are the authorities better informed of the cause and prevention, and are ready to act swiftly at the first signs of infection, but airlines have also established contingency plans to be taken promptly in the event of a contagious outbreak.

The MRO Industry in Singapore

With more than 100 aerospace companies operating in Singapore's \$3.8 billion aerospace industry, positioned as the region's aviation hub, Singapore has strong fundamentals in maintenance, repair and overhaul (MRO) activities.⁶

The MRO sector in Singapore is part of the island-nation's transport engineering industry and a key component in the country's economic growth engine – the manufacturing sector.⁷

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

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

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

In February 2003, the Civil Aviation Authority of Singapore and Canada's aviation regulatory body, Transport Canada, signed an aviation maintenance pact which allowed companies based in the two countries to carry out MRO activities without having to seek the approval of local aviation regulators.

The Airport Logistics Park was officially opened in Singapore in March 2003, and has landed significant new investments from logistics companies. In the same month, the Messier-Bugatti Seat Actuator Manufacturing Facility was officially opened at Loyang.

⁶ The Business Times, 10 March 2004

⁷ According to the Economic Development Board of Singapore (EDB), the MRO industry in Singapore contributes an estimated 4 per cent to the global MRO market and 20 per cent to the Asian MRO market. In 2003, the MRO industry in Singapore achieved a total output of \$3.8 billion

⁸ Shipping Times, 13 April 2004



In November 2003, Matsushita Avionics Systems, which supplies inflight entertainment systems to carriers such as Singapore Airlines, opened a new facility in Singapore. Besides being the Company's regional marketing, product support and repair operations base, the 25,500 square foot centre comprises a one-of-a kind testing and integration lab. The lab simulates an aircraft setting, which allows airlines and other industry players to conduct interactive tests on applications such as games, movies and email.

In addition, Singapore companies, such as SIA Engineering Company, continue to expand wide-ranging capabilities to repair aircraft and aircraft systems and components.

On 24 February 2004, SIA Engineering Company commenced construction of Hangars 4 and 5. With investments amounting to S\$120 million, the Company expects to raise its airframe maintenance capacity by 30 per cent.

There is still significant room for growth in Singapore pertaining to MRO capabilities. The authorities have been encouraging companies to consider activities such as repair development, leveraging on the competences developed here and the expertise of the various research institutes in Singapore.

The Future Of MRO

In 2003, the value of the global MRO market was US\$35.8 billion, according to AeroStrategy Management Consulting.

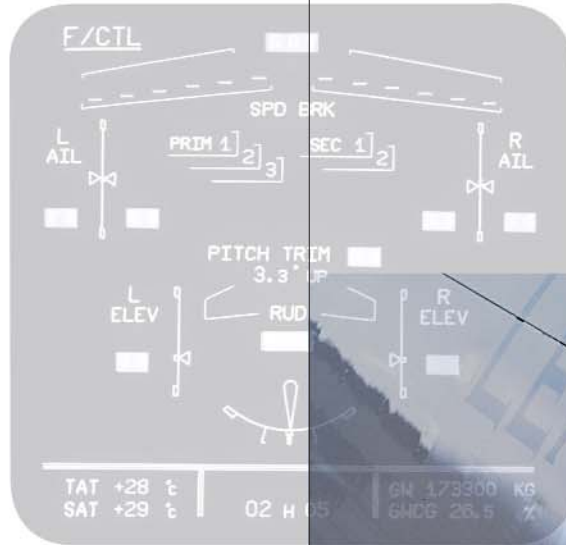
However, the road to recovery in air travel has gained momentum in the early part of 2004. Overall, travel volumes have increased nine consecutive months since June 2003, a recovery that is stronger than expected. In the first quarter of 2004, Changi Airport saw its passenger traffic increase by 1.7%, and cargo volumes rise 7.5%, boosted by the healthy growth in air traffic.

According to the Civil Aviation Authority of Singapore, Changi handled 7.05 million passengers in the first three months of 2004, up from 6.93 million in the year-ago period, and 416,000 tonnes of air cargo, up from 387,000 tonnes last year. The airport authority expects the growth rate to further strengthen in the coming months.⁸

With the rapid liberalisation of air services in China and India, as well as the entry of low-cost or no-frills airlines, the momentum for growth seems positive, given that traffic levels have almost resumed their year-ago levels.

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

With the emergence of low-cost carriers, companies offering MRO services are compelled to re-examine their business models to adapt to the no-frills requirements. However, it is tough for existing airports to become 'low-cost'. Airports therefore may have to differentiate their fee structures for network and low-cost airlines.



Sharpening Our Edge: Preparations For The Arrival Of Leadership

Singapore Airlines' latest long-range Airbus A340-500

Airbus Industries' A340-500 (A345) aircraft has literally taken the commercial aviation industry by storm. Pitched at being the longest-range airliner ever built with the capability to fly over 8,650 nautical miles (16,000 km), the A345 has revolutionised air travel by being able to fly non-stop between distant destinations not served by any airline. SIA for example, has launched its first-ever Singapore-Los Angeles direct flights, which shaved about two hours in flying time compared to the current one-stop flights. The airline plans to add the A345 on its Singapore-New York route in June 2004.

As the engineering arm of SIA, one of the first airlines in the world to deploy this revolutionary aircraft, SIA Engineering Company has established a new capability in handling the A345.

Right from the time SIA confirmed the order for 10 of such aircraft in 1998, which are powered by Rolls-Royce Trent 553 engines, our engineers have been involved in the assembly process over at Airbus' main plant in Toulouse, France. Towards the end of 2003, our Engineering Training Department participated in a training conference in Toulouse, where operators of this new aircraft were given opportunities to influence how technical training for this new aircraft would be achieved.

We chose the option of running a computer-based training (CBT) programme using stand-alone personal computers fitted with DVD-ROM drives. In addition, instructors from Airbus and Rolls-Royce conducted training on mechanical, avionics and radio communications.

All of our engineering staff, including maintenance managers from SIA's overseas stations that the A345 would possibly operate to, were also included in the training programmes held between July to December 2003. Practical on-the-job sessions were carried out in Toulouse and Derby following the classroom sessions.

One of the main challenges in handling direct, long-haul flights is the relatively short transit time. As such, our overseas engineers at SIA's line stations have the arduous tasks of positioning sufficient spares and harnessing the necessary maintenance resources, often at a moment's notice.

With the successful preparations in taking over this much-talked about airliner, SIA Engineering is looking forward to yet another revolutionary aircraft – the Airbus A380, quipped to be the world's largest, most-advanced and efficient commercial airliner ever conceived.

The advent of this huge 555-seater plane poses a number of technical challenges not only for the airline, but also for the ground handling agents and airport authorities.

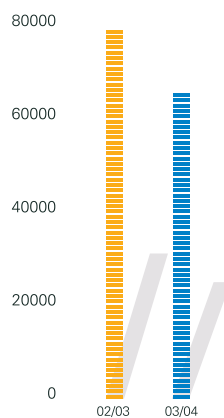
But one thing is for sure – the A380 will bring new standards of comfort and better economics in an aircraft that is more environmentally responsible, and SIA Engineering will yet again be among the first MROs in the world to develop new capabilities to handle this new aircraft technology.



Operations Review

During the year in review, Line Maintenance revenue was \$247.4 million, a drop of 25.0%. Our operations, which accounted for 36.5% of the Group's revenue, was largely mitigated by the recovery in traffic through Changi Airport in the 4th quarter of the year.

Number of Flights Serviced



Line Maintenance

At the beginning of FY03/04, traffic at Changi Airport fell by up to 40% in the immediate aftermath of Sars, as confidence in air travel plummeted in the first half of the year. By the end of the financial year in review, flights were restored to pre-Sars levels. Line Maintenance registered a decline of 18%, with a total of 64,300 flights handled for the whole year.

Besides providing aircraft certification and ground handling services to an international client base of more than 60 airlines, our experienced team of engineers and technicians also provided dedicated cabin management services to ensure high despatch reliability for in-flight entertainment and cabin systems.

During a very difficult year, we strived hard at maximising our operational efficiency through several fronts – encouraging staff to streamline and simplify operational processes, adopt a change of mindset and to multi-task. At the same time, we leveraged on our technology infrastructure to improve information flow.

A joint venture that we embarked on last year, PT JAS Aero-Engineering Services, had commenced line maintenance operations at 10 airports in Indonesia, including Cengkayang, Surabaya, Denpasar and Medan. This initiative gives the Company a foothold in the Indonesian MRO market.

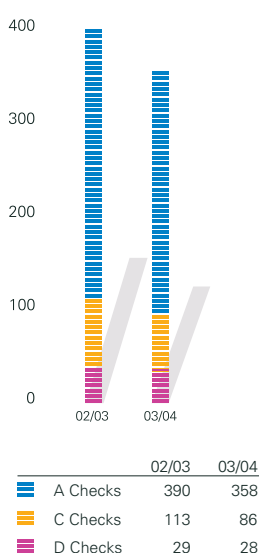


Our Line Maintenance division provides aircraft certification and technical ground handling services to more than 60 airline customers operating through Changi Airport.

Revenue from Airframe and Component Overhaul declined by 21.4% to \$431.3 million in FY03/04. Comprising Base Maintenance division and 23 workshops, our Airframe and Component overhaul business accounted for 63.5% of the Group's revenue.



Number of Checks Performed



Airframe Maintenance

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

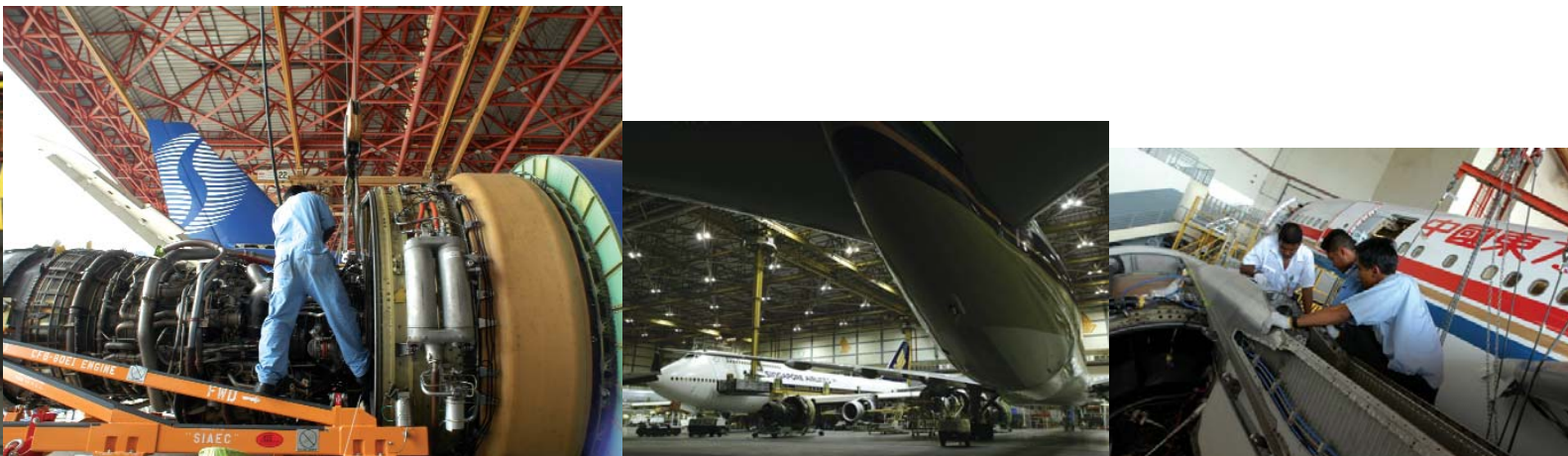
During the year in review, the impact from Sars resulted in lower aircraft utilisation, which meant fewer planes were sent for "A", "C" and "D" maintenance checks.

Against a backdrop of a sluggish global economy and an increasingly competitive MRO environment, the Company aggressively sought after third-party contracts. Our efforts paid off, with the clinching of new contracts from airline operators, such as Air Europe, Air Pacific, Air Plus Comet, China Eastern Airlines, China Northern Airlines, Debis Air Finance, Dubai Air Wing, Global Supply Systems, Iberia, Islandsflug and Northwest Airlines.

This is in addition to our existing customers such as Air Canada, Air India, Atlas Air, Biman Bangladesh Airlines, Dragonair, Federal Express, Polar Air and Royal Brunei Airlines, who view us as their preferred MRO partner in major rectification and maintenance works.

Training for the handling and maintenance of the airframes and engines of SIA's new Airbus 340-500 aircraft began as early as July 2003. The first pre-service modifications for the aircraft were conducted during the first quarter of 2004 before they were launched into service.

Going forward, we continue to streamline our operations to meet the growing fleet sizes of new aircraft types. In the coming years, we expect to see an increase in major checks for new-generation aircraft such as the B777 and A340-500.



The emergence of low-cost carriers in the aviation scene requires us to re-package our services. As such, we have come up with specially-packaged maintenance checks to cater to the needs of these customers.

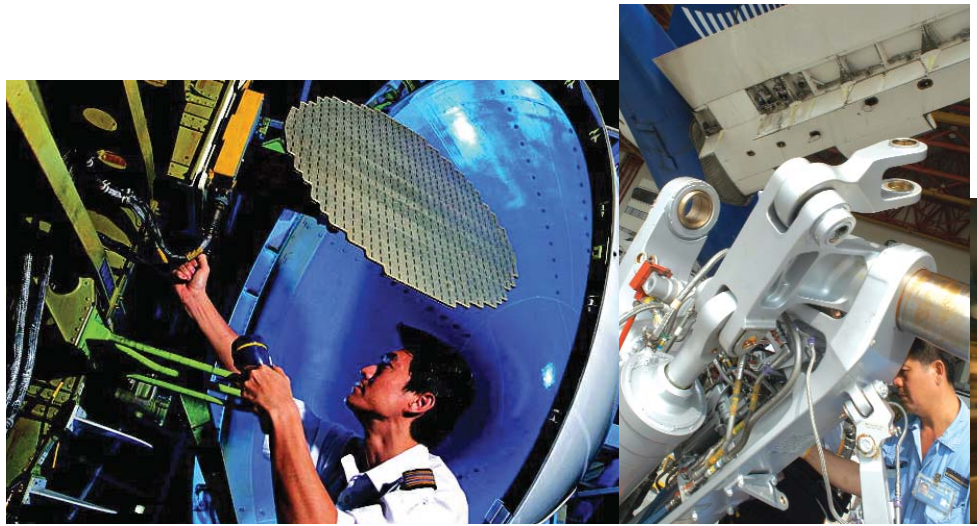
The B747-400 aircraft is gaining popularity as an efficient freight carrier. Capitalising on this trend, we announced in May 2004 that we were embarking on B747-400 passenger-to-freighter (PTF) conversion as part of our strategy to offer a complete suite of MRO services in Singapore.

In collaboration with Boeing, SIA Engineering Company will be among the first in the world to perform freighter conversions on the B747-400 aircraft. With a first-mover advantage in the global industry, we are seeking a significant market share in this business niche. To date, we have secured orders for 7 freighters, which will be progressively delivered from 2006 to 2008.

To set aside sufficient capacity for this new business, we are planning to dedicate one of the two hangars that are currently under construction for freighter conversions.

This new capability will also position us favourably in attracting post-conversion maintenance work and tapping the growing market for large modification projects, including major cabin refurbishment.

Earlier in February 2004, we signed a memorandum of understanding with Jamco America and Jamco Corporation for a joint venture to provide turnkey aircraft interior modifications. This will position the Company well to tap the growing aircraft cabin retrofit and reconfiguration market.



Component Overhaul

Poised as Asia-Pacific's market leader for the maintenance of the B777 aircraft, SIA Engineering Company has achieved significant headway in raising our B777 component capability. With the delivery of SIA's latest A340-500 aircraft, we have added yet another technical capability to our already long list of expertise, launching the Company into another level in the technology spectrum.

In November last year, the Company invested in a S\$1.2 million Testek IDG Test Stand in our electrical workshop. This increased our test capability for APU generators of various aircraft, such as the A300, A310, B727, B737, DC-10, B747-400, B777 and A320, as well as the new A340-500.

Special on-the-job training was also conducted by Goodrich's engineers in February 2004 to assist us in broadening our knowledge of the A340-500 undercarriage systems.

The aircraft's engines, one of the most important part of the aircraft, requires a wide range of technical expertise and know-how in its maintenance programme. We have expanded our capabilities in the Trent 553 engines, which power SIA's A340-500.

We invested approximately S\$5 million in a Rolls-Royce Trent 500 Test Adaptation System, which is expected to be fully commissioned by August 2004.

Our 23 workshops provide inspection, overhaul, repair, modification and testing of a host of components from a wide variety of modern aircraft, such as the B777, B747-400 and A320. A heavy maintenance programme such as the 'D' check yields some 1,500 components from a single aircraft for overhaul and tests.

During the year in review, our 23 workshops went through three major audits – the Federal Aviation Authority in May 2003, the PSB OSH 18001 audit in June 2003, and the Ishikawajima-Harima Heavy Industries' audit on the Engine Test Facility in September 2003, on its capability to test the V2500 engines.

Welding Workshop added a new 14E Flame Spray System which increased the workshop's capability to handle the 300 and 400 series of the B747 aircraft components. The new system is used to deposit a molten aluminium coating on the composite damaged parts to produce surface conductivity.



Fleet Technical Maintenance

Aircraft maintenance today involves much more than just the manufacturer-prescribed tasks of servicing airframes, components and engines. Airlines are increasingly focused on cost reduction, with emphasis shifting to the management of total life-cycle costs. To achieve this, airlines are looking to MROs such as SIA Engineering Company for total solutions to support the efficient use of their fleets, resulting in faster turn times and lower maintenance costs.

Our Fleet Management Programme (FMP) includes Fleet Technical Maintenance (FTM), which provides high value-added engineering management services, and Inventory Technical Management (ITM), which supports component exchange, reliability and configuration control services.

FMP can attract long-term customers, ensuring a constant flow of work orders for our production units. Since our first non-SIA customer, Dragonair in 2001, we have since expanded our FTM customer base to include:

- Air Paradise (where we provided full FTM services, component repair and overhaul, as well as heavy maintenance for two leased B747-400)
- Dubai Air Wing (partial FTM and ITM services for two B747-400 aircraft acquired in 2003, and heavy maintenance checks for the next three years)
- SilkAir (Full FTM)

In May 2004, SIA Engineering Company received the CAAS Limited Design Organisation Approval (LDA) to perform limited engineering design and modification work on Singapore registered aircraft – a testimony to our high engineering standards. The approval covers all Singapore registered aircraft in which SIA Engineering Company has FTM contracts on.

Joint Ventures



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



Singapore Aero Engine Services Limited
Repair and overhaul of Trent engines.



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



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



PWA International
Repair and overhaul of engine cases.



Turbine Coating Services
Repair and overhaul of PW4000 turbine airfoils.



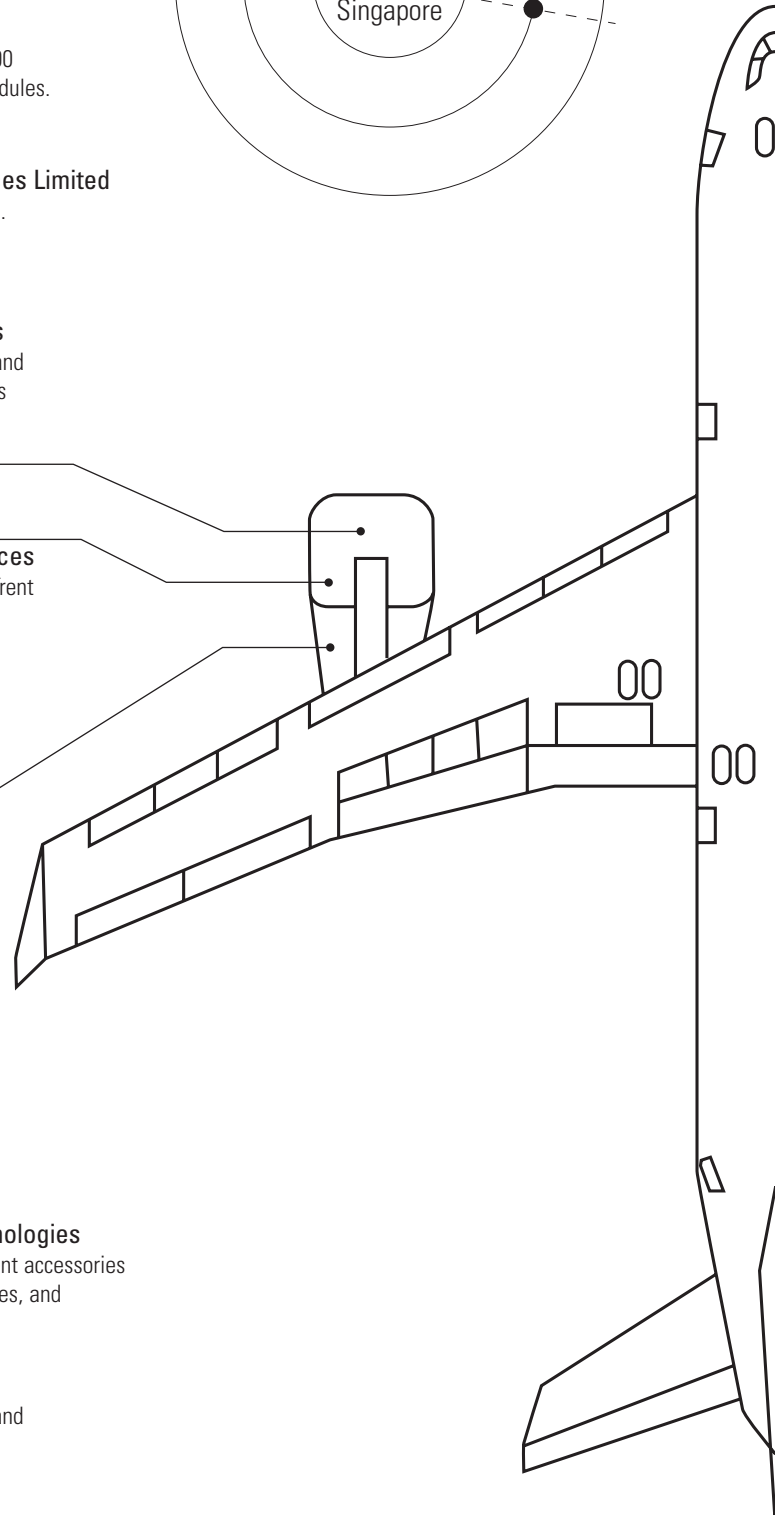
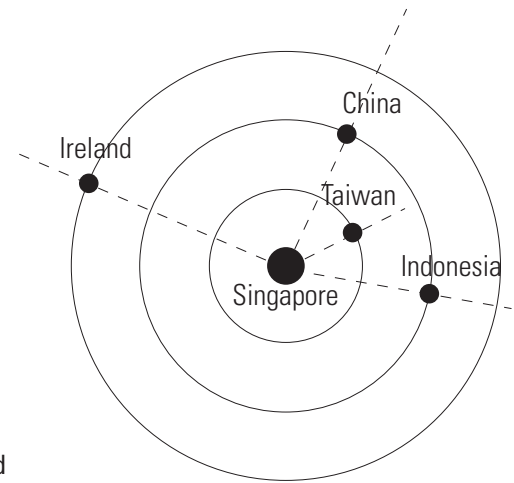
Asian Compressor Technology Services
Repair and overhaul of PW4000 high-pressure compressor stators.



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



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



Pan Asia Pacific Aviation Services

Line maintenance services, including technical and non-technical handling, in Hong Kong.



PT JAS Aero-Engineering Services

Aircraft line maintenance and technical ramp handling services at 10 major airports in Indonesia.



Singapore Jamco

Manufacture of cabin equipment and refurbishment of aircraft galley, lavatory and cabin equipment.



International Engine Component Overhaul

Repair and overhaul of RB211 and Trent engine nozzle guide vanes and compressor stators.



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.



Messier Services Asia

Overhaul and repair of Boeing and Airbus landing gears and components.



Taikoo (Xiamen) Aircraft Engineering Company

General aircraft maintenance and overhaul.





Singapore Joint Ventures

Singapore Jamco

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

Accredited by the Civil Aviation Authority of Singapore, 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 and manufacturing company, Jamco Corporation, Singapore Jamco services airline customers as well as MRO companies.

Messier Services Asia

Messier Services Asia (MSA), 60%-owned by Messier Services Pte Ltd, a subsidiary company of Snecma, a top-tier propulsion and equipment aerospace group in Europe, and 40%-owned by SIA Engineering Company.

Located in Loyang, MSA has one of the most comprehensive landing gear repair and overhaul facilities in the world – a Landing Gear Service Centre that has repair and overhaul capability for a wide range of Boeing and Airbus commercial aircraft landing gears, and a Component & Accessory Service Centre which provides landing gear component and accessory overhaul services to support a wide range of commercial aircraft.

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



Rohr Aero Services – Asia

Rohr Aero Services-Asia (RASA), which SIA Engineering Company has a 40% stake, provides aftermarket service for nacelle system components and airframe composite structures.

Goodrich Aerostructures Group, a leading supplier of nacelle and pylon systems to the world's major commercial airframe and engine manufacturers, owns the remaining 60%.

From a 3,000 square-metre facility that RASA operated from when it was first incorporated in 1995 to its present 22,000 square-metre purpose-built facility located at Changi North, RASA's achievement in the past nine years has been significant and most impressive by industry standards.

This new, state-of-the-art facility also houses one of the largest Autoclave in this region and is fully equipped with specialised OEM production jigs and tooling, enabling RASA to cater to the MRO needs of cutting-edge technology composite aerostructures used on airplanes such as the B777 and on future airplanes such as the A380 and B7E7. Most importantly, RASA harnesses the knowledge and skills of its highly dedicated workforce to serve more than 46 airline customers, which operate many of the commercial aircraft models flying today.

Recently RASA has also established itself as the first independent MRO in the world to accomplish overhauls for both the Trent 800 and PW4000 thrust reversers installed on in-service B777 aircraft.

Singapore Joint Ventures



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

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

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

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. AST is expanding its fan blade repair business to include other engine models besides the JT9D and PW4000 series.

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.

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.

ESA repairs and overhauls large commercial engines built by P&W, such as the JT9D and PW4000. Its capabilities also include smaller engines such as the CFM56. 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 expertise.

Employing approximately 800 staff at its 3,000,000 square-foot facility at 51 Calshot Road, ESA operates 2 engine test cells that are capable of testing engines up to 75,000 lbs thrust.

As a Centre of Excellence for P&W engines in Asia-Pacific, ESA continues to strive for higher productivity with more value added work process. It was recognised as having the most efficient PW4000 engine overhaul turnaround, quality and services.

Singapore Aero Engine Services Limited

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

Having commenced operations in early 2002, SAESL aims to reach a capacity of 200 engines annually within a few years. With an average turnaround for a full engine overhaul of 65 days. It also plans to increase its engine overhaul capabilities to include the Trent 500 and 700 series in 2004.

In 2004, SAESL will commission a high tech compressor blade repair and overhaul cell, utilising advanced technology such as robotics and advance welding processes for the repair of compressor blades. This cell will cater for work arising globally.

Turbine Coating Services

Turbine Coating Services (TCS), our 24.5%-joint venture with Pratt & Whitney (51%) and Singapore Technologies Aerospace (24.5%), focuses on new technologies such as the Electron Beam Physical Vapour Deposition coating technology.

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

In 2003, TCS delivered in excess of 48,000 parts and has gained a reputation for reliability, quality service and achieving a delivery turnaround time of less than 35 days.

Fuel Accessory Service Technologies

Fuel Accessory Service Technologies (FAST), our joint venture with Hamilton Sundstrand, a leading OEM of fuel and electronic components, was set up in 1999 to focus 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 on large commercial engines and auxiliary power units. The Company adopted 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 also the appointed Hamilton Sundstrand Power Systems (HSPS) authorised repair station in Asia-Pacific for APS3200 APU fuel accessories.

IAT-Asia

IAT-Asia, our joint venture with International Aerospace Tubes (a joint venture between Tube Processing Company and Pratt & Whitney), specialises in the repair of aerospace tubes and manifolds for PW4000 engines.

Having commenced operations in December 2002, IAT-Asia has approvals from the Civil Aviation Authority of Singapore and the Federal Aviation Administration for the repair of aircraft metal conduits. It has since successfully increased its range of repair capabilities to include various modular tubes on the PW4000 engine diffuser case, intermediate case and turbine exhaust case. Repair capabilities have also been expanded to include tubes from other OEMs such as Boeing, Goodrich and Rolls-Royce. The 4,000 square-metre facility, located along Loyang Drive, is targeted to be fully capable of repairing all PW 4000 94/100, JT9D-7R4 and V2500 engines family tubes, ducts and manifolds by end 2004.



Overseas Joint Ventures



China: Taikoo (Xiamen) Aircraft Engineering Company

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

Hong Kong: Pan Asia Pacific Aviation Services

Our line maintenance joint venture in Hong Kong since 1998, Pan Asia Pacific Aviation Services (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 aircraft monthly 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 commercial 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.

Taiwan: Asian Compressor Technology Services

Asian Compressor Technology Services (ACTS), a joint venture with China Airlines and Pratt & Whitney, commenced operations in June 1997 to initially repair and overhaul PW4000 94" High Pressure Compressor (HPC) stators and PW4000 94" variable vane inner shrouds (VVIS).

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

ACTS became an ISO14000 certified shop in end 2003.

To date, ACTS has increased its existing product mix of PW4000 94" HPC stators and VVIS repairs to include PW2000 VVIS repairs, PW4000 100" and 112" Honeycomb guides repairs, PW4000 HPC outer air seal repairs and CF6 stator repairs.

Ireland: PWA International

Located in Dublin, Ireland, our joint venture with Pratt & Whitney specialises in the overhaul and repair of large commercial jet engine cases, which includes engine types JT8D, JT9D, PW4000, PW2000 & V2500.

Since commencing operations in 1990, PWA International (PWAi) 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.

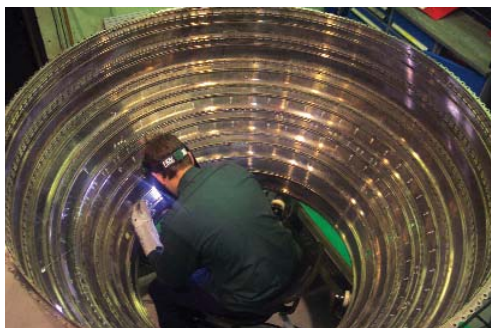
Indonesia: PT JAS Aero Engineering Services

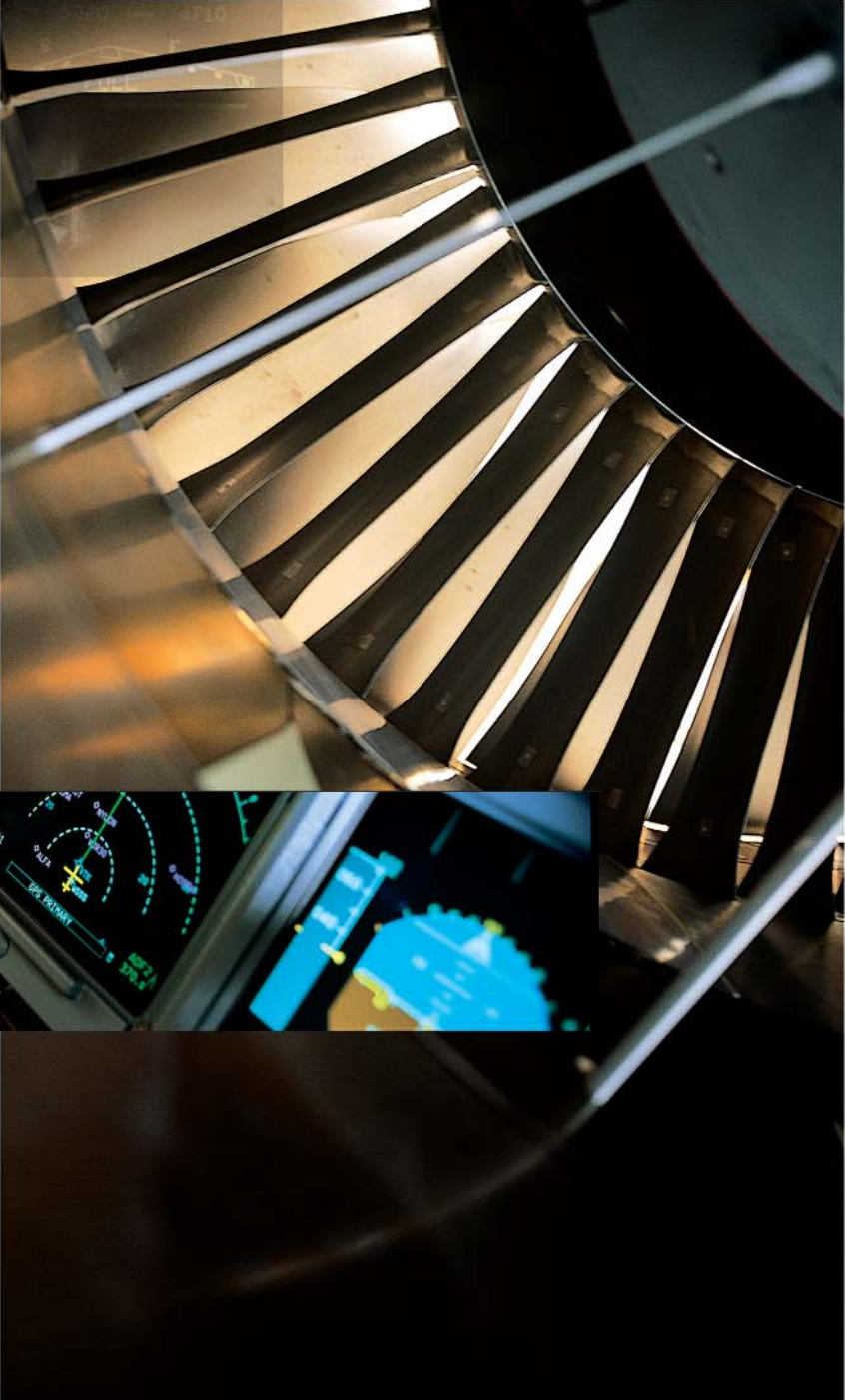
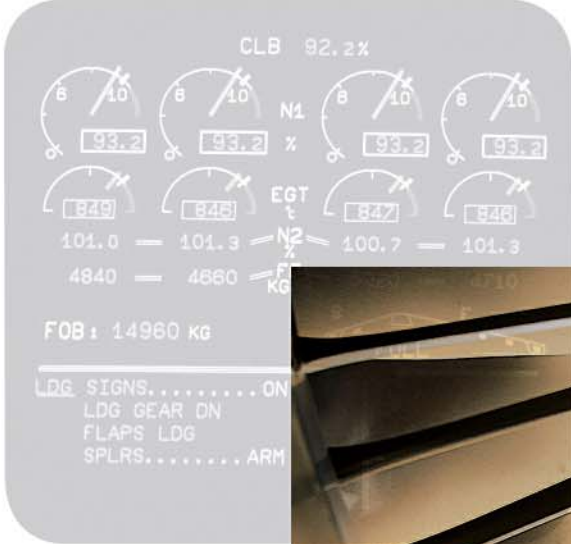
Our 17th joint venture, which commenced operations in December 2003, PT JAS Aero-Engineering Services (JAES) is a collaboration between SIA Engineering Company, which holds 49%, and PT Jasa Angkasa Semesta (JAS) which holds the remaining 51%.

JAES provides aircraft line maintenance and technical ramp handling services at 10 major Indonesian airports including Cengkering, Surabaya, Denpasar and Medan.

Our second joint venture to offer line maintenance services outside Singapore, SIA Engineering Company lends its expertise in technical certifications, as well as strong links with many international airlines. This synergises with JAS' ground handling capabilities, positioning the joint venture company to capture a sizable market share in Indonesia.

JAES has a combined customer base of more than 28 airline customers and cargo operators, including SIA, SilkAir, SIA Cargo and other major airlines such as Lufthansa, Emirates, Air Paradise, Kuwait and Qantas.





Information Technology

Efficiency, productivity and technology are key factors that keep SIA Engineering on the leading edge of the global MRO industry. Today, almost all aspects of our operations are IT-enabled – from the management of spares inventories to the detailed planning and execution of maintenance inspections on airframes, components and engines.

The process of establishing an efficient, process-focused organisation structure through a common SAP platform has been completed. To ensure the smooth implementation of SAP in our entire MRO operations, a change management programme was organised by Human Resources Division. This involved training 380 mentors to provide first-level support of the implementation and live tests, and a knowledge transfer programme to equip mentors and live-testers to be technically competent in product knowledge.



Business-to-Business Programme

Our business-to-business (B2B) exchange is an Internet-based interaction platform for our customers, providing real-time access to repair status of their aircraft, the expected turnaround time and delivery status. Our customers can also place repair orders, analyse the type and cost of materials used, approve invoices and exchange technical information with our MRO specialists.

Some recently developed enhancements include new functionalities to allow line stations to directly input the technical log, deferred defects and aircraft flying hours and cycles through the portal. These enhancements, together with the existing functions, provide our fleet management customers a more integrated and real-time access to their aircraft serviceability, configuration & reliability information workflow system. We are currently working on a module to enhance the tracking of aircraft spares requirements by our customers.



Human Capital Development

The MRO business is dependent on the skills of licensed aircraft engineers and technicians, as well as the entire support infrastructure of the Company. Our people have continually built up the Group's expertise in maintaining cutting-edge aircraft of today and the future, and are the primary drivers of growth.

As ambassadors of the SIA Engineering brand, our people are key to staying ahead on the leading edge of the rapid technological changes in the MRO industry.

Committed to honing the skills and experience of our dedicated workforce, SIA Engineering Company's human capital policies and practices are targeted at maximising the potential of our people assets.

Faced with a host of challenges in 2003, we braced ourselves for the uncertainties ahead and made the necessary adjustments:

Business Efficiency

In response to our Lean management initiative, collaborative measures were taken, where Management and Unions agreed on new measures to manage costs by implementing wage cuts at all levels, reducing overtime work, implementing an early retirement scheme and the release of foreign contract workers and redundant positions.

Industrial Relations

Making the organisation leaner invariably increases the sensitivity of our relations with our worker unions. Understanding this, our management has held regular dialogues with the unions to reinforce harmonious labour management relations.

SARS

We had to implement immediate measures to keep our operations SARS-free such as daily temperature taking, daily SARS reporting, medical and travel advisories and the latest news updates to all of our staff in the Group.

Staying Competitive

In today's fast-changing, competitive business environment, flexibility and adaptability are key to staying nimble. We have ensured that our staff are cross-trained in various skills and trades so that the flexibility of manpower deployment is enabled. For instance, our technicians are trained to provide limited aircraft certifications, thereby freeing licensed engineers for more complex tasks. This allows the Company to meet changing work demands and industry developments. We have also integrated the skills of our engineers and technicians in electrical, instruments and radio trades.

Not only are staff encouraged to learn more, they also demonstrate their adaptability to shift roster changes whenever operational demands require it to match resources with the level of business activities.

Talent Management

In our commitment to human capital development, SIA Engineering continues to attract, nurture and retain top talents. By embarking on our Talent Management Programme, we continually identify and develop talents for future leadership positions.

Driven by our business strategy, initiatives taken to date include the identification of a pool of high potential employees and the implementation of various training and developmental programmes, such as 360 degree feedback, leadership skills development programmes and industrial relations workshops.

Through the Talent Management Programme, we endeavour to ensure the availability of talents to support our business in the long haul.

SINGAPORE AIRLINES 





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Corporate Governance

The Company's standards of corporate governance are generally consistent with the principles and spirit of the Code of Corporate Governance (the "Code") established by the Singapore Corporate Governance Committee. The Board and Management of SIA Engineering Company will continue to uphold good corporate governance practices within the Company to create long-term value for Shareholders.

Board of Directors

Cheong Choong Kong retired on 22 May 2003 after 19 years on the Board of the Company, the last 7 years as Chairman. Koh Boon Hwee and Chew Choon Seng were appointed as Directors on 22 May 2003 and elected Chairman and Deputy Chairman, respectively. Tan Bian Ee was appointed as Director on 15 April 2004. At the end of FY03/04, the Board comprised nine non-executive Directors, four of whom are independent.

The Company continues to benefit from the diverse background, qualities, expertise and experience of its Board members. 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, paying particular attention to strategic growth opportunities, major investments and financial performance. The Board also reviews and approves major financial transactions in adherence to internal guidelines.

Papers submitted to the Board by Management are detailed, providing information on the background and justification for each proposal or mandate sought, including where applicable, relevant budgets, forecasts and projections. Information papers circulated to the Board are to inform them of material developments or issues 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 discussions 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 the Company's subsidiaries and associated companies, updates on business developments, latest monthly management accounts, and productivity and performance indicators, as well as matters for decision or information. Monthly management accounts of the Company are also circulated for information.

Four Board meetings were held between April 2003 and March 2004. The attendance of individual Directors at Board meetings and the respective Board Committees on which they serve are detailed in the table shown below.

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

Newly appointed Directors are briefed by Management to familiarise them on the Company's business and strategic directions, and are given a tour of key facilities. Directors are, from time to time, updated at Board meetings on relevant new laws, regulations and changing commercial risks. The Company also organises presentations or seminars by consultants for the Board on such topics. 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 the table below. The functions of these Committees are described below.

Article 83 of the Company's Articles of Association requires 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 at each Annual General Meeting (AGM). Retiring Directors are selected on the basis of those who have been longest in office since their last election, failing which they are selected by agreement or by lot. Retiring Directors are eligible for re-election under Article 84.

At the AGM for FY03/04, Wong Nang Jang, Wong Ngit Liong and Jimmy Phoon Siew Heng will retire. Jimmy Phoon will not be seeking re-election at the AGM as he will be relinquishing his directorship due to other commitments. The Nominating Committee had recommended Wong Nang Jang and Wong Ngit Liong's re-election, after assessing their respective contributions (including their attendance, preparedness and participation at Board meetings), and their qualification as independent Directors. The Nominating Committee had also recommended, and the Board had approved, the appointment of Tan Bian Ee as a Director with effect from 15 April 2004. In accordance with Article 90, Tan Bian Ee 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.

	Main Board			Audit Committee		Nominating Committee		Compensation & HR Committee		Capital Structure Committee		Board Committee	
	Status	Position	Att.	Position	Att.	Position	Att.	Position	Att.	Position	Att.	Position	Att.
Koh Boon Hwee (last re-appointed on 12 Jul 2003, first appointed on 22 May 2003)	Non-Independent	Chairman	3/3										
Chew Choon Seng (last re-appointed on 12 Jul 2003, first appointed on 22 May 2003)	Non-Independent	Dy Chairman	3/3			Member	1/1	Member	2/2			Member	-
Chew Leng Seng (last re-appointed on 12 Jul 2003, first appointed on 16 Mar 1982)	Non-Independent	Member (stepped down as Deputy Chairman on 22 May 2003)	4/4	Member	4/4					Chairman	2/2	Member	-
Wong Nang Jang (last re-appointed on 7 Jul 2001, first appointed on 24 Mar 2000)	Independent	Member	4/4	Chairman	4/4	Member	2/2			Member	2/2		
N Varaprasad (last re-appointed on 6 Jul 2002, first appointed on 1 Mar 2000)	Independent	Member	4/4	Member	2/4			Chairman	2/2				
Wong Ngit Liong (last re-appointed on 6 Jul 2002, first appointed on 1 Mar 2000)	Independent	Member	3/4			Chairman	2/2	Member	1/2				
Bey Soo Khiong (last re-appointed on 12 Jul 2003, first appointed on 1 Mar 2000)	Non-Independent	Member	3/4										
Thio Su Mien (last re-appointed on 12 Jul 2003, first appointed on 1 Mar 2000)	Independent	Member	4/4	Member	3/4							Alternate	-
Jimmy Phoon Siew Heng (last re-appointed on 6 Jul 2002, first appointed on 21 May 2002)	Non-Independent	Member	2/4							Member	2/2		
Cheong Choong Kong (retired on 22 May 2003, last re-appointed on 6 Jul 2002, first appointed on 1 Aug 1984)	Non-Independent	Chairman	1/1			Member	1/1	Member	0/0			Member	-
Total Number of Meetings Held In FY03/04			4		4		2		2		2		-

Note:

- i) "Att." refers to the number of meetings attended by respective Directors for the period served in FY03/04.
- ii) The Board does not consist of any Executive Director.
- iii) The Board Committee does not conduct physical meetings as described below.
- iv) Tan Bian Ee was appointed as Director with effect from 15 April 2004.

Corporate Governance

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 FY03/04 were:

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

Last year, the Board implemented a formal process for assessing the effectiveness of the Board as a whole. This year, the Nominating Committee and the Board implemented a formal process for assessing the contribution of each Director to the effectiveness of the Board.

The Board evaluation consultant, who was appointed in FY02/03 for a three-year term, assisted the Nominating Committee to design and implement the evaluation process for assessing the contributions of individual Directors. Assessment of the contributions of individual Directors' was based on a set of qualitative criteria. The same evaluation processes, assessment criteria and financial performance measures used in FY02/03 assessment of the effectiveness of the Board as a whole were used for FY03/04.

The Nominating Committee and the Board approved all assessment criteria and financial performance measures, which were recommended by the consultant. The consultant's analysis of the Board performance evaluation for FY03/04 was given to the Directors.

For FY03/04, the Committee performed, inter alia, the following functions over two meetings:

- (a) recommended to the Board the appointment of Tan Bian Ee 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 FY03/04.

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 (Independent)
Members Chew Leng Seng
N Varaprasad (Independent)
Thio Su Mien (Independent)

The Committee met four times during the year with Management and the internal and external auditors of the Company. The attendance of individual directors at these meetings is shown in the table above. In the course of the year, the Committee performed the following functions:

- (a) reviewed the audit plans of the internal and external auditors of the Company, the results of the auditors' examination of the Company's material internal financial, accounting and compliance controls and the co-operation given by the Company's officers to the auditors;
- (b) reviewed the quarterly and full-year announcements of results and annual financial statements of the Group and the Company and the external auditors' report thereon before their submission to the Board 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 framework and processes and provided oversight to 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 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 has undertaken a review of the fees and expenses paid to the auditors, including fees paid for non-audit services, during the year and is of the opinion that the auditor's independence has not been compromised.

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

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

Compensation & HR Committee

The "Compensation Committee" was renamed as the "Compensation & HR Committee" in July 2003 to better reflect the broad scope of matters under its review, which included employee development policies. The Compensation & HR Committee comprises three non-executive Directors, two of whom (including the Chairman) are independent. The members of the Committee for FY03/04 were:

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

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

- (a) monitored the status of previous Employee Share Option Plan ("ESOP") grants (1st, 2nd, 3rd and 4th grants);
- (b) determined the eligibility and guidelines of the 5th ESOP grant;
- (c) revised the allotments of the 5th ESOP grant;
- (d) reviewed the impact of the 5th ESOP grants on issued share capital;
- (e) revised the exercise guidelines of the Phantom Option Plan for Senior Executives;
- (f) conducted the annual salary review and promotion exercise of senior staff;
- (g) reviewed the wage cut exercise for senior staff;
- (h) reviewed Senior Management portfolios; and
- (i) reviewed the Talent Management Programme for high potential employees.

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

Capital Structure Committee

The Capital Structure Committee comprises 3 non-executive directors, one of whom is independent. The members of the Capital Structure Committee are:

Chairman Chew Leng Seng
Members Wong Nang Jang
Jimmy Phoon

The Committee recommended several measures to improve the capital structure of the Company after meeting twice to review its existing structure, financial position and funds requirements.

Board Committee

The Board Committee deputises for the Board on routine matters to facilitate day-to-day administration and to expedite decisions thereon, including opening of bank accounts, 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 FY03/04, the Committee comprised:

Members Chew Choon Seng (from 22 May 2003)
Cheong Choong Kong (till 22 May 2003)
Chew Leng Seng

Alternates Thio Su Mien

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 enables 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 Accounting & Corporate Regulatory Authority and Shareholders on behalf of the Company, and performing such other duties of a company secretary, as are required under the laws and regulations or as are specified in the SGX-ST Listing Manual or the Articles of Association of the Company, or as are required by the Chairman of the Board or the Chairman of any Board Committee or the Directors (or any of them), as the case may be.

Corporate Governance

Remuneration Report

Directors' remuneration for FY03/04, comprising fees and allowances, amounts to \$377,086 (\$170,723 in FY02/03 after Directors waived 50% of their fees and allowances; \$291,260 in FY01/02; \$353,644 in FY00/01) and is derived using the following rates:

Type of Appointment	Proposed Fee For FY03/04	Fee Paid in 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	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	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	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	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	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	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	0.30 x Basic Fee = 8,400	4,200	0.3 x Basic Fee = 7,140	14,000

Notes:

- (1) In FY02/03, although shareholders approved \$341,447 to be payable to Directors as fees and allowances, the Directors waived 50% of their respective entitlement in response to the deteriorating business conditions faced by the Company in 2003.
- (2) Subject to Shareholders' approval, every Director will be entitled to receive the full Basic Fee as shown in the table above for FY03/04. 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 FY03/04, the fee or allowance payable will be pro-rated accordingly.

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

Name of Director	Fees Received (\$)
Koh Boon Hwee	48,197
Cheong Choong Kong (until 22 May 2003)	9,746
Chew Choon Seng	34,943
Chew Leng Seng	49,000
Wong Nang Jang	53,200
N Varaprasad	44,800
Wong Ngit Liong	40,600
Bey Soo Khiang	28,000
Thio Su Mien	36,400
Jimmy Phoon Siew Heng	32,200
Total Fees	377,086

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	Fee (%)	Salary (%)	Bonus		Benefits (%)	Total (%)	Stock options granted during the year	
			Fixed (%)	Variable# (%)			Number	Exercise Price
\$500,000-\$750,000								
William Tan Chief Executive Officer	3%	54%	5%	26%	12%	100	79,000	\$1.75
\$250,000-\$500,000								
Oh Wee Khoon Senior Vice President (Commercial)	0%	66%	6%	23%	5%	100	96,500	\$1.75
Chan Seng Yong Senior Vice President (Operations)	0%	66%	5%	23%	6%	100	96,500	\$1.75
Png Kim Chiang Senior Vice President (Services)	0%	66%	5%	23%	6%	100	96,500	\$1.75

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 2004.

Corporate Governance

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, 52, was appointed Chief Executive Officer of SIA Engineering Company in May 2001.

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 the National University of Singapore (NUS).

Mr Tan is a Director on the Boards of Eagle Services Asia Pte Ltd, Singapore Aero Engine Services Pte Limited, Singapore Aircraft Leasing Enterprise, Singapore Aerospace Manufacturing Pte Ltd and SIAEC Global Pte Ltd.

Senior Vice President (Commercial) - Mr Oh Wee Khoon, 45, graduated from University of Manchester Institute of Science and Technology with a First Class Honours degree in Mechanical Engineering and holds a Master Degree in Business Administration from the National University of Singapore.

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

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

Senior Vice President (Operations) - Mr Chan Seng Yong, 56, 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.

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

Senior Vice President (Services) - Mr Png Kim Chiang, 45, holds a Bachelor of Science degree in Computation (First Class Honours) from the University of Manchester Institute of Science and Technology as well as a Master in Business Administration from the National University of Singapore.

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

Mr Png is the Deputy Chairman of Rohr Aero Services Asia Pte Ltd and a Director of Asian Compressor Technology Services.

Internal Audit

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

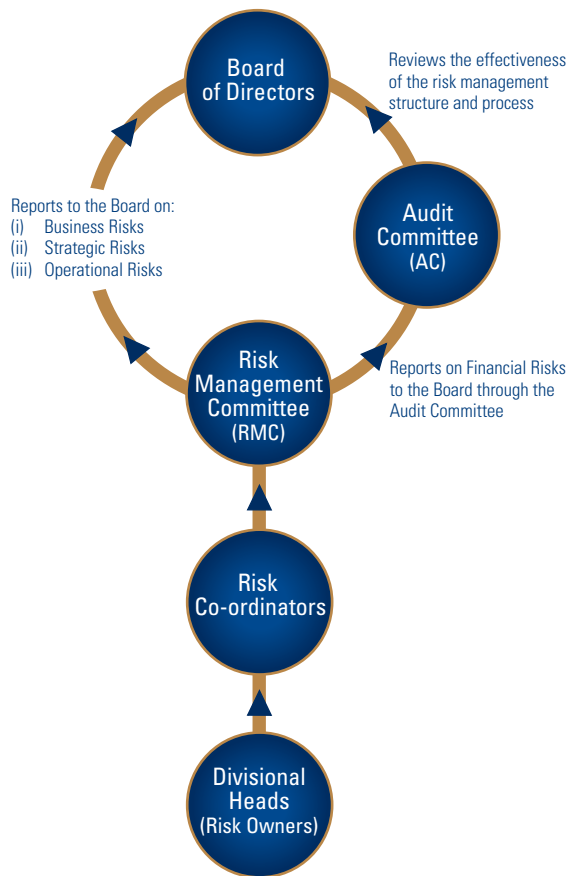
Internal Controls

The Board believes that, in the absence of evidence to the contrary, the systems of internal control maintained by the Company's Management which was in place throughout the financial year and up to the date of this report provide reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of enterprise risks. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Risk Management

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

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



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

Risks reviewed by the Company fall within the following 4 categories:

Business Risks: These are generally risks 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 geopolitical changes, inflexible or outmoded business models, or ineffective management and planning, or other causes.

Operational Risks: These are risks that affect operational activities of the Company. Operational Risks may be risks of internal or external origin that interfere 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 impact the financial standing 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 counterparty or debtors) and Liquidity Risks.

For FY03/04, the RMC held 9 meetings and through the above process, has identified the top 10 risks for the Company. The RMC continues to meet monthly to ensure that the risk management effort throughout the Company is maintained. Every quarter, the Audit Committee reviews reports on financial risks management activities, and the Board reviews reports on business, strategic and operational risks management activities.

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

Corporate Governance

Risk Focused Approach

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

Risk Processes and Activities

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

- (i) An Integrated Risk Assessment and Control Self-Assessment (CSA) framework has been implemented with the assistance of a Consultant and Internal Audit to facilitate risk management at Division/Department Levels. CSA enables Line Management and staff to identify, evaluate and prioritise business process risks that may prevent them from achieving department objectives. When implementation of CSA is completed, Division/Departments will be able to independently carry out annual risk review exercises through CSA.
- (ii) A training programme was also organised for risk owners at Division Levels. The objective of the training was to reinforce awareness of Risk Management for non-business risks that are not examined by the CSA framework and to help Risk Owners carry out the risk management process effectively at this level before raising significant risks to the RMC.
- (iii) The Company carried out the second formal Risk Management Review in January-March 2004. 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.
- (iv) Good risk management practices would not be effective without monitoring and audit controls in place to ensure compliance. In view of this, the Company engaged an external consultant, Ernst & Young, to assess the key elements and functions of the Company's Risk Management Structure and Framework. The assessment included:

- (1) a review of the RMC charter in terms of roles and responsibilities;
- (2) verification of the Risk Management Process Cycle;
- (3) a review and verification of the risk register and risk reduction plans; and
- (4) a review of the adequacy and effectiveness of the Risk Management Process.

Ernst & Young found the Company's risk management structure and framework to be adequate and their findings were reported to the Audit Committee and the Board. Recommendations made by Ernst & Young are also being followed up where appropriate.

Comments by the Board of Directors

The Board recognises the importance of sound internal controls and risk management practices in 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 operational risks and maintaining internal controls; recommending and approving capital expenditures; evaluating IT system projects; ensuring occupational safety and health; reviewing staff development and progression; developing investor relations strategies; approving tender exercises and tender awards; and addressing issues relating to service standards, quality and productivity.

Communications with Shareholders

The Company strives to convey to Shareholders pertinent information in a clear, detailed and timely manner and on a regular basis. The Company holds 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 commenced 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 & HR Committee and Capital Structure Committee, and members of the respective Committees, as well as the external auditors, plan to be in attendance at the Company's General Meeting to address questions from Shareholders.

Securities Transactions

As recommended by the SGX-ST's Best Practices Guide, the Company has a set of Policy and Guidelines for Dealings in the Company's securities, which has been disseminated to employees of the Company and Directors. The Policy and Guidelines restrict certain employees from trading in the Company's securities during the period falling two weeks prior to each announcement of financial results for the first three quarters of the financial year and one month prior to each announcement of the full-year financial results. These employees include all Administrative Officers and above, regardless of department or division; and certain other employees in departments which are likely to be privy to confidential material price-sensitive information, including the Offices of the Chief Executive Officer and Senior Vice Presidents, Finance, Corporate, Business Development & Partnership Management, Marketing & Sales 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.

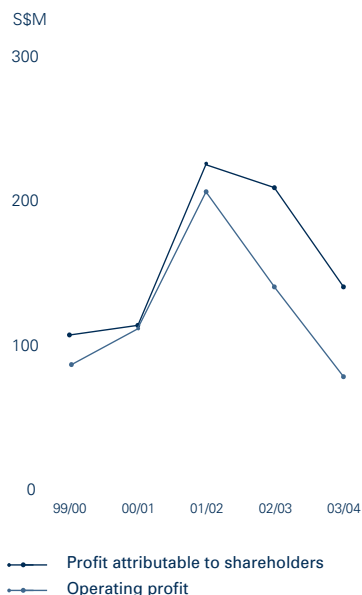
Corporate Governance

The Company's Compliance with The Code

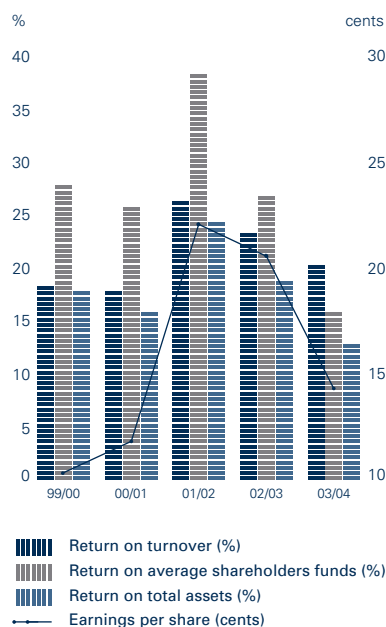
Code Principle	Compliance
1. Every company should be headed by an effective Board to lead and control the company.	✓
2. There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual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

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Group Operating Profit and Profit Attributable to Shareholders



Group Profitability Ratios



EARNINGS

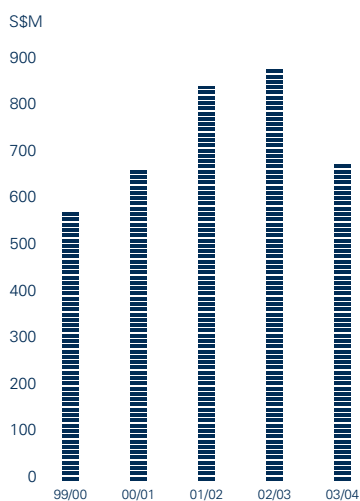
In a year in which the aviation industry suffered from the series of terrorist attacks, war in Iraq and Sars, the group saw its performance significantly affected by low demand and depressed rates. The Group's operating profit for the financial year 2003-04 was \$78.9 million, a decrease of \$62.0 million (-44.0%) from the last financial year. Revenue for the year fell 22.7% to \$678.7 million as a result of the slump in the aviation industry. However, the impact of the decline in revenue was partially mitigated by a fall in operating expenditure of \$137.4 million (-18.6%) to \$599.8 million.

Our associated and joint venture companies were similarly affected by the downturn. Share of profits declined by \$22.0 million (-31.1%) to \$48.8 million. Including share of profits and other non-operating items, profit before tax was \$128.9 million, 40.4% lower than in the last financial year.

Profit attributable to shareholders declined at a lower rate of 31.8% to \$139.9 million. This was mainly due to the reversal of a tax contingency provision amounting to \$21.2 million which is no longer required. The Group's basic earnings per share (based on the weighted average number of ordinary shares in issue) fell 31.7% (-6.5 cents) to 14.0 cents.

The Group's shareholders' funds rose 10.5% to \$925.8 million. Return on average shareholders' funds was 15.9%, a reduction of 11.1 percentage points from 2002-03. Return on turnover was 20.6%, 2.8 percentage points lower, while return on total assets was 12.5%, a decrease of 6.3 percentage points over last year.

Group Revenue



REVENUE

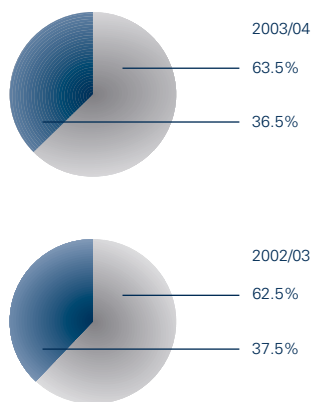
In 2003-04, the Group's revenue was \$678.7 million, down 22.7% (-\$199.4 million) from last year.

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

	\$million
Airframe and component overhaul services	- 117.1
Line maintenance and technical ground handling	- 82.3
	<u>- 199.4</u>

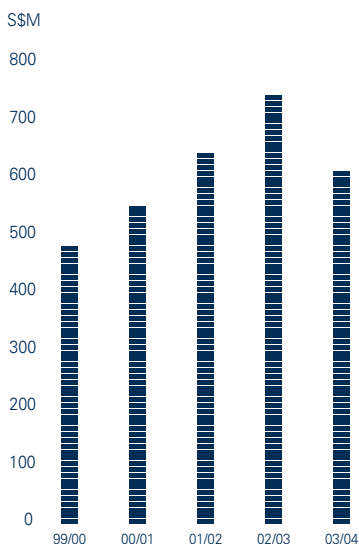
Line maintenance revenue declined by 25.0% to \$247.4 million mainly due to the reduced number of flights handled at Changi Airport, especially during the SARS outbreak at the start of the year. Revenue from airframe and component overhaul work fell by 21.3% to \$431.3 million mainly due to lower demand and depressed rates during the year. Airframe and component overhaul services, and line maintenance and technical ground handling contributed 63.5% and 36.5% respectively to the total revenue of the group.

Group Revenue Composition



	2003/04		2002/03		Change
	S\$M	%	S\$M	%	%
■ Airframe and component overhaul services	431.3	63.5	548.4	62.5	-21.3
■ Line maintenance and technical ground handling	247.4	36.5	329.7	37.5	-25.0
	<u>678.7</u>	<u>100.0</u>	<u>878.1</u>	<u>100.0</u>	<u>-22.7</u>

Group Expenditure



EXPENDITURE

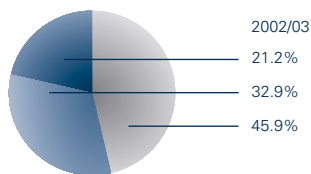
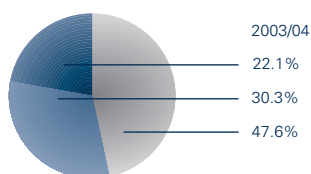
In 2003-04, the Group's expenditure was \$599.8 million, down 18.6% (-\$137.4 million) from the previous year.

The decrease in the Group's expenditure came from:

	\$million
Staff costs	- 52.6
Material costs	- 60.6
Overheads	- 24.2
	- 137.4

Staff costs declined by \$52.6 million (-15.5%), although the accounts have provided for staff to be paid a one-off lump sum payment to make up for the wage cut taken in 2003, plus 15%, and a bonus of 2.05 months of basic salary, in accordance with the profit sharing bonus agreement. Material costs declined by \$60.6 million (-25.0%) in tandem with decreased sales. Overheads fell by \$24.2 million (-15.5%), due mainly to reductions in subcontract costs resulting from improved operational efficiencies and lower workload.

Group Expenditure Composition



	2003/04		2002/03		Change
	S\$M	%	S\$M	%	%
Staff costs	285.8	47.6	338.4	45.9	-15.5
Material costs	181.7	30.3	242.3	32.9	-25.0
Overheads	132.3	22.1	156.5	21.2	-15.5
	599.8	100.0	737.2	100.0	-18.6

SHARE OF RESULTS OF ASSOCIATED COMPANIES AND JOINT VENTURE COMPANIES

Share of profits from associated companies and joint venture companies declined \$22.0 million (-31.1%) to \$48.8 million. This represents 37.9% of the Group's pre-tax profit.

Our 17 associated companies and joint ventures in Singapore, China, Hong Kong, Indonesia, Taiwan and Ireland generated about \$2.0 billion in revenue, with 77% derived from airlines outside the Singapore Airlines Group, and employ about 4,500 staff.

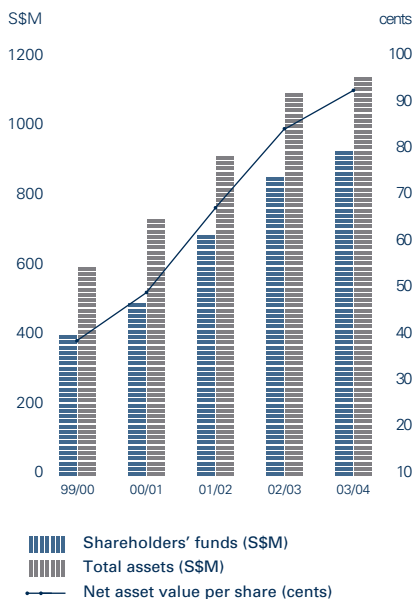
TAXATION

The Group wrote back taxation of \$11.1 million in 2003-04, compared to a provision for taxation of \$11.2 million in 2002-03. This was mainly due to the reversal of a tax contingency provision amounting to \$21.2 million. The provision was made to cover for potential tax liability that might arise from the disposal of fixed assets to Eagle Services Asia Private Limited. Following the closure of this matter during the financial year, the provision is no longer required.

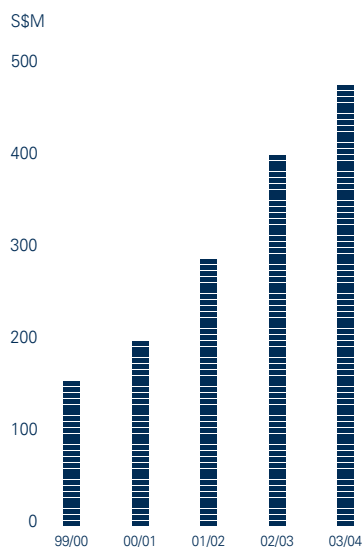
SHARE CAPITAL

During the financial year, the Company issued 4,194,900 new ordinary shares pursuant to the exercise of 4,194,900 share options under the Employee Share Option Plan. The issued and paid-up capital of the Company increased from \$100,043,700 as at 31 March 2003 to \$100,463,190 as at 31 March 2004.

Shareholders Funds, Total Assets and Net Asset Value Per Share



Net Liquid Assets



SHARE OPTIONS

On 1 July 2003, the Company made a fifth grant of share options to employees. 7,526,300 share options were accepted by eligible employees to subscribe for ordinary shares at the price of \$1.75 per share for the exercise period from 1 July 2004 to 30 June 2013. As at 31 March 2004, options to subscribe for 62,637,100 ordinary shares remain outstanding under the Employee Share Option Plan.

DIVIDENDS

A tax exempt interim dividend of 2.0 cents per share, amounting to \$20.1 million, was paid on 28 November 2003.

A final dividend of 22.5 cents per share, comprising a tax exempt ordinary dividend of 2.5 cents per share (amounting to \$25.1 million) and a tax exempt special dividend of 20.0 cents per share (amounting to \$200.9 million), is proposed for 2003-04. Both dividends will be paid on 11 August 2004. This brings the total dividend for 2003-04 to 24.5 cents per share (\$246.1 million).

FINANCIAL POSITION

Shareholders' funds of the Group stood at \$925.8 million at 31 March 2004, an increase of 10.5% (+\$88.1 million) from a year ago.

Correspondingly, the net asset value per share of the Group rose 10.0% (+8.4 cents) to 92.1 cents at 31 March 2004.

Total assets of the Group increased marginally to \$1,120.2 million at the end of the financial year under review.

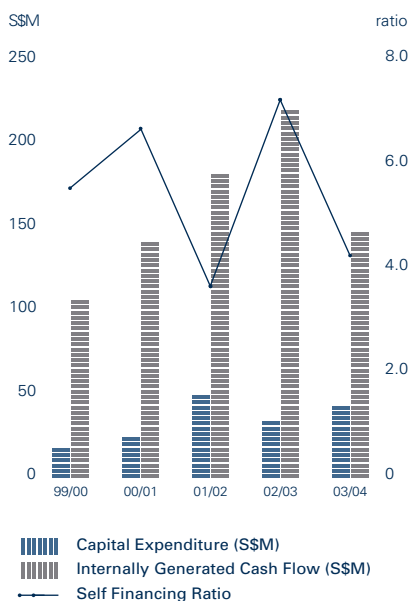
The net liquid assets of the Group increased to \$473.7 million at 31 March 2004, 17.2% (+\$69.5 million) higher than at 31 March 2003.

CAPITAL EXPENDITURE AND CASH FLOW

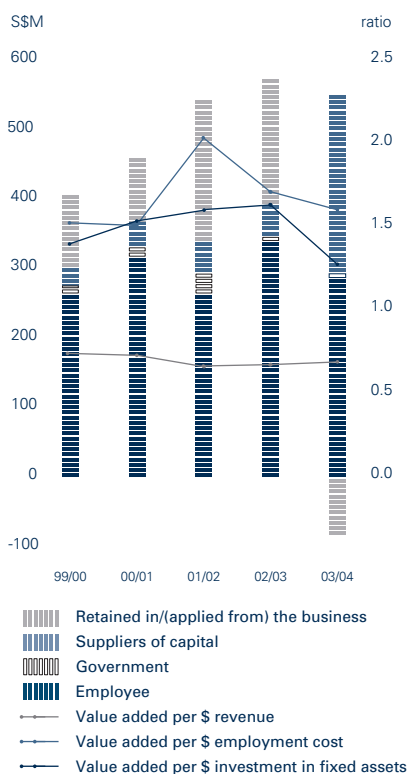
In 2003-04, capital expenditure by the Group was \$35.5 million, 23.3% (+\$6.7 million) higher than in the previous year.

Internally generated cash flow declined by 30.9% (-\$65.7 million) to \$146.8 million. The self financing ratio of cash flow to capital expenditure fell to 4.14 times from 7.38 times last year.

Capital Expenditure, Internally Generated Cash Flow and Self Financing Ratio



Value Added for the Group



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

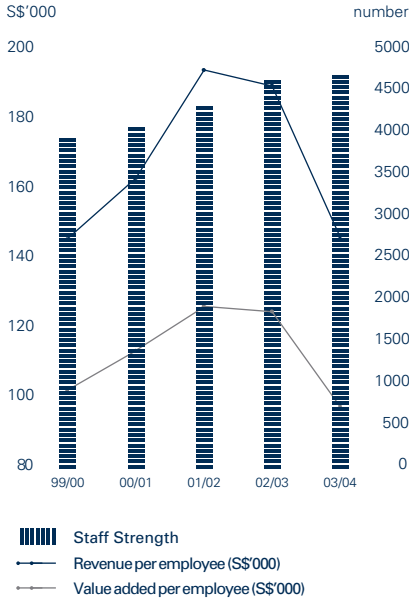
	2003-04	2002-03	2001-02	2000-01	1999-00
Revenue	678.7	878.1	835.6	654.4	567.4
Less:					
Purchase of goods and services	(270.3)	(376.0)	(345.7)	(211.6)	(188.9)
Value added on operations	408.4	502.1	489.9	442.8	378.5
Add:					
Gain on sale of long-term investment	-	-	-	3.0	-
Dividend income from long-term investment	0.4	0.4	-	-	-
Net interest income	3.0	3.7	5.7	7.7	9.5
Surplus on sale of fixed assets	0.8	0.5	1.8	0.1	1.2
Share of profits of associated/joint venture companies	44.1	63.0	38.7	4.4	14.3
Exceptional item	(3.1)	-	-	-	-
Total value added available for distribution	453.6	569.7	536.1	458.0	403.5

Applied as follows:

To employees					
- Salaries and other staff costs	285.8	338.4	266.1	307.6	267.8
To government					
- Corporate taxes	4.9	3.0	25.6	13.8	8.4
To suppliers of capital					
- Ordinary dividends	45.2	38.0	38.7	30.1	22.9
- Special dividends	200.9	-	-	-	-
- Minority interests	0.1	0.1	0.2	(0.1)	-
Retained for future capital requirements/(applied from business)					
- Depreciation	22.9	23.0	21.2	20.8	23.5
- Retained profit	(106.2)	167.2	184.3	85.8	80.9
Total value added	453.6	569.7	536.1	458.0	403.5
Value added per \$ revenue	0.67	0.65	0.64	0.70	0.71
Value added per \$ employment cost	1.59	1.68	2.01	1.49	1.51
Value added per \$ investment in fixed assets	1.25	1.61	1.58	1.52	1.38

Value added is a measure of wealth created. The statement above shows the Group's value added from 1999-2000 to 2003-2004 and its distribution by way of payments to employees, government, and to those who have provided capital. It also indicates the portion retained in the business for future capital requirements or applied from the business.

Group Staff Strength and Indices



STAFF STRENGTH AND INDICES

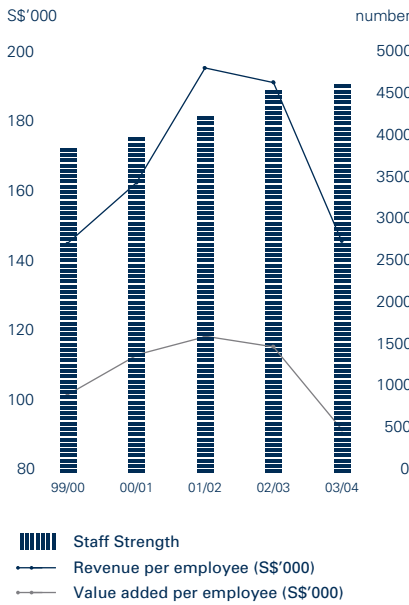
The Company's average staff strength of 4,577 in 2003-04 was little changed from the previous financial year.

	2003-2004	2002-2003	% change
Revenue per employee (\$)	146,547	190,640	-23.1
Value added per employee (\$)	90,881	115,267	-21.2
Staff costs per employee (\$)	61,665	73,595	-16.2
Average number of employees	4,577	4,570	+0.2

The Group's staff strength increased by 28 (+0.6%) to 4,652.

Group revenue per employee decreased by \$44,039 (-23.2%) to \$145,889, while value added per employee dropped \$25,701 (-20.9%) to \$97,508.

Company Staff Strength and Indices



The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2004.

1. Directors of the Company

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

Koh Boon Hwee	- Chairman (appointed on 22 May 2003)
Chew Choon Seng	- Deputy Chairman (appointed on 22 May 2003)
Bey Soo Khiang	
Chew Leng Seng	
Jimmy Phoon	
N Varaprasad	(Independent)
Tan Bian Ee	(Independent) (appointed on 15 April 2004)
Thio Su Mien	(Independent)
Wong Nang Jang	(Independent)
Wong Ngit Liong	(Independent)

2. Directors' Interests In Ordinary Shares, Share Options And Debentures

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

Name of Director	Direct interest			Deemed interest		
	1.4.2003/ date of appointment	31.3.2004	21.4.2004	1.4.2003/ date of appointment	31.3.2004	21.4.2004

Interest in Singapore Airlines Limited

Ordinary shares of \$0.50 each

Chew Choon Seng	214,000	214,000	214,000	-	-	-
Chew Leng Seng	80,000	20,000	20,000	-	-	-
N Varaprasad	2,000	2,000	2,000	-	-	-
Thio Su Mien	-	-	-	2,000	-	-

Options to subscribe for ordinary shares of \$0.50 each

Chew Choon Seng	454,000	606,000	606,000	-	-	-
Bey Soo Khiang	266,000	418,000	418,000	-	-	-
Chew Leng Seng	110,000	110,000	110,000	-	-	-

2. Directors' Interests In Ordinary Shares, Share Options And Debentures (continued)

Name of Director	Direct interest			Deemed interest		
	1.4.2003/ date of appointment	31.3.2004	21.4.2004	1.4.2003/ date of appointment	31.3.2004	21.4.2004
Interest in SIA Engineering Company Limited						
<i>Ordinary shares of \$0.10 each</i>						
Chew Choon Seng	20,000	20,000	20,000	-	-	-
Bey Soo Khiang	13,000	13,000	13,000	-	-	-
Chew Leng Seng	18,000	18,000	18,000	-	-	-
N Varaprasad	5,000	5,000	5,000	-	-	-
Thio Su Mien	13,000	13,000	13,000	-	-	-
Wong Nang Jang	30,000	30,000	30,000	30,000	30,000	30,000
Wong Ngit Liong	13,000	13,000	13,000	-	-	-
<i>Options to subscribe for ordinary shares of \$0.10 each</i>						
Chew Leng Seng	380,000	380,000	380,000	-	-	-
Interest in Singapore Airport Terminal Services Limited						
<i>Ordinary shares of \$0.10 each</i>						
Chew Choon Seng	10,000	10,000	10,000	-	-	-
Bey Soo Khiang	-	-	-	1,000	1,000	1,000
Interest in Singapore Telecommunications Limited						
<i>Ordinary shares of \$0.15 each</i>						
Koh Boon Hwee	31,880	31,880	31,880	1,740	1,740	1,740
Chew Choon Seng	11,880	11,880	11,880	-	-	-
Bey Soo Khiang	1,740	1,740	1,740	1,540	11,740	11,740
Chew Leng Seng	1,740	16,740	16,740	1,690	1,690	1,690
Jimmy Phoon	1,820	1,820	1,820	2,740	2,740	2,740
N Varaprasad	-	-	-	1,740	1,740	1,740
Thio Su Mien	1,740	1,740	1,740	2,540	2,540	2,540
Wong Nang Jang	1,740	1,740	1,740	1,740	1,740	1,740
Wong Ngit Liong	1,540	1,540	1,540	900	900	900
Interest in Singapore Food Industries Limited						
<i>Ordinary shares of \$0.05 each</i>						
Wong Ngit Liong	60,000	60,000	60,000	-	-	-
Interest in SMRT Corporation Limited						
<i>Ordinary shares of \$0.10 each</i>						
Chew Choon Seng	50,000	50,000	50,000	-	-	-
Bey Soo Khiang	3,000	3,000	3,000	3,000	-	-

2. Directors' Interests In Ordinary Shares, Share Options And Debentures (continued)

Name of Director	Direct interest			Deemed interest		
	1.4.2003/ date of appointment	31.3.2004	21.4.2004	1.4.2003/ date of appointment	31.3.2004	21.4.2004
Interest in CapitaLand Limited						
<i>Ordinary shares of \$1.00 each</i>						
Chew Leng Seng	50,000	-	-	2,750	2,750	2,750
N Varaprasad	14,000	3,000	3,000	-	-	-
Wong Nang Jang	-	-	-	12,875	12,875	12,875
Interest in CapitaMall Trust Management Limited						
<i>Ordinary shares of \$1.00 each</i>						
Chew Leng Seng	140,000	154,000	154,000	-	-	-
N Varaprasad	5,000	5,500	5,500	5,000	500	500
Interest in Raffles Holdings Limited						
<i>Ordinary shares of \$0.50 each</i>						
Chew Choon Seng	12,000	12,000	12,000	-	-	-
Interest in Chartered Semiconductor Manufacturing Limited						
<i>Ordinary shares of \$0.26 each</i>						
Bey Soo Khiang	-	-	-	25,000	35,000	35,000
Interest in ST Assembly Test Services Limited						
<i>Ordinary shares of \$0.25 each</i>						
N Varaprasad	1,500	-	-	-	-	-
Interest in ST Engineering Limited						
<i>Ordinary shares of \$0.10 each</i>						
Chew Leng Seng	18,000	-	-	-	-	-
N Varaprasad	-	9,000	9,000	-	-	-
Interest in SembCorp Industries Limited						
<i>Ordinary shares of \$0.25 each</i>						
N Varaprasad	10,000	-	-	-	-	-
Interest in SembCorp Marine Limited						
<i>Ordinary shares of \$0.10 each</i>						
Chew Leng Seng	-	-	-	10,000	10,000	10,000
N Varaprasad	10,000	14,000	14,000	-	-	-

2. Directors' Interests In Ordinary Shares, Share Options And Debentures (continued)

Name of Director	Direct interest			Deemed interest		
	1.4.2003/ date of appointment	31.3.2004	21.4.2004	1.4.2003/ date of appointment	31.3.2004	21.4.2004
Interest in DBS Group Holdings Limited						
<i>Ordinary shares of \$1.00 each</i>						
Chew Leng Seng	-	-	-	3,040	3,040	3,040
Thio Su Mien	-	-	-	2,000	-	-
Interest in Keppel Corporation Limited						
<i>Ordinary shares of \$0.50 each</i>						
N Varaprasad	7,500	8,200	8,200	-	-	-
Wong Nang Jang	2,343	2,343	2,343	-	-	-
Interest in Neptune Orient Lines Limited						
<i>Ordinary shares of \$1.00 each</i>						
N Varaprasad	-	10,000	10,000	-	-	-
Wong Nang Jang	4,000	4,000	4,000	-	-	-

There was no change in any of the above-mentioned interests between the end of the financial year and 21 April 2004.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares and share options in, or debentures of, the Company or any other body corporate, other than pursuant to the SIA Engineering Company Limited Employee Share Option Plan (see Note 4 of this report).

3. Directors' Contractual Benefits

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

4. Options on Shares in the Company

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

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

4. Options on Shares in the Company (continued)

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

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

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

N Varaprasad - Chairman
 Chew Choon Seng (appointed on 22 May 2003)
 Wong Ngit Liong

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

No employee has received 5% or more of the total number of options available under the Plan.

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

During the financial year, in consideration of the payment of \$1.00 for each offer of options accepted, offers of options were granted pursuant to the Plan in respect of 7,526,300 unissued shares of \$0.10 each in the Company at an offering price of \$1.75 per share.

At the end of the financial year, options to take up 62,637,100 unissued shares of \$0.10 each in the Company were outstanding:

Number of unissued ordinary shares of \$0.10 each						
Date of grant	Balance at 1.4.2003/ date of grant	Cancelled	Exercised	Balance at Exercise 31.3.2004	price	Exercisable period
28.03.2000	14,704,750	(257,200)	(3,600)	14,443,950	\$2.05	28.03.2001 - 27.03.2010
03.07.2000	13,727,650	(173,200)	(95,400)	13,459,050	\$1.95	03.07.2001 - 02.07.2010
02.07.2001	15,337,000	(104,000)	(4,095,900)	11,137,100	\$1.41	02.07.2002 - 01.07.2011
01.07.2002	16,531,600	(361,900)	-	16,169,700	\$2.38	01.07.2003 - 30.06.2012
01.07.2003	7,526,300	(99,000)	-	7,427,300	\$1.75	01.07.2004 - 30.06.2013
	<u>67,827,300</u>	<u>(995,300)</u>	<u>(4,194,900)</u>	<u>62,637,100</u>		

4. Options on Shares in the Company (continued)

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

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

5. Audit Committee

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

6. Auditors

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

On behalf of the Board,

KOH BOON HWEE
Chairman

CHEW CHOON SENG
Deputy Chairman

Dated this 10th day of May 2004

Statement by the Directors

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

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

- (a) the accompanying balance sheets and statements of changes in equity, consolidated profit and loss account and consolidated cash flow statement set out on pages 68 to 101 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 2004 and the changes in equity of the Group and of the Company, the results of the business and the cash flows of the Group for the financial year ended on that date; and
- (b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

KOH BOON HWEE
Chairman

CHEW CHOON SENG
Deputy Chairman

Dated this 10th day of May 2004

We have audited the accompanying financial statements of SIA Engineering Company Limited (the "Company") and its subsidiary companies (the "Group") set out on pages 68 to 101 for the year ended 31 March 2004. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn in accordance with the provisions of the Companies Act (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2004, changes in equity of the Group and of the Company, the results and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records (excluding registers) required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Dated this 10th day of May 2004
Singapore

Consolidated Profit and Loss Account

For the financial year ended 31 March 2004 (in thousands of \$)

	Notes	The Group	
		2003-04	2002-03
REVENUE	4	678,676	878,132
EXPENDITURE			
Staff costs	5	285,785	338,404
Material costs		181,657	242,304
Depreciation	14	22,901	22,968
Company accommodation		39,085	39,818
Other operating expenses		70,346	93,698
		<u>599,774</u>	<u>737,192</u>
OPERATING PROFIT	6	78,902	140,940
Interest income	7	3,067	3,738
Interest on external borrowings		(18)	(20)
Surplus on sale of fixed assets		847	506
Dividend from long-term investment		415	434
Share of profits of associated companies		45,944	69,004
Share of profits of joint venture companies		2,861	1,812
		<u>132,018</u>	<u>216,414</u>
PROFIT BEFORE EXCEPTIONAL ITEM			
Exceptional item	8	(3,149)	-
		<u>128,869</u>	<u>216,414</u>
PROFIT BEFORE TAXATION			
TAXATION	9	11,089	(11,171)
		<u>139,958</u>	<u>205,243</u>
PROFIT AFTER TAXATION			
Minority interest		(59)	(57)
		<u>139,899</u>	<u>205,186</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS			
BASIC EARNINGS PER SHARE (CENTS)	10	14.0	20.5
DILUTED EARNINGS PER SHARE (CENTS)	10	13.9	20.4

The notes on pages 73 to 101 form an integral part of these financial statements.

Balance Sheets

As at 31 March 2004 (in thousands of \$)

	Notes	The Group		The Company	
		2004	2003	2004	2003
SHARE CAPITAL					
Authorized	12	300,000	300,000	300,000	300,000
Issued and fully paid	12	100,463	100,044	100,463	100,044
RESERVES					
Distributable					
General reserve		829,335	731,890	742,062	659,255
Foreign currency translation reserve		(10,420)	4,988	69	308
Non-distributable					
Share premium		6,372	823	6,372	823
		825,287	737,701	748,503	660,386
SHARE CAPITAL AND RESERVES		925,750	837,745	848,966	760,430
MINORITY INTEREST		2,071	2,012	-	-
DEFERRED TAXATION	13	11,597	10,715	11,597	10,715
		939,418	850,472	860,563	771,145
Represented by:					
FIXED ASSETS	14	207,403	194,841	203,453	190,615
SUBSIDIARY COMPANIES	15	-	-	5,277	5,277
ASSOCIATED COMPANIES	16	246,446	244,446	164,399	160,725
JOINT VENTURE COMPANIES	17	52,559	52,619	56,599	57,538
LONG-TERM INVESTMENTS	18	17,323	23,599	17,323	23,599
CURRENT ASSETS					
Trade and other debtors	19	37,359	50,546	36,618	49,531
Immediate holding company	20	42,007	58,547	41,892	58,287
Related parties	21	17,654	24,538	16,373	24,553
Term-loan due from an investee company	18	2,258	882	2,258	882
Stocks	22	12,399	13,134	11,828	12,245
Work-in-progress		12,427	27,687	12,258	26,972
Short-term deposits	23	367,560	338,303	367,560	338,303
Cash and bank balances	24	104,807	60,798	103,633	59,616
		596,471	574,435	592,420	570,389
Less:					
CURRENT LIABILITIES					
Trade and other creditors	25	166,185	218,358	165,259	216,838
Bank loans	26	950	950	-	-
Provision for taxation		13,649	20,160	13,649	20,160
		180,784	239,468	178,908	236,998
NET CURRENT ASSETS		415,687	334,967	413,512	333,391
		939,418	850,472	860,563	771,145

The notes on pages 73 to 101 form an integral part of these financial statements.

Statement of Changes in Equity

For the financial year ended 31 March 2004 (in thousands of \$)

	Notes	Share capital	Share premium	Foreign currency translation reserve	General reserve	Total
The Group						
Balance at 31 March 2002		100,000	-	12,991	569,672	682,663
Share options exercised *		44	823	-	-	867
Foreign currency translation differences		-	-	(8,003)	-	(8,003)
Profit attributable to shareholders for the financial year		-	-	-	205,186	205,186
Dividends	11	-	-	-	(42,968)	(42,968)
Balance at 31 March 2003		100,044	823	4,988	731,890	837,745
Share options exercised #		419	5,549	-	-	5,968
Foreign currency translation differences		-	-	(15,408)	-	(15,408)
Profit attributable to shareholders for the financial year		-	-	-	139,899	139,899
Dividends	11	-	-	-	(42,454)	(42,454)
Balance at 31 March 2004		100,463	6,372	(10,420)	829,335	925,750

* 437,000 ordinary shares of \$0.10 par value issued at exercise price of \$1.41, \$1.95 and \$2.05 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by \$44,000 and \$823,000 respectively.

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

The notes on pages 73 to 101 form an integral part of these financial statements.

	Notes	Share capital	Share premium	Foreign currency translation reserve	General reserve	Total
The Company						
Balance at 31 March 2002		100,000	-	800	537,681	638,481
Share options exercised *		44	823	-	-	867
Foreign currency translation differences		-	-	(492)	-	(492)
Profit attributable to shareholders for the financial year		-	-	-	164,542	164,542
Dividends	11	-	-	-	(42,968)	(42,968)
Balance at 31 March 2003		100,044	823	308	659,255	760,430
Share options exercised #		419	5,549	-	-	5,968
Foreign currency translation differences		-	-	(239)	-	(239)
Profit attributable to shareholders for the financial year		-	-	-	125,261	125,261
Dividends	11	-	-	-	(42,454)	(42,454)
Balance at 31 March 2004		100,463	6,372	69	742,062	848,966

* 437,000 ordinary shares of \$0.10 par value issued at exercise price of \$1.41, \$1.95 and \$2.05 each pursuant to the Employee Share Option Plan. Share capital and share premium increased by \$44,000 and \$823,000 respectively.

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

The notes on pages 73 to 101 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the financial year ended 31 March 2004 (in thousands of \$)

	Notes	The Group	
		2003-04	2002-03
NET CASH PROVIDED BY OPERATING ACTIVITIES	27	113,242	181,507
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(35,530)	(28,840)
Proceeds from disposal of fixed assets		213	532
Investments in associated companies		(3,675)	(13,626)
Investments in joint venture companies		-	(8,015)
Repayment of loans by associated companies		5,050	5,152
Repayment of loans by investee companies		4,640	4,279
Dividend received from an investee company		415	434
Dividends from associated companies		27,984	22,424
Proceeds from capital reduction of a joint venture company		2,005	-
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		1,102	(17,660)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options		5,968	867
Dividends paid	11	(42,454)	(42,968)
NET CASH USED IN FINANCING ACTIVITIES		(36,486)	(42,101)
NET CASH INFLOW		77,858	121,746
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		399,101	279,998
Effect of exchange rate changes		(4,592)	(2,643)
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		472,367	399,101
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Short-term deposits	23	367,560	338,303
Cash and bank balances	24	104,807	60,798
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		472,367	399,101

The notes on pages 73 to 101 form an integral part of these financial statements.

1. General

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

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

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

The financial statements for the financial year ended 31 March 2004 were authorized for issue in accordance with a resolution of the directors on 10 May 2004.

2. Accounting Policies

The main accounting policies of the Group, which have been consistently applied, are described in the following paragraphs:

(a) Basis of accounting

The financial statements of the Group and of the Company, which are expressed in Singapore dollars (\$), are prepared under the historical cost convention and in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Companies Act. In the previous years, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard ("SAS"). The transition from SAS to FRS did not result in any significant change in accounting policies.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies for the financial year ended 31 March. A list of the Group's subsidiary companies is shown in note 15 to the financial statements.

(c) Subsidiary, associated and joint venture companies

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

2. Accounting Policies (continued)

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

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

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

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

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

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

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

(d) Goodwill

When subsidiary companies or interests in associated and joint venture companies are acquired, any excess of the consideration over the fair value of the net assets as at the date of acquisition represents goodwill. Goodwill arising from business combinations on or after 1 April 2001 is amortized using the straight-line method over a period not exceeding twenty years. Amortized goodwill arising from acquisition of associated and joint venture companies is reported net against the share of results of associated and joint venture companies. For amortized goodwill on acquisition of subsidiary companies, it is reported as a separate line item after operating profit.

Goodwill arising from business combinations prior to that date has been written-off against Group reserves in the financial year in which it arose. When determining goodwill, assets and liabilities of the acquired interest are translated using the exchange rate at the date of acquisition if the financial statements of the acquired interest are not denominated in Singapore dollars.

2. Accounting Policies (continued)

(e) Foreign currencies

Foreign currency transactions are converted into Singapore dollars at exchange rates which approximate bank rates prevailing at dates of transactions.

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

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

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

(f) Fixed assets

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

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

(g) Depreciation of fixed assets

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

Leasehold land and buildings

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

2. Accounting Policies (continued)

(g) Depreciation of fixed assets (continued)

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 office furniture and equipment, and motor vehicles. These are depreciated over 1 to 7 years.

Fully-depreciated assets are retained in the financial statements until they are no longer in use. No depreciation is charged after assets are depreciated to their residual values.

(h) Investments

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

(i) Stocks

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

(j) Work-in-progress

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

(k) Warranty claims

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

(l) Trade and other debtors

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

2. Accounting Policies (continued)

(m) Cash and bank balances

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

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

For the purposes of the Cash Flow Statements, cash and cash equivalents consist of cash on hand and short-term deposits with immediate holding company and banks, net of outstanding bank overdrafts.

(n) Deferred taxation

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

Additionally the Group's deferred tax liabilities include all taxable temporary differences associated with investments in subsidiary, associated and joint venture companies, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

(o) Loans and borrowings

Loans and borrowings are recognized at cost.

(p) Borrowing costs

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

2. Accounting Policies (continued)

(q) Employee benefits

Equity compensation plan

The Company has in place the SIA Engineering Company Limited Employee Share Option Plan for granting share options to senior executives and all other employees. There are no charges to the profit and loss account upon the grant or exercise of the options. The exercise price approximates the market value of the shares at the date of grant. Details of the plans are disclosed in Note 12 to the financial statements.

Defined contribution plan

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

(r) Trade and other creditors

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

(s) Revenue

Revenue from repair and maintenance of aircraft, engine and component overhaul is recognized based on the percentage of completion of the projects.

(t) Income from investments

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

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

3. Segmental Reporting

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

4. Revenue (in thousands of \$)

Revenue comprised:

	The Group	
	2003-04	2002-03
Airframe and component overhaul services	431,324	548,388
Line maintenance and technical ground handling	247,352	329,744
	<u>678,676</u>	<u>878,132</u>

5. Staff Costs (in thousands of \$)

	The Group	
	2003-04	2002-03
<i>Staff costs</i>		
Salary, bonuses and other costs	261,677	308,298
CPF contributions	24,108	30,106
	<u>285,785</u>	<u>338,404</u>
Number of employees at 31 March	<u>4,491</u>	<u>4,813</u>

6. Operating Profit (in thousands of \$)

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

	The Group	
	2003-04	2002-03
Bad debts recovered	(607)	(1,601)
Consultancy fee paid to a director	23	276
Emoluments for directors:		
- of the Company	380	344
- of the subsidiary companies	7	7
- write-back of directors' fees waived by the directors in 2002-03	(176)	-
Exchange losses, net	8,800	5,567
Operating lease expenses	113	113
Professional fee paid to a firm in which a director is a member	10	27
Provision for obsolete stocks, net	1,525	1,691
Provision/(write-back) for warranty claims, net	1,380	(147)
Remuneration for auditors of the Company		
- Audit fees	117	117
- Non-audit fees	183	356
Provision for doubtful debts, net	<u>683</u>	<u>4,344</u>

7. Interest Income (in thousands of \$)

	The Group	
	2003-04	2002-03
Deposits placed with immediate holding company	2,260	2,310
Deposits placed with banks	433	714
Loans to associated companies	52	198
Loans to long-term investee companies	84	227
Staff loans	238	289
	3,067	3,738

8. Exceptional Item

This relates to the retrenchment and early retirement cost.

9. Taxation (in thousands of \$)

	The Group	
	2003-04	2002-03
<i>Current taxation</i>		
Provision for the year	(11,294)	(12,456)
Over provision in relation to prior years	7,211	4,639
Share of associated companies' taxation	(5,150)	(8,128)
Share of joint venture companies' taxation	4	(4)
Reversal of tax contingency no longer required	21,200	-
	11,971	(15,949)
<i>Deferred taxation</i>		
(Provision)/write-back for the year	(1,865)	2,025
Adjustment for reduction in Singapore corporate tax rate	983	2,753
	11,089	(11,171)

During the financial year, the Company reversed a tax contingency provision amounting to \$21,200,000. The provision was made to cover for potential tax liability that might arise at the time when the Company disposed of certain fixed assets from its Engine Overhaul Division to Eagle Services Asia Private Limited ("ESA") and the subsequent divestment of 51% interest in ESA to Pratt & Whitney. Following the closure of this matter during the financial year, the provision is no longer required.

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

9. Taxation (in thousands of \$) (continued)

On 3 December 2003, the Company was granted a 10-year Development and Expansion Incentive (Relief from Income Tax), subject to the Company complying with the conditions imposed by the law. A concessionary tax rate of 10% shall be imposed on qualifying income in excess of the base defined. The base, as well as any income from non-qualifying activities, shall be taxed at the prevailing corporate tax rate. This incentive will commence on 1 June 2004, after the expiry of its expansion incentive under the Economic Expansion Incentive (Relief from Income Tax) on 31 May 2004.

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

	<u>The Group</u>	
	2003-04	2002-03
Profit before taxation	128,869	216,414
Taxation at statutory tax rate of 20.0% (2003: 22%)	(25,774)	(47,611)
<i>Adjustment</i>		
Income not subject to tax	8,359	28,628
Expenses not deductible for tax purposes	(1,069)	(1,067)
Lower effective tax rates of other countries	1,667	2,499
Over provision in relation to prior years	7,211	4,639
Effects of change in statutory tax rate	983	2,753
Reversal of tax contingency no longer required	21,200	-
Others	(1,488)	(1,012)
	<u>11,089</u>	<u>(11,171)</u>

10. Earnings per Share

	<u>The Group</u>	
	2003-04	2002-03
Profit attributable to shareholders (in thousands of \$)	139,899	205,186
Weighted average number of ordinary shares in issue used for computing basic earnings per share	1,002,760,767	1,000,315,983
Adjustment for share options	3,315,383	4,646,564
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	<u>1,006,076,150</u>	<u>1,004,962,547</u>
Basic earnings per share (cents)	<u>14.0</u>	<u>20.5</u>
Diluted earnings per share (cents)	<u>13.9</u>	<u>20.4</u>

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

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the effects of dilutive options.

Notes to the Financial Statements

31 March 2004

11. Dividends Paid and Proposed (in thousands of \$)

	<u>The Group and Company</u>	
	2003-04	2002-03
Dividends Paid:		
Final dividend of 2.5 cents per share (1.2 cents per share less 22.0% tax and 1.3 cents tax exempt) in respect of previous financial year (2003: 1.2 cents per share less 22.0% tax and 1.8 cents tax exempt)	22,371	27,361
Interim dividend of 2.0 cents per share tax exempt (2003: 2.0 cents per share less 22.0% tax)	20,083	15,607
	<u>42,454</u>	<u>42,968</u>

The directors propose a final dividend of 22.5 cents per share, comprising a tax exempt ordinary dividend of 2.5 cents per share, amounting to approximately \$25,116,000 (2003: \$22,371,000) and a tax exempt special dividend of 20.0 cents per share, amounting to approximately \$200,926,000 (2003: nil), to be paid for the financial year ended 31 March 2004.

12. Share Capital (in thousands of \$)

	<u>The Group and Company</u>	
	2004	31 March 2003
Authorized:		
Ordinary shares 3,000,000,000 of \$0.10 each	300,000	300,000
Issued and fully paid:		
Balance at 1 April 1,000,437,000 of \$0.10 each (2003: 1,000,000,000 of \$0.10 each)	100,044	100,000
4,194,900 (2003: 437,000 of \$0.10 each) share options exercised during the year	419	44
Balance at 31 March 1,004,631,900 of \$0.10 each (2003: 1,000,437,000 of \$0.10 each)	<u>100,463</u>	<u>100,044</u>

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

During the financial year, in consideration of the payment of \$1.00 for each offer of options accepted, options were granted pursuant to the Plan in respect of 7,526,300 unissued shares of \$0.10 each in the Company at an offering price of \$1.75 per share.

12. Share Capital (in thousands of \$) (continued)

Share Option Plan

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

Under the Plan, all options to be issued will have a term no longer than 10 years from the date of grant. The exercise price of the option will be the average of the closing prices of the Company's ordinary shares on the 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:

	2003-04	2002-03
Outstanding at 1 April	60,301,000	44,578,400
Granted	7,526,300	16,594,800
Exercised *	(4,194,900)	(437,000)
Cancelled	(995,300)	(435,200)
Outstanding at 31 March	62,637,100	60,301,000
Exercisable at 31 March	38,252,435	27,867,861

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

(In thousands of \$)	2003-04	2002-03
Aggregate proceeds from shares issued	5,968	867

Details of share options granted during the financial year:

	2003-04	2002-03
Expiry date	30.06.2013	30.06.2012
Exercise price	\$1.75	\$2.38

12. Share Capital (in thousands of \$) (continued)

Terms of share options outstanding as at 31 March 2004:

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	13,477,913	13,477,913
28.03.2003 - 27.03.2010	2.05	322,012	322,012
28.03.2004 - 27.03.2010	2.05	322,013	322,013
03.07.2001 - 02.07.2010	1.95	561,886	561,886
03.07.2002 - 02.07.2010	1.95	11,773,388	11,773,388
03.07.2003 - 02.07.2010	1.95	561,886	561,886
03.07.2004 - 02.07.2010	1.95	561,890	-
02.07.2002 - 01.07.2011	1.41	739,100	739,100
02.07.2003 - 01.07.2011	1.41	8,852,900	8,852,900
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	1,304,125	1,304,125
01.07.2004 - 30.06.2012	2.38	13,171,725	-
01.07.2005 - 30.06.2012	2.38	846,925	-
01.07.2006 - 30.06.2012	2.38	846,925	-
01.07.2004 - 30.06.2013	1.75	342,325	15,200
01.07.2005 - 30.06.2013	1.75	6,430,725	-
01.07.2006 - 30.06.2013	1.75	327,125	-
01.07.2007 - 30.06.2013	1.75	327,125	-
Total number of options granted	@	62,637,100	38,252,435

@ The total number of options outstanding includes:

- (a) 5,098,400 share options not exercised by employees who have retired or ceased to be employed by the Company or any of the subsidiary companies by reason of (i) ill health, injury or disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of 5 years from the date of retirement or cessation of employment, whichever is earlier; and
- (b) 547,600 share options not exercised by employees who have completed their fixed term contracts during the financial year. The said options, if unvested, shall immediately vest and be exercisable from the date of cessation of employment to the date falling 1 year from the date of cessation of employment.

13. Deferred Taxation (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Balance at 1 April	10,715	14,162	10,715	13,937
Provision/(write-back) for the year	1,865	(2,025)	1,865	(1,800)
Adjustment for reduction in Singapore corporate tax rate	(983)	(1,422)	(983)	(1,422)
Balance at 31 March	11,597	10,715	11,597	10,715
The deferred taxation arises as a result of:				
Excess of net book value over tax				
written-down value of fixed assets	14,288	14,913	14,288	14,913
Other timing differences	(2,691)	(4,198)	(2,691)	(4,198)
	11,597	10,715	11,597	10,715

14. Fixed Assets (in thousands of \$)

	Balance at 1 April 2003	Additions	Disposals/ Transfers	Balance at 31 March 2004
Group				
Cost				
Leasehold land and buildings	137,805	1,832	-	139,637
Plant, equipment and tooling	175,706	9,506	(4,183)	181,029
Engine overhaul tooling	4,470	103	-	4,573
Office furniture and equipment	29,846	2,965	(783)	32,028
Motor vehicles	6,107	158	(196)	6,069
	353,934	14,564	(5,162)	363,336
Advance and progress payments	22,487	20,966	(648)	42,805
	376,421	35,530	(5,810)	406,141
Accumulated depreciation				
Leasehold land and buildings	35,181	4,698	-	39,879
Plant, equipment and tooling	121,954	13,330	(4,301)	130,983
Engine overhaul tooling	1,546	888	-	2,434
Office furniture and equipment	18,582	3,460	(1,311)	20,731
Motor vehicles	4,317	525	(131)	4,711
	181,580	22,901	(5,743)	198,738
Net book value	194,841			207,403

14. Fixed Assets (in thousands of \$) (continued)

Details of leasehold land and buildings are as follows:

Description	Land Area/ Gross Floor Area	Title
(i) Hangar 2 at 31 Airline Road, Singapore	13,759 sqm/44,510 sqm	Leasehold, 48 years commencing 9 January 1992
(ii) Hangar 3 at 21 Airline Road, Singapore	10,047 sqm/12,444 sqm	Leasehold, 37 years commencing 12 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
(v) Hangar 4 at Airline Road, Singapore	7,650 sqm/8,783 sqm	Leasehold, 35 years commencing 15 November 2002
(vi) Hangar 5 at Airline Road, Singapore	7,650 sqm/10,392 sqm	Leasehold, 35 years commencing 15 November 2002

15. Subsidiary Companies (in thousands of \$)

	The Company	
	2004	2003
Unquoted shares, at cost	5,277	5,277
Term-loan to a subsidiary company	-	106
Less: Current portion of term-loan due within 12 months (Note 21)	-	(106)
	<u>5,277</u>	<u>5,277</u>

The term-loan to SIAEC Services Pte Ltd is unsecured and bears interest between 1.4% and 1.6% (2003: 1.6% and 2.1%) 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 was repaid in December 2003. The loan forms part of the Company's loan to its associated company, Eagle Services Asia Private Limited (see Note 16).

Notes to the Financial Statements

31 March 2004

15. Subsidiary Companies (in thousands of \$) (continued)

Details of the subsidiary companies at 31 March 2004 are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2004	2003	2004	2003
Singapore Jamco Pte Ltd *	Manufacturing aircraft cabin equipment and refurbishment of aircraft galleys	Singapore	3,816	3,816	65.0	65.0
SIAEC Services Pte Ltd *	Investment holding	-do-	1,461	1,461	100.0	100.0
SIAEC Global Pte Ltd *	Investment holding	-do-	#	#	100.0	100.0

* Audited by Ernst & Young, Singapore

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

16. Associated Companies (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Unquoted shares, at cost	165,860	162,185	164,399	160,725
Share of post-acquisition profits	114,307	102,783	-	-
Goodwill written-off	(24,095)	(24,095)	-	-
Goodwill amortized	(727)	(312)	-	-
Translation adjustment	(8,899)	3,885	-	-
	246,446	244,446	164,399	160,725

During the financial year, SIA Engineering Company and PT Jasa Angkasa Semesta incorporated a company, PT Jas Aero-Engineering Services. SIAEC injected \$3.7 million for its 49.0% equity interest in PT Jas Aero-Engineering Services.

16. Associated Companies (in thousands of \$) (continued)

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

	<u>The Group</u>	
	<u>31 March</u>	
	2004	2003
Goodwill		
Balance at 1 April	28,249	24,095
Additions during the financial year	-	4,154
Balance at 31 March	<u>28,249</u>	<u>28,249</u>
Goodwill written-off		
Balance at 1 April and 31 March	<u>(24,095)</u>	<u>(24,095)</u>
Amortization of goodwill		
Balance at 1 April	(312)	-
Charge to profit and loss	(415)	(312)
Balance at 31 March	<u>(727)</u>	<u>(312)</u>
Carrying value at 31 March	<u>3,427</u>	<u>3,842</u>

	<u>The Group</u>		<u>The Company</u>	
	<u>31 March</u>		<u>31 March</u>	
	2004	2003	2004	2003
Term-loan receivable from				
Eagle Services Asia Pte Ltd	-	5,186	-	5,080
Less: Current portion due within 12 months (Note 21)	-	(5,186)	-	(5,080)
Non-current portion due later than 12 months	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The term-loan due from an associated company, Eagle Services Asia Private Limited, is unsecured and bears interest at between 1.4% and 1.6% (2003: 1.6% and 2.1%) 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 (see Note 15), 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 was repaid in December 2003.

16. Associated Companies (in thousands of \$) (continued)

Details of the associated companies at 31 March 2004 are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2004	2003	2004	2003
Asian Compressor Technology Services Co Ltd #	Research and development, manufacture and repair of aircraft engines and compressors	Taiwan	4,104	4,104	24.5	24.5
Asian Surface Technologies Pte Ltd ##	Repair of aircraft fan blades and supply of wear-resistance coating	Singapore	6,376	6,376	29.0	29.0
Combustor Airmotive Services Pte Ltd ##	Servicing of aircraft engines and sale of aircraft engines and part	-do-	3,011	3,011	49.0	49.0
Eagle Services Asia Private Limited ##	Repair and overhaul of aircraft engines	-do-	71,588	71,588	49.0	49.0
Fuel Accessory Service Technologies Pte Ltd ##	Repair and overhaul of engine fuel components and accessories	-do-	5,071	5,071	49.0	49.0
International Aerospace Tubes - Asia Pte Ltd ##	Repair of tubes, ducts and manifolds for aircraft engines and airframe application	-do-	3,583	3,583	33.3	33.3
Messier Services Asia Private Limited @	Repair and overhaul of Boeing and Airbus series landing gears	Singapore	13,971	13,971	40.0	40.0
Pan Asia Pacific Aviation Services Ltd *	Operation of aircraft maintenance facilities	Hong Kong	5,373	5,373	47.1	47.1
PT Jas Aero-Engineering Services @@	Operation of aircraft maintenance facilities	Indonesia	3,675	-	49.0	-
PWA International Limited ###	Re-manufacture of aircraft turbine engine cases, component thereof and related parts	Ireland	6,217	6,217	49.0	49.0

16. Associated Companies (in thousands of \$) (continued)

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2004	2003	2004	2003
Rohr Aero Services-Asia Pte Ltd **	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	Singapore	37,220	37,220	40.0	40.0
Turbine Coating Services Private Limited ##	Repair of PW4000 turbine airfoils	Singapore	5,671	5,671	24.5	24.5

Audited by PriceWaterhouseCoopers, Taiwan
Audited by PriceWaterhouseCoopers, Singapore
Audited by PriceWaterhouseCoopers, Ireland
@ Audited by Deloitte & Touche, Singapore
@@ Audited by Deloitte & Touche, Indonesia
* Audited by Ernst & Young, Hong Kong
** Audited by Ernst & Young, Singapore

17. Joint Venture Companies (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Unquoted shares, at cost	56,599	57,538	56,599	57,538
Share of post acquisition losses	(2,451)	(5,714)	-	-
Translation adjustment	(1,589)	795	-	-
	52,559	52,619	56,599	57,538

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

	The Group	
	31 March	
	2004	2003
Revenue	126,259	92,611
Expenditure	123,398	(90,799)
Profit before taxation	2,861	1,812
Tax recovery/(provision)	4	(4)
	2,865	1,808

Notes to the Financial Statements

31 March 2004

17. Joint Venture Companies (in thousands of \$) (continued)

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

	The Group	
	31 March	
	2004	2003
Fixed and other assets	53,195	49,200
Current assets	65,899	40,833
Current liabilities	(22,970)	(12,099)
Long-term liabilities	(43,565)	(25,315)
	<u>52,559</u>	<u>52,619</u>

Details of the joint venture companies at 31 March 2004 are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2004	2003	2004	2003
International Engine Component Overhaul Pte Ltd *	Repair of nozzle guide vanes and compressor stators of Rolls-Royce RB 211 and Trent aero-engines and other aircraft components	Singapore	10,067	11,006	50.0	50.0
Singapore Aero Engine Services Pte Ltd *	Repair and maintenance of Trent aero-engines	-do-	46,532	46,532	50.0	50.0

* Audited by Ernst & Young, Singapore

During the financial year, International Engine Component Overhaul Pte Ltd returned \$939,000 pursuant to a capital reduction exercise.

18. Long-term Investments (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Unquoted equity investments, at cost	17,323	17,323	17,323	17,323
Loans to investee companies	2,258	7,158	2,258	7,158
	<u>19,581</u>	<u>24,481</u>	<u>19,581</u>	<u>24,481</u>
Less: Current portion of loans due within 12 months	(2,258)	(882)	(2,258)	(882)
	<u>17,323</u>	<u>23,599</u>	<u>17,323</u>	<u>23,599</u>

18. Long-term Investments (in thousands of \$) (continued)

The Company holds a 5.0% (2003: 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% (2003: 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 loans which are non-trade related, comprise:

- (a) Loan to Taikoo (Xiamen) Aircraft Engineering Company Limited of US\$500,000 as at 31 March 2003 was unsecured and interest free. The loan was fully repaid during the financial year; and
- (b) Shareholders' loan to Hong Kong Aero Engine Services Limited of US\$1,347,243 (2003: US\$3,557,510 interest bearing) is unsecured and bears interest between 0.6% and 1.9% (2003: 1.9% and 2.8%) per annum. The loan has no fixed repayment term.

19. Trade and Other Debtors (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Trade debtors	24,469	29,613	23,799	28,617
Other debtors	12,890	20,933	12,819	20,914
	37,359	50,546	36,618	49,531

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

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Balance at 1 April	10,492	6,148	10,492	6,148
Charge to profit and loss, net	683	4,344	683	4,344
Provision utilized during the year	(1,256)	-	(1,256)	-
Balance at 31 March	9,919	10,492	9,919	10,492
Bad debts recovered directly taken to profit and loss	(607)	(1,601)	(607)	(1,601)

19. Trade and Other Debtors (in thousands of \$) (continued)

Other debtors consist of:

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Staff loans and advances	5,683	7,475	5,683	7,475
Deposits and prepayments	1,210	535	1,173	516
Amounts rechargeable to customers	2,615	3,869	2,615	3,869
Others	3,382	9,054	3,348	9,054
	12,890	20,933	12,819	20,914

Included in staff loans are loans to the Company's staff who are directors of its subsidiary companies, amounting to approximately \$56,000 (2003: \$123,000). These loans have been granted in accordance with schemes approved by the shareholders of the Company.

20. Immediate Holding Company

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

21. Related Parties (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Amounts receivable on current account	17,654	19,352	16,373	19,367
Current portion of term-loan due from a subsidiary company (Note 15)	-	-	-	106
Current portion of term-loan due from an associated company (Note 16)	-	5,186	-	5,080
	17,654	24,538	16,373	24,553

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

22. Stocks (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Aircraft and component spares	11,698	12,101	11,698	12,101
Raw materials	571	889	-	-
Consumable stores and stocks	130	144	130	144
	<u>12,399</u>	<u>13,134</u>	<u>11,828</u>	<u>12,245</u>

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

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Balance at 1 April	4,137	2,471	4,065	2,469
Charge to profit and loss, net	1,525	1,691	1,462	1,596
Provision utilized during the year	(105)	(25)	-	-
Balance at 31 March	<u>5,557</u>	<u>4,137</u>	<u>5,527</u>	<u>4,065</u>

Stocks are stated at:

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Cost	701	144	130	144
Net realizable value	<u>11,698</u>	<u>12,990</u>	<u>11,698</u>	<u>12,101</u>
	<u>12,399</u>	<u>13,134</u>	<u>11,828</u>	<u>12,245</u>

23. Short-Term Deposits (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Deposits placed with the immediate holding company	365,451	336,101	365,451	336,101
Fixed deposits placed with banks	2,109	2,202	2,109	2,202
	<u>367,560</u>	<u>338,303</u>	<u>367,560</u>	<u>338,303</u>

Funds surplus to the Company's working capital requirements are placed in short-term deposits with the immediate holding company and external financial institutions. These deposits earn interest ranging from 0.4% to 1.2% (2003: 0.6% to 1.8%) per annum and can be withdrawn on demand.

Notes to the Financial Statements

31 March 2004

24. Cash and Bank Balances

These balances are placed in interest bearing current accounts earning interest ranging from 0.4% to 1.0% (2003: 0.1% to 1.5%) per annum.

25. Trade and Other Creditors (in thousands of \$)

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Trade	93,319	88,190	92,966	87,064
Accruals	70,735	129,081	70,164	128,689
Provision for warranty claims	2,129	1,085	2,129	1,085
Sundry	2	2	-	-
	<u>166,185</u>	<u>218,358</u>	<u>165,259</u>	<u>216,838</u>

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

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Balance at 1 April	1,085	1,232	1,085	1,232
Charge/(write-back) to profit and loss, net	1,380	(147)	1,380	(147)
Provision utilized during the year	(336)	-	(336)	-
Balance at 31 March	<u>2,129</u>	<u>1,085</u>	<u>2,129</u>	<u>1,085</u>

26. Bank loans (in thousands of \$)

	The Group	
	31 March	
	2004	2003
Revolving credit facility	<u>950</u>	<u>950</u>

The revolving credit facility taken by Singapore Jamco Pte Ltd is unsecured and bears interest between 1.8% and 2.0% (2003: 1.8% and 2.1%) per annum.

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

	The Group	
	2003-04	2002-03
Profit before taxation	128,869	216,414
Adjustment for:		
Interest income	(3,067)	(3,738)
Interest expense	18	20
Depreciation of fixed assets	22,901	22,968
Share of profits of associated/joint venture companies	(48,805)	(70,816)
Dividend income from an investee company	(415)	(434)
Surplus on sale of fixed assets	(847)	(506)
Exchange differences	8,800	5,567
Operating profit before working capital changes	107,454	169,475
Decrease in debtors	7,545	376
Decrease/(increase) in stocks/work-in-progress	15,997	(13,682)
(Decrease)/increase in creditors	(30,973)	39,563
Decrease/(increase) in amounts owing from related companies	18,586	(6,145)
Cash generated from operations	118,609	189,587
Interest received from deposits	2,876	3,726
Interest paid	(18)	(20)
Income taxes paid	(8,225)	(11,786)
Net cash provided by operating activities	113,242	181,507

28. Capital and Other Commitments (in thousands of \$)

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

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Capital call in associated/joint venture companies	-	3,528	-	3,528
Commitments in respect of contracts placed for purchase of fixed assets	98,263	109,156	98,263	109,156
Other amounts approved by directors but not committed, for the purchase of fixed assets	63,600	80,400	63,600	80,400
	161,863	193,084	161,863	193,084

28. Capital and Other Commitments (in thousands of \$) (continued)

(b) The Group's share of capital expenditure commitments of a joint venture company:

	The Group	
	31 March	
	2004	2003
Authorized and contracted for	1,083	2,902

The commitments relate principally to the acquisition of fixed assets.

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

	The Group	
	31 March	
	2004	2003
Within one year	170	180
After one year but less than 5 years	472	558
More than 5 years	1,697	2,090
	2,339	2,828

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

29. Contingent Liabilities, Unsecured (in thousands of \$)

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

	The Group		The Company	
	31 March		31 March	
	2004	2003	2004	2003
Guarantees given to banks in connection with credit facilities granted to an associated company	1,068	1,124	1,068	1,124
Bankers guarantees given with respect to securing foreign work permits for staff and their accommodation	145	401	80	310
Bankers guarantees given with respect to the development of Hangar 4 & 5 and lease of premises	543	536	543	536
Performance bond given to immediate holding company	24	11	-	-
Performance bond given to a third party customer	1,626	1,711	1,626	1,711
	3,406	3,783	3,317	3,681

29. Contingent Liabilities, Unsecured (in thousands of \$) (continued)

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\$8.3 million), and is fully covered by insurance. The Directors are of the opinion that based on information made available up to the date of this report, the matter is not likely to have a material adverse effect on the result of the Company or its liquidity. In view of the foregoing, no provision for the claim has been made in the financial statements.

30. Financial Instruments

Financial risk management objectives and policies

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

Financial risk management policies are periodically 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 recognized financial assets is the carrying amount of those assets as indicated in the balance sheet as of 31 March 2004.

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 2004, the only trade debtor exceeding 10% of the Group's trade debtors was an amount of \$42,007,000 (2003: \$58,547,000) 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 the immediate holding company and banks and loan to investee company.

Foreign currency risk

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

30. Financial Instruments (continued)

Foreign currency risk (continued)

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.

It is not practicable to determine with sufficient reliability without incurring excessive costs, the fair value of unquoted investments as they do not have quoted market prices in an active market nor are other methods of reasonably estimating the fair values readily available. As such, the fair value of these investments is based on either acquisition cost or the attributable net assets of those corporations.

31. Related Parties Transactions

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

(in thousands of \$)	The Group		The Company	
	2003-04	2002-03	2003-04	2002-03
Income				
Sales of services and related materials to the immediate holding and related companies	532,763	722,297	528,668	720,513
Rental of office space charged to the immediate holding company	2,075	2,001	2,075	2,001
Interest income from the immediate holding company	2,260	2,310	2,260	2,310
Equipment fee charged to the immediate holding company	6,472	6,202	6,472	6,202
Sales of services and related materials to associated companies	1,736	1,808	1,736	1,808
Sales of services and related materials to joint venture companies`	3,949	4,894	3,949	4,894
Sales of services and related materials to a related party	-	182	-	182

31. Related Parties Transactions (continued)

(in thousands of \$)	The Group		The Company	
	2003-04	2002-03	2003-04	2002-03
Expense				
Management fees charged by the immediate holding company for corporate, general and administrative, technical and insurance services and equipment leases	11,424	8,618	11,424	8,618
Rental of workshop and office space charged by the immediate holding company	24,924	25,621	24,924	25,621
Purchases of materials from the immediate holding company	173,143	237,388	173,143	237,388
Purchases of goods from associated companies	5,771	1,701	5,771	1,701
Services rendered by the immediate holding company	6,317	7,537	6,317	7,537
Services rendered by a related company	2,032	1,825	2,032	1,825

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

Directors' fees amounted to \$377,086 (2003: \$341,447). Key executives' remuneration other than the executive directors totalled to approximately \$1,407,000 (2003: \$1,496,000).

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

Name of participant	Options granted during financial year under review	Exercise price for options granted during financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Options lapsed	Aggregate options outstanding at end of financial year under review
Chew Leng Seng	-	-	380,000	-	-	380,000
William Tan	79,000	\$1.75	839,000	-	-	839,000
Oh Wee Khoo	96,500	\$1.75	590,500	-	-	590,500
Chan Seng Yong	96,500	\$1.75	513,225	-	-	513,225
Png Kim Chiang	96,500	\$1.75	403,200	-	-	403,200

1. Directors' Emoluments

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

	<u>The Company</u>	
	2003-04	2002-03
\$500,000 and above	-	-
\$250,000 - \$499,999	-	1
Below \$250,000	10	8
	<u>10</u>	<u>9</u>

The directors' emoluments for the financial year ended 31 March 2004 include directors' fees of \$377,086, which is derived using the following rates:

	<u>The Company</u>
	2003-04
(In thousands of \$)	
<i>Type of Appointment</i>	
(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 Persons Transactions (in thousands of \$)

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

Name of interested person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
NCS Communications Engineering Pte Ltd	-	493
Senoko Energy Supply Pte Ltd	-	1,624
Singapore Airlines Limited and its associates	-	29,553
Total	<u>-</u>	<u>31,670</u>

Quarterly Results of the Group

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue:						
2003-2004	(\$million)	169.5	156.5	161.3	191.4	678.7
	(%)	25.0	23.0	23.8	28.2	100.0
2002-2003	(\$million)	213.8	212.6	233.0	218.7	878.1
	(%)	24.4	24.2	26.5	24.9	100.0
Expenditure:						
2003-2004	(\$million)	153.8	124.4	136.7	184.9	599.8
	(%)	25.7	20.7	22.8	30.8	100.0
2002-2003	(\$million)	182.1	172.1	197.2	185.8	737.2
	(%)	24.7	23.3	26.8	25.2	100.0
Operating profit:						
2003-2004	(\$million)	15.7	32.1	24.6	6.5	78.9
	(%)	19.9	40.7	31.2	8.2	100.0
2002-2003	(\$million)	31.7	40.5	35.8	32.9	140.9
	(%)	22.5	28.7	25.4	23.4	100.0
Profit before taxation:						
2003-2004	(\$million)	25.8	46.0	37.1	20.0	128.9
	(%)	20.0	35.7	28.8	15.5	100.0
2002-2003	(\$million)	49.8	61.5	52.7	52.4	216.4
	(%)	23.0	28.4	24.4	24.2	100.0
Profit after taxation:						
2003-2004	(\$million)	22.9	38.3	37.9	40.9	140.0
	(%)	16.4	27.3	27.1	29.2	100.0
2002-2003	(\$million)	47.1	54.2	52.2	51.7	205.2
	(%)	23.0	26.4	25.4	25.2	100.0
Earnings (after tax) per share:						
2003-2004	(cents)	2.3	3.8	3.8	4.1	14.0
	(%)	16.5	27.1	27.1	29.3	100.0
2002-2003	(cents)	4.7	5.4	5.2	5.2	20.5
	(%)	22.9	26.3	25.4	25.4	100.0

Five-Year Financial Summary of the Group

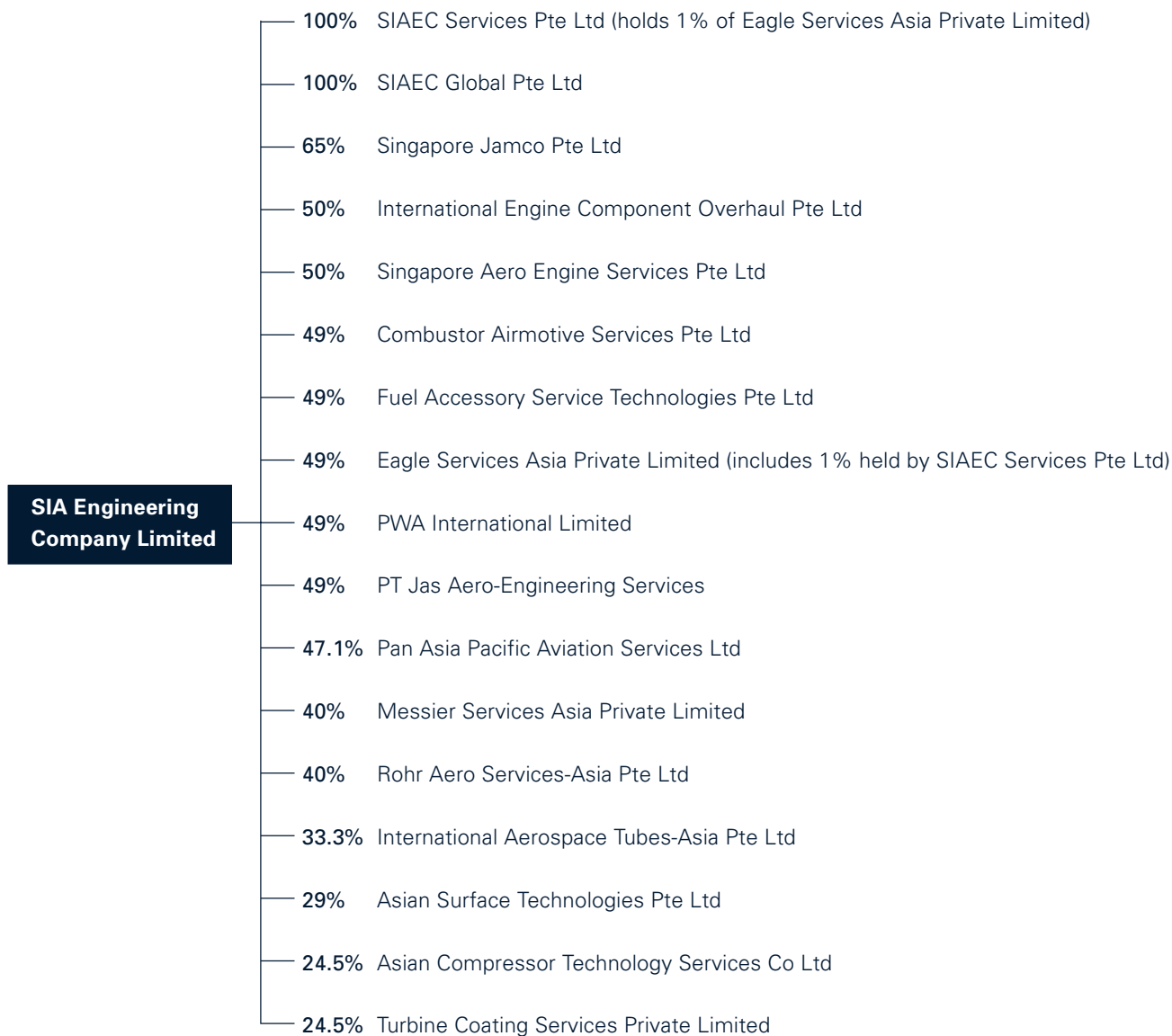
	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Profit and loss account (S\$ million)					
Revenue	678.7	878.1	835.6	654.4	567.4
Expenditure	599.8	737.2	631.9	539.9	480.1
Operating profit	78.9	140.9	203.7	114.5	87.3
Other income	53.1	75.5	48.8	14.7	27.4
Exceptional item	(3.1)	-	-	-	202.6
Profit before tax	128.9	216.4	252.5	129.2	317.3
Profit attributable to shareholders	139.9	205.2	223.0	115.9	306.4
Balance sheet (S\$ million)					
Paid-up capital	100.5	100.0	100.0	100.0	100.0
Distributable reserves	818.9	736.9	582.7	385.1	297.6
Non-distributable reserves	6.4	0.8	-	-	-
Shareholders' funds	925.8	837.7	682.7	485.1	397.6
Minority interest	2.1	2.0	2.0	2.3	2.4
Deferred taxation	11.6	10.7	14.1	5.3	1.9
Fixed assets	207.4	194.8	189.4	164.5	165.2
Associated companies	246.4	244.4	203.6	167.8	137.4
Joint venture companies	52.6	52.6	45.4	35.0	15.0
Long-term investments	17.3	23.6	29.3	29.2	29.9
Current assets	596.5	574.4	438.5	335.2	246.7
Total assets	1120.2	1089.8	906.2	731.7	594.2
Long-term liabilities	-	-	-	-	1.4
Current liabilities	180.7	239.4	207.4	239.0	190.9
Total liabilities	180.7	239.4	207.4	239.0	192.3
Net liquid assets	473.7	404.2	284.5	192.9	152.5
Cash flow statement (S\$ million)					
Cash flow from operations	118.6	189.6	166.1	136.9	102.8
Internally generated cash flow #	146.8	212.5	173.8	138.8	106.0
Capital expenditure	35.5	28.8	47.2	20.2	18.5

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

	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
Profitability ratios (%)					
Return on shareholders' funds	15.9	27.0	38.2	26.3	28.3
Return on total assets	12.5	18.8	24.6	15.8	17.5
Return on turnover	20.6	23.4	26.7	17.7	18.3
Value added and employee data					
Value added (S\$ million)	453.6	569.7	536.1	458.0	403.5
Value added per employee (S\$)	97,508	123,209	124,907	113,463	103,485
Revenue per employee (S\$)	145,889	189,928	194,675	162,095	145,475
Average number of employees	4,652	4,624	4,293	4,037	3,900

Group Corporate Structure

As at 31 March 2004



Information on Shareholdings

as at 13 May 2004

Authorised share capital : 3,000,000,000 ordinary shares of S\$0.10 each
 Issued and fully paid : 1,004,807,500 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	23	0.14	9,378	0.00
1,000 — 10,000	15,431	96.84	26,923,751	2.68
10,001 — 1,000,000	469	2.94	17,702,213	1.76
1,000,001 and above	12	0.08	960,172,158	95.56
Total	15,935	100.00	1,004,807,500	100.00

Major Shareholders

No.	Name	Number of Shares Held	%
1	SINGAPORE AIRLINES LIMITED	870,000,000	86.58
2	RAFFLES NOMINEES PTE LTD	22,967,700	2.29
3	HSBC (SINGAPORE) NOMINEES PTE LTD	15,676,000	1.56
4	CITIBANK NOMINEES SINGAPORE PTE LTD	15,279,543	1.52
5	DBS NOMINEES PTE LTD	12,693,013	1.26
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	8,440,200	0.84
7	THE ASIA LIFE ASSURANCE SOCIETY LTD - S'PORE LIFE FUND	4,333,000	0.43
8	OVERSEA-CHINESE BANK NOMINEES PTE LTD	3,535,002	0.35
9	KIM ENG SECURITIES PTE LTD	2,392,000	0.24
10	MERRILL LYNCH (S'PORE) PTE LTD	1,977,000	0.20
11	SUMMERHILL PTE LTD	1,690,000	0.17
12	MORGAN STANLEY ASIA (S'PORE)	1,188,700	0.12
13	TAN CHENG CHYE	631,800	0.06
14	ING NOMINEES (S'PORE) PTE LTD	501,000	0.05
15	PHILLIP SECURITIES PTE LTD	489,000	0.05
16	OCBC SECURITIES PRIVATE LTD	405,000	0.04
17	UOB KAY HIAN PTE LTD	382,000	0.04
18	KWEK LIONG TEK	308,000	0.03
19	REALTY & INVESTMENT HOLDINGS PTE LTD	305,000	0.03
20	G K GOH STOCKBROKERS PTE LTD	295,113	0.03
	Total	963,489,071	95.89

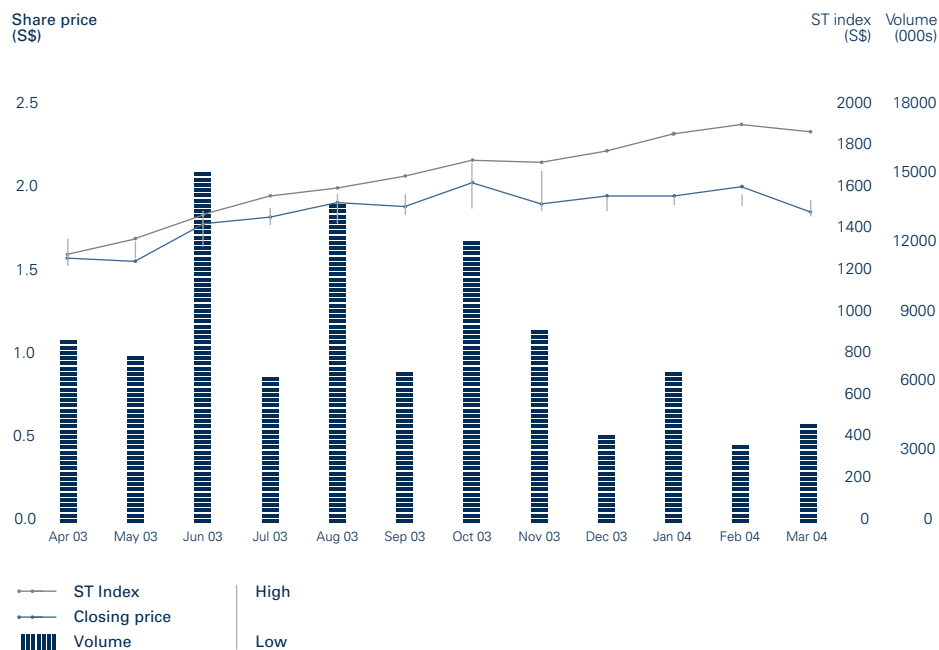
Substantial Shareholders (as shown in the Register of Substantial Shareholders)

Name	Direct Interest	Indirect Interest	Total Interest	%
Temasek Holdings (Pte) Ltd	-	870,000,000	870,000,000	86.58
Singapore Airlines Ltd	870,000,000	-	870,000,000	86.58

Shareholdings held by the public

Based on the information available to the Company as at 13 May 2004, 13.42 per cent of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

Share Prices and Turnover



2003-04 2002-03 2001-02

Share Price (S\$)

Highest closing price	2.14	2.46	2.09
Lowest closing price	1.52	1.56	0.93
31 March closing price	1.83	1.65	2.07

Market Value Ratio*

Price/Earnings	13.07	8.05	9.28
Price/Book Value	1.99	1.97	3.03
Price/Cash Earnings**	11.27	7.23	8.48

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

NOTICE IS HEREBY GIVEN that the 22nd 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 Monday, 26 July 2004 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 2004 and the Auditors’ Report thereon.
2. To declare an ordinary dividend of 2.5 cents per share, tax exempt for the year ended 31 March 2004.
3. To declare a special dividend of 20.0 cents per share, tax exempt for the year ended 31 March 2004.
4. To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 83 of the Company’s Articles of Association and who being eligible, offer themselves for re-election:

4.1 Mr Wong Ngit Liong

Note: Mr Wong Ngit Liong, an independent Director, will upon re-election, continue to serve as chairman of the Nominating Committee and as a member of the Compensation & HR Committee.

4.2 Mr Wong Nang Jang

Note: Mr Wong Nang Jang, an independent Director, will upon re-election, continue to serve as chairman of the Audit Committee and as a member of the Nominating Committee and the Capital Structure Committee.

Note: Mr Jimmy Phoon who will retire as a Director at the close of the 22nd Annual General Meeting will not be seeking re-election at the Annual General Meeting.

5. To re-elect Mr Tan Bian Ee, a Director who retires pursuant to Article 90 of the Company’s Articles of Association and who being eligible, will offer himself for re-election as a Director.
6. To re-appoint Messrs Ernst & Young as auditors of the Company to hold office until the next Annual General Meeting and to authorise the Directors to fix their remuneration.
7. To approve the payment of Directors’ Fees of \$377,086.00 (FY2002/2003: \$341,447.00) for the year ended 31 March 2004.

Special Business

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

8.1 "That authority be and is hereby given to the Directors of the Company to:

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

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

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

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

provided that:

- (c) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 50 per cent. of the issued share capital of the Company (as calculated in accordance with sub-paragraph (d) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 20 per cent. of the issued share capital of the Company (as calculated in accordance with sub-paragraph (d) below);

- (d) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (c) above:

Notice of Annual General Meeting

- (i) the percentage of issued share capital shall be calculated based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for:
 - (aa) new shares arising from the conversion or exercise of any convertible securities or employee share options on issue which are outstanding or subsisting at the time this Resolution is passed; and
 - (bb) any subsequent consolidation or subdivision of shares; and
- (ii) in relation to an Instrument, the number of shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;
- (e) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (f) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held or the expiration of such other period as may be prescribed by the Companies Act, Chapter 50 of Singapore (whichever is the earliest)."

8.2 "That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the **Appendix** to the Letter to Shareholders dated 11 June 2004 (the "**Letter**") with any party who is of the class of interested persons described in the Appendix to the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (b) the approval given in paragraph (a) above (the "**IPT Mandate**") shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- (c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation executing all such documents as may be required), as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this Resolution."

8.3 "That the Directors of the Company be and are hereby authorised to offer and grant Options (as defined in the SIAEC Employee Share Option Plan (as modified) (the "Plan")) in accordance with the rules of the Plan and to allot and issue from time to time such number of ordinary shares of S\$0.10 each in the capital of the Company ("ordinary shares") as may be required to be issued pursuant to the exercise of 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 ordinary share capital of the Company from time to time."

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

NOTICE IS HEREBY GIVEN that, subject to approval being obtained at the 22nd Annual General Meeting of the Company for the declaration of the proposed dividends, 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 30 July 2004 will be registered to determine shareholders' entitlement to the proposed dividends (depositors whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 30 July 2004 will be entitled to the proposed dividends), and thereafter the Share Transfer Books and Register of Members of the Company will be closed on 2 August 2004 to determine shareholders' entitlements to the proposed dividends which will be paid on 11 August 2004.

BY ORDER OF THE BOARD

DEVIKA RANI DAVAR

Company Secretary

11 June 2004

Singapore

Explanatory Notes

- i. Ordinary Resolution No. 7 is to approve the payment of Directors' fees of \$377,086.00 (FY2002 2003: \$341,447.00) for the year ended 31 March 2004, for services rendered by Directors on the Board as well as various Board Committees.

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

		Fees per annum (\$)
Board of Directors	Member's Fees (Basic Fee)	1 X Basic Fee = \$28,000
	Chairman's Fees	2 X Basic Fee = \$56,000
Audit Committee	Member's Fees	0.30 X Basic Fee = \$8,400
	Chairman's Fees	0.60 X Basic Fee = \$16,800
Board Committee	Member's Fees	0.15 X Basic Fee = \$4,200
Other Board Committees	Member's Fees	0.15 X Basic Fee = \$4,200
	Chairman's Fees	0.30 X Basic Fee = \$8,400

- ii. Ordinary Resolution No. 8.1 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 capital of the Company, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to an amount not exceeding in total 50 per cent. of the issued share capital of the Company with a sub-limit of 20 per cent. for issues other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital shall be based on the issued share capital of the Company at the time that Resolution 8.1 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time that Resolution 8.1 is passed, and (b) any subsequent consolidation or subdivision of shares.
- iii. Ordinary Resolution No. 8.2 is to renew the mandate to allow the Company, its subsidiaries and relevant associated companies or any of them to enter into certain interested person transactions with certain classes of interested persons as described in the Appendix to the Letter.
- iv. Ordinary Resolution No.8.3 is to authorise the Directors to offer and grant Options and to allot and issue ordinary shares upon the exercise of such Options in accordance with the provisions of 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 on 7 July 2001 and further modified at the Extraordinary General Meeting on 12 July 2003. The aggregate number of ordinary shares which may be issued pursuant to the Plan is limited to 15 per cent. of the issued ordinary share capital of the Company from time to time.

Notes

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

Proxy Form

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

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 26 July 2004 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 Auditors' Report		
2.	Declaration of ordinary dividend		
3.	Declaration of special dividend		
4.1	Re-election of Mr Wong Ngit Liong retiring in accordance with Article 83		
4.2	Re-election of Mr Wong Nang Jang retiring in accordance with Article 83		
5	Re-election of Mr Tan Bian Ee retiring in accordance with Article 90		
6	Re-appointment and remuneration of Auditors		
7.	Approval of Directors' Fees		
Special Business			
8.1	Authority for Directors to issue shares pursuant to Section 161 of the Companies Act (Cap. 50)		
8.2	Renewal of IPT Mandate		
8.3	Authority for Directors to offer and grant options and issue shares in accordance with the provisions of the SIAEC Employee Share Option Plan		
9.	Any other business		

* Delete Accordingly

** Please indicate your vote "For" or "Against" with a "4" within the box provided

Dated this _____ day of _____ 2004

Total number of Ordinary Shares held:-

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

Notes:-
IMPORTANT: Please read Notes on the reverse.



NOTES:-

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

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
Company Registration No. 198201025C

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