SIA ENGINEERING COMPANY

AUDITED RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN $ MILLION)

	The Group		The Group	
	4th Quarter 2017-18	4th Quarter 2016-17	2017-18	2016-17
REVENUE	**276.4**	**295.4**	**1,094.9**	**1,104.1**
EXPENDITURE				
Staff costs	119.8	128.2	494.3	512.5 R1
Material costs	50.6	51.2	186.5	187.6
Depreciation of property, plant and equipment	13.4	12.3	50.9	47.6
Amortisation of intangible assets	1.3	1.7	5.4	5.2
Impairment of property, plant and equipment	3.5	-	3.5	-
Company accommodation	11.7	12.6	49.3	50.1
Subcontract costs	31.2	37.3	133.9	138.4
Other operating expenses	24.3	28.2	94.7	90.7
	255.8	271.5	1,018.5	1,032.1
OPERATING PROFIT	**20.6**	**23.9**	**76.4**	**72.0** R1
Interest income	1.3	1.1	4.9	4.0
Interest on external borrowings	(0.2)	(0.2)	(0.8)	(0.7)
Surplus/(Loss) on disposal of property, plant and equipment	0.1	*	1.0	(0.1)
Surplus on disposal/partial disposal of an associated company	14.3	-	14.3	2.3
Surplus on disposal of non-current asset held for sale	-	-	-	141.6
Dividend from non-current asset held for sale	-	-	-	39.5
Surplus on dilution of shareholding in an associated company	0.8	-	0.8	-
Share of profits of associated companies, net of tax	16.6	22.0	69.5	64.9
Share of profits of joint venture companies, net of tax	8.4	5.0	40.3	31.6
PROFIT BEFORE TAXATION	**61.9**	**51.8**	**206.4**	**355.1**
Taxation expense	(6.3)	(4.8)	(21.1)	(17.9)
PROFIT FOR THE FINANCIAL YEAR	**55.6**	**47.0**	**185.3**	**337.2**
PROFIT ATTRIBUTABLE TO:				
OWNERS OF THE PARENT	**55.0**	**45.9**	**184.1**	**332.4** R2
Non-controlling interests	0.6	1.1	1.2	4.8
	55.6	**47.0**	**185.3**	**337.2**
BASIC EARNINGS PER SHARE (CENTS)	4.91	4.09	16.45	29.63
DILUTED EARNINGS PER SHARE (CENTS)	4.90	4.09	16.42	29.57

* Amount less than $0.1M

Note:

R1: The staff costs of $512.5M in FY2016-17 included a provision for the estimated increase in the profit-linked component of staff remuneration arising from the gain on divestment of Hong Kong Aero Engine Services Ltd ("HAESL"). Before the additional provision for staff costs, operating profit for the financial year was $93.3M. After taking into account this one-time impact, the Group showed an operating profit of $72.0M in FY2016-17.

R2: Profit attributable to owners of the parent of $332.4M in FY2016-17 included a gain on divestment of HAESL of $178.0M and its corresponding impact on staff costs (net of tax adjustments). Before the divestment, profit attributable to owners of the parent was $172.0M in FY2016-17.

<u>Notes</u> - Profit for the financial year is arrived at after charging/(crediting) the following:

	The Group		The Group	
	4th Quarter 2017-18	**4th Quarter 2016-17**	**2017-18**	**2016-17**
	$M	**$M**	**$M**	**$M**
(Write back of provision)/provision for impairment of trade debtors, net	(0.5)	*	2.1	(0.4)
Exchange loss/(gain), net	2.0	4.3	6.5	(5.5)
(Over)/ under provision of tax in respect of prior year	(0.1)	0.1	(0.1)	0.3
Provision/(writeback of provision) for stock obsolescence, net	0.3	(0.2)	2.8	1.7

* Amount less than $0.1M

1(a)(i) Consolidated Statement of Comprehensive Income

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN $ MILLION)

	The Group			
	4th Quarter 2017-18	4th Quarter 2016-17	2017-18	2016-17
PROFIT FOR THE FINANCIAL YEAR	**55.6**	**47.0**	**185.3**	**337.2**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Actuarial gain/(loss) on remeasurement of defined benefit plan	0.3	(2.4)	0.3	(2.4)
	0.3	(2.4)	0.3	(2.4)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation	(13.3)	(22.0)	(40.7)	20.0
Realisation of foreign currency translation reserve on disposal/partial disposal of an associated company	0.5	-	0.5	*
Net fair value adjustment on cash flow hedges	*	1.7	(0.7)	(0.8)
Realisation of fair value changes on non-current asset held for sale	-	-	-	(141.9)
Share of other comprehensive income of associated and joint venture companies	0.8	4.9	5.0	1.4
	(12.0)	(15.4)	(35.9)	(121.3)
OTHER COMPREHENSIVE INCOME, NET OF TAX	**(11.7)**	**(17.8)**	**(35.6)**	**(123.7)**
TOTAL COMPREHENSIVE INCOME	**43.9**	**29.2**	**149.7**	**213.5**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
OWNERS OF THE PARENT	43.9	29.4	150.3	208.7
Non-controlling interests	*	(0.2)	(0.6)	4.8
	43.9	**29.2**	**149.7**	**213.5**

* Amount less than $0.1M

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN $ MILLION)

	The Company			
	4th Quarter 2017-18	4th Quarter 2016-17	2017-18	2016-17
PROFIT FOR THE FINANCIAL YEAR	**61.0**	**43.3**	**185.1**	**302.6**
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss:				
Actuarial loss on remeasurement of defined benefit plan	-	(2.1)	-	(2.1)
	-	(2.1)	-	(2.1)
Items that may be reclassified subsequently to profit or loss:				
Net fair value adjustment on cash flow hedges	*	1.7	(0.7)	(0.8)
Realisation of fair value changes on non-current asset held for sale	-	-	-	(141.9)
	*	1.7	(0.7)	(142.7)
OTHER COMPREHENSIVE INCOME, NET OF TAX	*****	**(0.4)**	**(0.7)**	**(144.8)**
TOTAL COMPREHENSIVE INCOME	**61.0**	**42.9**	**184.4**	**157.8**

* Amount less than $0.1M

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

BALANCE SHEETS AT 31 MARCH 2018 (IN $ MILLION)

	The Group		The Company	
	31 Mar 2018	**31 Mar 2017**	**31 Mar 2018**	**31 Mar 2017**
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Share capital	420.0	420.0	420.0	420.0
Treasury shares	(21.3)	(15.2)	(21.3)	(15.2)
Capital reserve	2.8	2.7	2.8	2.7
Share-based compensation reserve	7.1	16.0	7.1	16.0
Foreign currency translation reserve	(106.2)	(68.0)	-	-
Fair value reserve	3.6	(0.6)	(0.3)	0.4
Equity transaction reserve	(2.4)	(2.4)	-	-
General reserve	1,192.3	1,201.5	836.3	844.7
	1,495.9	1,554.0	1,244.6	1,268.6
NON-CONTROLLING INTERESTS	31.3	34.0	-	-
TOTAL EQUITY	1,527.2	1,588.0	1,244.6	1,268.6
NON-CURRENT LIABILITIES				
Deferred taxation	26.5	29.1	24.6	26.3
Long-term bank loan	17.3	21.9	-	-
	43.8	51.0	24.6	26.3
	1,571.0	**1,639.0**	**1,269.2**	**1,294.9**
Represented by :				
PROPERTY, PLANT AND EQUIPMENT	301.0	331.6	242.5	270.2
INTANGIBLE ASSETS	67.7	65.3	8.3	6.1
SUBSIDIARY COMPANIES	-	-	131.5	127.8
ASSOCIATED COMPANIES	392.5	380.0	220.9	192.9
JOINT VENTURE COMPANIES	151.9	162.0	61.9	61.9
CURRENT ASSETS				
Trade debtors	267.9	198.0	234.9	167.4
Prepayments and other debtors	19.8	14.7	11.2	7.6
Immediate holding company	42.0	78.9	40.6	77.1
Amount owing by related parties	41.9	48.8	49.0	49.6
Inventories	34.2	37.3	24.5	27.0
Short-term deposits	433.6	531.2	416.4	518.1
Cash and bank balances	66.1	70.5	39.8	40.4
	905.5	979.4	816.4	887.2
Less:				
CURRENT LIABILITIES				
Trade and other creditors	222.4	250.4	174.1	211.2
Amount owing to related parties	0.4	9.2	19.4	26.2
Bank loans	4.6	4.0	-	-
Tax payable	20.2	15.7	18.8	13.8
	247.6	279.3	212.3	251.2
NET CURRENT ASSETS	657.9	700.1	604.1	636.0
	1,571.0	**1,639.0**	**1,269.2**	**1,294.9**

1(b)(ii) Aggregate amount of group's borrowings and debt securities. (in $ Million)

Amount repayable in one year or less, or on demand

As at 31 Mar 2018		As at 31 Mar 2017	
Secured	Unsecured	Secured	Unsecured
-	4.6	-	4.0

Amount repayable after one year

As at 31 Mar 2018		As at 31 Mar 2017	
Secured	Unsecured	Secured	Unsecured
-	17.3	-	21.9

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN $ MILLION)

	The Group	
	2017-18	**2016-17**
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	**206.4**	**355.1**
Adjustments for:		
Depreciation of property, plant and equipment	50.9	47.6
Amortisation of intangible assets	5.4	5.2
Impairment of property, plant and equipment	3.5	-
Share-based compensation expense	2.2	3.2
(Surplus)/Loss on disposal of property, plant and equipment	(1.0)	0.1
Surplus on disposal/partial disposal of an associated company	(14.3)	(2.3)
Surplus on disposal of non-current asset held for sale	-	(141.6)
Surplus on dilution of shareholding in an associated company	(0.8)	-
Interest income	(4.9)	(4.0)
Interest on external borrowings	0.8	0.7
Share of profits of associated and joint venture companies, net of tax	(109.8)	(96.5)
Exchange differences	6.5	(5.5)
Dividend received from non-current asset held for sale	-	(39.5)
Operating profit before working capital changes	**144.9**	**122.5**
Increase in debtors	(81.9)	(3.4)
Decrease in inventories	3.1	3.3
(Decrease)/Increase in creditors	(27.5)	19.5
Decrease/(Increase) in amounts owing by immediate holding company	36.8	(16.5)
(Increase)/Decrease in amounts owing by related parties	(1.9)	26.8
Cash generated from operations	**73.5**	**152.2**
Income taxes paid	(19.2)	(20.4)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**54.3**	**131.8**
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(31.6)	(38.3)
Purchase of intangible assets	(11.4)	(5.2)
Proceeds from disposal of property, plant and equipment	4.7	1.6
Proceeds from capital reduction of an associated company	3.3	-
Proceeds from disposal/partial disposal of an associated company	21.0	3.8
Proceeds from disposal of non-current asset held for sale	-	156.6
Interest received from deposits	5.0	3.3
Investments in associated companies	(32.1)	-
Dividends received from associated and joint venture companies	104.6	62.4
Dividend received from non-current asset held for sale	-	39.5
NET CASH PROVIDED BY INVESTING ACTIVITIES	**63.5**	**223.7**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN $ MILLION)

	The Group	
	2017-18	**2016-17**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from exercise of share options	1.0	11.7
Proceeds from issuance of share capital by a subsidiary company to non-controlling interests	1.7	8.2
Proceeds from borrowings	3.7	1.7
Repayment of borrowings	(6.1)	(10.4)
Interest paid	(0.8)	(0.7)
Dividends paid	(201.5)	(135.2)
Dividends paid by subsidiary companies to non-controlling interests	(3.8)	(5.4)
Purchase of treasury shares	(10.1)	(19.9)
NET CASH USED IN FINANCING ACTIVITIES	**(215.9)**	**(150.0)**
NET CASH (OUTFLOW)/INFLOW	**(98.1)**	**205.5**
CASH AND CASH EQUIVALENTS AT BEGINNING OF FIANCIAL YEAR	**601.7**	**393.9**
Effect of exchange rate changes	(3.9)	2.3
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	**499.7**	**601.7**
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Short-term deposits	433.6	531.2
Cash and bank balances	66.1	70.5
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	**499.7**	**601.7**

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN $ MILLION)

	Attributable to Owners of the Parent										
The Group	Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Foreign currency translation reserve	Fair value reserve	Equity transaction reserve	General reserve	Total	Non-controlling interests	Total equity
Balance at 1 April 2017	**420.0**	**(15.2)**	**2.7**	**16.0**	**(68.0)**	**(0.6)**	**(2.4)**	**1,201.5**	**1,554.0**	**34.0**	**1,588.0**
Profit for the year	-	-	-	-	-	-	-	184.1	184.1	1.2	185.3
Actuarial gain on remeasurement of defined benefit plan	-	-	-	-	-	-	-	0.2	0.2	0.1	0.3
Foreign currency translation	-	-	-	-	(38.8)	-	-	-	(38.8)	(1.9)	(40.7)
Realisation of foreign currency translation reserve on disposal of an associated company	-	-	-	-	0.5	-	-	-	0.5	-	0.5
Net fair value adjustment on cash flow hedges	-	-	-	-	-	(0.7)	-	-	(0.7)	-	(0.7)
Share of other comprehensive income of associated/joint venture companies	-	-	-	-	0.1	4.9	-	-	5.0	-	5.0
Other comprehensive income, net of tax	-	-	-	-	(38.2)	4.2	-	0.2	(33.8)	(1.8)	(35.6)
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**(38.2)**	**4.2**	**-**	**184.3**	**150.3**	**(0.6)**	**149.7**
Capital contribution	-	-	-	-	-	-	-	-	-	1.7	1.7
Share-based compensation expense	-	-	-	2.2	-	-	-	-	2.2	-	2.2
Share awards released	-	2.9	-	(3.2)	-	-	-	0.3	-	-	-
Share options lapsed	-	-	-	(7.7)	-	-	-	7.7	-	-	-
Purchase of treasury shares	-	(10.1)	-	-	-	-	-	-	(10.1)	-	(10.1)
Treasury shares reissued pursuant to equity compensation plans	-	1.1	0.1	(0.2)	-	-	-	-	1.0	-	1.0
Dividends	-	-	-	-	-	-	-	(201.5)	(201.5)	(3.8)	(205.3)
Total contributions by and distributions to owners	**-**	**(6.1)**	**0.1**	**(8.9)**	**-**	**-**	**-**	**(193.5)**	**(208.4)**	**(2.1)**	**(210.5)**
Balance at 31 March 2018	**420.0**	**(21.3)**	**2.8**	**7.1**	**(106.2)**	**3.6**	**(2.4)**	**1,192.3**	**1,495.9**	**31.3**	**1,527.2**

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (IN $ MILLION)

	Attributable to Owners of the Parent										
The Group	Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Foreign currency translation reserve	Fair value reserve	Equity transaction reserve	General reserve	Total	Non-controlling interests	Total equity
Balance at 1 April 2016	**416.5**	**(6.1)**	**0.2**	**18.4**	**(87.9)**	**140.7**	**(2.4)**	**1,006.1**	**1,485.5**	**26.4**	**1,511.9**
Effects of adopting FRS109	-	-	-	-	-	-	-	*	*	-	*
Profit for the year	-	-	-	-	-	-	-	332.4	332.4	4.8	337.2
Actuarial loss on remeasurement of defined benefit plan	-	-	-	-	-	-	-	(2.3)	(2.3)	(0.1)	(2.4)
Foreign currency translation	-	-	-	-	19.9	-	-	-	19.9	0.1	20.0
Realisation of foreign currency translation reserve on partial disposal of an associated company	-	-	-	-	*	-	-	-	*	-	*
Realisation of fair value changes on non-current asset held for sale	-	-	-	-	-	(141.9)	-	-	(141.9)	-	(141.9)
Net fair value adjustment on cash flow hedges	-	-	-	-	-	(0.8)	-	-	(0.8)	-	(0.8)
Share of other comprehensive income of associated/joint venture companies	-	-	-	-	*	1.4	-	-	1.4	-	1.4
Other comprehensive income, net of tax	-	-	-	-	19.9	(141.3)	-	(2.3)	(123.7)	*	(123.7)
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**19.9**	**(141.3)**	**-**	**330.1**	**208.7**	**4.8**	**213.5**
Capital contribution	-	-	-	-	-	-	-	-	-	8.2	8.2
Share-based compensation expense	-	-	-	3.2	-	-	-	-	3.2	-	3.2
Share awards released	0.9	-	-	(1.2)	-	-	-	0.3	-	-	-
Share options exercised	2.6	-	-	(0.7)	-	-	-	-	1.9	-	1.9
Share options lapsed	-	-	-	(0.2)	-	-	-	0.2	-	-	-
Purchase of treasury shares	-	(19.9)	-	-	-	-	-	-	(19.9)	-	(19.9)
Treasury shares reissued pursuant to equity compensation plans	-	10.8	2.5	(3.5)	-	-	-	-	9.8	-	9.8
Dividends	-	-	-	-	-	-	-	(135.2)	(135.2)	(5.4)	(140.6)
Total contributions by and distributions to owners	**3.5**	**(9.1)**	**2.5**	**(2.4)**	**-**	**-**	**-**	**(134.7)**	**(140.2)**	**2.8**	**(137.4)**
Balance at 31 March 2017	**420.0**	**(15.2)**	**2.7**	**16.0**	**(68.0)**	**(0.6)**	**(2.4)**	**1,201.5**	**1,554.0**	**34.0**	**1,588.0**

* Amount less than $0.1M

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN $ MILLION)

The Company	Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Fair value reserve	General reserve	Total
Balance at 1 April 2017	**420.0**	**(15.2)**	**2.7**	**16.0**	**0.4**	**844.7**	**1,268.6**
Profit for the year	-	-	-	-	-	185.1	185.1
Other comprehensive income, net of tax:							
Net fair value adjustment on cash flow hedges	-	-	-	-	(0.7)	-	(0.7)
Other comprehensive income, net of tax	-	-	-	-	(0.7)	-	(0.7)
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**(0.7)**	**185.1**	**184.4**
Share-based compensation expense	-	-	-	2.2	-	-	2.2
Share awards released	-	2.9	-	(3.2)	-	0.3	-
Share options lapsed	-	-	-	(7.7)	-	7.7	-
Purchase of treasury shares	-	(10.1)	-	-	-	-	(10.1)
Treasury shares reissued pursuant to equity compensation plans	-	1.1	0.1	(0.2)	-	-	1.0
Dividends	-	-	-	-	-	(201.5)	(201.5)
Total contributions by and distributions to owners	**-**	**(6.1)**	**0.1**	**(8.9)**	**-**	**(193.5)**	**(208.4)**
Balance at 31 March 2018	**420.0**	**(21.3)**	**2.8**	**7.1**	**(0.3)**	**836.3**	**1,244.6**

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (IN $ MILLION)

The Company	Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Fair value reserve	General reserve	Total
Balance at 1 April 2016	**416.5**	**(6.1)**	**0.2**	**18.4**	**143.1**	**673.1**	**1,245.2**
Effects of adopting FRS 109	-	-	-	-	-	0.5	0.5
Profit for the year	-	-	-	-	-	302.6	302.6
Actuarial loss on remeasurement of defined benefit plan	-	-	-	-	-	(2.1)	(2.1)
Net fair value adjustment on cash flow hedges	-	-	-	-	(0.8)	-	(0.8)
Realisation of fair value changes on non-current asset held for sale	-	-	-	-	(141.9)	-	(141.9)
Other comprehensive income for the year, net of tax	-	-	-	-	(142.7)	(2.1)	(144.8)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(142.7)**	**300.5**	**157.8**
Share-based compensation expense	-	-	-	3.2	-	-	3.2
Share awards released	0.9	-	-	(1.2)	-	0.3	-
Share options exercised	2.6	-	-	(0.7)	-	-	1.9
Share options lapsed	-	-	-	(0.2)	-	0.2	-
Purchase of treasury shares	-	(19.9)	-	-	-	-	(19.9)
Treasury shares reissued pursuant to equity compensation plans	-	10.8	2.5	(3.5)	-	-	9.8
Dividends	-	-	-	-	-	(135.2)	(135.2)
Differences arising from restructuring of joint venture under common control	-	-	-	-	-	5.3	5.3
Total contributions by and distributions to owners	**3.5**	**(9.1)**	**2.5**	**(2.4)**	-	**(129.4)**	**(134.9)**
Balance at 31 March 2017	**420.0**	**(15.2)**	**2.7**	**16.0**	**0.4**	**844.7**	**1,268.6**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

SHARE CAPITAL AND SHARE PLANS IN THE COMPANY

(A) Share Capital

During the financial year, there was no issuance of new ordinary shares.

Group and Company	**Number of Shares**	**Share Capital ($ Million)**
Issued and fully paid share capital Ordinary Shares		
Balance at 1 April 2017 and 31 March 2018	1,124,116,360	420.0

As at 31 March 2018, the Company has an issued share capital of 1,124,116,360 ordinary shares (31 March 2017: 1,124,116,360 ordinary shares) of which 5,928,957 were held by the Company as treasury shares (31 March 2017: 4,189,652). The treasury shares held represents 0.5% (31 March 2017: 0.4%) of the total number of issued shares (excluding treasury shares).

The Company has no subsidiary holdings as at 31 March 2018 and 31 March 2017.

(B) Employee Share Option Plan

(i) During the financial year, the Company issued 275,996 shares (2016-17: 3,522,848), all of which (2016-17: 2,950,948) were reissued treasury shares, upon the exercise of options granted under the Employee Share Option Plan.

(ii) The movement of share options of the Company during the financial year ended 31 March 2018 is as follows:

Date of grant	Balance at 01.04.2017	Cancelled	Exercised	Balance at 31.03.2018	Exercise price*	Exercisable period
02.07.2007	8,339,444	(8,339,444)	-	-	$4.52	02.07.2008-01.07.2017
01.07.2008	4,465,596	(50,400)	(275,996)	4,139,200	$3.54	01.07.2010-30.06.2018
Total	12,805,040	(8,389,844)	(275,996)	4,139,200		

* At the extraordinary general meeting of the Company held on 26 July 2004, the Company's shareholders approved an amendment to the Plan to allow for adjustment to the exercise prices of the existing options by the Committee administering the Plan, in the event of the declaration of a special dividend. Following approval by the Company's shareholders of the declaration of a special dividend of $0.10 on 22 July 2011, $0.05 on 21 July 2014, and $0.05 on 20 July 2017, the said Committee approved a reduction in the exercise prices of all share options outstanding by $0.10 on 29 July 2011, $0.05 on 7 August 2014, and a further $0.05 on 3 August 2017. The exercise prices reflected here are the exercise prices after such adjustments.

(iii) As at 31 March 2018, the number of share options of the Company outstanding was 4,139,200 (31 March 2017: 12,805,040).

(C) Restricted Share Plan and Performance Share Plan

(i) Management staff are entitled to the Restricted Share Plan ("RSP"). In addition, senior management staff are entitled to participate in the Performance Share Plan ("PSP"). Both plans were first approved by the shareholders of the Company on 25 July 2005 and expired on 24 July 2015. On 21 July 2014, the shareholders of the Company approved the RSP 2014 and PSP 2014, which replaced the RSP and PSP respectively.

(ii) Depending on the achievement of pre-determined targets over a stipulated period for the RSP and PSP, the final number of restricted shares and performance shares awarded could range between 0% and 150% of the initial grant of the restricted shares and between 0% and 200% of the initial grant of the performance shares.

(iii) As at 31 March 2018 the number of outstanding shares granted under the Company's RSP and PSP were 1,681,077 (31 March 2017: 1,629,386) and 385,187 (31 March 2017: 324,447) respectively. The movement of these share awards during the financial year ended 31 March 2018 is as follows:

RSP

Date of grant	Balance at 01.04.2017/ Date of grant	Adjustment *	Cancelled	Released	Modification #	Balance at 31.03.2018
08.07.2013	44,401	-	-	(44,401)	-	-
07.07.2014	99,245	-	(487)	(52,550)	591	46,799
06.07.2015	709,480	141,056	(39,768)	(453,559)	4,517	361,726
07.07.2016	776,260	(84,740)	(22,012)	(253,889)	5,271	420,890
07.07.2017	847,420	-	(6,379)	-	10,621	851,662
Total	2,476,806	56,316	(68,646)	(804,399)	21,000	1,681,077

* Adjustment at the end of performance period upon meeting stated performance targets and adjustments for number of days in service for retirees.
# Arising from the approval of shareholders on the payment of a special dividend of $0.05 per share on 20 July 2017, the Committee administering the Plan had also approved an increase in all outstanding RSP awards on 3 August 2017.

PSP

Date of grant	Balance at 01.04.2017/ Date of grant	Adjustment *	Cancelled	Released	Modification #	Balance at 31.03.2018
07.07.2014	134,917	(134,917)	-	-	-	-
06.07.2015	62,080	-	-	-	776	62,856
07.07.2016	127,450	-	-	-	1,594	129,044
07.07.2017	190,900	-	-	-	2,387	193,287
Total	515,347	(134,917)	-	-	4,757	385,187

* Adjustment at the end of performance period upon meeting stated performance targets and adjustments for number of days in service for retirees.
# Arising from the approval of shareholders on the payment of a special dividend of $0.05 per share on 20 July 2017, the Committee administering the Plan had also approved an increase in all outstanding PSP awards on 3 August 2017.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 March 2018, the Company has an issued share capital of 1,118,187,403 ordinary shares (31 March 2017: 1,119,926,708) excluding 5,928,957 ordinary shares (31 March 2017: 4,189,652) held by the Company as treasury shares.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

During the financial year ended 31 March 2018, the Company purchased 2,819,700 treasury shares (2016-17: 5,443,700). The Company transferred 275,996 treasury shares to employees on exercise of share options and another 804,399 treasury shares on vesting of share-based incentive plans (2016-17: 2,950,948 on exercise of share options and nil on vesting of share-based incentive plans).

Treasury shares are presented as a component within equity attributable to owners of the parent.

Group and Company	Number of Shares	Treasury Shares ($ Million)
Balance at 1 April 2017	4,189,652	15.2
Purchase of treasury shares	2,819,700	10.1
Treasury shares transferred on exercise of share options	(275,996)	(1.1)
Treasury shares transferred on vesting of share-based incentive plans	(804,399)	(2.9)
Balance at 31 March 2018	5,928,957	21.3

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

The Company has no subsidiary holdings as at 31 March 2018 and 31 March 2017. There was no sales, transfers, cancellation and/or use of subsidiary holdings for the financial year ended 31 March 2018.

2. Whether the figures have been audited or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard).

The figures have been audited in accordance with Singapore Standards on Auditing.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

See attached auditor's report.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared to the audited financial statements as at 31 March 2017 except for the adoption of the Financial Reporting Standards (FRS) and Interpretations of FRS (INT FRS) that are mandatory for financial year beginning on or after 1 April 2017. The adoption of these FRS and INT FRS has no significant impact to the Group.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to paragraph 4.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
	4th Quarter 2017-18	4th Quarter 2016-17	2017-18	2016-17
Earnings per share (cents)				
- Basic *	4.91	4.09	16.45	29.63
- Diluted #	4.90	4.09	16.42	29.57

* Based on the weighted average number of ordinary shares in issue excluding treasury shares.
\# Based on the weighted average number of ordinary shares in issue excluding treasury shares, after adjusting for the dilutive effect of options.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 31 Mar 18	As at 31 Mar 17	As at 31 Mar 18	As at 31 Mar 17
Net asset value per share (cents)	133.8	138.8	111.3	113.3

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

GROUP EARNINGS

Financial Year 2017-18

SIAEC Group recorded a profit attributable to owners of the parent of $184.1 million for the financial year ended 31 March 2018. Profit last year included a gain from the divestment of the Group's 10% stake in Hong Kong Aero Engine Services Ltd ("HAESL") to Rolls-Royce Overseas Holdings Limited ("RROH") and Hong Kong Aircraft Engineering Company Limited ("HAECO"). Excluding the impact of this divestment, profit for the current financial year of $184.1 million was $12.1 million or 7.0% higher. After including the impact of this divestment, profit was lower by $148.3 million or 44.6% compared to the last financial year.

Revenue at $1,094.9 million was 0.8% or $9.2 million lower year-on-year, mainly from lower fleet management revenue.

Expenditure at $1,018.5 million was lower by $13.6 million or 1.3%, mainly due to decrease in staff and subcontract costs, offset partially by an exchange loss of $6.5 million compared to a $5.5 million exchange gain last year. The decrease in staff costs was due mainly to the absence of the provision made for the profit-linked component of staff remuneration arising from the gain on HAESL divestment last year, offset by annual salary increments and increase in headcount at subsidiaries. Operating profit of $76.4 million was $4.4 million or 6.1% higher year-on-year. Excluding the profit-linked component of staff remuneration arising from the gain on divestment last year, operating profit was lower by $16.9 million or 18.1%.

Share of profits of associated and joint venture companies increased by $13.3 million or 13.8% to $109.8 million. Share of profits from the engine and component centres increased $14.3 million or 15.0% to $109.9 million. Contributions from the airframe and line maintenance segment decreased $1.0 million to a loss of $0.1 million from a profit of $0.9 million last financial year, with higher start-up losses incurred by an associated company.

Basic earnings per share was 16.45 cents for the current financial year.

Fourth Quarter FY2017-18

The Group posted a profit attributable to owners of $55.0 million for the fourth quarter ended 31 March 2018, an increase of $9.1 million or 19.8% year-on-year. Profit for the quarter included a $14.3 million gain on the sale of the Group's shares in an associated company, Asian Compressor Technology Services Company Limited.

Revenue decreased by $19.0 million or 6.4% to $276.4 million for the current quarter mainly due to lower airframe and component overhaul and fleet management revenue. Expenditure fell $15.7 million or 5.8% to $255.8 million, due primarily to decrease in staff and subcontract costs. The resulting operating profit of $20.6 million was $3.3 million or 13.8% lower compared to the same quarter last year.

Share of profits of associated and joint venture companies decreased $2.0 million or 7.4% to $25.0 million, mainly due to $1.4 million lower share of profits from the engine and component centres.

Basic earnings per share was 4.91 cents for the current quarter.

GROUP FINANCIAL POSITION

As at 31 March 2018, equity attributable to owners of the parent of $1,495.9 million was $58.1 million or 3.7% lower than at 31 March 2017. The decrease was mainly due to payments of FY2016-17 final ordinary and special dividends, FY2017-18 interim dividend and higher foreign currency translation losses as a result of the weakening of US dollar against the Singapore dollar, partially offset by profits earned for the year.

Total assets stood at $1,818.6 million at 31 March 2018, a decrease of $99.7 million or 5.2% from 31 March 2017. The Group's cash balance amounted to $499.7 million, $102.0 million or 17.0% lower than at 31 March 2017, mainly due to dividends paid, offset in part by dividends received from associated and joint venture companies.

Net asset value per share as at 31 March 2018 was 133.8 cents.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

OUTLOOK

To strengthen our position as a leading MRO, the Company has embarked on a transformation journey to enhance productivity, streamline processes and increase competitiveness. At the same time, we will continue to invest in innovation and technology to stay at the forefront of the industry.

Our portfolio of joint ventures further augment the Group's business, enabling us to gain access to new products, markets and technology. During the year, we have expanded our portfolio with the entry of joint ventures with GE Aviation and Stratasys Ltd.

ADOPTION OF SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) (SFRS(I)) AND INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As required by the listing rules of the Singapore Exchange, the Group will apply SFRS(I) with effect from 1 April 2018. The Group's financial statements for the financial year ending 31 March 2019 will be prepared in accordance with SFRS(I), and IFRS issued by the International Accounting Standards Board. In adopting the new framework, the Group is required to apply the specific transition requirements in "IFRS 1 First-time Adoption of IFRS".

The Group plans to make the following allowable transition adjustments that have an impact on the financial statements:

- Use of fair values of certain aircraft rotable spares as their new costs; and
- Resetting of the foreign currency translation reserve

The required comparative period for the transition to IFRS1, for the Group, is from 1 April 2017. The estimated impact of applying the above adjustments on 1 April 2017 is set out below:

	Increase/(Decrease)	
	General reserve As at 1 April 2017	**Impact on restated FY2017-18 Profit**
	$ million	**$ million**
Adjustment to aircraft rotable spares	(15.9)	2.4
Cumulative translation differences	(68.0)	0.7
Total (pre-tax)	**(83.9)**	**3.1**
Tax effect	2.7	(0.4)
Total (post-tax)	**(81.2)**	**2.7**

The effect of the reduction in values for aircraft rotable spares is a reduction in depreciation expense. The estimated impact in the next three financial years is as follows:

Increase in Profit ($ million)	**FY2018-19**	**FY2019-20**	**FY2020-21**
Pre-tax	2.4	2.3	1.9
Post-tax	2.0	1.9	1.6

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

Name of dividend	Interim	Final
Dividend Type	Cash	Cash
Dividend Rate	4.0 cents per ordinary share	9.0 cents per ordinary share

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of dividend	Interim	Final	
		Ordinary	Special
Dividend Type	Cash	Cash	Cash
Dividend Rate	4.0 cents per ordinary share	9.0 cents per ordinary share	5.0 cents per ordinary share

(c) Date payable

The final dividend, if so approved by shareholders, will be paid on 7 August 2018.

(d) Books closure date

Subject to the approval being obtained at the 36th Annual General Meeting of the Company for the payment of the final dividend, notice is hereby given that duly completed and stamped transfers (together with all relevant documents of or evidencing title) received by the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 up to 5 p.m. on 25 July 2018 will be registered to determine shareholders' entitlements to the final dividend. Thereafter the Share Transfer Books and the Register of Members of the Company will be closed on 26 July 2018 for the preparation of dividend warrants. The final dividend, if so approved by shareholders, will be paid on 7 August 2018 to members on the Register as at 25 July 2018.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. Interested Person Transactions

(In $ Million)

The aggregate value of all Interested Person Transactions ("IPTs") entered into during the Financial Year 2017-18 are as follows:

Name of Interested Person	**Non-Mandated** Aggregate value of all IPTs (excluding all mandated transactions pursuant to Rule 920 of the SGX Listing Manual and transactions less than $100,000)	**Mandated** Aggregate value of all IPTs conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than $100,000)
Singapore Airlines Group		
- SilkAir (Singapore) Pte Ltd	-	483.9
- Scoot Tigerair Pte Ltd [1]	-	82.5
- Singapore Airlines Limited	-	20.3
- Singapore Airlines Cargo Private Limited	-	0.5
- Tata SIA Airlines Limited	-	0.1
Non-listed Associates of Temasek Holdings		
- AJI International Pte Ltd	-	6.0
- AETOS Training Academy Pte Ltd	-	0.2
- SMRT Taxis Pte Ltd	-	0.6
- Synergy FMI Pte Ltd	-	0.2
SATS Ltd		
- SATS Security Services Pte Ltd	-	25.4
- SATS Ltd	-	2.3
- SATS Airport Services Pte Ltd	-	0.4
Total	-	**622.4**

Notes:

1. The aggregate values of all IPTs entered into with Scoot TigerAir Pte Ltd includes the values of the IPTs entered into with Scoot Pte Ltd ("Scoot") and Tiger Airways Singapore Pte Ltd ("Tigerair") in FY2017-18 prior to the amalgamation of Scoot and Tigerair on 25 July 2017.

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

The Group's businesses are organised and managed separately according to the nature of the services provided. The following tables present revenue and profit information regarding operating segments for the financial years ended 31 March 2018 and 31 March 2017 and certain assets information of the operating segments as at those dates.

2017-18 (in $ million)	**Airframe and Line Maintenance**	**Engine and Component**	**Total segments**	**Consolidation eliminations**	**Per consolidated financial statements**
TOTAL REVENUE					
External revenue	1,067.2	27.7	1,094.9	–	1,094.9
Inter-segment revenue	–	3.4	3.4	(3.4)	–
	1,067.2	31.1	1,098.3	(3.4)	1,094.9
RESULTS					
Segment results	79.5	(3.1)	76.4	–	76.4
Interest income					4.9
Surplus on disposal of an associated company					14.3
Surplus on dilution of shareholding in an associated company					0.8
Share of profits of associated companies, net of tax	(0.1)	69.6	69.5	–	69.5
Share of profits of joint venture companies, net of tax	–	40.3	40.3	–	40.3
Other unallocated expense					0.2
Profit before taxation					206.4
Taxation					(21.1)
Profit for the financial year					185.3
Other segment items					
Depreciation of property, plant and equipment	49.9	1.0	50.9	–	50.9
Amortisation of intangible assets	2.0	3.4	5.4	–	5.4
Segment assets					
Property, plant and equipment	295.1	5.9	301.0	–	301.0
Intangible assets	9.2	58.5	67.7	–	67.7
Investment in associated/ joint venture companies	52.6	491.8	544.4	–	544.4
Other unallocated assets					905.5
Total assets	356.9	556.2	913.1	–	1,818.6

2016-17 (in $ million)	**Airframe and Line Maintenance**	**Engine and Component**	**Total segments**	**Consolidation eliminations**	**Per consolidated financial statements**
TOTAL REVENUE					
External revenue	1,080.6	23.5	1,104.1	–	1,104.1
Inter-segment revenue	–	3.8	3.8	(3.8)	–
	1,080.6	27.3	1,107.9	(3.8)	1,104.1
RESULTS					
Segment results	73.6	(1.6)	72.0	–	72.0
Interest income					4.0
Surplus on partial disposal of an associated company					2.3
Surplus on disposal of non-current asset held for sale					141.6
Dividend income from non-current asset held for sale					39.5
Share of profits of associated companies, net of tax	0.9	64.0	64.9	–	64.9
Share of profits of joint venture companies, net of tax	–	31.6	31.6	–	31.6
Other unallocated expense					(0.8)
Profit before taxation					355.1
Taxation					(17.9)
Profit for the financial year					337.2
Other segment items					
Depreciation of property, plant and equipment	46.4	1.2	47.6	–	47.6
Amortisation of intangible assets	1.8	3.4	5.2	–	5.2
Segment assets					
Property, plant and equipment	324.8	6.8	331.6	–	331.6
Intangible assets	6.8	58.5	65.3	–	65.3
Investment in associated/ joint venture companies	30.3	511.7	542.0	–	542.0
Other unallocated assets					979.4
Total assets	361.9	577.0	938.9	–	1,918.3

Geographical segments

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Revenue		**Non-current assets**	
			31 March	
(in $ million)	**2017-18**	**2016-17**	**2018**	**2017**
East Asia #	800.6	878.9	853.0	878.5
Europe *	203.3	146.2	–	–
South West Pacific	38.5	29.9	1.1	1.2
Americas	27.7	25.1	59.0	59.2
West Asia and Africa	24.8	24.0	–	–
Total	1,094.9	1,104.1	913.1	938.9

Mainly Singapore

* Mainly France

Non-current assets' information presented above consists of property, plant and equipment, intangible assets, long-term investment and investments in associates and joint ventures as presented in the consolidated balance sheet.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments

For details, please refer to paragraph 8.

16. A breakdown of sales.

	GROUP		
	2017-18	**2016-17**	**Change**
	S$M	**S$M**	**%**
Turnover reported for first half year	547.5	536.4	+ 2.1%
Profit after tax reported for the first half year	74.6	236.6	- 68.5%
Turnover reported for second half year	547.4	567.7	- 3.6%
Profit after tax reported for the second half year	110.7	100.6	+ 10.0%

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Annual Dividend (in $ million)	2017-18	2016-17
Ordinary dividend		
- Interim	44.7	44.9
- Final#	100.6	100.8
Special dividend		
- Final#	-	56.0
Total:	145.3	201.7

2017-18 final dividend is estimated based on number of shares outstanding as at the end of the financial year, excluding treasury shares.

18. Disclosure of person(s) occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, SIA Engineering Company Limited (the "Company") confirms that, to the best of its knowledge, there is no person occupying a managerial position in the Company or in any of its principal subsidiaries, who is a relative of a Director or Chief Executive Officer or Substantial Shareholder of the Company.

19. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (namely, its Chief Executive Officer, Executive Vice-President and Chief Financial Officer) in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Lu Ling Ling
Company Secretary
15 May 2018

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Independent Auditors' Report

Members of the Company
SIA Engineering Company Limited

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of SIA Engineering Company Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 March 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity of the Group, statement of changes in equity of the Company and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages # to #.

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRSs") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and the consolidated financial performance, consolidated changes in equity of the Group, changes in equity of the Company and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

\# *The page numbers are as stated in the Independent Auditors' Report dated 15 May 2018 included in SIA Engineering Company Limited Annual Report for the financial year ended 31 March 2018.*

KPMG

Classification of investments in subsidiaries, joint ventures and associates

Refer to note 2(e) 'Basis of consolidation' and note 2(f) 'Subsidiary, associated and joint venture companies' for the relevant accounting policies and a discussion of significant accounting estimates.

Risk

The Group has a number of strategic alliances with original equipment manufacturers and strategic partners through the joint formation of subsidiaries, joint ventures and associates.

The classification of an investment as a subsidiary, joint venture or associate is based on whether the Group is determined to have control, joint control or significant influence and this can be judgemental. Any inappropriate classification can have a material or pervasive effect on the financial statements of the Group.

Our response

On new investments, we examined the shareholders agreements, to review the terms that govern the rights and obligations of the respective investors, and other related terms such as dispute resolution provisions, termination provisions, governance structures and profit-sharing arrangements, so as to establish whether the Group has control or joint control or significant influence over the investees.

On existing investments, we inquired of management if there were any modified terms of arrangements that would change the investment classification previously assessed.

We assessed management's conclusion on the classification of these investments by reference to the applicable financial reporting standards.

Findings

The Group has examined the relevant terms and conditions governing the individual investments. The classification of these investments is consistent with the Group's accounting policies.

KPMG

Impairment risk on property, plant and equipment (the "PPE")

Refer to note 2(m) 'Impairment of non-financial assets' and note 3 "Significant accounting estimates and critical judgements" for the relevant accounting policy and a discussion of significant accounting estimates.

Risk

The Group invested heavily in hangars, workshops and other related plant and equipment to support the Group's maintenance, repair and overhaul ("MRO") business as well as rotables to support customers under the Inventory Management Program ("ITM").

Owing to the heavy investments in these assets (collectively, the "PPE"), there is a risk that the carrying value of these PPE deployed in each of the Group's cash generating unit ("CGU") may exceed the recoverable amount.

Where indicators of impairment exist, the Group uses the discounted cash flow technique to determine the recoverable amounts of the CGU to which the specific PPE belongs to.

Where any specific pool of rotables could no longer generate sufficient future cash flows, the Group will obtain independent external valuation to assess the fair value of the rotables for resale in the secondary market.

The process of identifying indicators of impairment that may exist in each CGU requires judgement. The assessment of the recoverable amount of each CGU and the fair value of rotables are subject to estimation uncertainties.

Our response

We assessed the appropriateness of identification of CGUs and the allocation of assets to these CGUs.

We assessed the key assumptions used in the cash flow projections, namely revenue growth rates, operating costs, discount rates, terminal growth rates by comparing the assumptions to the past historical performance, the Group's planned productivity and cost initiatives and other available market data for the MRO industry.

We stress-tested the assumptions made by management, including reducing the growth estimates over revenue and operating profits.

We evaluated the objectivity of the external valuer, and the methodology and key assumptions used in the valuation of rotables.

Findings

The assumptions and resulting estimates used in the discounted cash flow projections are within acceptable range.

The external valuer for the rotables is independent, and the valuation methodology is in line with generally accepted market practices.

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Impairment risk on deferred engine development costs

Refer to note 2(m) 'Impairment of non-financial assets and note 3 'Significant accounting estimates and critical judgements' for the relevant accounting policies and a discussion of significant accounting estimates.

Risk

The Group participates in the Pratt & Whitney's PW1000G Programme (the "PW1000G Programme"). The PW1000G Programme represents a long term investment in the PW1000G engine which is the sole source engine for the Bombardier CSeries ("CSeries") and Mitsubishi Regional Jet ("MRJ") aircraft. The Bombardier CSeries entered into service in 2016, while the Mitsubishi Regional Jet is scheduled for entry into service in 2020.

The PW1000G Programme has been assessed as one cash-generating unit as the investments in the CSeries and MRJ engines are entered in contemplation of each other; and the ability to exit from either investment cannot be decided unilaterally without due regards to contractual terms that govern these investments together.

The Group's participation in the development costs of the PW1000G engines entitles the Group to a proportionate share of revenue and costs as contractually agreed with Pratt & Whitney in a risk and revenue sharing arrangement.

The Group performs an annual impairment test for the deferred development costs using value in use calculations. The value in use is principally driven by the forecast sales of PW 1000G engines over the programme life.

Our response

We reviewed the investment terms of the PW1000G Programme.

We obtained the value in use calculations which are based on Pratt & Whitney's forecast, and compared the forecast engine sales to actual historical performance. We inquired management on the reliability of the forecast engines sales by reference to prevailing business conditions and developments in the aviation industry.

We stress-tested the forecast number and timing of engine sales to determine the impact on the value in use.

Findings

The recoverable amount of the deferred engine development costs is premised on a set of cash flow projections for the programme life, covering engine sales and post-sale maintenance, repair and overhaul. A retrospective review of the actual number of engines sold in the current and prior year, however, remains limited relative to the entire duration of the PW1000G programme. The value in use calculations are within market expectations.

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Recognition of revenue and profits on long-term contracts

Refer to note 2(r) 'Revenue' and note 3 'Significant accounting estimates and critical judgements' for the relevant accounting policy and a discussion of significant accounting estimates.

Risk

Of the Group's total revenue, a significant portion applies to airframe maintenance and component overhaul services and fleet management.

Revenue from airframe maintenance and component overhaul services comes from long term service contracts; and is determined according to the Group's measurement of the stage of completion of the overall maintenance and overhaul contract work according to man-hours. The billable man hours used to record revenue may be subject to further negotiations with customers.

Revenue from fleet management is measured according to the contractual rate by (i) flight hours (for ITM support service) or (ii) fixed price (for Fleet Technical Management services). The profitability of the fleet management contracts depends on whether the contract revenue estimated by the Group is always in excess of contract cost. The assessment of contract costing requires judgement, as this involves a forecast of the anticipated level of maintenance cost of the customers' fleet of aircraft.

Our response

We tested the controls designed and implemented by the Group specific to contract evaluation and authorisation, review and approval of project costing, and verification of stage of completion for revenue recognition.

For airframe maintenance and component overhaul services, we assessed the revenues recognised according to the stage of completion as well as management's estimated billable man-hours.

For fleet management services, we assessed the revenues recognised based on contractual terms and flight hours.

We challenged the basis of contract costing evaluated by management and independently tested it by reference to historical cost experience for comparable contracts, project cost budget and verification to relevant supporting documents.

Where contract losses are anticipated, we evaluated management's calculation of the expected losses and the related accounting treatment.

Findings

We found management's use of estimates to record contract revenue and contract costs for airframe maintenance and component overhaul services and fleet management services, including any recognition of provision for foreseeable losses, to be balanced.

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Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for FY17/18 At a glance, Chairman's Statement, The Year in Review, Business Segments, Corporate Governance, Shareholding Statistics and Share Price and Turnover ('the Reports'), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Kenny Tan Choon Wah.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
15 May 2018