

TRANSFORMING FOR THE

# FUTURE

Annual Report 2017/18





## **CORPORATE PROFILE**

Listed on the Mainboard of the Singapore Exchange in 2000, SIA Engineering Company (SIAEC) is one of the world's leading maintenance, repair and overhaul (MRO) organisations.

SIAEC's one-stop maintenance facility in Singapore offers world-class MRO services to a client base of more than 80 international carriers and aerospace equipment manufacturers. Complementing its full spectrum of MRO services is its portfolio of 25 joint ventures in 8 countries, forged with strategic partners and leading original equipment manufacturers. The Company holds certifications from 26 national airworthiness authorities worldwide.

REVENUE  
**\$1,094.9**  
MILLION

NET PROFIT  
**\$184.1**  
MILLION



## FY2017/18 AT A GLANCE

- SIAEC formed engine overhaul joint venture with GE Aviation
- SIAEC formed additive manufacturing joint venture with Stratasys
- SIAEC expanded line maintenance network to Japan
- SIAEC signed MOUs with CaseBank Technologies and Safran Analytics to collaborate in data analytics
- SIAEC and Boeing signed MOA to collaborate on the provision of aircraft maintenance training services

DIVIDEND  
PER SHARE

**13**  
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\* includes final ordinary dividend of 9 cents per share, which is subject to shareholders' approval



## CHAIRMAN'S STATEMENT



“  
Our investments in automation, robotics and digitalisation are progressively being implemented in the daily operations to enhance the efficiency and agility of our workforce.  
”

### Dear Shareholders,

The aviation industry is set for another turbulent year in the face of the lingering geopolitical uncertainties, rising protectionist sentiments and a challenging operating environment. The International Air Transport Association forecasts the global airline industry to record lower net profits of US\$33.8 billion in 2018, impacted by escalating costs and rising interest rates. This is expected to have knock-on effects on the MRO industry.

Moreover, the MRO industry is facing intensifying competition from original equipment manufacturers (“OEM”) seeking to capture a larger share of the aftermarket. With increased hangar capacity in the region, coupled with the longer maintenance intervals of the next-generation aircraft, engines and components, cost pressure will

continue to mount and margins will narrow.

As an established MRO player, SIA Engineering Company (the “Company”) has been taking steps to position itself for the future. We have been investing in innovation and technology to increase our competitiveness and will continue to expand our network of strategic partnerships to access new markets, capabilities and technology.

### BUILDING CAPABILITIES FOR THE FUTURE

Over the last two years, we have invested in systems, facilities and equipment to strengthen our fundamentals. To enhance our capabilities, we have set up our Innovation & Technology Group in 2016 to accelerate adoption of new technologies. We launched an innovation drive to invest up to \$50 million over five years on innovation initiatives and technology adoption projects. These efforts complement the development of innovative solutions for our airline customers to enhance their fleet operating

efficiencies and reliability, whilst creating higher levels of productivity and process improvements within the SIA Engineering Group of companies (the “Group”).

Our investments in automation, robotics and digitalisation are progressively being implemented in the daily operations to enhance the efficiency and agility of our workforce.

Our innovation and technology initiatives were the precursor to the Group’s Transformation to enhance our position as a leading MRO. In addition to exploring new avenues of growth and business opportunities, the transformation programme is aimed at enhancing productivity, streamlining processes and increasing competitiveness.

During the Financial Year (“FY”), we inked a joint venture agreement with Stratasys Ltd. to establish an additive manufacturing centre in Singapore that will leverage cutting-edge 3D-printing technology to produce aircraft cabin parts, and provide engineering and certification support.

In the field of data analytics, we are collaborating with Safran Analytics

to research and develop predictive maintenance software that will improve aircraft maintenance planning and reduce disruptions to aircraft revenue service. We are also working with CaseBank Technologies to develop advanced diagnostic software programmes that will improve the troubleshooting process during maintenance and reduce aircraft downtime and component removal costs. These initiatives are an integral part of our efforts to reduce maintenance downtime and increase cost savings for our airline customers.

We will continue to identify and gain competencies in emerging technologies and innovations that we believe will shape the MRO industry in the next decades.

## **GROWING OUR NETWORK OF STRATEGIC PARTNERSHIPS**

In the last two years, we had formed a fleet management joint venture with Boeing and a heavy maintenance joint venture with Airbus. We remain focused on the course of forming strategic relationships and synergistic joint ventures with key partners who are leading players in the MRO space.

In June 2017, we strengthened our partnership with Boeing with the signing of a Memorandum of Agreement to provide aircraft maintenance training services on behalf of Boeing to airlines located in and around the Southeast Asian region. In the same month, Eagle Services Asia, our joint venture ("JV") with Pratt & Whitney, was selected as an MRO facility in Singapore for the Pratt & Whitney PW1100G-JM PurePower® Geared Turbofan™ engine, one of two engine types that power the A320neo aircraft.

An important milestone was also achieved in February 2018 with our entry into a joint venture with GE Aviation for the formation of a company to carry out GE90 and GE9X engine overhaul work at a facility to be sited in Singapore. These are the exclusive engines for various Boeing 777 variants. With this JV, the Company has now secured partnerships with all three major engine manufacturers.

Moog Aircraft Services Asia, a joint venture with Moog Inc. ("Moog"), also officially opened its facility in February 2018 to provide repair and overhaul services for Moog's flight control systems on new-generation aircraft, including the Airbus A350 and Boeing 787.

These collaborations serve to expand our suite of service offerings and allow us to access a wider market in the region and beyond. Although our new JVs are not expected to be accretive in the short term, they reinforce our core competencies and will give us the cutting edge for sustained growth in the long term.

We are grateful for the trust and confidence of our partners and look forward to more extensive and new collaborations in the future.

In October 2017, we announced the divestment of our stake in Asian Compressor Technology Services for a gain of approximately \$14.3 million. This is in line with the Group's restructuring efforts to focus on growth areas and build next-generation aircraft capabilities.

We remain committed to maximising shareholder returns and will continue to evaluate and streamline our businesses to ensure that our portfolio meets our business objectives.

## **EXPANDING OUR GEOGRAPHICAL FOOTPRINT**

As airlines' fleet sizes continue to grow globally and the number of flights at airports continue to increase, the expansion of our international line maintenance network is another avenue for us to access a wider market and opportunities.

During the year, we expanded our regional footprint with the establishment of a subsidiary to provide line maintenance services at Kansai International Airport. Since then, we have expanded to serve airline customers at Narita International Airport and New Chitose Airport. Plans are in the pipeline to increase our service offerings and presence in other airports in Japan.

We also entered into a Memorandum of Understanding with Air India Engineering Services Limited to collaborate on the provision of line maintenance and ancillary services, including engineering training, at various airports in India. In addition, we signed a non-binding Letter of Intent with our JV partner, Cebu Air, to review growth opportunities in the Philippines.

On the home front, we announced the entry into a comprehensive Services Agreement with SilkAir (Singapore) to provide MRO services for the airline's fleet of Boeing 737 MAX aircraft. This contract is worth \$484 million over a period of 12 years.

## **FINANCIAL PERFORMANCE REVIEW**

Our network of partnerships is an instrumental pillar of growth for the Company, and we are pleased that our efforts to grow this segment have

## CHAIRMAN'S STATEMENT

paid dividends. Share of profits from associated and JV companies have grown steadily over the years, up 13.8% from \$96.5 million in FY2016/17 to \$109.8 million in FY2017/18. This reflects the success of our strategy to combine the competencies of the OEMs and those of ours in order to drive longer-term growth for the Company.

Overall, our net profit declined 44.6% to \$184.1 million. This was largely due to the absence of a divestment gain of \$178.0 million that was recorded in FY2016/17.

### DIVIDENDS

The Board of Directors is recommending a final ordinary dividend of 9.0 cents per share. Together with the interim dividend of 4.0 cents per share, the total payout for FY2017/18 will be 13.0 cents.

### RECORDING OUR APPRECIATION

Our Transformation journey is now well underway. This has been made possible only because our people have embraced it fully and have pledged their commitment and diligence. Much work remains to be done but I am certain that with the support and commitment of our people, we will be able to achieve sustainable growth and development that will benefit all stakeholders.

On this note, we are pleased to release our inaugural Sustainability Report this year. We have been communicating on some of our environmental management efforts and corporate social responsibility activities since FY2007/08. The Sustainability Report allows us to share more details on

our sustainable business practices, contribution to society and efforts to protect our environment.

I wish to extend my sincere appreciation to my fellow Directors, management, staff and union leaders for your dedication and cohesive teamwork. In particular, I would like to express heartfelt thanks to Mr Tong Chong Heong, who has recently stepped down as a member of our Board and Chairman of the Board Safety & Risk Committee, for his invaluable contributions.

To our customers and business associates, thank you for the past year. We look forward to your continued support and to a closer collaboration and partnership with each of you. Last but not least, we thank our shareholders for your unwavering trust and confidence in us. With all the support, I am confident that SIA Engineering Company will be able to maintain its leading position in the global MRO space.

It has been an honour for me to have served as Chairman of the Board for the past twelve years. I am pleased to hand over the reins to Mr Tang Kin Fei, who will succeed me as Chairman upon my retirement at the conclusion of the Annual General Meeting on 19 July 2018. I am confident that he will steer the Group in its next phase of growth and lead it to greater heights.

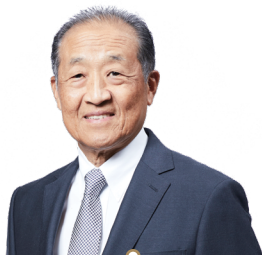


**Stephen Lee Ching Yen**  
Chairman

# CORPORATE CALENDAR



## BOARD OF DIRECTORS



**Stephen Lee Ching Yen**

Chairman  
Chairman, Compensation & HR Committee  
Non-executive and Non-independent Director



**Tang Kin Fei**

Deputy Chairman  
Non-executive and Independent Director  
From 8 May 2017



**Chew Teck Soon**

Chairman, Audit Committee  
Non-executive and Independent Director



**Christina Ong**

Chairman, Nominating Committee  
Non-executive and Independent Director



**Manohar Khiatani**

Chairman, Board Safety & Risk Committee  
Non-executive and Independent Director



**Goh Choon Phong**

Non-executive and Non-independent Director



**Ng Chin Hwee**

Non-executive and Non-independent Director



**Dr Raj Thampuran**

Non-executive and Independent Director



**Wee Siew Kim**

Non-executive and Independent Director  
From 8 May 2017



**Png Kim Chiang**

Executive and Non-independent Director



**Tong Chong Heong**

Non-executive and Independent Director  
Until 1 June 2018



## KEY EXECUTIVES



**Png Kim Chiang**

Chief Executive Officer



**Ivan Neo Seok Kok**

Executive Vice President Operations



**Zarina Piperdi**

SVP Human Resources



**Wong Yue Jeen**

SVP Aircraft & Component Services



**Foo Kean Shuh**

SVP Line Maintenance & Cabin Services



**Philip Quek Cher Heong**

SVP Partnership Management  
& Business Development



**Ng Lay Pheng**

Chief Financial Officer

# THE YEAR IN REVIEW



**S**IA Engineering Company recorded a profit attributable to owners of the parent of \$184.1 million for the financial year ended 31 March 2018

## FINANCIAL YEAR OPERATING RESULTS

During the year, the Group reorganised its businesses into two reporting segments to reflect the increased integration of its various business operations. The two reporting segments are as follows:

- Airframe and Line Maintenance (which comprises the Airframe Overhaul and Line Maintenance businesses, as well as the Fleet Management business)
- Engine and Component

Revenue for the year of \$1,094.9 million was 0.8% lower than the preceding year mainly due to lower revenue from the Fleet Management business. Share of profits from associated and JV companies rose 13.8% to \$109.8 million.

### SHARE OF PROFITS FROM ASSOCIATED AND JV COMPANIES (NET OF TAX)

(\$M)



## BUSINESS SEGMENTS



### OPERATING PERFORMANCE

During the year in review, the Company handled 146,687 flights at Singapore Changi Airport, an increase of 3.7% over the previous year. The Group's international line maintenance network now covers 39 airports in eight countries.

Under Airframe Overhaul, the number of maintenance checks performed at the six hangars in Singapore totalled 542 against 516 in the preceding year. The three hangars in the Philippines performed 56 checks against 35 checks a year ago.

As at 31 March 2018, the Fleet Management business manages a fleet size of 89 aircraft for eight airline customers.

### OUTLOOK

While the MRO industry remains challenging with intense competition, the Group continues to see growth opportunities. The Group will maintain its pursuit of new capabilities to meet the changing technological demands of the next generation aircraft, while

creating higher levels of productivity and operating efficiency.

The recent joint venture with Stratasys Ltd. on additive manufacturing, and collaborations with Safran Analytics and CaseBank Technologies in the field of Data Analytics, are key strategic moves to build capabilities that will be integral to the Group.

The Group continues to expand its current portfolio of 25 joint ventures with the world's leading aircraft, engine and component manufacturers. The new partnerships with GE Aviation and Moog will contribute strategically to the Group's competitiveness and strength, while opening access to the global OEM markets.

These investments will position the Group well for long-term growth.

In the near term, the Company will benefit from a new comprehensive service agreement signed with SilkAir

(Singapore) to provide MRO services for its 37 Boeing 737 MAX aircraft for a term of 12 years, with an option to renew for a further five years. The total revenue of this agreement is about \$484 million over the 12-year term.

### DIVIDENDS

The Board of Directors recommends a final ordinary dividend of 9.0 cents per share. Together with the interim dividend of 4.0 cents per share paid earlier, the total dividend payment for FY2017/18 will be 13.0 cents per share. Payment of the final dividend, which amounts to approximately \$100.6 million, is subject to shareholders' approval at the Annual General Meeting on 19 July 2018. If approved, the dividend will be paid on 7 August 2018.

## BUSINESS SEGMENTS

### AIRFRAME AND LINE MAINTENANCE

#### AIRFRAME AND LINE MAINTENANCE REVENUE (\$M)



#### FLIGHTS HANDLED AT CHANGI AIRPORT



Number of checks performed at Singapore Base	A	C	Total
FY2017/18	455	87	542
FY2016/17	427	89	516

Number of checks performed at Clark Base	C
FY2017/18	56
FY2016/17	35

### AIRFRAME OVERHAUL AND LINE MAINTENANCE

Aircraft are mandated to undergo scheduled checks to maintain their airworthiness certifications with national aviation authorities, such as the Civil Aviation Authority of Singapore, Federal Aviation Administration of the United States, and the European Aviation Safety Agency of the European Union.

Scheduled A and C checks are performed at our six hangars in Changi. Increasingly, A checks are performed at the apron during transits, thereby reducing maintenance downtime for our airline customers.

Services provided under Airframe Overhaul include airframe structural repair and modification, cabin refurbishment, VIP aircraft modification, aircraft painting and retrofitting of inflight entertainment and avionics systems. The supporting workshops also have in-house facilities to provide inspection, repair, modification and test services for aircraft components.

The Group's subsidiary, SIA Engineering (Philippines) Corporation, currently operates two narrow-body hangars and one wide-body hangar at Clark, Philippines, to provide heavy and light maintenance checks to airlines operating out of the Philippines and in the region. In FY2017/18, it was appointed by Embraer Asia Pacific as an E-Jets authorised service centre for the E170, E175, E190 and E195 aircraft.

Another subsidiary located in Singapore, Heavy Maintenance Singapore Services, was formed with Airbus to provide airframe maintenance, cabin upgrade and modification services for Airbus aircraft. The joint venture will be designated as Airbus' Centre of Excellence for the A380 and A350 heavy maintenance in Asia.

During the year under review, the Company serviced a total of 146,687 flights at Singapore Changi Airport, a 3.7% increase over the previous year.

Our engineers and technicians provide aircraft certification and ground handling services for an international client base of more than 50 airlines at Singapore Changi Airport, ensuring high dispatch reliability for aircraft on transits and night stops.

With the increasing number of flights operating through Singapore and Changi's continued growth as a hub for full-service and low-cost carriers, the Company relentlessly pursues improvements in its services to enhance the engineering reliability and operating efficiencies of its airline customers.

The Quick Action Team, a specialised team ready to respond to aircraft-on-ground ("AOG") situations round-the-clock, carries out AOG engine changes for airline customers in Singapore and overseas.

At Singapore Changi Airport, we also provide cabin maintenance services to cater to airline customers' increasing focus on their cabin interiors.

Apart from the operations at Singapore Changi Airport, the Company's

international line maintenance network comprises seven line maintenance joint ventures overseas, covering 38 airports in seven countries. During the year, a wholly-owned subsidiary was established in Japan to provide line maintenance services at airports in Japan. We are now serving airline customers at Kansai International Airport, Narita International Airport and Chitose Airport, with plans to widen our service offerings and presence to other airports in Japan.

The Company also signed a Memorandum of Understanding with Air India Engineering Services Limited, a wholly-owned subsidiary of Air India Limited, to collaborate on the provision of line maintenance and ancillary services, including engineering training, at various airports in India.

### FLEET MANAGEMENT

The Fleet Management business covers engineering, maintenance support activities and inventory management,

including formulating and up-keeping of aircraft maintenance programmes, maintenance planning and control, engineering design, reliability programmes, materials support as well as logistics and supply chain management.

Through the Company's proven capabilities in inventory and supply chain management, airlines are provided with integrated solutions that encompass component pooling, on-site consignment, component repair and overhaul management, warehousing, logistics and 24/7 AOG support services. In addition, we also provide turnkey solutions to assist airlines in aircraft entry-into-service preparations. These include the establishment of infrastructure, such as warehousing, logistics and provisioning of onsite spares.

As at 31 March 2018, the number of aircraft under fleet management is 89.



## BUSINESS SEGMENTS

Boeing Asia Pacific Aviation Services, our joint venture company in Singapore with Boeing, provides a comprehensive and integrated suite of engineering, materials management and fleet support solutions for Boeing aircraft to customers in Asia Pacific.

### ENGINE AND COMPONENT

#### ENGINE AND COMPONENT REVENUE (\$M)



The Company participates in the development of the Mitsubishi Regional Jet aircraft engine and the Bombardier CSeries engine with Pratt

& Whitney under the PurePower PW1000G Risk Revenue Sharing Programs (RRSP), through two wholly-owned subsidiaries, NexGen Network Holding (1) and NexGen Network Holding (2).

The Company has forged five joint ventures with the world's leading engine and engine component manufacturers, including Pratt & Whitney and Rolls-Royce, to enhance the breadth and depth of the Group's engine overhaul services. Out of the five Singapore-based engine/engine component joint ventures, Singapore Aero Engine Services and Eagle Services Asia are the Asia Pacific Centres of Excellence for Rolls-Royce and Pratt & Whitney respectively. The other three joint ventures with Pratt & Whitney are Asian Surface Technologies, Component Aerospace Singapore and Turbine Coating Services.

During the year, we divested Asian Compressor Technology Services, the engine component joint venture in Taiwan, as part of ongoing initiatives to focus on growth areas.

At the Singapore Airshow in February 2018, the Company signed an agreement with GE Aviation to form an engine overhaul joint venture company that will provide a full range of MRO services for the GE90 and GE9X engines. This joint venture will establish a state-of-the-art facility in Singapore adopting GE's "Brilliant Factory" concepts, combining advanced technologies and lean practices with digitalisation and data analytics to enhance productivity. With this joint venture, the Company has secured partnerships with all three major engine manufacturers.

In addition, the Group also has eight Singapore-based joint ventures specialising in component repair and overhaul. They include Aerospace Component Engineering Services, Fuel Accessory Service Technologies, Jamco Singapore, Safran Landing Systems Services Singapore, Goodrich Aerostructures Service Center – Asia, Panasonic Avionics Services Singapore, Safran Electronics & Defense Services Asia, as well as Moog Aircraft Services Asia which was incorporated during the year.

Another joint venture based in Singapore, JAMCO Aero Design & Engineering, provides turnkey solutions for aircraft interior modifications.

A joint venture agreement was signed with Stratasys Ltd., a leading 3D printing and additive manufacturing solutions company, to establish an additive manufacturing service centre to provide 3D printed parts for use in commercial aviation.

All the foregoing joint ventures expand the service offerings of our total MRO solutions.



## THE PUSH FOR INNOVATION



In February 2016, we announced plans to invest up to \$50 million over five years on innovation initiatives and technology adoption projects in the MRO industry. With support from the Economic Development Board, these investments aim at developing innovative solutions that will enhance customers' fleet operating efficiencies and reliability, and generate higher levels of productivity and process improvements. Over the last two years, the Company has collaborated with airlines, research institutions, OEMs and technology partners to develop and introduce new technologies in four key areas: Additive Manufacturing, Automation and Robotics, Digitalisation and Data Analytics.

Through identifying and gaining competencies in emerging technologies that will be an integral part of the MRO industry, we are investing for the future and positioning the Company for sustained competitiveness and growth in the long term.

### ADDITIVE MANUFACTURING

One of the exciting new technologies that we adopted is additive manufacturing, or popularly known as 3D printing. This capability in producing 3D-printed cabin parts provides the following benefits:

- Shorter time-to-market;
- Ability to enhance these parts to improve durability; and
- Lower production costs for small volume production without the fabrication cost of an injection mould.

Through our joint venture with Stratasys Ltd. to establish an additive manufacturing plant in Singapore, we will be able to scale up and access the growing demand for additive manufacturing services in the aviation industry, and to provide our customers with new service offerings.

### AUTOMATION AND ROBOTICS

We have also introduced new technologies in the workplace to improve productivity, as well as to enhance quality and safety at work. These include, amongst others, the following:

#### ONE-MAN PUSHBACK OPERATIONS

We have deployed a wirelessly controlled air tug for aircraft pushbacks that can be operated by a single person. This improves the productivity of pushback operations for a narrow body aircraft from the current process which requires two people.

#### AUTOMATED GUIDED VEHICLES ("AGV")

The Company is conducting trials using outdoor AGVs to transport spares, components and modification



Over the last two years, the Company has collaborated with airlines, research institutions, OEMs and technology partners to develop and introduce new technologies

## THE PUSH FOR INNOVATION



in a risk-free environment, to handle varying operational towing scenarios. Through this Virtual Reality-based training, more than 600 staff have undergone training in an immersive environment for pushback and towing operations. In recognition of our efforts to encourage safe behaviour and practices on the airside, the Company was also awarded the CAG Airport Safety Award by the Changi Airport Group in December 2017.

### DATA ANALYTICS

The application of data analytics in the aviation industry is critical to developing our predictive maintenance capabilities, which will increase our value-add to customers and enhance our competitive edge. By using advanced predictive software to collate and analyse data collected during aircraft operations, we aim to reduce maintenance downtime and increase cost savings for our airline customers.

In February 2018, we signed two Memoranda of Understanding with both CaseBank Technologies and Safran Analytics. We will partner CaseBank Technologies to develop advanced diagnostic software programmes that will improve the troubleshooting process during maintenance, and reduce aircraft downtime and component removal costs. With Safran Analytics, our collaboration will focus on the development of predictive maintenance software to improve aircraft maintenance planning and reduce disruptions to aircraft revenue service.

We will continue to identify and gain competencies in emerging technologies and innovations that we believe will shape the MRO industry in the next decades.



kits for hangar checks. These AGVs are equipped with navigation and enhanced safety features, and will improve productivity in the delivery process.

### 3D SCANNER

The 3D handheld scanner, approved for use by Airbus, allows an engineer to electronically map a detected dent or buckle. The new mapping process can be completed within 15 minutes as compared to the two to three hours of manual mapping previously.

### DIGITALISATION

A key initiative is the digitalisation of aircraft maintenance manuals and job cards. These electronic manuals and job cards can be accessed using a mobile tablet to provide our engineers with information on-the-go. Digitalisation of job cards enables real time monitoring of work progress, manpower and equipment allocation. This increased visibility of work progress allows for quick deployment and optimisation of resources.

To enhance the competency of air tug drivers, we have introduced an aircraft towing simulator in April 2017. The simulator also allows the simultaneous training of the entire towing team,





## OVERVIEW

### ABOUT THIS REPORT

SIA Engineering Company (“the Company” or “SIAEC”) is firmly committed in upholding its role as a responsible global corporate citizen in every aspect of its business and operations. Since FY2007/08, SIAEC’s Annual Reports have outlined the Company’s environmental management efforts and corporate social responsibility activities. This year marks the first time we are expanding the sustainability section in the Annual Report into a comprehensive Sustainability Report based on international reporting standards of the Global Reporting Initiative (“GRI”).

Our report sets out to encapsulate the sustainable business practices and strategies which we have or are intending to roll out. We aim to report our performance in a transparent and accountable manner.

### REPORTING PERIOD

SIAEC’s Sustainability Report will be published annually. This report provides an overview of the approach, priorities and progress of our sustainability efforts for the financial year from 1 April 2017 to 31 March 2018 (“FY2017/18”).

### REPORTING SCOPE AND BOUNDARY

The Sustainability Report for FY2017/18 addresses our strategy and sustainable practices of our operations in Singapore where the majority of our activities are carried out. The report currently excludes our subsidiaries, joint ventures and associated companies (“JVs”) which are listed on page 17. As we progress in our sustainability reporting

journey, we will include material JVs. Financial information relating to the SIAEC Group’s (“the Group”) business can be found in the Annual Report from page 83.

### SUSTAINABILITY REPORTING FRAMEWORK

This report has been prepared with reference to the criteria of GRI Standards: Core option. We have not sought external assurance for this report, but will review this at the appropriate time when our reporting format and contents are more mature.

### FEEDBACK

We welcome feedback from our stakeholders and members of the public on this report and our sustainability journey at [siaec@singaporeair.com.sg](mailto:siaec@singaporeair.com.sg).

### CEO’S MESSAGE

2018 marks the release of SIAEC’s first Sustainability Report, and a new chapter in our journey towards a sustainable future.

Recognising that our business and actions have an impact on our stakeholders, at SIAEC, we endeavour to integrate sustainability in every aspect of our operations. As we continue our pursuit to be the maintenance, repair & overhaul (“MRO”) service provider of choice, we do not forget our duty as a responsible corporate citizen, and continue to contribute to our society and protect our environment.

Since FY2007/08, we have been communicating our environmental management initiatives and corporate social responsibility (“CSR”) activities through our Annual Reports. In 2016, the Singapore Exchange introduced a formalised sustainability reporting framework. We welcome this development as this will bring about greater awareness and increased focus in the business community that whilst contributing to the economy, we must also do our part to protect groups that may be affected by our operations.

To this end, we established the Sustainability Working Group, chaired by the Chief Financial Officer and comprising staff representatives from the various divisions, to consolidate, develop and coordinate our sustainability initiatives across the organisation. The performance of such sustainability initiatives are overseen by SIAEC’s Management Committee, which I chair. We have also adopted the Global Reporting Initiative Standards, an internationally recognised standard, to guide us in our sustainability reporting.

## Economic

We are committed to creating sustainable shareholder value by maximising returns for long-term profitability. Our network of JVs formed with strategic partners has enhanced the Group's service offerings and value propositions to our customers. To strengthen our position as a leading MRO, we have embarked on a holistic transformation journey to enhance our productivity, streamline processes and increase our competitiveness.

## Governance

Good corporate governance is the hallmark of a well-managed organisation. We are committed to conduct our business ethically and responsibly by adhering to a set of well-defined corporate governance principles and maintaining effective structures and processes for compliance with these principles. Integrity, being one of our corporate core values, represents our resolve to uphold high standards of corporate governance.

## Safety

Safety is of utmost importance to our operations. It is our commitment to ensure that our staff return home safely to their families each day. As part of our Integrated Safety Management Policy, SIAEC's management, in partnership with the unions, staff and contractors, work together as a team to ensure a safe working environment, while providing high quality aviation engineering services to our customers.

## Employees

Our staff are our biggest asset. Staff training and development, as well as talent attraction and retention, are integral components of the Company's social sustainability strategy. Developing a skilled and qualified workforce that is ready to meet our customers' needs is at the core of our success. We aim to develop our staff to their fullest potential and provide them with a fulfilling career.

## Environment

SIAEC supports initiatives and projects that contribute towards the protection of our environment. Our Environment Management Policy outlines our goal to achieve a world class standard in environmental management through continuous improvement and enhancement of our environmental management system.

## Supporting our Communities

In the spirit of our CSR motto of 'Enabling People, Improving Lives', we strive to make a difference to the lives of the underprivileged. In 2017, we have collaborated with charitable organisations such as 'Food from the Heart' and 'Habitat for Humanity', and the main highlight in our CSR calendar is the annual charity run that we organise to raise funds for our beneficiaries.

## Looking Ahead

As economic, governance, social and environmental landscapes evolve around the world, we will seek out best sustainability practices for integration into our operations.

On behalf of the Company, I welcome you to join us in our sustainability journey.

## PNG KIM CHIANG

*Chief Executive Officer*

## BOARD STATEMENT

The Board provides guidance and works with the Management Committee on SIAEC's overall strategic direction, policies and business objectives, taking into consideration key material environmental, social and governance factors. The Board oversees the management of these factors through its involvement in the various Board Committees and regular engagement with Senior Management.

## ABOUT SIA ENGINEERING COMPANY

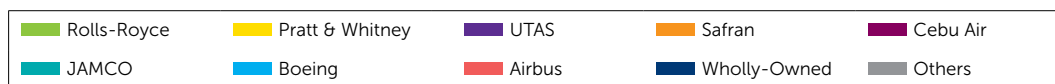
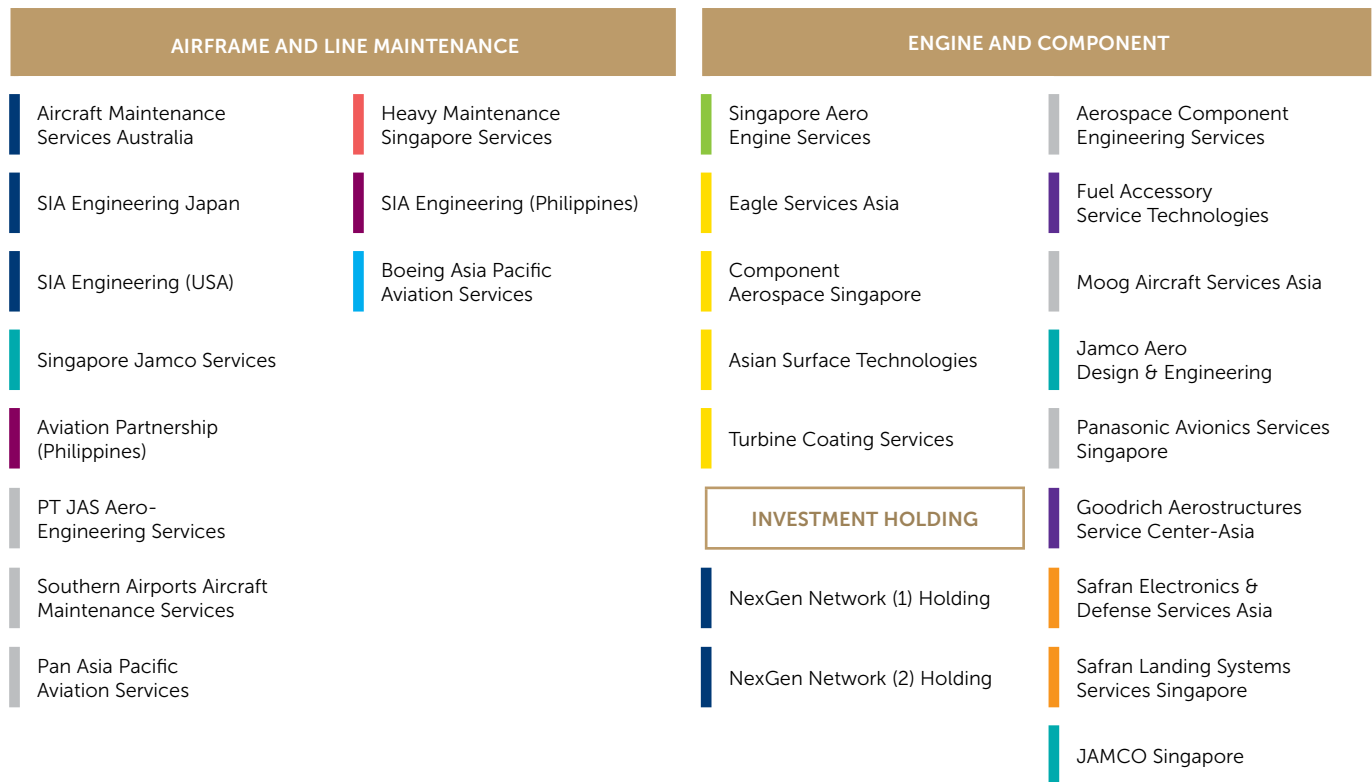
SIA Engineering Company Limited is a limited liability company incorporated in Singapore. The registered office is located at 31 Airline Road, Singapore 819831. The Company has been listed on the Singapore Exchange Securities Trading Limited since May 2000 and is a subsidiary of Singapore Airlines Limited.

As a leading maintenance, repair and overhaul ("MRO") service provider in Asia-Pacific, our maintenance facilities in Singapore provide a one-stop suite of MRO services<sup>1</sup> to global customers and comprise six hangars, including one of the world's first purpose-built hangar to handle the Airbus A380, the world's largest commercial airliner. In addition, we have extended our outreach to airline customers in the region with another three hangars in Clark, Philippines.

1. None of our services are banned in the locations that we operate.

Our extensive network of line maintenance stations covers 39 airports in eight countries. These line maintenance stations handle more than 1,000 flights daily around the clock for 90 airline customers.

Complementing the full spectrum of MRO services is our portfolio of JVs in Australia, Hong Kong, Indonesia, Japan, Philippines, Singapore, United States of America and Vietnam. These JVs were forged with strategic partners, including leading Original Equipment Manufacturers (“OEM”).



## 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.

## CORE VALUES



### Pursuit of Excellence

We strive for the highest professional standards in our work and aim to be the best in everything we do.



### Safety

We regard safety as an essential part of all our operations. We maintain and adopt practices that promote the safety of our customers and staff.



### Customer First

Our customers are foremost in our minds at all times. We go the extra mile to exceed their expectations.



### Concern for Staff

We value our staff and care for their well-being. We treat them with respect and dignity and seek to provide them with appropriate training and development so that they can lead fulfilling careers.



### Integrity

We strive for fairness in all our business and working relationships.



### Teamwork

We work with pride as one team to achieve success together.

## MEMBERSHIP OF ASSOCIATIONS

The Company is a member of Singapore Business Federation, Singapore International Chamber of Commerce, Singapore National Employers Federation, Singapore Institute of Aerospace Engineers and Association of Aerospace Industries (Singapore).

## SUSTAINABILITY AT SIAEC

### Sustainability Strategy

We aim to achieve the goals of our mission statement in a sustainable manner, including contributing to the communities in which we operate. Our objective is to develop and grow our role as a responsible business entity and corporate citizen, with key focus on sustainability issues in areas of Economic, Governance, Social and Environment.

### Stakeholders

We recognise that our business and actions have an impact on our stakeholders and have defined our philosophy in the engagement with them.

- **Employees**

We value our staff and care for their well-being and development.

- **Customers**

We are committed to providing our customers with high quality aviation engineering services.

- **Shareholders**

We maximise returns for long-term profitability, with the aim of creating sustainable shareholder value.

- **JV Partners**

We work with our JV partners to build long-term growth at our JVs.

- **Suppliers**

We treat our suppliers with respect and emphasise fairness in our relationships and dealings with them.

### Sustainability Organisational Structure

The Sustainability Working Group ("SWG"), which was formed in 2016, drives sustainability initiatives across the organisation. The SWG is chaired by the Chief Financial Officer and comprises vice presidents, managers and executives from operational and support divisions as members.

The SWG reports to the Management Committee, which is chaired by the Chief Executive Officer. The Board is engaged on sustainability matters through the Management.



### Materiality Assessment


The SWG conducted a materiality assessment in 2017 and the material topics identified were reviewed by the Management Committee and subsequently endorsed by the Board.

The SWG first identified the key stakeholders critical to the business or are affected by the Company’s operations. The materiality assessment process includes considering the views and feedback of stakeholders to identify issues that are important to them. The identified topics were then prioritised, taking into account considerations such as the interests and expectations of stakeholders, the Group’s top risks, as well as our policies and processes.



**Economic**

- Investment in JVs
- Transformation
- Innovation and Technology



**Governance**

- Anti-Corruption/Bribery\*



**Social**

- Workplace Safety\*
- Aviation Safety
- Non-Discrimination
- Training and Development\*
- Diversity and Equal Opportunity
- Employment
- Labour/Management Relations
- Freedom of Association and Collective Bargaining
- Supplier Social Assessment
- Local Communities



**Environment**

- Environmental Compliance
- Energy\*
- Emissions
- Water
- Effluents and Waste

\* Material topics

## ECONOMIC

The Company’s core competencies and wide portfolio of JVs allow us to offer airline customers a comprehensive suite of MRO services. We will continue to invest and develop new capabilities for next generation aircraft and engine types, in addition to pursuing innovation and technology initiatives. Strategic collaborations with OEMs and leading companies will also remain a key thrust in growing our portfolio of partnerships across the various MRO business segments.

### INVESTMENT IN JVS

The Company has formed JVs with OEMs and airlines over the years to enhance our service offerings to the customers. Together with our network of 25 JVs, we are able to offer our customers a comprehensive suite of services covering different geographical locations globally.

As part of the on-going review of the JV portfolio and to ensure a sustainable return on our investments, we work with our JV partners to develop solutions to address the challenges from product life-cycle changes. Such collaborative efforts with the partners include restructuring

of associated entities, introduction of new partners that can add value to the JV businesses, and development of new capabilities.

## TRANSFORMATION

Over the last two years, we have invested in systems, facilities and equipment to strengthen our fundamentals. Building on this foundation, we have embarked on a Company-wide transformation program to enhance our position as a leading MRO. This transformation is a holistic program which aims to redefine operational excellence and improve organisation health. Besides growth, initiatives in the operational areas such as resource optimisation and improvement of processes and operating practices will increase our productivity and efficiency as well as enhance our competitiveness.

## INNOVATION AND TECHNOLOGY

Innovation is a key driver of the value propositions that we continually develop and offer to our customers. In 2016, we announced that we are investing up to \$50 million over the next few years on innovation initiatives and technology adoption projects, with the support of the Economic Development Board. These investments, in areas of additive manufacturing, automation & robotics, data analytics and digitalisation, are expected to bring greater efficiencies and help us stay ahead of the competition. An Innovation & Technology Group was formed to lead the business units in tracking emerging technologies and trends, exploring new ideas and developing new services to constantly add value for our customers.

## FINANCIAL RESILIENCE

We are prudent in our approach to managing our finances and financial risks, making calibrated adjustments to changes in economic conditions as required, so as to sustain shareholders and market confidence. In managing the Company's capital structure, our primary objective is to maintain an appropriate capital base, while retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events.

We aim to provide a return to shareholders yearly through the payment of dividends, after reviewing our financial performance, investment plans and business outlook.

For more details, please refer to the Annual Report pages 175 to 180 on financial risk management objectives and policies, and page 184 on capital management.



## GOVERNANCE

### CORPORATE GOVERNANCE

The Board and Management are committed to conduct our business ethically and responsibly by adhering to a set of well-defined corporate governance principles, and maintaining effective structures and processes within the Group for compliance with these principles and the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore.

The focus of the governance framework is to promote accountability and transparency. This is represented through the composition of the Board and Board Committees, clear division of powers and duties between the Board and Management, adoption of checks and balances, relevant measures on internal controls, and sound corporate ethics and risk management practices across the Company and its subsidiaries.

The Board oversees the business of the Company and provides stewardship to Management, conferring with them regularly. The Board and Board Committees have written guidelines on matters that require their approval.

The Board is supported by the Audit Committee in the review of the adequacy and effectiveness of the Group's system of internal controls and financial reporting. The Company's internal control structure consists of policies and procedures established to provide reasonable assurance that transactions undertaken are aligned with the achievement of the Company's objectives. A Control Self-Assessment programme, established since FY2003/04, provides a framework that establishes accountability among functional managers and staff, while internal audits provide independent and objective assessments of the processes and controls which may have a material financial impact on the Company.

The Compensation & HR Committee oversees long-term succession planning of Key Executives, and the structure and levels of remuneration to attract, retain and motivate key management personnel. An independent consultant is engaged to provide guidance on market practices and benchmarks.

Please refer to pages 39 to 82 of the Annual Report for more details on the Company's corporate governance framework.

## BOARD EVALUATION AND DIVERSITY

The Board through the Nominating Committee, has a formal process for assessing the effectiveness of the Board Committees and the Board as a whole, as well as the contributions of the Chairman and individual Directors. For impartiality, the process is managed by an external firm of human resource consultants, which has no other connection with the Company or any of its Directors.

The Company is committed to having diversity on the Board, and will continue to strive in that direction. Our diversity initiatives are designed to attract the most talented individuals as Directors, regardless of their race, ethnicity, nationality, sexual orientation, religion, age, gender, disability status or any other dimension of diversity. Diversity is important to ensure that the profiles of Board members provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management of the Company's business.

As part of the director nomination and selection process, the Nominating Committee considers diversity criteria, among other relevant criteria, when determining the optimum composition and balance for the Board. In support of the specific objective of gender diversity, the Nominating Committee ensures that appropriate efforts are made to include women in the list of candidates being considered for a Board position. On an annual basis, the Committee assesses the effectiveness of the director nomination and selection process in terms of whether it meets the Company's commitment on Board diversity.

## RISK MANAGEMENT

Risk management is an integral part of our decision-making process. Through a holistic approach to identifying and managing risks, we instil effective risk ownership and management across all business units and support divisions.

The Board has overall responsibility for the governance of risk. Annually, the Board reviews the adequacy and effectiveness of the risk management and internal control systems, including financial, operational, compliance and information technology risks. The Board, supported by the Board Committees, oversees the key risks of the Group's business.

The Board Safety and Risk Committee assists the Board in overseeing the adequacy and effectiveness of the Group's risk management framework and policies, with the objective

of maintaining a sound system of risk management to safeguard shareholders' interests and the Group's assets.

Management is responsible for the effective implementation of the risk management strategy, policies and processes to facilitate the achievement of the Group's business and strategic objectives. Key risks are proactively identified, addressed and reviewed in detail on an ongoing basis. The Company has in place a continuous and iterative risk management process, which is developed with reference to the principles and guidelines of the ISO 31000:2009 Risk Management standards and the Code of Corporate Governance 2012. The Risk Management framework is published on our website and further details can be found in the Annual Report on pages 45 to 48.

## ETHICS AND INTEGRITY

Ethics and integrity are key prerequisites to SIAEC's long-term success. Failure to adhere to the laws and regulations may result in criminal liabilities such as fines, penalties, or the revocation of its licenses and/or other regulatory approvals which may disrupt the Company's operations.

The Company is committed to act lawfully, and in accordance with high standards of integrity and ethics in every aspect of its business. To this end, the Company has introduced a comprehensive set of policies, including but not limited to the policies on Corporate Gifts, Anti-Corruption/Bribery and Employee Code of Conduct, as part of its commitment to maintain a robust system of risk management and internal controls.

Policies are being reviewed regularly and any introduction of new policies and revision of existing policies are broadcasted via the Company's intranet which are accessible to all employees. Policies applicable to the Company's vendors, suppliers and other external stakeholders, such as the Suppliers' Code of Conduct, are incorporated as provisions in agreements with external stakeholders, which can be found on the Company's website ([www.siaec.com.sg](http://www.siaec.com.sg)).

## ANTI-CORRUPTION/BRIBERY

The Company has adopted a zero-tolerance policy against bribery and corruption in its operations, which extends to all of its dealings with internal and external stakeholders (including but not limited to third-party service providers and vendors).

We believe that effective corporate governance and internal controls aligned with responsible and sustainable methods increases the Company's value. Our policies on anti-corruption/bribery are compliant with the Prevention of Corruption Act, Singapore's main anti-bribery legislation. Our approach to anti-corruption/bribery is also in line with international standards, including the United Nations Sustainable Development Goal to substantially reduce corruption and bribery in all their forms, which is central to the Company's goal to maintain transparency in the relationship with its stakeholders.

Clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers have been instituted. To ensure compliance, the Company has an online training programme on the Company's anti-corruption/bribery policies and requires employees that may be susceptible to illegal and/or unethical influences to complete this online training regularly. Such recurrent training serves as a reminder to the employees to maintain the highest standards of integrity in their work and business dealings with the Company's stakeholders, and its completion rates are reported to the Company's Management Committee on a quarterly basis. In FY2017/18, all employees who may be susceptible to illegal and/or unethical influences, ranging from junior administrative officers up to Senior Management, based in its Singapore office or seconded to its affiliated companies have completed this online training programme. In total, 516 employees have been trained.

In addition to regular training and education, the Company has an established whistle-blowing programme for the reporting and investigation of wrongdoings. The programme provides the means for internal and external stakeholders to provide confidential feedback or raise concerns about possible improprieties in any matter. All whistle-blower reports are reviewed by the Audit Committee to ensure independent investigation and adequate resolution. In FY2017/18, there were no reported incidents of corruption involving the Company's business operations.

### EMPLOYEE CODE OF CONDUCT

To foster high standards of professionalism and conduct in our workforce, our Employee Code of Conduct provides comprehensive policies on staff regulations and conduct, ranging from harassment and reporting of wrongdoing to

online courses on anti-corruption and competition laws. A disciplinary inquiry process is in place for the handling of misconduct and all employees are made aware of the channels to raise their concerns that they may have or for reporting misconduct.

### SUPPLIERS' CODE OF CONDUCT

We have adopted the following best practices with our suppliers:

#### Suppliers' Compliance with Applicable Laws

Through our procurement agreements, suppliers are obliged to commit and warrant that all products and services supplied to us are in compliance with applicable laws and regulations.

#### Anti-Corruption/Bribery Practices

All purchase orders and agreements for goods and services to the Company incorporate anti-corruption and anti-bribery provisions. These provisions mandate that: (i) the supplier shall be compliant with the laws of the countries in which they operate, (ii) the supplier warrants that it has not and shall not provide any favours, payments or other transfers of value, directly or indirectly, to any government official or private person in order to influence any decision or act, or to secure any improper advantage, and (iii) acts which are contrary to the Company's acceptable standards on ethics and integrity shall be disclosed to the Company immediately.

Suppliers who participate in our requests for quotations or tenders are expected to have adopted our Suppliers' Code of Conduct. By accepting our purchase orders/agreements, suppliers confirm that they will adopt the Code of Conduct. Suppliers' subcontractors and service providers are also required to adhere to the principles set out under the Code of Conduct. In addition, any instances of wrongdoing in the conduct and behaviour by the supplier or the Company may be reported to, and investigated by, the Audit Committee in accordance with the Company's whistle-blowing programme.





Safety is of utmost importance in every aspect of our business and operations. Our safety journey is one without a finish line. We are committed to continuously improving our workplace safety and health standards, and maintaining a world class standard in aviation safety within our organisation. We work towards ensuring a safe working environment while providing high quality aviation engineering services to our customers through four key thrusts:

- Board and Management Emphasis and Oversight
- Implementing a Well-Structured Safety Management System
- Training and Communication to Enhance Safety Awareness
- Partnering our Stakeholders on Safety Ownership

#### WORKPLACE SAFETY

Any staff injury will adversely affect our productivity, costs and staff morale. As such, we strive towards zero safety incidents. We instil and promote safety consciousness among our staff to prevent accidents and injuries, and focus on safety as an essential part of all our operations.

#### AVIATION SAFETY

We strive to maintain the highest standards of quality and safety in aircraft maintenance to ensure that our customers' aircraft are airworthy and safe for flight.

Operating in a highly regulated industry, we are subject to regular audits conducted by airworthiness authorities and customer airlines in adherence to mandated standards of safety and quality. In FY2017/18, the Company successfully passed 88 audits by the authorities and 155 audits by customers.

The Company holds certifications from 26 national airworthiness authorities worldwide, including Singapore.

#### THRUST 1: BOARD AND MANAGEMENT EMPHASIS AND OVERSIGHT

SIAEC's safety governance structure covers the following three levels of safety management and oversight:

- Board Safety and Risk Committee
- Safety, Health, Environment and Quality ("SHEQ") Council
- Safety, Health and Environment ("SHE") Committees

The Board Safety and Risk Committee assists the Board in reviewing the safety and risk management framework and policies, and in assessing its adequacy and effectiveness. The Committee oversees Management in ensuring that the Company has an effective safety management system that is compliant with regulatory requirements and best practices in the MRO industry. The Committee, as well as the Management Committee chaired by the Chief Executive Officer, also monitors safety performance on a regular basis.

The SHEQ Council, chaired by the Chief Executive Officer, meets quarterly to oversee the Safety Management System ("SMS") programme, and provides leadership in the implementation of safety policy, requirements and initiatives. The Council reviews safety matters to improve work practices and safety, as well as promote safety awareness within the Company. A review of the SMS is conducted annually to ensure that it remains relevant, adequate and effective.

Additionally, SHE Committees are set up within each operational division to address aviation and workplace safety issues and performance. Reviews are conducted by the various operational divisions on a monthly basis.

#### THRUST 2: SAFETY MANAGEMENT SYSTEM

The Company's Safety Management System consists of an integrated framework which focuses on effective safety management at the workplace and promoting safety ownership within the workforce.

The Management, in collaboration with the operational divisions and unions, leads continual efforts to strengthen safety compliance and improve safety performance.

In upholding our priority on aircraft safety, the Company has implemented an Aviation SMS that fully meets the requirements set by the Civil Aviation Authority of Singapore, and in accordance with the International Civil Aviation Organisation's standards and recommendations.

The Executive Vice President Operations is the Accountable Manager for Aviation Safety at SIAEC. The Accountable Manager, supported by the Management, is responsible for ensuring an effective and functioning Aviation SMS.

To ensure that our operations are aligned with internationally recognised standards of occupational health and safety, our safety processes are accredited with OHSAS 18001 certification.

### THRUST 3: TRAINING AND COMMUNICATION

We believe that all staff must understand risks at the workplace and partake in identifying them. The heightened situational awareness enables the workforce to provide feedback on potential safety concerns and recommendations, making the work environment safe while maintaining operational performance.

Staff are kept abreast of the latest safety requirements, in-house rules and industry best practices, through regular and comprehensive training. Through our safety training courses, each of them has been provided with our Safety Handbook, as part of the Company's comprehensive safety awareness and knowledge development program to engage and educate these stakeholders with the latest safety knowledge. We are pleased to report that all our employees have completed this training program.



Staff attending safety training

At SIAEC, we strive to anticipate and eliminate hazards in the workplace that may result in personal injury or illness and/or loss or damage to property and equipment. We have a comprehensive Hazard Identification and Risk Assessment ("HIRA") process for the Company's operations and activities. In order to strengthen staff awareness on hazard identification and risk management, a computer-based workplace safety training module has been developed.

The HIRA process is applied to all new work processes and activities as a means of systematically assessing inherent risks and hazards, and determining ways to eliminate or prevent the risk. To ensure relevance, each HIRA document is reviewed periodically or when changes to the operational processes occur. The same HIRA process is also applied to aviation safety. Platforms for identifying hazards are not only reactive, such as when an incident occurs, but proactive (audits, surveillances and confidential reporting) and predictive (trend analysis) as well. Once a hazard has been identified, its risk is evaluated and control measures are implemented to manage the risk.

### THRUST 4: PARTNERING OUR STAKEHOLDERS ON SAFETY OWNERSHIP

In 2016, the Company embarked on the Safety Excellence Programme, which was developed with an international safety consultant. The comprehensive safety programme, which involves the unions and all staff and covers both Aviation Safety and Workplace Safety, aims to inculcate a strong and sustainable safety culture within the Company.

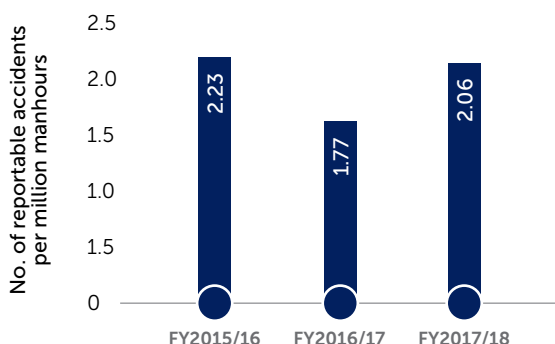
The Safety Excellence Programme includes both training and practical elements that cover all operational areas of our business. Working with the safety consultant, tailored initiatives were developed jointly with the workforce to strengthen safety practices and foster safety ownership.

### PERFORMANCE MEASUREMENT

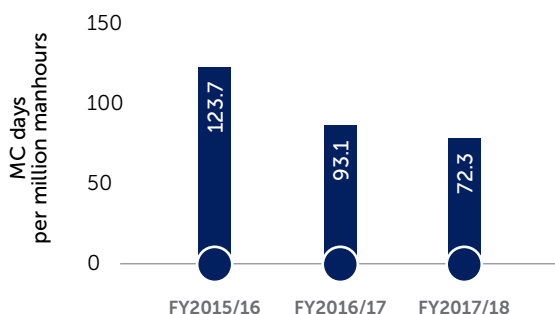
Both quantitative and qualitative performance indicators are used to measure the effectiveness of our safety efforts, and the indicators are reviewed quarterly. It is of critical importance to keep our employees safe and two key indicators are Reportable Accident Rate and Reportable Severity Rate. The reportable accident rate is slightly higher in FY2017/18 than FY2016/17 but lower than FY2015/16, while the Reportable Severity Rate is showing a declining trend. There have been no fatalities in the past three years.

The majority of accidents contributing to the increase in Reportable Accident Rate were hand and finger injuries. The Company has launched a Pinch-Point and Cuts Awareness Programme to propagate safety awareness regarding pinch-points and cuts. Staff have been issued with cut-resistant gloves for additional protection in the performance of their duties at work.

### REPORTABLE ACCIDENT RATE (per million manhours)



### REPORTABLE SEVERITY RATE (per million manhours)



All Employees			
	FY2015/16	FY2016/17	FY2017/18
Reportable Accident Rate (per million manhours)	2.02	1.61	1.74
Reportable Severity Rate (per million manhours)	106.2	85.6	68.0
Occupational Disease Rate (per million manhours)	0	0	0
Fatalities	0	0	0

Note: Injuries are mainly bruises, fractures, lacerations, sprains and strains.

### Workers (Excluding Employees)

	FY2015/16	FY2016/17	FY2017/18
Reportable Accident Rate (per million manhours)	1.73	1.22	1.41
Fatalities	0	0	0

Notes:

- (1) Injuries are mainly dislocations, fractures, punctures and lacerations.
- (2) Accident count relates to all workers but manhours exclude indirect contract labour.

### EMPLOYEES

Our staff are our biggest asset. Educating and motivating our talented workforce is key to our Company's growth and success. Our high staff retention rates reflect our efforts as a responsible employer while providing assurance to our customers that they are being serviced by a highly skilled and experienced workforce. We firmly believe in actively engaging our staff to always perform to the best of their abilities and potential.

SIAEC employees are rewarded through fair and merit-based employment practices, based on their abilities, performance, contribution and experience. We implement practices which adhere to all applicable labour laws and other regulations governing our Singapore workforce. Beyond what is required from us by law, we constantly work to develop career opportunities and pathways for our employees that simultaneously meet the Company's talent needs. We are committed to ensuring that our employees are treated fairly and given the opportunities to develop their careers.

The Company's employment practices are built on the tenets of staff welfare, diversity and positive partnerships with the unions. These collectively create a work environment where employees and their contributions are valued, as we work together as a team to deliver high quality MRO services to all our customers.

### TALENT ATTRACTION AND RETENTION

Investing in our people is pivotal to the Company's success as a global MRO player. We recognise the need to identify and attract the best talents, so as to build a sustainable pool of business and technical leaders - for now and the future.

To attract the best talents to join our organisation, we offer scholarships and internships to outstanding students who have a passion to pursue a career in the MRO industry. Through the Singapore Industry Scholarship programme, scholarships are offered for undergraduate studies to students who have demonstrated well-rounded excellence at school.

Through our internal Scholarship Programme and the Continuing Education Scheme, we provide financial sponsorship to staff who are keen to pursue higher educational qualifications, including diplomas, bachelor and master's degrees. During the year in review, 24 executives, engineers, technicians and clerical staff were awarded sponsorships under these schemes. Currently, 48 staff are pursuing their education under these schemes.

In nurturing our leadership talents, we partner tertiary education institutions in developing programmes for our top executives and future leaders. Senior executives are equipped with the necessary skills and knowledge required to navigate the competitive business environment and to ensure the Company's continued success. We are in partnership with the National University of Singapore ("NUS") in developing the NUS-SIAEC Leadership and Management Development Programme for our staff in managerial positions. Our Senior Management also participate in strategy or leadership based programmes at top business schools overseas.

All new staff in executive grades undergo the Onboarding Programme, which provides them with a broad overview of the Company and the functions performed by each division. In addition, they are placed under the Mentorship Scheme, which gives them a unique opportunity to engage with and learn from the knowledge and experience of the Management. These engagement sessions with mentors, who share their experience of our corporate culture, as well as their personal experiences and work values, help our new executives assimilate into our diverse workforce.

### TRAINING AND DEVELOPMENT

SIAEC is fully committed to developing our workforce and fostering a continuous learning culture. We recognise that having a highly skilled workforce is critical in ensuring that the Company is ready to take on challenges and opportunities in this ever-changing business landscape – especially given the highly specialised, fast changing environment that we operate in and the need to always be on top of the latest regulations and requirements.

We continually upgrade the skills of our engineers, technicians and support teams, equipping them with the relevant skill sets and knowledge to meet operational needs and be kept abreast of the latest technological developments in the aviation industry. We are committed to providing equal opportunities and investing in our employees' training and development based on their strengths and needs to help them achieve their full potential. Our employees enjoy a wide range of well-structured training and development programmes that help them build up both their technical competencies and soft skills. In the reporting period, 665 of our engineers and certifying technicians have successfully completed aircraft type training for a variety of aircraft and engines, including the new generation aircraft Boeing 787 and Airbus A350.

Our commitment as a responsible employer and provider of work environment optimised for personal growth is reflected in the skills and development training that we customise for all levels of staff. These training opportunities include various initiatives such as learning and developmental programmes, on-the-job training and coaching, overseas postings and job rotations.

We offer a full range of learning programmes, which are mapped to the Company's core competencies and core values. They include structured learning roadmaps which provide our staff with targeted and relevant learning opportunities at the appropriate time in their careers, and functional training programmes that equip our staff with the requisite knowledge and skills to succeed in their current roles. Learning needs and course syllabi are reviewed on a regular basis to ensure that the courses offered are current and relevant.

Under the Technician Development Scheme, our operationally experienced technicians are given the opportunity to undergo training to become certifying technicians. This provides an attractive career progression path for our technicians while simultaneously increasing the productivity of our technician workforce.

We launched a new 'Team Fly High' service excellence programme in September 2016. Since its commencement, 258 staff have been trained under the programme, which aims to improve working relationships by training authorisation holders in advanced management and communications skills. Through the programme, employees advance their knowledge of good customer service for internal and external customers, develop professionalism at work, and hone their leadership skills.

## SKILLSFUTURE

In FY2017/18, we launched the SkillsFuture for Digital Workplace programme which is a national initiative developed by SkillsFuture Singapore to help Singaporeans prepare for the future economy. SIAEC has partnered Nanyang Polytechnic as one of the early adopters to launch this training programme. The objective of the programme is to develop a digitally literate workforce which is confident, resilient, adaptable and attuned to a technology-rich environment. Through this training programme, our employees are provided with foundational digital literacy skills, and learn about mind-set change, cybersecurity, innovation, data analysis and e-learning, which are essential skills for them to be ready for the future. All SIAEC employees are progressively scheduled to attend the training programme and 1,134 staff have attended this training course in FY2017/18.

as skills and aircraft practical training, to support ab initio training programmes. This serves to ensure a sustainable pool of competent technical personnel to support the Company's growth.

We continue to expand our pool of qualified licensed aircraft engineers and technicians through regularly scheduled aircraft type courses, in preparation for the new and growing fleets of our customers. The Training Academy has trained our technical staff to support the entry-into-service of Singapore Airlines' Airbus A350, SilkAir's Boeing 737MAX and Scoot's Boeing 787 fleets.

The academy utilises the latest training devices and courseware from Airbus and Boeing to develop new competencies among our staff, thereby maximising their potential and helping them realise exciting career opportunities. Recognising the need to sustain the proficiency of critical skill sets in our workforce, the academy implements a recurrent training curriculum to ensure that all our staff remain up to date in knowledge and skills.

Training Highlights	FY2017/18
Amount invested on staff training	\$8.5M
Total training days	25,700
- Technical training	18,727
- Development and soft skills training	6,973
Average training hours	39 hours
- Technical staff	40 hours
- Support staff	34 hours

For FY2017/18, we invested over \$8.5M on staff training, covering a total of 25,700 training days. Of these, 18,727 training days were dedicated to technical training, with the remaining 6,973 training days focused on developmental and soft skills training to provide a holistic development regime. On average during the year, each technical staff received 40 hours and each support staff 34 hours of training. Our target is to maintain an average 34 training hours per employee.

### Training Academy

Our pursuit in developing the technical and soft skills of our people supports the Company's status as a Maintenance Training Organisation approved by civil aviation authorities and recognised by the Singapore Workforce Development Agency. The Company's dedicated Training Academy provides basic and aircraft type theory courses, as well

Beyond having a keen interest in enhancing the competency of its staff, the Company has taken a new step forward to share its experience in aerospace training, by partnering Singapore Institute of Technology ("SIT") in the development and launch of their new three-year degree programme, the Bachelor of Engineering with Honours in Aircraft Systems Engineering, in September 2018. Being actively involved in the industry-university collaboration, where curriculum will be jointly delivered by SIT lecturers and Training Academy's instructors, the Company seeks to impart its knowledge in aircraft maintenance at foundational level to prepare a new generation of skilled aviation workforce with a head start in their career toward acquiring an aircraft maintenance license, to support the growth of the industry.

## STAFF WELFARE

### Staff Well-Being and Health Initiatives

A healthy workforce is crucial in supporting the Company's growth and performance. We regularly organise health talks and exercise activities, and provide tips on healthy living in the Company magazine, to encourage staff to pursue a healthy lifestyle. We received the Merit Award at the 2017 Singapore Health Awards in recognition of our efforts in health promotion at the workplace.

We encourage our staff to take an active ownership of their own well-being. The Company provides staff with comprehensive medical coverage. We conduct

# SUSTAINABILITY REPORT

regular reviews and surveillance inspections of the work environment as part of our ongoing effort to improve workplace safety and health. The occupational health of our staff are also monitored closely through the relevant medical examinations such as audiometry examinations, to ensure their well-being.

## Pro-Family Staff Benefits

The Company strongly supports Singapore Government's pro-family initiatives. We understand the need for working parents to be able to spend quality time with their children while they pursue their careers. As such, we provide benefits which are aligned with Singapore's pro-family legislation such as childcare leave, extended childcare leave, maternal leave, paternity leave and shared parental leave.

## DIVERSE WORKFORCE

As at 31 March 2018, our employee strength was 4,720. We strongly encourage an inclusive culture within our workforce, as it provides the best environment for every employee to achieve his or her full potential, both personally and professionally.



Our diverse workforce

We value the loyalty and dedication of our long-serving staff, as they contribute positively to the wealth of experience of our multi-generation workforce. In 2011, we signed a Memorandum of Understanding with our unions to offer re-employment opportunities to employees beyond the retirement age of 62, ahead of legislation enacted in 2012. Since January 2017, we have re-employed employees beyond the age of 65, again ahead of the legislation that came into effect on 1 July 2017.

## Breakdown of all SIAEC Employees by Gender

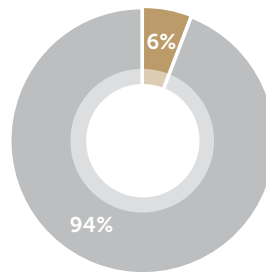


89%  
Males

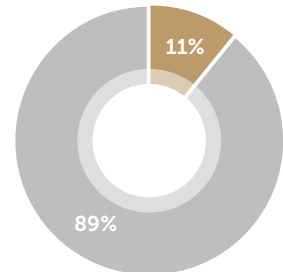


11%  
Females

## Breakdown of all Contract Employees by Gender



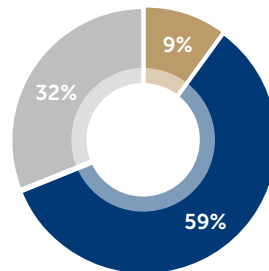
## Breakdown of all Permanent Employees by Gender



● Female

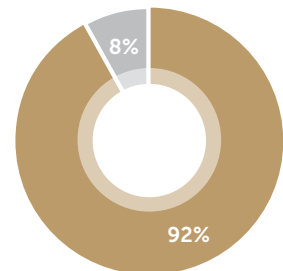
● Male

## Breakdown of all SIAEC Employees by Age Group



● Age <30 ● Age 30-50 ● Age >50

## Breakdown of SIAEC Workers by Employment Type



● Permanent/Direct Contract  
● Indirect Contract/Temporary

## EMPLOYEE TURNOVER

Employee Turnover by Gender		
Gender	Total	Turnover
Female	25	5.0%
Male	72	1.7%
<b>Total</b>	<b>97</b>	<b>2.1%</b>

Employee Turnover by Age Group		
Age Group	Total	Turnover
Below 30	27	6.3%
30 to 50	63	2.2%
Above 50	7	0.5%
<b>Total</b>	<b>97</b>	<b>2.1%</b>

Note: Refers to resignation only.

## NEW HIRES

Breakdown of New Hires by Gender		
Gender	Total	%
Female	40	28
Male	104	72
<b>Total</b>	<b>144</b>	<b>100</b>

Breakdown of New Hires by Age Group		
Age Group	Total	%
Below 30	112	78
30 to 50	30	21
Above 50	2	1
<b>Total</b>	<b>144</b>	<b>100</b>

## STAFF PERFORMANCE REVIEW

We believe that recognising and valuing the good work of our staff motivates them and contributes to our success. Performance reviews are conducted regularly so that both employees and their supervisors can have a two-way feedback forum and jointly set expectations for continued job performance. Beyond performance reviews, the Company has initiatives such as the Operational Excellence Framework and the Star Employee Awards to recognise and reward good performance.

## INDUSTRIAL RELATIONS

Good industrial relations is key to the continued success of the Company. The Company maintains cordial relations by working closely with our union partners to ensure that fair and sustainable wage and employment terms are provided to our staff. Our union partners comprise the following three staff unions:

### AIR TRANSPORT EXECUTIVE STAFF UNION ("AESU")

- Represents staff in executive grades in the Company.
- About 81% of the Company's executives are members of AESU.

### SIA ENGINEERING COMPANY ENGINEERS AND EXECUTIVES UNION ("SEEU")

- Represents the licensed aircraft engineers in the Company.
- About 95% of our engineers are members of SEEU.

### SINGAPORE AIRLINES STAFF UNION ("SIASU")

- Represents graded/junior staff in the Company.
- About 95% of our technicians and clerical staff are members of SIASU.

Collective Agreements are in place for each of these unions and in total, about 90% of the Company's executive employees, engineers, technicians and graded staff are covered by these Collective Agreements. Labour grievance mechanisms are detailed in all our Collective Agreements. All labour practices relating to child labour, forced or compulsory labour, human rights grievance mechanisms, diversity and equal opportunity are carried out in accordance with the Employment Act and other laws governing Singapore.

We actively involve our unions in matters relating to our employees through regular union engagement activities and discussions. Monthly union-Management meetings are held to update our union partners on developments in the industry and to discuss labour-management issues. We value our strong ties with our union partners, who represent the majority of our employees. We are committed to working together with the unions to resolve issues, seize business opportunities and meet new challenges through a collaborative approach.

**ENVIRONMENT**

**ENVIRONMENTAL POLICY AND SYSTEM**

**Environmental Policy**

We believe in operating responsibly by understanding and managing the environmental impact of our business. We have a responsibility to protect the environment and are committed to maintaining high standards of environmental management in all our operations, and complying with environmental rules and regulations governing our business.

To achieve this goal, the Company has an Environmental Action Programme to actively promote the efficient use of energy and natural resources, and adoption of environmentally friendly means of waste management. This policy is communicated across our business units and support divisions to propagate environmental awareness to all persons working for and on behalf of the Company.

**Environmental Management System**

The Company’s Environmental Management System (“EMS”) focuses on minimising the impact that our operational activities may have on the environment. We continue to seek opportunities to improve our environmental performance.

Environmental impacts are assessed in accordance with the EMS, which has been certified to ISO 14001 standards since 1998. We consider proper design, handling, storage and disposal of materials as early as the planning stage, and regularly review product operation and service performance for improvements in our environmental sustainability. In 2017, the Company has upgraded the certification standards to the ISO14001:2015 standards, which incorporates additional requirements on environmental sustainability.

The Company maintains a stringent auditing system for all environmental matters, comprising internal environmental audits and inspections performed by the SHE Committees. To ensure continuous and effective operation of the EMS, a two-fold check system involving both internal and external audits is implemented. This ensures strict compliance with the applicable legislations and regulations.

**ENERGY**

The Company’s main utility usage is the electricity used to carry out daily MRO activities in the hangars, workshops

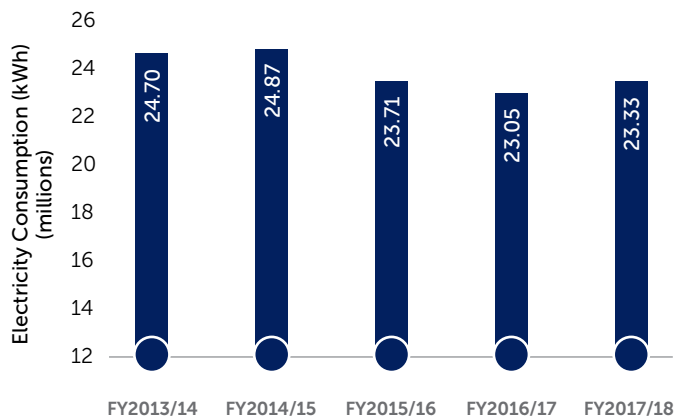
and offices. Any disruption to energy will jeopardise our operations. As the amount of electricity consumed impacts the environment, proper energy management control and measures can reduce energy wastage.

The Company is committed to monitoring the electricity usage and implementing improvement initiatives throughout the organisation to reduce energy consumption. SIAEC is a registered Energy Efficiency National Partner (“EENP”) with National Environmental Agency (“NEA”). It is our commitment to be more energy efficient, in order to enhance long-term business competitiveness and to reduce carbon footprint. NEA supports EENP through learning network activities, provision of energy efficiency-related resources, incentives and recognition.

An Energy Management Committee, comprising the Facilities Development Division and our building contractor, actively drives energy management programs to control energy consumption and to avoid wastages. The Committee identifies area of high consumption and formulate solutions to reduce electricity usage. The energy data are reviewed by the Committee on a monthly basis and any significant deviation will be identified, investigated and remedied. On a quarterly basis, the Management is updated on the trends.

All proposed projects are discussed with the Management, and approval is sought before commencement. Once the projects are implemented, the data are collected and checked against the design data, and the results are reported back to the Management.

**ELECTRICITY CONSUMPTION FOR HANGAR 1 TO 6 (KWH)**





Our goal is to achieve 15% reduction in energy consumption by FY2023/24 compared to base year FY2013/14. We will continue to monitor energy consumption, address significant deviations and implement energy-saving measures. Where possible, we will tap the application of innovative technologies as part of our efforts to reduce energy consumption.

The replacement of the air-conditioning chiller systems in two of the hangars with energy-efficient systems in 2013 and 2016 respectively have resulted in reduced energy usage and cost savings. We plan to install variable speed drives for the air-conditioning systems for another three hangars, which will further improve the energy efficiency of the systems.

We are adopting the Light-Emitting Diode technology for lighting systems. Plans are underway to progressively replace office lightings, hangar bay lights and building neon signs with these energy-saving devices.



*Air-conditioning chiller systems*

## EMISSIONS

We actively manage emissions produced from our operations. To minimise emissions, efforts are focused on sourcing and using environmentally preferred chemicals and processes. Additionally, emission levels are closely monitored to ensure that they are within thresholds set by the authorities.

Transport vehicles undergo regular maintenance and inspections to minimise air pollution from vehicular emissions. All vehicles operated by the Company comply with the regulations and requirements, including smoke emissions and fuel usage restriction, of the Land Transport Authority and NEA.

## WATER CONSUMPTION

Although our water consumption is not significant compared to the manufacturing industry, we promote discipline in water usage and our facilities maintenance team tracks the water consumption data regularly. Any unusual increase in water usage will be investigated and remedied. We will continue to monitor water consumption closely and implement water-saving measures.

## TRADE EFFLUENTS AND WASTE MANAGEMENT

### Trade Effluents Management

As part of the Environmental Management System Policy in preventing pollution under ISO14001, SIAEC is focused on effluents management, particularly in preventing water pollution from the wastewater generated from our operations. Our hangar facilities are equipped with wastewater treatment plants using chemical treatment process. The wastewater undergoes a chemical treatment process to make them safe for discharge into the public sewers.

Regular audits and inspections are carried out to ensure that the wastewater discharge and operation of wastewater treatment plants are in compliance with relevant legal and ISO14001 requirements. The water from our wastewater treatment plants is rigorously monitored to ensure strict compliance with the standards prescribed by the Public Utilities Board under the Sewerage & Drainage (Trade Effluent) regulations.



*Wastewater treatment plants*

## Waste Management

The Company pays close attention to waste management. We aim to reduce waste from our operational and office activities. Promotion and facilitation of waste reduction are conducted through new and ongoing efforts to reduce, reuse and where possible, recycle. To minimise domestic waste generation, a recycling scheme is in place to recycle all paper waste from our offices. We actively encourage initiatives from all operational and support divisions to explore ways to reduce paper consumption across the Company.

A waste sorting and disposal process, as well as a contamination prevention process, is applied to operational activities and involve the storage, transportation and disposal of aircraft parts to minimise environmental impacts.






## ENGAGING OUR STAKEHOLDERS


We regularly engage our stakeholders to understand and address their interests and concerns. Feedback is actively solicited on decisions and issues that affect our stakeholders. Regular communications with stakeholders enable us to identify emerging trends, issues and concerns. As we progress in our sustainability reporting, we will continue to improve the engagement with our stakeholders.

Engagement<sup>2</sup> with our stakeholders takes place in a wide variety of forums, as shown below. We have also highlighted in the table the key topics and concerns of our stakeholders and examples of our responses.

Stakeholders	Engagement Forum	Key Topics and Concerns	Examples of Approach / Responses
 <b>Employees</b>	<ul style="list-style-type: none"> <li>• Staff communication and engagement</li> <li>• Monthly newsletter</li> <li>• Electronic Bulletin Board</li> <li>• Management walkabout</li> <li>• Half-yearly Business Meeting</li> <li>• Organisational Climate Survey</li> <li>• Industrial relations meeting with unions</li> <li>• Management/union retreat</li> <li>• Informal walkabout enabling direct feedback and communication with staff</li> </ul>	<ul style="list-style-type: none"> <li>• Company/Group performance, business news, staff policies and activities</li> <li>• Company/Group business updates and initiatives</li> <li>• Workplace-related issues</li> <li>• Collective Agreement matters and staff-related issues</li> <li>• Building and maintaining a collaborative partnership with the unions</li> </ul>	<ul style="list-style-type: none"> <li>• Regular articles and notices in Company magazine 'Precision' and Electronic Bulletin Board provide timely updates to staff on latest news and information.</li> <li>• Walkabouts aligned with various initiatives/campaigns e.g. Safety Campaign, demonstrate Management's commitment towards these initiatives/campaigns.</li> <li>• Half-yearly Business Meetings to update staff on the Company's performance and ongoing initiatives.</li> <li>• Organisational Climate Survey to gather feedback from staff on workplace related issues.</li> <li>• Monthly union-Management meetings to discuss staff-related issues.</li> <li>• Informal get-together sessions and retreats for unions and Management to maintain collaborative relationships with our union partners.</li> <li>• Channels for staff to give feedback.</li> </ul>

2. These engagements were not conducted just specifically for the Sustainability Report.

Stakeholders	Engagement Forum	Key Topics and Concerns	Examples of Approach / Responses
 <p><b>Customers</b></p>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Customer surveys</li> <li>• Customer events</li> <li>• Singapore Airshow</li> <li>• MRO trade shows</li> <li>• Feedback</li> </ul>	<ul style="list-style-type: none"> <li>• Engaging our customers through feedback channels such as email communications, phone calls and meetings to:               <ol style="list-style-type: none"> <li>(i) Update them on the progress of their maintenance check</li> <li>(ii) Address concerns and queries</li> <li>(iii) Share new engineering capabilities and services</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>• Progress reports on the aircraft maintenance check.</li> <li>• Annual independent customer survey to gather feedback from customers.</li> <li>• Quarterly review of compliments and complaints received.</li> </ul>
 <p><b>Shareholders</b></p>	<ul style="list-style-type: none"> <li>• Annual General Meetings</li> <li>• Analyst briefings</li> <li>• Investor luncheon</li> <li>• Correspondence with investors to address their queries</li> </ul>	<ul style="list-style-type: none"> <li>• Challenges facing the Company</li> <li>• Financial performance of the Group</li> </ul>	<ul style="list-style-type: none"> <li>• Presentation to shareholders at Annual General Meeting on the challenges of the MRO industry and the strategies to position the Company for the future. The Annual General Meeting serves as a platform for shareholders to raise queries regarding the Company's performance and strategy.</li> <li>• Timely and consistent disclosure of pertinent information to enable a transparent assessment of the Company's value.</li> <li>• Analyst briefings are held on a half-yearly basis and the presentations are made available on SGXNet and the Company's website.</li> <li>• All financial results, as well as price sensitive information, are released in a timely manner through the Company's website and disclosure via SGXNet.</li> <li>• We value dialogue with shareholders. The Company's investor relations email and telephone contacts are publicised for investors to reach out to the Company for queries.</li> </ul>
 <p><b>JV Partners</b></p>	<ul style="list-style-type: none"> <li>• Regular meetings at working and management levels</li> <li>• JV Board meetings</li> <li>• Singapore Airshow and MRO trade shows</li> <li>• Visits to partners' facilities</li> <li>• Periodic presentation by JV management and/or partners to SIAEC Board on JV performance</li> </ul>	<ul style="list-style-type: none"> <li>• Review of JV performance</li> <li>• Review of key issues affecting growth and strategic objectives of the JVs with the partners</li> <li>• Matters requiring alignment with the JV agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Weekly internal meetings to review JV performance and issues with Senior Management.</li> <li>• Nomination of directors to JV Boards.</li> <li>• JV issues are raised through the JV Board meetings and partners' meetings.</li> <li>• Scheduled JV internal audits on internal controls and compliance.</li> <li>• Partnership Management Division engaging JV management on issues affecting JV performance.</li> </ul>

Stakeholders	Engagement Forum	Key Topics and Concerns	Examples of Approach / Responses
 Suppliers	<ul style="list-style-type: none"> <li>• Questionnaire for new suppliers</li> <li>• Engagement with suppliers regularly or on a need basis through face-to face meetings, emails and phone calls</li> </ul>	<ul style="list-style-type: none"> <li>• Increase collaboration and sharing with suppliers to ensure that Company continues to engage the most cost effective and socially responsible suppliers</li> <li>• Supplier performance</li> <li>• Latest updates in procurement strategy matters</li> <li>• Breaches to Suppliers' Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Engage selected suppliers at least once a year to discuss both commercial and operational matters. This forum allows the Company to discuss ongoing issues and procurement strategy matters.</li> <li>• Periodic presentations by suppliers on performance to ensure that suppliers comply with the established standards, procedures or key performance indicators.</li> <li>• Evaluate the breaches in Suppliers' Code of Conduct, formulate, implement and monitor corrective actions.</li> </ul>

## Employees

We constantly engage our staff through internal platforms, wellness and health activities, as well as at community service and social functions. The latest news and information on the Company's activities and how they relate to our employees are communicated to our people through various channels. These include the Company's intranet, in-house magazine, half-yearly Business Meetings, monthly Communication Packages and regular Toolbox Briefings to update all related staff on issues pertaining to our operations and occupational health and safety.

An Organisational Climate Survey is conducted every two years to gather staff feedback on employee engagement and workplace issues. The last survey was conducted in 2016 and the Company fared well in areas of organisational commitment, employee engagement and employee enablement. The results are analysed to guide action plans and measures – from the overall staff engagement strategy at the Company level to specific action plans at the divisional level.

## Customers

Customer First, one of our core values, remains foremost in our minds and we go the extra mile to exceed their expectations. To enhance customer expectations and experience, attention to their needs is important.

Our customers expect us to provide service that is of high standards, safe and reliable. For the Company to thrive well into the future, we have responsibility to provide solutions that address these expectations. Enhancing customer expectations through service excellence and innovation, and improving on the quality of our services are key thrusts of our customer expectation strategy.

We improve our customer service by equipping ourselves with the knowledge and skills to service the latest aircraft that customers operate. To keep abreast of the new generation aircraft, we are developing new products and services for Boeing 777X and 787-10.

We engage customers regularly through visits, meetings, telephone calls and emails. Using these channels, we build strong working relationships with our customers, and are updated on their needs, which allow us to review and develop new service offerings.

Another outreach to our customer is through regular customer satisfaction survey. The survey is done Company-wide to gauge customer satisfaction on several key areas. The survey enables our customers to rate our performance and gives us opportunity to follow up with our customers' concerns and improve our services.

## Shareholders

The financial performance of the Group is reported quarterly to shareholders via SGXNet and press releases, and through the Annual Report to all shareholders. These reports are aimed at presenting to shareholders a balanced assessment of the Group's performance, position and prospects.

We are committed to the disclosure of material or price-sensitive information in a clear, detailed and timely manner. The Company holds analyst briefings for its mid and full-year results. Following the release of these results, the Chief Financial Officer and key management representatives meet with investors to explain the results.

The Annual General Meetings are principal forums for dialogues with shareholders. At these meetings, the Chief Executive Officer updates shareholders on the business outlook and strategic direction of the Company. Shareholders are encouraged at these meetings to raise questions or seek clarification on the Group's business and performance, and resolutions tabled at the meetings. The Chairman, Directors and Management are in attendance at the meetings to address questions from shareholders.

Shareholders have the opportunity to participate in and vote at general meetings of shareholders. Since 2012, the Company has adopted electronic poll voting for greater transparency in the voting process. The number of votes cast for or against each resolution is displayed immediately after the voting of each resolution, and results of the resolutions are posted on SGXNet.

### JV Partners

Through collaborations with leading industry players and formation of JVs, we have established a strong network with the major OEMs and strategic partners. Such relationships enable the JVs to leverage the joint strengths of JV partners' technical competency and local knowledge and SIAEC's extensive MRO experience and intimate understanding of airline customers' needs, to offer high quality and competitive maintenance solutions to the market.

To optimise the benefits and returns from our investments in the JVs, we actively track the performance of the JVs through our Partnership Management Division. This division acts as the liaison between the JV partners, JV management and SIAEC management. Through this Division, we are in continual engagement with the JV partners in the management of the JVs, reviewing the performance, and identifying business, commercial and marketing synergies to advance the growth of the JVs.

### Suppliers

SIAEC's supply chain comprises many local and overseas suppliers of products and services. Our purchases in support of operations include aircraft components, engineering spares and services. We source from OEMs and approved distributors to uphold high standards of maintenance.

We believe that building strong relationships and collaborating with our suppliers is essential to achieving desired deliverables and seamless operations. Our suppliers are urged to place emphasis on health, safety, environment and community impact, and uphold policies which share our sustainability values.

Together with our suppliers, the Company works to improve sustainability across all aspects of operations, developing a shared mindset on sustainability issues, and building supplier ownership of their sustainability vision, strategy and performance. We believe in raising awareness and encouraging suppliers to integrate and drive sustainability into their business through setting expectations, ongoing monitoring and partnering the Company for improvements.

The Company's practice is to purchase from suppliers who currently are or working towards being responsible and sustainable companies. To promote sustainable good practices among our suppliers, all new and key suppliers are invited to participate in an annual self-assessment questionnaire. The questionnaire deals with ethics, human rights, regulatory compliance, forced labour, child labour, subcontractor management, workplace health, safety and environment. Review are carried out periodically to ensure we are dealing with a pool of socially responsible suppliers.

To ensure that operations remain seamless and to maintain high standards of service and quality to our customers, the service levels of our suppliers are regularly monitored. We work with suppliers to formulate action plans, remediation programmes and long-term sustainability management systems for breaches of service levels. If suppliers do not correct such issues within a reasonable time period, the Company has the right to terminate the supplier's contract.



## SUPPORTING OUR COMMUNITIES

The Company strives to make a difference to the lives of the underprivileged in the communities where our business operates. We provide food and housing aid to communities in Singapore and Southeast Asia through our partnerships with organisations such as 'Food from the Heart', 'Community Chest' and 'Habitat for Humanity'.

The CSR programmes and activities conducted in FY2017/18 include the following:

### Fun Run at the Zoo 2017

SIAEC's annual charity run 'Fun Run @ Zoo 2017' was held on 11 November 2017 at the Singapore Zoo. The event drew a participation of 2,750 registrants. The charity run raised a total of \$62,830 which was donated to our beneficiary 'Food from the Heart'.

### Food Goodie Bags Programme

Every month, the Company supplies food provisions to 100 underprivileged families from two adopted schools – East Coast Primary School and Wellington Primary School.

### Self-Collection Centre Programme

In collaboration with 'Food from the Heart', 150 staff volunteers participate in the monthly packing and distribution of food packets to needy families in Macpherson and Marine Terrace.

### Housing Construction in Indonesia

In partnership with 'Habitat for Humanity', the Company sent a team of staff volunteers for overseas build projects in Surabaya, Indonesia.



Build trip in Surabaya, Indonesia

### Toy Buffet

We participated in 'Food from the Heart Toy Buffet' for the sixth year running, on 10 November 2017 at Nanyang Polytechnic. Pre-loved and new toys collected from our staff and other organisations were distributed to 2,300 underprivileged students (7-12 years old) from 18 neighbourhood schools.



## GRI CONTENT INDEX

GRI Standards	Disclosure	Page Reference and Remarks
<b>GENERAL DISCLOSURES</b>		
<b>Organisational Profile</b>		
102-1	Name of the organisation	About SIAEC
102-2	Activities, brands, products and services	About SIAEC
102-3	Location of headquarters	About SIAEC
102-4	Location of operations	About SIAEC
102-5	Ownership and legal form	About SIAEC
102-6	Markets served	About SIAEC
102-7	Scale of the organisation	About SIAEC, Reporting Scope and Boundary, Diverse Workforce
102-8	Information on employees and other workers	Diverse Workforce
102-9	Supply chain	Engaging our Stakeholders
102-10	Significant changes to the organisation and its supply chain	N.A. – This is SIAEC's First Sustainability Report
102-11	Precautionary Principle or approach	Risk Management

GRI Standards	Disclosure	Page Reference and Remarks
<b>GENERAL DISCLOSURES</b>		
<b>Organisational Profile</b>		
102-12	External initiatives	Corporate Governance, Risk Management, Anti-Corruption/Bribery, Safety Management System, Aviation Safety, Environmental Management System
102-13	Membership of associations	Membership of Associations
<b>Strategy</b>		
102-14	Statement from senior decision-maker	CEO's Message
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards and norms of behavior	Mission Statement, Core Values, Corporate Governance
<b>Governance</b>		
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102-40	List of stakeholder groups	Engaging our Stakeholders
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<b>Reporting Practice</b>		
102-49	Changes in reporting	N.A. – This is SIAEC's First Sustainability Report
102-50	Reporting period	Reporting Period
102-51	Date of most recent report	N.A. – This is SIAEC's First Sustainability Report
102-52	Reporting cycle	Reporting Period
102-53	Contact point for questions regarding the report	Feedback
102-54	Claims of reporting in accordance with the GRI Standards	This material references Disclosures 205-3 from GRI 205: Anti-corruption, 302-1 from GRI 302: Energy, 403-2 from GRI 403: Occupational Health and Safety, 404-1 from GRI 404: Training and Education, and 103-1, 103-2 and 103-3 from GRI 103: Management Approach 2016.
102-55	GRI content index	GRI Content Index
102-56	External assurance	Sustainability Reporting Framework

# SUSTAINABILITY REPORT

GRI Standards	Disclosure	Page Reference and Remarks
<b>MATERIAL TOPICS</b>		
<b>Anti-Corruption/Bribery</b>		
103-1 to -3	<ul style="list-style-type: none"> <li>Explanation of the material topic and its Boundary</li> <li>Management approach and its components</li> <li>Evaluation of the management approach</li> </ul>	Corporate Governance, Ethics and Integrity, Anti-Corruption/Bribery
205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption/Bribery
<b>Energy</b>		
103-1 to -3	<ul style="list-style-type: none"> <li>Explanation of the material topic and its Boundary</li> <li>Management approach and its components</li> <li>Evaluation of the management approach</li> </ul>	Energy
302-1	Energy consumption within the organisation	Energy
<b>Workplace Safety</b>		
103-1 to -3	<ul style="list-style-type: none"> <li>Explanation of the material topic and its Boundary</li> <li>Management approach and its components</li> <li>Evaluation of the management approach</li> </ul>	Workplace Safety, Safety Management System, Partnering our Stakeholders on Safety Ownership, Staff Well-Being and Health Initiatives, Board and Management Emphasis and Oversight
403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities	Performance Measurement
<b>Training and Development</b>		
103-1 to -3	<ul style="list-style-type: none"> <li>Explanation of the material topic and its Boundary</li> <li>Management approach and its components</li> <li>Evaluation of the management approach</li> </ul>	Training and Development
404-1	Average hours of training per year per employee	Training and Development



SIA Engineering Company Limited (the “Company” or “SIAEC”) views good corporate governance to be the hallmark of a well-managed organisation. The focus of the governance framework, formulated on the Company’s vision and mission, is to promote, inter alia, accountability and transparency. These are manifested in the composition of the Board and Board Committees, division of powers and duties between the Board and Management, adoption of checks and balances, relevant measures on internal control, and sound corporate ethics across the Company and its subsidiaries (the “Group”).

The Board and Management are committed to sustaining value creation for all stakeholders by adhering to a set of well-defined corporate governance principles and maintaining effective structures and processes within the Group for compliance with these principles.

The Company adheres to the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore (the “Code”). The Company has complied in all material aspects with the principles and guidelines set out in the Code and has taken into account, where relevant, the guidance provided by the Disclosure Guide on corporate governance issued by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 29 January 2015. Where there are departures from the Code, these are explained under the relevant sections of this Report.

### THE ROLE OF THE BOARD AND CONDUCT OF ITS AFFAIRS

#### *(Principle 1)*

The Board oversees the business of the Company and provides stewardship to Management, conferring with them regularly. There is an objective decision-making process, which allows each Director to exercise independent judgment. The Board and Board Committees have written guidelines on matters requiring their approval, which include all matters of strategic importance, best practices in corporate governance, legal and regulatory compliances, the adequacy of internal controls, risk management, workplace safety, financial reporting and performance, annual budgets, key operational initiatives, investment proposals and major transactions. The Board also oversees the Company’s current transformation initiatives, as well as long-term succession planning of Key Executives as an ongoing process.

The Company has established financial authorisation and approval limits for operating and capital expenditure, the procurement of goods and services, material acquisition and disposal of assets, and mandated interested person transactions (which are in line with the threshold limits for the review and approval procedures under the general mandate renewed annually by the shareholders of the Company). The Company has also established a Disclosure of Conflicts of Interests by Directors Policy which sets out, inter alia, Directors’ disclosure obligations in the event of a Director’s conflict of interest. Specific approval is sought from the Board for matters involving share issuances, interim dividends and other returns to shareholders. The Company’s policies and guidelines are regularly reviewed and updated.

In the discharge of its duties, the Board is supported by five Board Committees, namely the Audit Committee, the Board Safety & Risk Committee, the Compensation & HR Committee, the Nominating Committee and the Board Committee, each constituted with written terms of reference, defining the duties delegated to it by the Board and other procedural matters. Each Board Committee is responsible for ensuring compliance with legislative and regulatory requirements in relation to matters under its purview, including requirements under the rules of the Listing Manual of the SGX-ST (the “Listing Manual”). The Audit Committee, the Board Safety & Risk Committee, the Compensation & HR Committee and the Nominating Committee work within the Company’s risk management framework, which sets out the risk management policies and the tolerance levels of risks. Each Committee comprises Directors with appropriate qualifications and skills and there is an equitable distribution of responsibilities among Board members. The Board is informed of the key matters discussed at each Board Committee meeting. There is a clear demarcation of responsibilities between the Board and Management.

## CORPORATE GOVERNANCE

The Board meets quarterly to review and approve, inter alia, the financial results of the Group. The Chairman meets the Independent Directors twice yearly in the absence of Management, the Chief Executive Officer (“CEO”) and the Non-Independent Directors. In FY2017/18, there were ten Non-Executive Directors, all of whom worked with Management to develop constructive proposals on strategy and reviewed the completion of agreed goals. Board meeting dates for each financial year are fixed in advance and notified to the Directors before the start of the year to facilitate full attendance. Additional meetings are convened as and when circumstances warrant. Records of meetings, including key deliberations and decisions taken, are maintained by the Company Secretary and the minutes of meetings are circulated to Directors for review and approval. Participation by telephone conferencing and approval by circulation also facilitate Board and Board Committees’ decision-making.

In addition to the scheduled Board meetings, Directors attend an annual strategy meeting to discuss and prioritise the Company’s strategic initiatives over the near and long term. Strategy meetings are held in Singapore or at an overseas location to familiarise Directors with the Group’s off-shore operations. Proposals considered at the strategy meetings are further developed by Management and discussed at subsequent Board meetings when the Board reviews the progress to achieve the agreed goals and objectives of the strategy proposals.

### Orientation and Training of Directors

A formal letter of appointment is sent to an incoming Director, setting out his/her key duties and responsibilities. New appointees undergo an orientation programme, with comprehensive presentations by Management on the Group’s core businesses, operations, strategic plans and network of joint ventures, and undertake a tour of the Company’s operations and key joint venture facilities in Singapore.

The Company’s internally-developed “Director’s Handbook” provides new and existing Directors with an easy reference on, inter alia, their duties and obligations under prevailing rules and regulations in Singapore, and the Company’s key policies, processes and best practices in corporate governance. The handbook is regularly updated to address new developments in the law.

The Nominating Committee identifies relevant training programmes for the consideration of Directors and the Company sponsors courses requested by Directors, as part of their ongoing training. These include programmes organised by the Singapore Institute of Directors, the Human Capital Leadership Institute and others. As part of the training and professional development of the Board, the Company arranges for Directors to be briefed from time to time on changes to regulations, guidelines and accounting standards, as well as other relevant issues.

# CORPORATE GOVERNANCE

## BOARD COMPOSITION, BALANCE AND MEMBERSHIP

(Principles 2 & 4)

The current composition of the Board and Board Committees, and attendance at meetings held in FY2017/18 are as shown below:

Name	Main Board		Audit Committee		Nominating Committee		Compensation & HR Committee		Board Safety & Risk Committee		Board Committee <sup>(ii)</sup>	
	Status	Position	Att. <sup>(i)</sup>	Position	Att. <sup>(i)</sup>	Position	Att. <sup>(i)</sup>	Position	Att. <sup>(i)</sup>	Position	Att. <sup>(i)</sup>	
<b>Stephen Lee Ching Yen</b> (last re-appointed on 24 Jul 2015, first appointed on 1 Dec 2005)	Non-Executive / Non-Independent	Chairman	6/6					Chairman	4/4			Member
<b>Tang Kin Fei</b> (last re-appointed on 20 Jul 2017, first appointed on 8 May 2017)	Non-Executive / Independent	Deputy Chairman	6/6	Member (wef 1 Jun 2017)	3/3					Member (wef 1 Jun 2017)	3/3	
<b>Goh Choon Phong</b> (last re-appointed on 24 Jul 2015, first appointed on 1 Jan 2011)	Non-Executive / Non-Independent	Member	6/6					Member	4/4			Member
<b>Ng Chin Hwee</b> (last re-appointed on 20 Jul 2017, first appointed on 18 Jul 2008)	Non-Executive / Non-Independent	Member	6/6			Member	3/4			Member	4/4	
<b>Manohar Khatani</b> (last re-appointed on 22 Jul 2016, first appointed on 1 Apr 2013)	Non-Executive / Independent	Member	6/6	Member	4/4					Chairman (wef 1 Jun 2018) Member (until 1 Jun 2018)	4/4	
<b>Chew Teck Soon</b> (last re-appointed on 22 Jul 2016, first appointed on 1 May 2013)	Non-Executive / Independent	Member	6/6	Chairman	4/4	Member	4/4			Member (stepped down wef 1 Jun 2017)	1/1	
<b>Christina Hon Kwee Fong (Christina Ong)</b> (last re-appointed on 20 Jul 2017, first appointed on 1 Jan 2014)	Non-Executive / Independent	Member	5/6	Member	4/4	Chairman	4/4	Member (stepped down wef 1 Jun 2017)	1/1			
<b>Raj Thampuran</b> (last re-appointed on 20 Jul 2017, first appointed on 1 Sep 2016)	Non-Executive / Independent	Member	6/6	Member	4/4							
<b>Wee Siew Kim</b> (last re-appointed on 20 Jul 2017, first appointed on 8 May 2017)	Non-Executive / Independent	Member	4/6					Member (wef 1 Jun 2017)	3/3	Member (wef 1 Jun 2017)	3/3	
<b>Png Kim Chiang<sup>(iii)</sup></b> (last re-appointed on 20 Jul 2017, first appointed on 1 Nov 2016)	Executive / Non-Independent	Member	6/6									
<b>Tong Chong Heong</b> (Relinquished all Committee appointments and stepped down as Director on 1 June 2018)	Non-Executive / Independent	Member	6/6			Member (stepped down wef 1 Jun 2017)	1/1	Member	4/4	Chairman	4/4	
<b>Total Number of Meetings Held In FY2017/18</b>			6		4		4		4		4	

**Notes:**

<sup>(i)</sup> "Att." refers to the number of Board and Board Committee meetings attended by the respective Directors for the period served in FY2017/18.

<sup>(ii)</sup> The Board Committee does not hold physical meetings.

<sup>(iii)</sup> Mr Png Kim Chiang is the Chief Executive Officer of the Company.

Of the nine Non-Executive Directors on the current Board, six are Independent Directors. The Company has thus satisfied the requirement under the Code that Independent Directors comprise at least half the Board where the Chairman is not an Independent Director. The high representation of Independent Directors serves the Company well. The Board has, at all times, exercised independent judgment in decision-making, using its collective expertise and experience to act in the best interests of the Company. A Director who has an interest in a matter under discussion will declare his/her interest and abstain from the decision-making process. There are no alternate Directors.

The Board, through the Nominating Committee, reviews the size and composition of the Board, taking into consideration the need to balance the diversity of skill sets and experience with the independence element. The Board considers the present Board size and the number of Board Committees to be sufficient, taking into account the scope and nature of the Company's operations. The Board has the requisite balance of expertise, skills and attributes to oversee the Company's growing businesses. Collectively, the Board has competencies in areas such as airline operations, accounting, finance, law, engineering, information technology, logistics management, business space solutions, human resource development, innovation and advancing technologies as well as experience in key markets.

The Company is committed to having diversity on the Board, taking initiatives designed to attract the most talented individuals as Directors, regardless of their gender, race, ethnicity, religion, age, disability status or any other dimension of diversity. The Company views diversity as an important element to ensure that Board members provide the necessary range of perspectives, insights, experience and expertise for effective stewardship and management of the Company's business. In relation to gender diversity, the Company is of the view that gender is but one aspect of diversity and the Company's Directors will continue to be selected on the basis of their experience, skills, knowledge and insights. From time to time, the Company has had suitably qualified female Directors on the Board, including the current Director, Mrs Christina Ong. The Chairman and the two Singapore Airlines Limited ("SIA") appointed Directors also bring to the Company a wealth of airline industry experience. Directors' profiles appear on pages 72 to 82.

Directors are subject to retirement and re-election at least once every three years. One-third of the longest serving Directors will retire by rotation at every Annual General Meeting ("AGM"). For information on Directors who are proposed for re-election at the 36<sup>th</sup> AGM to be held on 19 July 2018, please refer to page 63.

The Board, taking into account the views of the Nominating Committee, determines the independence of Directors upon appointment, annually, and on a continuing basis as and when circumstances require, according to the criteria stipulated in the Code, based on each Director's declaration. None of the Independent Directors has served for a continuous period of more than nine years.

The Board has examined the different relationships identified by the Code that might impair Directors' independence and objectivity, and is satisfied that none of them apply in relation to the Independent Directors.

### **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

*(Principle 3)*

The Chairman is a Non-Executive Director and his position is separate from the office of the CEO. There is a clear demarcation of the roles and responsibilities of the Chairman and the CEO.

The Chairman leads the Board and is responsible for ensuring the effectiveness of the Board. At meetings, the Chairman encourages constructive engagement within the Board and between Directors and Management, and ensures effective decision-making. The Chairman also encourages the Board's interaction with, and independent access to Key Executives. The Chairman sets the agenda and dedicates sufficient time for discussions, especially on material developments and strategic matters. The Chairman also ensures that Management provides complete, adequate and timely information to Directors, and that there is effective communication with shareholders.

## CORPORATE GOVERNANCE

At AGMs and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management of the Company. The CEO (who is an Executive Director) manages the business of the Company. He chairs the weekly Management Committee meetings, attended by Management. The CEO and MC deliberate on, inter alia, policy and operational issues, and implement Board decisions. The Senior Management Committee, which decides on matters delegated to it by the Board and the Board Committees, is chaired by the CEO, and its members include the Executive Vice President Operations as well as the Senior Vice Presidents ("SVP").

By virtue of his position as a director of Temasek Holdings (Private) Limited ("Temasek"), the current Chairman, Mr Stephen Lee Ching Yen, is considered to be Non-Independent. The Chairman and the CEO are separate persons, are not related to each other and the Chairman is not involved in the day-to-day running of the Company's business and operations. The Chairman is therefore considered to be independent of Management. Moreover, a majority of the members of the Board and the Board Committees, including the Chairman of each of the Board Committees, are Independent Directors or deemed to be independent (as in the case of the Compensation & HR Committee Chairman, where the Chairman is deemed to be able to exercise independent judgment and take an objective view from Management in deciding on remuneration matters, notwithstanding that he is not considered independent under the Code). Accordingly, the Nominating Committee and the Board are of the view that the appointment of a Lead Independent Director was not necessary during FY2017/18.

Mr Stephen Lee Ching Yen will be retiring at the conclusion of the 36<sup>th</sup> AGM to be held on 19 July 2018, and will not be offering himself for re-election. Mr Tang Kin Fei, currently Deputy Chairman and an Independent Director, will succeed Mr Lee as non-executive Chairman of the Board.

### BOARD PERFORMANCE

*(Principle 5)*

The Board has a formal process, which is overseen by the Nominating Committee, for assessing the effectiveness of the Board as a whole and the Board Committees, as well as the contributions of the Chairman and individual Directors. For impartiality, the process is managed by an external firm of human resource consultants, who have no connection with the Company nor any of its Directors. The process, comprising an assessment of both qualitative and quantitative criteria, enables the Nominating Committee and the Board to enhance the effectiveness of the Board and its Board Committees. This is the Company's 16<sup>th</sup> year of evaluating Board performance. For FY2017/18, the external consultants concluded that, overall, the Board had met its performance objectives.

The qualitative assessment includes a questionnaire designed to measure the overall performance of the Board and the Board Committees based on evaluation factors such as strategic priorities and focus, Board composition, Board dynamics and culture, Board partnership with Management, Board processes and practices, and Board value add in shaping the future. The questionnaire also incorporates a peer assessment of individual performance, including each Director's engagement in decision-making, collaboration with fellow Board members and with Management, and his/her contributions to the Board and relevant Board Committees. The quantitative assessment measures the Board's performance against key financial indicators. The overall performance is also benchmarked against the best practices of the Code. The Nominating Committee, in consultation with the Chairman, takes appropriate actions to address the consultant's findings of the performance assessment.

### ACCESS TO INFORMATION AND ACCOUNTABILITY

*(Principles 6 and 10)*

The Company prepares its financial statements in accordance with the Singapore Financial Reporting Standards, as prescribed by the Accounting Standards Council. Management provides Board members with management accounts on a monthly basis together with such explanation and information, and as the Board may require from time to time, to enable the Board to make a balanced and accurate assessment of the Company's performance, financial position and prospects. Management also provides Board members with a monthly "Industry Update", to update them on key developments in the aviation industry. Material developments or issues are also brought to the attention of the Board. The Board has independent access to Management and is provided with any additional information required to make informed decisions, and Management provides such information in a timely manner.

Directors are provided with papers and related materials, including background or explanatory information relating to matters brought before the Board, well in advance of the meetings of the Board and the Board Committees, or deadlines for decisions, to enable them to make well-considered decisions in a timely manner. In line with the Company's commitment to limit paper wastage and reduce its carbon footprint, the Company provides Directors with tablet devices to enable them to access and read Board and Board Committee papers prior to and at meetings. This initiative also enhances information security as the papers are downloaded to tablet devices through an encrypted channel. Other documents, such as budgets and forecasts, are also provided to Directors, and in respect of budgets, any material variance between the projections and actual results are explained and monitored. The Board has a process for Directors, either individually or collectively, to seek independent external advice at the Company's expense in furtherance of their duties and to request for further information on any aspect of the Company's operations or business from Management.

Directors have separate and independent access to the Company Secretary. The Company Secretary, whose appointment and cessation are subject to Board approval, attends all Board meetings. The duties of the Company Secretary include:

- (a) supervising, monitoring and advising on Board procedures and compliance by the Company with its Constitution, laws and regulations applicable in Singapore, the Listing Manual and the Code;
- (b) ensuring timely flow of information to the Board and the Board Committees and between Management and Directors, and keeping an open and regular line of communication between the Company and the SGX-ST, and the Accounting & Corporate Regulatory Authority;
- (c) updating and informing the Board on the principles and best practices of corporate governance; and
- (d) facilitating orientation for new Board appointees and identifying suitable training and development for Directors.

The Company has established written procedures to ensure compliance with legislative and regulatory requirements, including the Listing Manual.

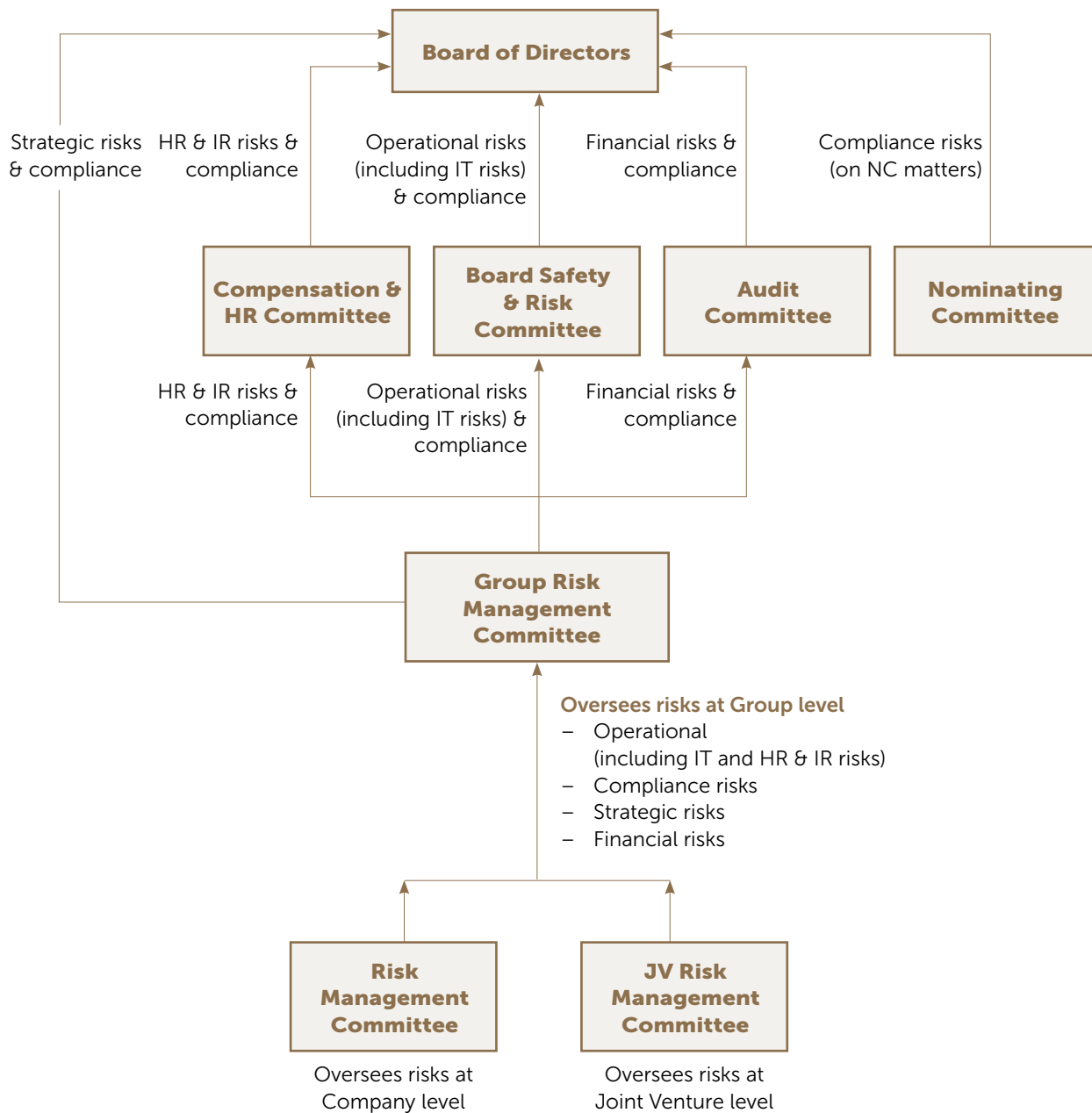
# CORPORATE GOVERNANCE

## RISK MANAGEMENT

(Principle 11)

The Board has overall responsibility for the governance of risk. The Board, supported by the Board Safety & Risk Committee and the other Board Committees, maintains oversight on the key risks of the Group's business. Annually, the Board reviews the adequacy and effectiveness of the risk management and internal control systems, addressing financial, operational, compliance and information technology risks.

### SIAEC GROUP RISK MANAGEMENT FRAMEWORK



Strategic risks pertaining to the Group's business are overseen directly by the Board. The Board Safety & Risk Committee maintains oversight of the operational risks including information technology risks. The Audit Committee has oversight of the financial risks, while the Compensation & HR Committee oversees the human resources and industrial relations risks. The Nominating Committee maintains oversight of compliance risks on matters relating to nominations to, and membership of, the Board and Board Committees. The Board and the Board Committees oversee compliance with the Code's requirements under their respective purview, and explain deviations as required by the Code, taking into account relevant obligations under the Listing Manual.

### BOARD SAFETY & RISK COMMITTEE

The Board Safety & Risk Committee was formed in 2013 to assist the Board in overseeing the Group's risk management system, framework and policies and ensures that Management maintains a sound system of risk management to safeguard shareholders' interests and the Group's assets.

The Board Safety & Risk Committee comprises four Non-Executive Directors, the majority of whom, including the Chairman, are independent. The members of the Board Safety & Risk Committee are:

Chairman: Mr Manohar Khiatani (*appointed on 1 June 2018*)  
Members: Mr Tang Kin Fei (*appointed on 1 June 2017*)  
Mr Ng Chin Hwee  
Mr Wee Siew Kim (*appointed on 1 June 2017*)

Mr Tong Chong Heong was the Chairman of the Board Safety & Risk Committee and Mr Chew Teck Soon was a member of the Board Safety & Risk Committee during FY2017/18 and they stepped down on 1 June 2018 and 1 June 2017 respectively. Mr Manohar Khiatani was a member of the Board Safety & Risk Committee prior to his appointment as the Chairman on 1 June 2018.

The Board Safety & Risk Committee held four meetings in FY2017/18.

Management is responsible for the effective implementation of the risk management strategy, policies and processes to facilitate the achievement of the Group's business and strategic objectives. The Risk Management Committee oversees the management of key risks at the Company level, while the Joint Ventures Risk Management Committee oversees the management of the key risks of subsidiary, joint venture and associated companies. Both Committees report to the Group Risk Management Committee (chaired by the CEO), which has oversight of the risks faced by the Group.

### Risk Management Framework

The risk management framework sets out the policies, processes and procedures for identifying, evaluating and managing risks. The Company advocates a continuous and iterative risk management process, which was developed with reference to the principles and guidelines of the ISO 31000:2009 risk management standards and the Code. The risks identified are wide-ranging, covering strategic, financial, operational, information technology, compliance and human resources & industrial relations risks.

Management is guided by the Board and the Board Safety & Risk Committee in formulating the risk management framework, policies and guidelines, and is responsible for the implementation of the risk management strategy, policies and processes to facilitate the achievement of the Group's business and strategic objectives. Management is responsible for the identification and management of risks, and key risks are proactively identified, addressed and reviewed on an ongoing basis. To ensure the continuing relevance and adequacy of identified risks and the effectiveness of preventive and mitigating measures, the Group's risk registers are reviewed every six months. During these half-yearly reviews, close attention is also directed at identifying new and emerging risks.



## CORPORATE GOVERNANCE

Key risk issues are surfaced by Management to the Board and Board Committees for discussion and decision. Upon the occurrence of significant risk events, the Board and/or Board Safety & Risk Committee are promptly informed and updated with developments, to facilitate their review of the effectiveness in managing such incidents and the adequacy of mitigating measures taken by Management.

As part of the continuing efforts to enhance the robustness of the Company's crisis management plans, a Company-wide crisis management exercise is conducted yearly. Crisis management and communication plans and procedures are regularly reviewed and refined, to ensure that responses in a crisis are coordinated and effective. Incidents that had taken place in the aviation and related industries are reviewed and learning points applied to strengthen the Company's crisis management processes. In FY2017/18, in view of the increased number of cyber-attacks globally, a new group was set up under the Crisis Directorate to handle IT-related crises. On an ongoing basis, business units and support divisions conduct tests of business continuity plans to ensure their preparedness and the effectiveness of responses to disruptions of critical business functions.

As part of its risk-mitigating measures, the Group regularly reviews the scope, type and adequacy of its insurance coverage, taking into account the availability of such cover, and the probability and impact of potential risks.

Details of the key elements of the Risk Management Framework can be found on the Company's website<sup>1</sup>.

### Risk Management Assurance

On a yearly basis, the risk management system is audited by the Internal Audit Department ("SIA Internal Audit") of SIA, the Company's parent, to ensure the adequacy and effectiveness of risk controls, and compliance of risk management framework and procedures by the divisions in the organisation. Additionally, the Group has in place a formal programme of control self-assessments, whereby Management and line personnel are involved in the ongoing assessment and improvement of risk management and controls.

Annually, the CEO, the Chief Financial Officer ("CFO") and the Chairman of each Risk Committee provide the Board Safety & Risk Committee a written assurance on the effectiveness of the risk management system. Periodically, external consulting firms will be engaged to conduct an independent assessment of the Group's risk management system, framework and processes, and to benchmark against best practices in the industry.

### Safety Management

With the Group's business in aircraft Maintenance, Repair and Overhaul ("MRO"), safety and quality are key focus areas for the management of operational risks. The Company is committed to building and maintaining a strong and effective safety and quality management system, in compliance with regulatory requirements and in accordance with best practices in the MRO industry.

The Company's Aviation Safety Management System ("ASMS") adopts the requirements and guidelines set by the International Civil Aviation Organisation and the Civil Aviation Authority of Singapore. A Safety, Health, Environment and Quality Council, chaired by the CEO, oversees the ASMS. The Council monitors safety and quality performance on a quarterly basis to determine the effectiveness of safety and quality systems, and to identify emerging trends.

Additionally, the Management Committee regularly reviews aviation and workplace safety issues and incidents to ensure accountability and prompt follow-up at the operational level. Every quarter, the Board Safety & Risk Committee reviews reports on safety and quality performance and lapses, to ensure that Management undertakes prompt and effective remedial actions to address shortcomings and prevent recurrence.

The Company holds certifications from 26 national airworthiness authorities, including Singapore and major aviation jurisdictions worldwide. Operating in a highly regulated industry, the Group is subject to regular audits conducted by airworthiness authorities and customer airlines on its adherence to mandated standards of safety and quality.

<sup>1</sup> [http://www.siaec.com.sg/pdf/SIAEC\\_risk\\_management\\_framework.pdf](http://www.siaec.com.sg/pdf/SIAEC_risk_management_framework.pdf)

Pursuit of Excellence and Safety are core values of the Company. Through ongoing and new training programmes and campaigns, staff are regularly engaged on the priority of maintaining high standards of safety and quality at the workplace. In 2018, the Company completed a two-year Safety Excellence Programme, which was developed with an international safety consultant and involved the participation of all staff, to inculcate a strong and sustainable safety culture within the Company.

### Board of Directors' Comments on the Practice of Risk Management in SIAEC

Based on the review of the Group's risk management framework, policies and practices, and reviews performed by the Board, Board Committees and Management, the Board is of the opinion that the Group's risk management system in respect of the risks (including financial, operational, compliance and information technology risks) which the Group considers relevant and material to its operations, was adequate and effective as at 31 March 2018. The Board has found no significant evidence to suggest that these risks are not being satisfactorily managed.

### AUDIT COMMITTEE

(Principle 12)

The Audit Committee comprises five Non-Executive Directors, all of whom are Independent Directors. The members of the Audit Committee are:

Chairman: Mr Chew Teck Soon  
Members: Mr Tang Kin Fei (*appointed on 1 June 2017*)  
Mr Manohar Khatani  
Mrs Christina Ong  
Dr Raj Thampuran

Neither the Chairman of the Audit Committee nor any of its members is a former partner or director of the Company's existing auditing firm. At least two members of the Audit Committee (including the Chairman) have recent and relevant accounting or related financial management expertise or experience.

The Audit Committee met four times during the financial year with Management and the internal and external auditors of the Company. The attendance of individual Directors at these meetings is shown on page 41 of the Annual Report.

In the course of the financial year, the Audit Committee performed the following key duties in accordance with the terms of reference under its Charter as delegated by the Board.

#### (a) Financial Reporting

The Audit Committee reviewed the quarterly and annual financial statements and financial announcements required by the Listing Manual, for recommendation to the Board for approval. The review focused on changes in significant accounting policies and practices, major judgmental and risk areas, significant adjustments resulting from the audit, the going concern assumption, compliance with significant financial reporting standards, compliance with the Listing Manual and other legal requirements. The Audit Committee kept itself apprised of changes in financial reporting standards and issues which have a direct impact on the consolidated financial statements of the Group through regular updates by the external auditors.

**(b) External Audit**

The Audit Committee discussed with the external auditors the audit plan, and the report on the audit of the year-end financial statements; and reviewed the external auditors' management letter and Management's responses thereto. The Audit Committee discussed with Management and the external auditors the key areas of Management's estimates and judgment applied in the preparation of the financial statements, the most significant of which have been highlighted as Key Audit Matters ("KAMs") in the Independent Auditors' Report for the year ended 31 March 2018. Please refer to pages 98 to 104 for the Independent Auditors' Report. The Audit Committee's commentary on the KAMs is as follows:

Key Audit matters	How the Audit Committee reviewed these matters and what decisions were made
Classification of investments in subsidiaries, joint ventures and associates	The Audit Committee considered Management's basis for classification of investments and the findings of the external auditors and was satisfied that the classification is appropriate.
Impairment risk on property, plant and equipment	The Audit Committee considered the approach and methodology applied to the valuation model as well as the key assumptions used.
	The Audit Committee considered the findings of the external auditors, including their assessment of the appropriateness of key assumptions applied.
	The Audit Committee was satisfied that apart from the impairment charge of \$3.5 million against the carrying value of rotables held for a particular aircraft type, no other impairment charge is required in the consolidated financial statements.
Impairment risk on deferred engine development costs	The Audit Committee considered the approach and methodology applied to the valuation model as well as the key assumptions used.
	The Audit Committee and the Board were regularly updated on the engine development programmes.
	The Audit Committee considered the findings of the external auditors, including their assessment of the appropriateness of key assumptions applied.
	The Audit Committee was satisfied with the assessment that no impairment charge is required in the consolidated financial statements.
Recognition of revenue and profits on long-term contracts	The Audit Committee reviewed the recognition of revenue and profits on long-term contracts and the findings of the external auditors and was satisfied that these had been appropriately accounted for in the consolidated financial statements.

The Audit Committee reviewed the external auditors' objectivity and independence from Management and the Company, as well as the fees paid to the auditors. Fees of \$347,442 were paid to the external auditors of the Group during the year for audit and non-audit services. Of this, fees for non-audit services amounted to \$51,291. The Audit Committee is of the opinion that the amount of fees paid for non-audit services did not compromise the external auditors' independence.

The Audit Committee considered and recommended to the Board the re-appointment of the external auditors, and the audit fee for the year ended 31 March 2018.

The Company has complied with Rules 712 and 715 of the Listing Manual in relation to its engagement of auditors for the year ended 31 March 2018.

**(c) Internal Audit**

The Audit Committee reviewed the scope of internal audit work and its audit programmes; reviewed the major findings during the year and Management's responses thereto; and ensured the adequacy and effectiveness, independence and resource sufficiency of the internal audit function, and that it has appropriate standing within the Company. In relation to audit activities conducted during the financial year, the internal auditors had unfettered access to the Group's documents, records, properties and personnel, as well as the Audit Committee.

**(d) Internal Controls and Risk Management**

The Audit Committee reviewed the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls.

In line with its responsibilities under the Company's Group Risk Management structure, the Audit Committee provided oversight to the work of the Group Risk Management Committee in respect of financial and the related compliance risks, and internal controls. The Audit Committee has found no significant evidence to suggest that the financial risks and the related compliance risks, which the Group considers relevant and material to its operations, are not being satisfactorily managed.

**(e) Interested Person Transactions**

The Audit Committee reviewed interested person transactions in compliance with the Listing Manual and the Shareholders' Mandate obtained at the last AGM. The Audit Committee was assisted by the internal auditors in its review of interested person transactions and the Shareholders' Mandate.

**(f) Whistle-Blowing**

The Audit Committee reviewed and was satisfied with the adequacy of the whistle-blowing programme instituted by the Company through which staff and others may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. All whistle-blower reports were reviewed by the Audit Committee at its quarterly meetings to ensure independent investigation and adequate resolution.

**(g) Others**

The Audit Committee has explicit authority to investigate any matter within its terms of reference, and has full access to and co-operation of Management. The Audit Committee also has full discretion to invite any Director or executive officer to attend its meetings, and has been given adequate resources to discharge its functions. The Audit Committee met with the internal and external auditors without the presence of Management every quarter.

### **INTERNAL AUDIT**

*(Principle 13)*

The Company has an internal audit function. The Audit Committee approves the hiring, removal, evaluation and compensation of the internal audit function. The internal audit function is designed to provide reasonable assurance about the adequacy, effectiveness and efficiency of operations controls; the reliability of financial information processes; compliance with applicable laws and regulations; and compliance with policies and procedures of the Company, its subsidiaries and joint venture and associated companies.

The Company's internal audit function is undertaken by SIA Internal Audit pursuant to an agreement between the Company and SIA. SIA Internal Audit reports directly to the Chairman of the Audit Committee. Annually, the Audit Committee evaluates the adequacy and effectiveness of the internal audit function, the continuation of the engagement of SIA Internal Audit for performance of the internal audit function as well as the fee payable to them. In situations where the audit work to be carried out by SIA Internal Audit could give rise to potential conflicts of interest, such as audit work relating to transactions between the Company and SIA, the Audit Committee may authorise such audit work to be carried out by an independent third party as it deems appropriate. The Audit Committee is satisfied that SIA Internal Audit has adequate resources to perform its functions, and has appropriate standing within the Company.

SIA Internal Audit has unfettered access to all of the Company's documents, records, properties and personnel, including access to the Audit Committee. All significant audit findings and recommendations made by SIA Internal Audit are reported to the Audit Committee. Significant issues are discussed at the Audit Committee meetings. SIA Internal Audit follows up on all recommendations to ensure that Management has implemented the recommendations in a timely manner, and reports the results to the Audit Committee every quarter.

SIA Internal Audit is a member of the Singapore chapter of the Institute of Internal Auditors ("IIA") and carries out its function according to the Standards for the Professional Practice of Internal Auditing set by the IIA. Quality Assessment Reviews are carried out by external qualified professionals periodically. SIA Internal Audit is staffed by persons with the relevant qualifications and experience. Information technology audits are managed by internal auditors who are Certified Information System Auditors. The professional competence of SIA Internal Audit is maintained or upgraded through training programmes, conferences and seminars that provide updates on auditing techniques and regulations.

### **INTERNAL CONTROLS AND RISK MANAGEMENT**

*(Principle 11)*

The Company has in place a risk management framework (outlined in pages 45 to 48) to oversee the management of the Group's risks, which include strategic, operational, safety, compliance, financial and information technology risks. As can be seen from the outline on page 45, the Board and the Board Committees have responsibility for the management of key risks under their respective purview.

The Board is supported by the Audit Committee in the review of the adequacy and effectiveness of the Group's system of internal controls. The Company's internal control structure consists of policies and procedures established to provide reasonable assurance that transactions undertaken are aligned with the achievement of the Company's objectives. This includes approval limits for every banking and finance transaction, having regard to the nature of the transaction. The Company has an established whistle-blowing programme for the reporting and investigation of any wrongdoing.

A control self-assessment ("CSA") programme, established since FY2003/04, provides a tangible control framework that establishes control ownership among functional managers and staff in their areas of responsibilities. The self-assessments made by functional managers provide the assurance that key controls to address the financial, operational, compliance and information technology risks identified to be relevant and material to the Company's operations are working. Internal audits complement the CSA programme by providing an independent and objective assessment of the processes and controls which may have a material financial impact on the Company. SIA Internal Audit and CSA results are reviewed by the Audit Committee.

Additionally, as the Group operates in a regulated industry, the Company is also subject to regular audits by airworthiness authorities and customers. The Company holds certifications from 26 airworthiness authorities worldwide, including the Civil Aviation Authority of Singapore, the Federal Aviation Administration and the European Aviation Safety Agency. These authorities, as well as the Company's customers, conduct regular audits of the operations of the Company to ensure adherence to operational and safety procedures. In FY2017/18, the Company underwent 88 audits by the authorities and 155 audits by customers. All of the certifications and approvals under the audits have been renewed.

The Board has received assurance from the CEO and the CFO that the Group's framework of internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 March 2018 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations, and that the financial records have been properly maintained and the consolidated financial statements give a true and fair view of the Group's operations and finances.

Based on the framework of internal controls established and maintained by the Company, work performed by the internal and external auditors and the airworthiness authorities, and the reviews performed by Management and the relevant Board Committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations, were adequate and effective as at 31 March 2018.

The Board notes that the system of internal controls and risk management provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

### COMPENSATION & HR COMMITTEE

*(Principle 7)*

The Compensation & HR Committee comprises three Non-Executive Directors. Mr Stephen Lee Ching Yen, the Chairman of the Compensation & HR Committee, is not considered independent under the Code by virtue of his position as a Director of Temasek, and by virtue of the fact that he has served more than 10 years on the SIAEC Board. Nonetheless, the Board and the Nominating Committee are of the view that Mr Lee, being a Non-Executive Chairman, is able to exercise independent judgment and take an objective view from Management in deciding on remuneration matters under the purview of the Compensation & HR Committee. One other member of the Compensation & HR Committee is an Independent Director.

The members of the Compensation & HR Committee are:

Chairman: Mr Stephen Lee Ching Yen  
Members: Mr Goh Choon Phong  
Mr Wee Siew Kim (*appointed on 1 June 2017*)

Mr Tong Chong Heong and Mrs Christina Ong were members of the Compensation & HR Committee during FY2017/18 and they stepped down on 1 June 2018 and 1 June 2017 respectively.

The Compensation & HR Committee, guided by the principles of the Code, and in accordance with the terms of reference under its Charter as delegated by the Board:

- (a) reviews and recommends the general framework of remuneration and the specific remuneration of the Non-Executive Directors, the CEO and the relevant Key Executives who hold the rank of SVP and above, for the endorsement of the Board;
- (b) covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share-based incentives and awards, and benefits in kind; and
- (c) reviews and recommends to the Board the key terms and conditions of appointment of the CEO and Key Executives, scope of duties, and compensation, and decides on the compensation packages to recruit, retain and motivate senior management staff who hold the rank of Vice President ("VP"), which are fair and performance related, with reference to market data provided by recognised surveys of comparative groups in the aerospace and general sectors.

## CORPORATE GOVERNANCE

An independent consultant is engaged to provide advice to the Compensation & HR Committee on market practices and benchmark data and recommendations on senior executive remuneration, including incentive and share plans. For FY2017/18, Carrots Consulting Pte Ltd was engaged to provide such services, the principal adviser being Mr Johan Grundlingh. Carrots Consulting Pte Ltd only provides remuneration consulting services to the Company, and has no other relationship with the Company which could affect its independence and objectivity.

The Compensation & HR Committee is also responsible for reviewing the eligibility, guidelines, allotment, awards and payouts under the Company's Restricted Share Plan ("RSP"), Performance Share Plan ("PSP"), Profit-Sharing Bonus ("PSB"), Strategic Transformational Incentive Plan ("STIP") and Economic Value Added ("EVA")-Based Incentive Plan ("EBIP").

During FY2017/18, the Compensation & HR Committee held four meetings and performed, inter alia, the following main functions:

- (a) conducted a review of the FY2015/16 and FY2016/17 RSP performance to-date;
- (b) conducted a review of the FY2014/15, FY2015/16 and FY2016/17 PSP performance to-date;
- (c) determined the allotment for the 12<sup>th</sup> RSP and PSP grants for FY2017/18;
- (d) reviewed the payouts under the EBIP;
- (e) reviewed and recommended the total compensation framework for Key Executives, including the extension of SIAEC CEO Service Agreement for the Board's approval;
- (f) conducted the annual performance and compensation review for Key Executives;
- (g) reviewed the fees payable to Directors for FY2017/18;
- (h) reviewed and endorsed the 2018 Succession Development Plan for the Company;
- (i) reviewed recommendations made by a HR Consultant for a more robust talent management and succession planning framework;
- (j) reviewed the HR Strategy for 2018;
- (k) reviewed the Compensation & HR Committee mandate for share buy back;
- (l) reviewed the Company's compliance with guidelines under the Code, the ASEAN Corporate Governance Scorecard and the SGX-ST Disclosure Guide on Remuneration Matters;
- (m) reviewed the Company's obligations in the event of termination of any Executive Directors' or Key Executives' contracts of service to ensure fair and reasonable terms are accorded; and
- (n) reviewed all HR Risk Management activities and the measures that are put in place to mitigate the human resource and industrial relations risks.

## CORPORATE GOVERNANCE

### REMUNERATION REPORT

(Principles 8 & 9)

The fees for Non-Executive Directors reflects the scope and extent of a Director's increasing responsibilities and obligations. It is measured against relevant benchmarks and aims to be competitive. The Board believes that it is imperative to remunerate Directors equitably to attract and retain individuals with the necessary talents and capabilities.

Shareholders' approval is sought at the AGM for the fees for Non-Executive Directors for the current financial year on a pool basis. This pool is subsequently used to pay the Non-Executive Directors' fees based on actual service on a quarterly basis in arrears.

A review of the Non-Executive Directors' fees for FY2017/18 was conducted by Carrots Consulting Pte Ltd in 2017. At the Company's 35<sup>th</sup> AGM, shareholders approved the Non-Executive Directors' fees of up to \$1,500,000 (representing an increase of \$366,000 compared to the FY2016/17 Non-Executive Directors' fees of up to \$1,134,000) for the financial year ending 31 March 2018. The increase was necessary to attract, retain and motivate high calibre non-executive Directors and ensure that the Non-Executive Directors' compensation is market-competitive and commensurate with their responsibilities and accountabilities. The increase was also to accommodate the appointment of additional Directors, namely, Mr Tang Kin Fei (Deputy Chairman) and Mr Wee Siew Kim, on 8 May 2017, as well as an increase in the number of appointments to Board Committees. The Company is not seeking any further increase of the Non-Executive Directors' fees for FY2018/19.

Information on the rates and the actual fees paid to the Non-Executive Directors are shown in the tables below:

Type of Appointment	Scale of Directors' Fees \$
<b>Board of Directors</b>	
Member's Fee	65,000
Chairman's Fee	60,000
<b>Board Committee</b>	
Member's Fee	10,000
<b>Audit Committee</b>	
Chairman's Fee	30,000
Member's Fee	20,000
<b>Other Board Committees</b>	
Chairman's Fee	20,000
Member's Fee	10,000
<b>Board Meeting Attendance Fee</b>	
– For each Board Meeting held locally	1,000
– For each Board Meeting held overseas	3,000

**Note:**

If a Director occupies a position for part of a financial year, the fees due to him/her shall be pro-rated accordingly.



## CORPORATE GOVERNANCE

The remuneration in respect of each Director for FY2017/18 is as shown:

	Fee (\$)	Salary (\$)	Bonuses <sup>(v)</sup> (\$)	Benefits (\$)	Shares <sup>(vi)</sup> (\$)	Total (\$)
Stephen Lee Ching Yen	215,000	–	–	–	–	215,000
Tang Kin Fei <sup>(i)</sup>	153,814	–	–	–	–	153,814
Goh Choon Phong <sup>(ii)</sup>	107,000	–	–	–	–	107,000
Ng Chin Hwee <sup>(ii)</sup>	114,000	–	–	–	–	114,000
Manohar Khiatani	124,000	–	–	–	–	124,000
Chew Teck Soon	141,510	–	–	–	–	141,510
Christina Ong	134,841	–	–	–	–	134,841
Tong Chong Heong	132,841	–	–	–	–	132,841
Raj Thampuran <sup>(iii)</sup>	103,000	–	–	–	–	103,000
Wee Siew Kim <sup>(i)</sup>	98,553	–	–	–	–	98,553
Png Kim Chiang <sup>(iv)</sup>	–	633,360	588,544	64,897	719,740	2,006,541

**Notes:**

- (i) Mr Tang Kin Fei and Mr Wee Siew Kim were each appointed Director with effect from 8 May 2017.
- (ii) Directors' fees in respect of Mr Goh Choon Phong and Mr Ng Chin Hwee were paid to and retained by SIA.
- (iii) Directors' fees due to Dr Raj Thampuran were paid to a government agency, the Directorship & Consultancy Appointments Council.
- (iv) As Chief Executive Officer, Mr Png Kim Chiang does not receive any Directors' fees.
- (v) Comprises EBIP amount, STIP amount and PSB declared for the FY.
- (vi) Comprises shares awarded under the RSP and PSP during FY2017/18; the value of awards is based on the fair value of the shares awarded under the RSP (\$3.81) and PSP (\$4.16). Shares awarded under the RSP and PSP are subject to performance targets and other terms and conditions being met under the respective share plans.

Apart from the foregoing, no other remuneration is paid to Non-Executive Directors of the Company, nor do they receive any share options or share awards which are granted only to the employees of the Company.

There were no employees who were immediate family members of a Director or the CEO, and whose remuneration exceeded \$50,000 for the financial year ended 31 March 2018.

### KEY EXECUTIVES' REMUNERATION

The Company's Key Executives' remuneration structure is designed to include short-term and long-term incentives, which motivate and reward Key Executives, and allows the Company to align executive compensation with market practice. The Key Executives' remuneration structure includes the components of an EBIP, a STIP and a PSB, and share awards under the RSP and the PSP, in addition to a fixed basic salary and fixed allowances. The payment of the EBIP, STIP, PSB and grants of share awards are dependent on the achievement of the Key Executives' individual performance measures and prescribed Group and Company performance measures.

The Company has clawback policies for the unvested and/or unreleased components of the incentive schemes in the event of misstatement or misconduct/fraud resulting in material losses to the Company.

## CORPORATE GOVERNANCE

The remuneration of the Company's Key Executives for FY2017/18 is shown in the table on page 55 (for the CEO) and in the table below, in bands of \$250,000 (for other Key Executives):

Remuneration Bands & Key Executives	Salary (%)	Bonuses <sup>(i)</sup> (%)	Benefits (%)	Shares <sup>(ii)</sup> (%)	Total (%)
<b>\$1,000,000 – \$1,250,000</b>					
Ivan Neo Seok Kok Executive Vice President Operations	33	39	2	26	100
<b>\$750,000 – \$1,000,000</b>					
Zarina Piperdi SVP Human Resources	39	42	2	17	100
Wong Yue Jeen <sup>(iii)</sup> SVP Aircraft & Component Services	35	44	2	19	100
Foo Kean Shuh <sup>(iv)</sup> SVP Innovation & Technology	34	44	2	20	100
<b>\$500,000 – \$750,000</b>					
Anne Ang Lian Choo <sup>(v)</sup> SVP Special Projects	38	39	2	21	100
Philip Quek SVP Line Maintenance & Fleet Management	32	47	2	19	100

**Notes:**

- (i) Comprises EBIP amount, STIP amount and PSB declared for the FY.
- (ii) Comprises shares awarded under the RSP and PSP during FY2017/18; the value of awards is based on the fair value of the shares awarded under the RSP (\$3.81) and PSP (\$4.16). Shares awarded under the RSP and PSP are subject to performance targets and other terms and conditions being met under the respective share plans.
- (iii) Mr Wong Yue Jeen was appointed SVP Aircraft & Component Services with effect from 1 February 2018. His remuneration includes the amount paid during his appointment as SVP Partnership Management & Business Development before 1 February 2018.
- (iv) Mr Foo Kean Shuh was transferred from SIA to SIAEC on 1 April 2017.
- (v) Ms Anne Ang stepped down as SVP Finance/CFO of the Company on 30 September 2017 and retired on 31 December 2017. Pursuant to the rules of the PSP and RSP, the awards granted under the PSP and RSP to Ms Ang will be released during the relevant vesting periods.

For FY2017/18, other than the in-service and post-retirement travel benefits for Key Executives and the previous CEO, there were no termination, retirement and post-employment benefits granted to Directors, the current CEO<sup>2</sup> and the Key Executives.

For FY2017/18, the aggregate total remuneration for the six Key Executives listed above amounted to \$4,871,795.

<sup>2</sup> Under his service agreement, the current CEO is not entitled to any in-service or post-retirement travel benefits.

### **Economic Value Added-Based Incentive Plan**

One of the incentive plans included in the remuneration of Key Executives of the Company is the EBIP, which forms a significant portion of the annual performance-related bonus for these executives.

The EBIP rewards for sustainable shareholder value creation achieved over the medium term by growing profits, deploying capital efficiently and managing the risk profile and risk time horizon of the business.

For FY2017/18, the actual performance of the Group had partially met the pre-determined targets, and the resulting annual incentive declared under the EBIP reflects the performance level achieved.

Under the EBIP, one-third of the accumulated EBIP bonus, comprising the EBIP bonus declared for the financial year, and the balance of the EBIP bonus brought forward from preceding years, is paid out in cash each year. The remaining two-thirds are carried forward in each individual executive's EBIP account for payment in future years. The EBIP encourages Key Executives to work for sustained EVA generation, and to take actions that are aligned with the long-term interests of shareholders.

The rules of the EBIP are subject to review and amendment by the Compensation & HR Committee, which has the discretion, under authority of the Board, to amend the rules where appropriate and relevant to the business environment in which the Company operates.

### **Strategic Transformational Incentive Plan**

The STIP is an incentive scheme established with the objective of rewarding, motivating, and retaining a select group of key Senior Management staff who shoulder the responsibility for the Company's strategic initiatives and future-oriented growth.

Under the STIP, a target bonus is set for meeting strategic initiatives set under the Individual Performance Scorecard. At the end of the financial year, the target bonus is modified by the incumbent's performance on the execution of the strategic initiatives as assessed by the Compensation & HR Committee. The resultant payout varies between 0% – 150% of the target bonus.

### **Profit-Sharing Bonus**

Payment of an annual PSB in respect of each Key Executive is based on the achievement of financial objectives of the Group and the Company and taking into account individual performance.

The PSB is based on Group and Company performance and is capped at two times of the monthly base salary for each Key Executive, or a higher level approved by the Compensation & HR Committee. After the assessment of the Individual Performance Scorecards, an Individual Performance Rating is determined and is subsequently used to modify the PSB payout within the range of 0% – 150%.

## CORPORATE GOVERNANCE

### Share Incentive Plans

The RSP and PSP are share-based incentive plans approved by the shareholders of the Company. The details of the two plans are described below:

	Restricted Share Plan	Performance Share Plan
Plan Description	Award of fully-paid ordinary shares of the Company, dependent on position level and individual performance targets set at the start of a one-year performance period based on Group and Company objectives with some degree of stretch.	Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives for senior management.
Performance Conditions	<ul style="list-style-type: none"> <li>• Group and Company EBITDA<sup>#</sup> Margin</li> <li>• Group and Company Value Added per \$ Employment Cost</li> </ul> <p>The above performance conditions are selected as they are the key operational drivers of shareholder value and are aligned to the Group and Company's business objectives.</p>	<ul style="list-style-type: none"> <li>• Absolute Total Shareholder Return (TSR) outperform Cost of Equity (COE)</li> <li>• Return on Equity (ROE)</li> </ul> <p>The above performance measures are selected as key measurement of value-creation for shareholders.</p>
Vesting Condition	<p><u>Awards granted prior to FY2016/17</u> Based on meeting stated performance conditions over a two-year performance period, 50% of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements.</p> <p><u>Awards granted in and after FY2016/17</u> Based on meeting stated performance conditions over a one-year performance period, 1/3 of award will vest. Balance will vest equally over the subsequent two years with fulfilment of service requirements.</p>	Vesting based on meeting stated performance conditions over the three-year performance period.
Payout	0% – 150% depending on the achievement of pre-set performance targets over the performance period.	0% – 200% depending on the achievement of pre-set performance targets over the performance period.

**Note:**

<sup>#</sup> EBITDA denotes Earnings before Interest, Taxes, Depreciation and Amortisation

The achievement factor for the RSP award granted in FY2017/18, which commences vesting in July 2018, reflects the extent to which the pre-determined target performance levels were outperformed for the one-year performance period of FY2017/18.

The achievement factor for the PSP award granted in FY2015/16 which fully vests in July 2018, reflects the extent to which the pre-determined target performance levels were partially met for the performance period from FY2015/16 to FY2017/18.

The RSP and PSP were originally adopted by shareholders on 25 July 2005, and were replaced by the SIAEC RSP 2014 and SIAEC PSP 2014 which were approved by shareholders at the Extraordinary General Meeting of the Company held on 21 July 2014. The new share plans have substantially the same terms as the previous plans, except that the total number of shares which may be delivered under the new share plans (whether in the form of shares or cash in lieu of shares) will be subject to a reduced maximum limit of 5%. In addition, the total number of shares under awards to be granted annually under the new share plans shall not exceed 0.5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) from time to time (the "Annual Grant Sub-Limit"). However, if the Annual Grant Sub-Limit is not fully utilised in any given year, the balance of the unutilised Annual Grant Sub-Limit may be used by the Company to make grants of awards in subsequent years.

Details of the RSP and PSP (previous and current), and the awards granted thereunder, can be found on pages 95 to 96 and pages 186 to 187 in this Annual Report.

### Pay for Performance Alignment

In performing the duties as required under its Charter, the Compensation & HR Committee ensures that remuneration paid to the CEO and Key Executives is clearly linked to the achievement of business and individual performance targets. The performance targets as determined by the Committee are set at realistic, yet stretched levels, each year to motivate a high degree of business performance, with emphasis on both short and long-term quantifiable objectives.

Individual performance objectives aligned to the overall strategic, financial and operational goals of the Group and the Company are set at the beginning of each financial year and are cascaded down to executives using Individual Performance Scorecards, creating alignment between the performance of the Group and the Company, and the individual. While these performance objectives are different for each executive, they are assessed on the same principles across the following four broad categories of targets:

- Financial and Business
- Customer, Operations and Partners
- People and Organisational Development
- Strategic and Transformational Initiatives

In FY2017/18, the Compensation & HR Committee engaged a remuneration consultant, Carrots Consulting Pte Ltd, to conduct a Pay-for Performance Alignment study. The Compensation & HR Committee concluded that there was adequate linkage of the executive remuneration to the performance of the Group and the Company for FY2011/12 to FY2016/17.

### Compensation Risk Assessment

Under the Code, the compensation framework should take into account the risk policies of the Group, be symmetric with risk outcomes and be sensitive to the time horizon of the risks. The Compensation & HR Committee has conducted a Compensation Risk Assessment to review the various compensation risks that may arise, and has ensured that mitigating policies are in place to manage the risk exposures identified. The Compensation & HR Committee will undertake periodic reviews of the compensation-related risks.

## PROFILE OF SENIOR EXECUTIVES

### Mr Png Kim Chiang

#### Director and Chief Executive Officer

Mr Png is a Director and the Chief Executive Officer of SIAEC. He joined SIA in 1975 and has over 43 years of experience in the aerospace industry.

Prior to his appointment as Chief Executive Officer on 1 April 2015, Mr Png was appointed Executive Vice President Operations in 2010, Senior Vice President Aircraft and Component Services in 2009, Senior Vice President Commercial in 2005 and Senior Vice President Services in 2001.

Mr Png is the Deputy Chairman of Boeing Asia Pacific Aviation Services Pte Ltd and Singapore Aero Engine Services Pte Ltd, and a Director of SIA Engineering (Philippines) Corporation.

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

### Mr Ivan Neo Seok Kok

#### Executive Vice President Operations

Mr Neo joined SIA in 1975 and served in various capacities in its Engineering Division. In 1992, Mr Neo was transferred to SIAEC and was appointed Senior Vice President in 2007. Over the years, Mr Neo was responsible for various operations across SIAEC, and the support services of Business Development, Partnership Management, Marketing & Sales, and Facilities Development. On 1 April 2016, Mr Neo was appointed Executive Vice President Operations. He is currently in charge of the operations of Aircraft & Component Services, Line Maintenance and Cabin Services, Fleet Management as well as the support services of Marketing & Sales, Facilities Development, Quality and Safety, Security & Environment.

Mr Neo is the Chairman of Aerospace Component Engineering Services Pte Ltd, Heavy Maintenance Singapore Services Pte Ltd and Pan Asia Pacific Aviation Services Ltd (Hong Kong), Deputy Chairman of Goodrich Aerostructures Service Center – Asia Pte Ltd, and a Director of Goodrich Aerostructures Service (China) Co. Ltd and Singapore Aero Engine Services Pte Ltd.

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

### Ms Zarina Piperdi

#### Senior Vice President Human Resources

Ms Piperdi is the Senior Vice President Human Resources of SIAEC. She joined SIA in 1983 and has held various senior positions in Finance. In 1991, she was posted to Los Angeles as SIA's Regional Finance & Admin Manager America. She joined SIA Cargo Pte Ltd in 1997 to spearhead the formation of the cargo airline and was appointed as Vice President Finance & Human Resources, SIA Cargo in 2001. In March 2006, she joined SIAEC and was appointed Senior Vice President (Human Resources) in November 2006. She is currently responsible for the Human Resources and Training Academy Divisions.

Ms Piperdi is the Chairperson of Fuel Accessory Service Technologies Pte Ltd and a Director of Component Aerospace Singapore Pte Ltd.

Ms Piperdi holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and attended a Senior Executive Programme at the London Business School. She is also a Fellow of the Institute of Singapore Chartered Accountants.

### **Mr Wong Yue Jeen**

#### **Senior Vice President Aircraft & Component Services**

Mr Wong joined SIAEC in March 2008. He was appointed Vice President Business Development on 1 July 2009. Mr Wong took on the position of Senior Vice President Partnership Management & Business Development on 1 September 2015 and Senior Vice President Aircraft & Component Services on 1 April 2018. Prior to joining SIAEC, Mr Wong spent several years in General Electric, where his last appointment was Commercial Director, Engineered Styrenics and Petrochemicals, in GE Plastics South East Asia. His roles in General Electric principally centred around business development, mergers and acquisitions, as well as sales, marketing and commercial operations in the engineering plastics and aerospace structured composites businesses. Before General Electric, Mr Wong was General Manager (Finance & Control / MIS) at ABB Alstom Asia Pacific. Mr Wong has also held various roles in consulting services and audit at SAP and ICI Asia Pacific respectively.

Mr Wong is the Deputy Chairman of Eagle Services Asia Pte Ltd and a Director of Jamco Aero Design & Engineering Pte Ltd and Panasonic Avionics Services Singapore Pte Ltd.

Mr Wong holds a joint Bachelor of Science degree in Accounting and Computer Science from La Trobe University, Australia. He is also a Member of the Institute of Singapore Chartered Accountants and CPA Australia.

### **Mr Foo Kean Shuh**

#### **Senior Vice President Line Maintenance & Cabin Services**

Mr Foo joined the Engineering Division of SIA in 1994 as a Technical Services Engineer. He went on to hold various senior positions in the division, including Vice President Maintenance Planning & Control, Vice President Technical Projects and his last role as Divisional Vice President Engineering (Operations).

On 1 June 2016, Mr Foo was appointed as Senior Vice President Innovation & Technology in SIAEC. He then took on the position of Senior Vice President Line Maintenance & Cabin Services on 1 April 2018. He is also a director of Pan Asia Pacific Aviation Services Ltd (Hong Kong), Eagle Services Asia Pte Ltd and Moog Aircraft Services Asia Pte Ltd.

Mr Foo holds a Master of Science (Thermal Power) from Cranfield University, UK and a Bachelor of Engineering (Aerospace Engineering)(Honours) from Royal Melbourne Institute of Technology, Australia.

### **Mr Philip Quek Cher Heong**

#### **Senior Vice President Partnership Management & Business Development**

Mr Quek was appointed Senior Vice President Partnership Management & Business Development on 1 April 2018. He joined SIAEC in 2001 and served in various divisions such as Heavy Maintenance, Workshops, Line Maintenance, Fleet Management, IT and in SIA Engineering (Philippines) Corporation. He was appointed Vice President Workshops in April 2013, General Manager of SIA Engineering (Philippines) Corporation in September 2014, Acting Senior Vice President Line Maintenance & IT in April 2015 and Senior Vice President Line Maintenance & Fleet Management in October 2016.

Mr Quek is the Chairman of Aircraft Maintenance Services Australia Pty Ltd and a Director of Boeing Asia Pacific Aviation Services Pte Ltd and Southern Airports Aircraft Maintenance Services Co. Ltd (Vietnam).

Mr Quek holds a Bachelor of Engineering (Honours) degree from Nanyang Technological University, Singapore.

### **Ms Ng Lay Pheng**

#### **Chief Financial Officer**

Ms Ng was appointed Chief Financial Officer of SIAEC on 1 October 2017.

Ms Ng joined SIA in 1992 as an Accountant and has held various appointments within the SIA Group of Companies. She was Vice President Finance at SilkAir (Singapore) Private Limited before she joined SIAEC on 12 April 2017 as Vice President Finance. She is also a Director of Aviation Partnership (Philippines) Corporation.

Ms Ng holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore.

### NOMINATING COMMITTEE

*(Principle 4)*

The Nominating Committee comprises three Non-Executive Directors, two of whom, including the Chairman, are independent. The key responsibilities of the Nominating Committee, in accordance with the terms of its Charter, are set out in the subsequent paragraphs. The members of the Nominating Committee are:

Chairman	Mrs Christina Ong
Members	Mr Ng Chin Hwee
	Mr Chew Teck Soon

Mr Tong Chong Heong was a member of the Nominating Committee during FY2017/18 and he stepped down on 1 June 2017.

The Nominating Committee, in accordance with the terms of reference under its Charter as delegated by the Board, reviews Board composition and makes recommendations for the appointment of new Directors. The Nominating Committee is focused on maintaining a strong independent element in the composition of the Board and the Board Committees. In support of gender diversity, the Nominating Committee also ensures that appropriate efforts are made to include suitably qualified women in the list of candidates for a Board position. The Nominating Committee has developed a Skills Matrix, which denotes the experience and expertise of Directors in relation to the Company's business activities and strategic goals. The Skills Matrix, which serves as a guide to identify the competencies and attributes for new Board appointments, is regularly updated and reviewed by the Nominating Committee.

Annually, the Nominating Committee reviews the process for the nomination and selection of Directors, in terms of whether it meets the Company's commitment on Board diversity and other criteria prescribed by the Board, as well as each Director's independence, taking into consideration the relevant guidelines of the Code.

New appointments to the Board are carefully selected to augment core competencies and experience of the Board to ensure overall effectiveness and informed decision-making. In the evaluation of potential appointees to the Board, members of the Nominating Committee, together with the Chairman of the Board, meet with the candidates to assess their eligibility. If the candidates meet the required criteria, the Nominating Committee will recommend its selection to the Board for approval.

In April 2017, the Nominating Committee recommended the appointments of Mr Tang Kin Fei and Mr Wee Siew Kim as Directors with effect from 8 May 2017. The appointments were approved by the Board, and Mr Tang Kin Fei was elected as Deputy Chairman of the Board. Mr Tang Kin Fei and Mr Wee Siew Kim are considered independent Directors.

Annually and from time to time, the Nominating Committee evaluates the need to appoint a Lead Independent Director and, after considering the reasons cited on page 43, the Nominating Committee and the Board agreed that the appointment of a Lead Independent Director was not necessary during FY2017/18. The Nominating Committee also reviews compliance with the Code requirements under its purview, and deviations are explained.

The Company has in place a policy whereby Directors consult the Chairman of the Board and the Nominating Committee Chairman prior to accepting other board directorships. Directors must also immediately report changes in their external appointments, including any corporate developments relating to their external appointments, which may affect their independence. Every Director confirms annually in writing his/her availability and time commitment to focus on the affairs of the Company in the discharge of his/her duties as a Director.

Having reviewed the contributions of each Director and his/her attention to the affairs of the Company, taking into account his/her executive appointments, listed company board representations, other principal commitments, and the record of each Director's attendance at Board and Board Committee meetings for FY2017/18, the Nominating Committee was of the view that each Director had carried out his/her duties adequately. Accordingly, the Board has determined that there is no necessity, for the time being, to set a maximum limit on a Director's other listed board representations. The Company will continue to disclose each Director's listed company board directorships and principal commitments in the Company's Annual Report.



Pursuant to Article 90 of the Company's Constitution, one third of Directors for the time being shall retire at each AGM. Retiring Directors are those who have served longest since their last election. They are eligible to offer themselves for re-election under Article 91, subject to the endorsement of the Nominating Committee and approval of the Board. Directors appointed after the last AGM will also retire and are eligible for re-election at the AGM following their appointment in accordance with Article 96 of the Company's Constitution.

At the 36<sup>th</sup> AGM to be held on 19 July 2018, Mr Stephen Lee Ching Yen, Mr Goh Choon Phong, Mr Manohar Khiatani and Mr Chew Teck Soon will retire under Article 90 of the Company's Constitution. Mr Stephen Lee Ching Yen will not be offering himself for re-election.

After assessing their respective contributions, including their attendance, preparedness, participation and candour at Board and Board Committee meetings, the Nominating Committee recommends the re-election of Mr Goh Choon Phong, Mr Manohar Khiatani and Mr Chew Teck Soon, all of whom are willing to serve.

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

- (a) reviewed the composition of the Board and Board Committees, Board size and the Skills Matrix, which was updated to reflect the skills and expertise of new appointees;
- (b) recommended the appointments of Mr Tang Kin Fei and Mr Wee Siew Kim as Directors, with effect from 8 May 2017;
- (c) reviewed and affirmed the independence/non-independence of each Director based on his/her declaration;
- (d) considered and agreed that, given the prevailing circumstances (as explained on page 43), the appointment of a Lead Independent Director was not necessary for the time being;
- (e) considered and recommended Directors to retire by rotation and seek re-election at the AGM;
- (f) considered ongoing training of Directors, and recommended suitable training programmes;
- (g) assessed if a Director was able to and had carried out his/her duties as Director of the Company considering his/her other Board appointments;
- (h) invited bids and assessed the merits of respective proposals from five shortlisted external consultants to undertake the Board Performance Evaluation ("BPE"), and thereafter, recommended the appointment of one of them to undertake the annual BPE from FY2017/18 to FY2019/20; and
- (i) reviewed the compliance of the Nominating Committee with the relevant requirements of the Code.

The Company has no alternate Directors on its Board.

### BOARD COMMITTEE

The Board Committee deputises for the Board on routine matters to facilitate day-to-day administration and to expedite decisions thereon, including the opening of bank accounts, affixing the Company's seal on documents requiring the Company's seal, authorising specific officers to sign pertinent documents on behalf of the Company and approving nominations to the boards of key Group companies and appointments of the Company's corporate representatives. The Board Committee also approves capital expenditures from \$1.5 million to \$5.0 million. Approvals of values below the base level of \$1.5 million are referred to the Senior Management Committee. The members of the Board Committee are:

Members      Mr Stephen Lee Ching Yen  
                    Mr Goh Choon Phong

There is no Chairman for the Board Committee as the members do not meet in person. Papers seeking the Board Committee's approval are circulated and resolutions approved by the Board Committee are reported to the Board at the following Board meeting.

The Board Committee has relieved the Board of routine day-to-day matters that require Board approval. The swiftness of the Board Committee's deliberation and decision-making enables the Company to deal with these matters expeditiously in its daily operations.

### MANAGEMENT COMMITTEES

Management oversees specific areas of the Group's operations and businesses through various committees, holding meetings with varying frequencies, from daily, weekly, bi-weekly to monthly. These include the Senior Management Committee, the Management Committee, the Staff Committee, the Investment Committee, the Partnership Review Committee, the Group Risk Management Committee, the Risk Management Committee and the Joint Ventures Risk Management Committee.

### SHAREHOLDER RIGHTS, COMMUNICATION WITH SHAREHOLDERS AND CONDUCT OF SHAREHOLDER MEETINGS

*(Principles 14, 15 and 16)*

The Company is committed to the disclosure of material or price-sensitive information in a clear, detailed and timely manner. The Company holds analyst briefings for its mid-year and full-year results. Following the release of the mid-year and full-year results, the CFO and key management representatives also meet with investors to explain the results. At other times, meetings with analysts and investors are held to facilitate their understanding of the Company's business. The Company's quarterly, mid-year and full-year results are published through SGXNET and press releases, and on the Company's website at [www.siaec.com.sg](http://www.siaec.com.sg). The Company's Annual Reports and other information of interest to investors are posted on its website.

The Company does not have a formal dividend policy. The Board considers, inter alia, the Company's capital structure, cash requirements and expansion plans in declaring dividends for each year. Barring any unforeseen circumstances, the Company will endeavour to declare dividends at sustainable rates.

Shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Under the multiple proxies regime introduced pursuant to the Companies (Amendment) Act 2014, "relevant intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund ("CPF") Board are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at shareholders' meetings.

## CORPORATE GOVERNANCE

At shareholders' meetings, every proposal requiring approval is tabled as a separate resolution. For details on resolutions proposed for the 2018 AGM, please refer to the 'Notice of AGM' in this Annual Report, which is also found on the Company's website. With effect from the 2012 AGM, the Company adopted electronic poll voting by shareholders for greater transparency in the voting process. The number of votes cast for or against each resolution is displayed immediately after the voting of each resolution. After the meeting, the results are posted on SGXNET. Currently, shareholders can vote by proxy but not in absentia. The Company will consider amending its Constitution if the Board is of the view that there is justifiable demand for absentia voting, and after the Company has evaluated and put in place the necessary measures to facilitate such voting.

The AGM and/or extraordinary general meetings are principal forums for dialogue with shareholders. At each AGM, the CEO updates shareholders on key developments in the MRO industry and measures being taken by the Company to address these developments as well as its strategic directions. Shareholders are encouraged to participate in such meetings by raising relevant questions or seeking clarification on the motions tabled at these meetings. The Chairman, Directors, Management and external auditors will be in attendance at these meetings to address questions from shareholders. Minutes of shareholders' meetings are made available to shareholders on request.

The Company adopts transparent, accountable and effective communication practices as a key means to enhance standards of corporate governance, and aims to provide clear and continuous disclosure of its corporate governance practices through efficient use of technology. The following information is made available on the Company's website and/or SGXNET on a timely basis:

- (a) Board of Directors and Key Executives' profiles;
- (b) Notices of shareholder meetings;
- (c) Annual Reports;
- (d) Letters and circulars to shareholders;
- (e) Company announcements;
- (f) Press releases; and
- (g) Financial results.

The Company's website has a dedicated "Investor Relations" link, which features the latest and past financial results and related information. The contact details of the Investor Relations team are also available on the Company's website to enable shareholders to contact the Company easily. The Company also has procedures in place for addressing investors' and shareholders' queries or complaints as soon as possible.

### SECURITIES TRANSACTIONS

As prescribed in the Listing Manual, the Company has adopted a policy and guidelines for dealings in the Company's securities (the "Policy and Guidelines"), which are posted on the Company's intranet for easy access by employees. The heads of divisions and departments are responsible for ensuring that the information within the Policy and Guidelines is brought to the attention of employees who do not have ready intranet access.

The Policy and Guidelines restrict Directors and employees from trading in the Company's securities during the period two weeks prior to the announcement of the Group's results for the first three quarters of the financial year, and one month prior to the announcement of full-year results.

The Policy and Guidelines also remind employees and Directors to avoid trading in the Company's securities for short-term considerations and to be mindful of the insider trading prohibitions under the Securities and Futures Act, Chapter 289 of Singapore when trading in the Company's or any other related corporation's securities.

## CORPORATE GOVERNANCE

### THE COMPANY'S COMPLIANCE AND DISCLOSURE SCORE-CARD ON THE CODE

The following table summarises the Company's compliance with the Code principles (and takes into account, where relevant, the guidance provided by the Disclosure Guide on corporate governance issued by the SGX-ST on 29 January 2015). The table also sets out specific disclosures stated in the Annual Report, including key departures from the Code.

Code Principles & Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
<p><b>Principle 1: The Board's Conduct of Affairs</b>  <b>Every Company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and Management remains accountable to the Board.</b></p>	✓	39-40
<p><b>Guideline 1.3</b>                      Delegation of authority, by the Board to any Board Committee, to make decisions on certain Board matters.</p>	✓	39
<p><b>Guideline 1.4</b>                      The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every Board member at these meetings.</p>	✓	41
<p><b>Guideline 1.5</b>                      Disclosure in the Annual Report of the types of material transactions that require Board approval.</p>	✓	39
<p><b>Guideline 1.6</b>                      Information on induction, orientation and training provided to new and existing Directors.</p>	✓	40
<p><b>Principle 2: Board Composition and Guidance</b>  <b>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 and the Company's substantial shareholders (those who own 10% or more of the Company's shares). No individual or small group of individuals should be allowed to dominate the Board's decision-making.</b></p>	✓	42
<p><b>Guideline 2.1</b>                      There should be a strong and independent element on the Board, with Independent Directors making up at least one-third of the Board.</p>	✓	42
<p><b>Guideline 2.3</b></p> <ul style="list-style-type: none"> <li>• Each Director considered to be independent by the Board;</li> <li>• A Director considered to be Independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a Director not to be independent, the nature of the Director's relationship and the reasons for considering him as independent to be disclosed.</li> </ul>	✓	41-42
<p><b>Guideline 2.4</b>                      If an Independent Director, who has served on the Board for more than 9 years from the date of his first appointment, is considered to be independent, the reasons for considering him as independent should be disclosed.</p>	✓	42

# CORPORATE GOVERNANCE

Code Principles & Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
<p><b>Guideline 2.6</b> The Board and its Board Committees should comprise Directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.</p>	✓	42
<p><b>Principle 3: Chairman and Chief Executive Officer</b> <b>There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.</b></p>	✓	42
<p><b>Guideline 3.1</b> Relationship between the Chairman and the CEO where they are immediate family members.</p>	✓	43
<p><b>Guideline 3.3</b> Every Company should appoint a Lead Independent Director where the Chairman is not an Independent Director.</p>	–	43
<p><b>Principle 4: Board Membership</b> <b>There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.</b></p>	✓	62
<p><b>Guideline 4.1</b> Names of the members of the Nominating Committee ("NC") and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.</p>	✓	62-63
<p><b>Guideline 4.4</b> The maximum number of listed company Board representations which Directors may hold.</p>	–	62
<p><b>Guideline 4.6</b> Process for the selection, appointment and re-appointment of new Directors to the Board, including the search and nomination process.</p>	✓	62-63
<p><b>Guideline 4.7</b> Key information regarding Directors, including which Directors are Executive, Non-Executive or considered by the NC to be Independent.</p>	✓	41, 72-82
<p><b>Principle 5: Board Performance</b> <b>There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.</b></p>	✓	43
<p><b>Guideline 5.1</b> Assessment of the contributions of the Board, Board Committees and individual Directors to the effectiveness of the Board; and if such assessment is by an external facilitator.</p>	✓	43

# CORPORATE GOVERNANCE

Code Principles & Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
<p><b>Principle 6: Access to Information</b>  <b>In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.</b></p>	✓	44
<p><b>Guideline 6.1</b>            Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular Director is to fulfil his duties properly. Hence, the Board should have separate and independent access to Management. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.</p>	✓	44
<p><b>Principle 7: Procedures for Developing Remuneration Policies</b>  <b>There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.</b></p>	✓	52-53
<p><b>Guideline 7.1</b>            Names of the members of the Remuneration Committee ("RC") and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.</p>	✓	52-53
<p><b>Guideline 7.3</b>            Names and firms of the remuneration consultants (if any), including a statement on whether the remuneration consultants have any relationships with the Company.</p>	✓	53-54, 59
<p><b>Principle 8: Level and Mix of Remuneration</b>  <b>The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. Companies should avoid paying more than is necessary for this purpose.</b></p>	✓	54-59
<p><b>Principle 9: Disclosure of Remuneration</b>  <b>Every Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.</b></p>	✓	54-59
<p><b>Guideline 9.1</b></p> <ul style="list-style-type: none"> <li>Remuneration of Directors, the CEO and at least the top 5 key management personnel of the Company.</li> <li>The aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top 5 key management personnel.</li> </ul>	✓	54-59

## CORPORATE GOVERNANCE

Code Principles & Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
<b>Guideline 9.2</b>		
Fully disclose the remuneration of each individual Director and the CEO on a named basis with a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives		
• Directors' remuneration;	✓	55
• CEO's remuneration.	✓	55
<b>Guideline 9.3</b>		
• Name and disclose the remuneration of at least the top 5 key management personnel in bands of S\$250,000 with a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards, and other long-term incentives.	✓	56
• In addition, the Company should disclose in aggregate the total remuneration paid to the top 5 key management personnel.	✓	56
<b>Guideline 9.4</b>		
Details of the remuneration of named employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year with clear indication of the employee's relationship with the relevant Director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000.		
✓		
55		
<b>Guideline 9.5</b>		
Details and important terms of employee share schemes.		
✓		
58-59		
<b>Guideline 9.6</b>		
More information on the link between remuneration paid to the Executive Directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.		
✓		
59		
<b>Principle 10: Accountability</b>		
<b>The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.</b>		
✓		
44		

# CORPORATE GOVERNANCE

Code Principles & Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
<p><b>Principle 11: Risk Management and Internal Controls</b>  <b>The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.</b></p>	✓	45-48, 50-52
<p><b>Guideline 11.3</b></p> <ul style="list-style-type: none"> <li>• The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems.</li> <li>• The Board should also comment on whether it has received assurance from the CEO and the CFO: <ul style="list-style-type: none"> <li>(a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and</li> <li>(b) regarding the effectiveness of the Company's risk management and internal control systems.</li> </ul> </li> </ul>	✓	48, 52
<p><b>Principle 12: Audit Committee ("AC")</b>  <b>The Board should establish an AC with written terms of reference which clearly set out its authority and duties.</b></p>	✓	48-50
<p><b>Guideline 12.1</b>  Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.</p>	✓	48-50
<p><b>Guideline 12.6</b>  Aggregate amount of fees paid to the external auditor for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement.</p>	✓	49
<p><b>Guideline 12.7</b>  The existence of a whistle-blowing policy.</p>	✓	50
<p><b>Guideline 12.8</b>  Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.</p>	✓	48-50
<p><b>Principle 13: Internal Audit</b>  <b>The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.</b></p>	✓	50-51



## CORPORATE GOVERNANCE

Code Principles & Guidelines with Specific Disclosure Requirements	Compliance	Page Reference
<p><b>Principle 14: Shareholder Rights</b>  <b>Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.</b></p>	✓	64-65
<p><b>Guideline 14.3</b>            Allow corporations which provide nominee or custodial services to appoint more than 2 proxies.</p>	✓	64
<p><b>Principle 15: Communication with Shareholders</b>  <b>Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.</b></p>	✓	64-65
<p><b>Guideline 15.4</b>            Steps taken to solicit and understand shareholders' views, eg through analyst briefings, investor roadshows or Investors' Day briefings.</p>	✓	64-65
<p><b>Guideline 15.5</b></p> <ul style="list-style-type: none"> <li>• Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders.</li> </ul>	–	64
<ul style="list-style-type: none"> <li>• Where dividends are not paid, the Company must disclose its reasons.</li> </ul>	✓	64
<p><b>Principle 16: Conduct Of Shareholder Meetings</b>  <b>Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.</b></p>	✓	65
<p><b>Guideline 16.1</b>            Companies should allow for absentia voting at general meetings of shareholders.</p>	–	65

## CORPORATE GOVERNANCE

### FURTHER INFORMATION ON BOARD OF DIRECTORS

**MR STEPHEN LEE CHING YEN**  
**CHAIRMAN, BOARD OF DIRECTORS**  
**CHAIRMAN, COMPENSATION & HR COMMITTEE**  
**Non-executive and Non-independent Director**

Mr Lee was appointed Director on 1 December 2005 and Chairman on 1 January 2006. He was the Chairman of Singapore Airlines Ltd until 31 December 2016. He is currently Chairman of Shanghai Commercial Bank Ltd (Hong Kong), NTUC Income Insurance Co-operative Ltd and Tripartite Alliance Limited. He is also the Managing Director of Shanghai Commercial & Savings Bank Ltd (Taiwan) and Great Malaysia Textile Investments Pte Ltd, a Director of CapitaLand Ltd and Temasek Holdings (Private) Limited, and a Member of the Council of Presidential Advisers.

Mr Lee was the President of the Singapore National Employers Federation from 1988 to 2014, and Chairman of the Singapore Business Federation, from 2002 to 2008, and International Enterprise Singapore, from 1995 to 2002. Mr Lee was conferred one of Singapore's highest state awards, the Order of Nila Utama (First Class), in 2015. He was also presented the Distinguished Comrade of Labour Award in 2015, the People's Republic of China Friendship Award to Foreign Experts in 2007, the Singapore Distinguished Service Order in 2006, and the Singapore Public Service Star in 1998. He was a Nominated Member of Parliament from 1994 to 1997.

Age: 71

#### Academic and Professional Qualifications:

- Master of Business Administration, Northwestern University, Illinois

#### Current Directorships In Other Listed Companies

Company	Title
1. CapitaLand Ltd	Director

#### Other Principal Commitments

Organisation/Company	Title
1. Great Malaysia Textile Investments Pte Ltd	Managing Director
2. Shanghai Commercial & Savings Bank Ltd, Taiwan	Managing Director
3. NTUC Income Insurance Co-operative Ltd	Chairman
4. Shanghai Commercial Bank Ltd, Hong Kong	Chairman
5. Tripartite Alliance Limited	Chairman
6. M+S Pte Ltd	Deputy Chairman
7. G2000 Apparel (S) Pte Ltd	Director
8. Marina South Investments Pte Ltd	Director
9. Ophir-Rochor Investments Pte Ltd	Director
10. MS Property Management Pte Ltd	Director
11. Kidney Dialysis Foundation	Director
12. Singapore Labour Foundation	Director
13. NTUC Enterprise Co-operative Ltd	Director
14. Temasek Holdings (Private) Ltd	Director
15. NTUC-ARC (Administration & Research Unit)	Member, Board of Trustees
16. Dr Goh Keng Swee Scholarship Fund	Board Member
17. Council of Presidential Advisers, Singapore	Member

#### Directorships/Appointments in the past 3 years

Organisation/Company	Title
1. Singapore Airlines Ltd	Chairman
2. Temasek International Advisors Pte Ltd	Senior International Advisor
3. SLF Strategic Advisors Pte Ltd	Director
4. National Wages Council	Council Member
5. China National Petroleum Corporation, Beijing	Director

**MR TANG KIN FEI**

**DEPUTY CHAIRMAN**

**Non-executive and Independent Director**

Mr Tang Kin Fei was appointed Director and Deputy Chairman on 8 May 2017. He was the Group President and Chief Executive Officer of Sembcorp Industries Ltd from 1 May 2005 until his retirement on 31 March 2017. He then remained as an Advisor and a non-executive Director on the Board of Sembcorp Industries until 31 May 2017.

Mr Tang, who has been with the Sembcorp Group for 30 years, has been credited with driving its transformation into an international energy, water, marine and urban development group. Prior to his appointment as Group President and Chief Executive Officer, Mr Tang headed Sembcorp's utilities business on Jurong Island in Singapore, which grew into a global energy and water player with a sizeable portfolio of assets and capabilities. Previously, Mr Tang was the Managing Director of Wescon Asia and a project engineer in Esso Singapore.

Age: 67

**Academic and Professional Qualifications:**

- Bachelor of Mechanical Engineering (First Class Honours), University of Singapore
- Advanced Management Programme, INSEAD, France

**Other Principal Commitments**

Organisation/Company	Title
1. Singapore LNG Corporation Pte Ltd	Chairman
2. Summit Power International Ltd	Director
3. Singapore Cooperation Enterprise	Director
4. Shenzhen Chiwan Sembawang Engineering Company Limited	Chairman
5. Ngee Ann Polytechnic Council	Chairman
6. Kwong Wai Shiu Hospital	Vice-Chairman
7. Singapore Chinese Chamber of Commerce and Industry	Council Member
8. National Research Foundation	Board Member

**Directorships/Appointments in the past 3 years**

Organisation/Company	Title
1. Sembcorp Industries Ltd	Director
2. Sembcorp Marine Ltd	Director
3. Sembcorp Development Ltd	Director
4. Singapore-Sinchuan Investment Holdings Pte Ltd	Director
5. Sembcorp Properties Pte Ltd	Director
6. Sembcorp Utilities Pte Ltd	Chairman
7. Sembcorp Environment Pte Ltd	Chairman
8. Sembcorp Gas Pte Ltd	Chairman
9. Sembcorp Cogen Pte Ltd	Chairman
10. Sembcorp Renewables Pte Ltd	Director
11. Sembcorp (China) Holding Co., Ltd	Chairman
12. P.T. Adhya Tirta Batam	Commissioner
13. Sembcorp Salalah Power and Water Company SAOG	Chairman
14. Sembcorp Utilities (UK) Limited	Chairman
15. Thermal Powertech Corporation India Limited	Chairman
16. Sembcorp Gayatri Power Limited	Chairman
17. Sembcorp Green Infra Limited	Chairman
18. Penglai Jutal Offshore Engineering Heavy Industry Co. Ltd	Vice Chairman
19. Defence Science & Technology Agency Board	Board Member
20. Nanyang Technological University	Chairman, College Advisory Board
21. Climate Change Network, National Climate Change Secretariat	Member

**MR CHEW TECK SOON**

**CHAIRMAN, AUDIT COMMITTEE**

**Non-executive and Independent Director**

Mr Chew joined the Board as an Independent Director on 1 May 2013. He devoted almost 38 years of international experience in the auditing profession. He joined the Singapore firm of Coopers & Lybrand in January 1972, qualified in its UK firm as a Certified and Chartered Accountant in 1976, and was admitted as an audit partner in 1985 following a one year attachment to the US firm to up skill his knowledge and experience in cyber security. He retired in December 2009 from the firm, now known as PricewaterhouseCoopers. His 38-year career in international auditing and accounting has equipped him with a deep knowledge and an extensive experience on business and capital structures, strategies and risks, finance management and accounting, management training and sound corporate governance practice.

Age: 66

**Academic and Professional Qualifications:**

- Chartered Certified Accountant (ACCA), Association of Chartered Certified Accountants, UK
- Certified Information Systems Auditor, EDP Auditors Association Inc, USA
- Graduate Certificate in International Arbitration, Law Faculty, National University of Singapore
- Fellow, Chartered Association of Certified Accountants, UK
- Certified Public Accountant, Institute of Certified Public Accountants Singapore (now known as Institute of Singapore Chartered Accountants)
- Fellow, Institute of Certified Public Accountants Singapore (now known as Institute of Singapore Chartered Accountants)
- Executive MBA Programme of Stanford-NUS
- Executive MBA Programme of INSEAD-Coopers & Lybrand

**Other Principal Commitments**

Organisation/Company	Title
1. Leap Philanthropy Ltd	Director and Chairman, Audit Committee
2. Stroke Support Station Ltd	Director and Chairman, Audit Committee

**Directorships/Appointments in the past 3 years**

Organisation/Company	Title
1. Nee Soon Town Council	Town Councillor and Chairman, Audit Committee
2. IL&FS Wind Power Management Ptd Ltd	Director and Chairman, Audit Committee
3. JW Marriott Phuket Beach Club	Chairman, Advisory Committee
4. The Tanglin Club	Chairman, Audit Committee

**MRS CHRISTINA ONG**

**CHAIRMAN, NOMINATING COMMITTEE**

**Non-executive and Independent Director**

Mrs Ong was appointed Director on 1 January 2014. She is Co-Chairman and Senior Partner of Allen & Gledhill LLP, where she headed the Financial Services Department for many years. Her areas of practice include banking, securities offerings, securities regulations, investment funds, capital markets and corporate finance. She has been involved in a broad range of debt and equity issues. She provides corporate and corporate regulatory and compliance advice, particularly to listed companies.

Mrs Ong is currently a Director of Oversea-Chinese Banking Corporation Ltd, Singapore Telecommunications Ltd, Allen & Gledhill Regulatory & Compliance Pte Ltd, Eastern Development Pte Ltd, Eastern Development Holdings Pte Ltd, Hongkong Land Holdings Ltd, Trailblazer Foundation Ltd, the Singapore Tourism Board and Epimetheus Ltd. She is also a Trustee of the Stephen A. Schwarzman Scholars Trust.

Age: 66

**Academic and Professional Qualifications:**

- Bachelor of Laws, LLB (Honours)(Second Upper), National University of Singapore
- Member, Law Society of Singapore
- Member, International Bar Association

**Current Directorships In Other Listed Companies**

Company	Title
1. Oversea-Chinese Banking Corporation Ltd	Director
2. Singapore Telecommunications Ltd	Director

**Other Principal Commitments**

Organisation/Company	Title
1. Allen & Gledhill LLP	Co-Chairman & Senior Partner
2. Allen & Gledhill Regulatory & Compliance Pte Ltd	Director
3. Eastern Development Pte Ltd	Director
4. Eastern Development Holdings Pte Ltd	Director
5. Hongkong Land Holdings Ltd	Director
6. Trailblazer Foundation Ltd	Director
7. Singapore Tourism Board	Board Member
8. Epimetheus Ltd	Director
9. The Stephen A. Schwarzman Scholars Trust	Trustee

**Directorships/Appointments in the past 3 years**

Nil

## MR MANOHAR KHIATANI

**CHAIRMAN, BOARD SAFETY & RISK COMMITTEE (from 1 June 2018)**

**Non-executive and Independent Director**

Mr Manohar Khiatani was appointed Director on 1 April 2013. He is the Deputy Group Chief Executive Officer of Ascendas-Singbridge Pte Ltd, a leading provider of integrated urban development and business space solutions with a wide presence across Asia and assets under management exceeding \$20 billion. He was previously the Chief Executive Officer of Jurong Town Corporation (JTC), where he spearheaded the development of infrastructure solutions for various industrial sectors in Singapore. Prior to JTC, Mr Khiatani was the Deputy Managing Director of the Singapore Economic Development Board (EDB). During his tenure in EDB, he played an instrumental role in the development and transformation of important sectors including aerospace, electronics, offshore and marine, logistics, infocomms and media, and clean technology. He was also in charge of EDB's operations in the Americas and Europe. Mr Khiatani also served several years as the Managing Director of Preussag SEA, a diversified German conglomerate.

Age: 58

### Academic and Professional Qualifications:

- Master of Science (Naval Architecture), University of Hamburg, Germany
- Advanced Management Program, Harvard Business School

### Other Principal Commitments

Organisation/Company	Title
1. Ascendas Pte Ltd	Director
2. Ascendas Investment Pte Ltd	Director
3. Ascendas Land International Pte Ltd	Director
4. Ascendas Land (Singapore) Pte Ltd	Director
5. Ascendas Development Pte Ltd	Director
6. Ascendas Frasers Pte Ltd	Director
7. Ascendas (China) Pte Ltd	Director
8. Ascendas Vietnam Investments Pte Ltd	Director
9. Ascendas (Korea) Pte Ltd	Director
10. Ascendas Media Hub Pte Ltd	Director
11. Ascendas-Citramas Pte Ltd	Director
12. Ascendas Property Fund Trustee Pte Ltd	Director
13. Ascendas Funds Management (S) Ltd	Director
14. Ascendas Hospitality Fund Management Pte Ltd	Director
15. Ascendas Hospitality Trust Management Pte Ltd	Director
16. Nusajaya Tech Park Sdn Bhd	Director
17. Information Technology Park Limited	Director
18. Ascendas IT Park (Chennai) Limited	Director
19. Ascendas Asia-Pacific (Holdings) Pte Ltd	Director
20. Ascendas Land International (Investments) Pte Ltd	Director
21. Ascendas Development (Holdings) Pte Ltd	Director
22. Ascendas India Logistics Holdings Pte Ltd	Director
23. Ascendas India Logistics Pte Ltd	Director
24. Singapore Amaravati Investment Holdings Pte Ltd	Chairman/Director
25. Ascendas-Singbridge Holdings Pte Ltd	Director

### Directorships/Appointments in the past 3 years

Organisation/Company	Title
1. Ascendas Philippines Properties Pte Ltd	Director
2. Ascendas Japan Pte Ltd	Director
3. Carmelray-JTCI Corporation	Director
4. ASB Flex Pte Ltd	Director
5. Ascendas Holdings (Manila) Pte Ltd	Director

**MR GOH CHOON PHONG**

**Non-executive and Non-independent Director**

Mr Goh was appointed Director on 1 January 2011. He is a Director and the Chief Executive Officer of Singapore Airlines Ltd. He joined Singapore Airlines in 1990 and has held senior management positions in various divisions in Singapore and overseas, ranging from Marketing to Information Technology to Finance and Cargo. Prior to his appointment as Chief Executive Officer of Singapore Airlines, Mr Goh was Executive Vice President for Marketing and the Regions. He also served as President of Singapore Airlines Cargo Pte Ltd from 2006 to 2010, Senior Vice President Finance from 2004 to 2006 and Senior Vice President Information Technology from 2003 to 2004.

Mr Goh is the Chairman of Budget Aviation Holdings Pte Ltd, which owns and manages Scoot. He is also a Director of Mastercard Incorporated, a Member of the Board of Trustees of the National University of Singapore and a member of the Board of Governors of the International Air Transport Association, on which he is a member of the Strategy and Policy Committee. In addition, as past Chairman of the Board of Governors, Mr Goh is also a member of the Audit and Chair Committees.

Mr Goh is also a Member of the MIT Presidential CEO Advisory Board, made up of CEOs from leading companies in a variety of industries around the world. He was the 2015 recipient of the Centre for Aviation’s ‘Asia-Pacific Airline CEO of the Year Award’. In 2016, he received the ‘CEO Lifetime Achievement Award’ from the Airline Passenger Experience Association as well as the ‘Eisenhower Global Innovation Award’ from the Business Council for International Understanding. He was also named the ‘Outstanding Chief Executive Officer of the Year’ in the Singapore Business Awards 2017.

Age: 54

**Academic and Professional Qualifications:**

- Master of Science in Electrical Engineering and Computer Science
- Bachelor of Science in Computer Science & Engineering
- Bachelor of Science in Management Science
- Bachelor of Science in Cognitive Science  
Massachusetts Institute of Technology

**Current Directorships In Other Listed Companies**

Company	Title
1. Mastercard Incorporated	Director
2. Singapore Airlines Ltd	Director and Chief Executive Officer

**Other Principal Commitments**

Organisation/Company	Title
1. Budget Aviation Holdings Pte Ltd	Chairman
2. International Air Transport Association	Member, Board of Governors
3. National University of Singapore	Member, Board of Trustees
4. Massachusetts Institute of Technology Presidential CEO Advisory Board	Member

**Directorships/Appointments in the past 3 years**

Organisation/Company	Title
1. International Air Transport Association	Chairman, Board of Governors
2. Mount Alvernia Hospital	Director
3. Virgin Australia Holdings Ltd	Director
4. National Council of Social Service	Member, Care & Share @ SG50 Steering Committee

## CORPORATE GOVERNANCE

### MR NG CHIN HWEE

#### Non-executive and Non-independent Director

Mr Ng was appointed Director on 18 July 2008. He is the Executive Vice President for Human Resources and Operations in Singapore Airlines Ltd. He joined Singapore Airlines in 1985 and has been appointed to various senior positions in Singapore and overseas.

In 2004, he returned to Singapore to take up the position of President & Chief Executive Officer of Singapore Airport Terminal Services Ltd (SATS). He left SATS to rejoin Singapore Airlines as Executive Vice President for Human Resources and Planning on 1 January 2008. He was appointed Executive Vice President Human Resources and Operations on 1 February 2011 and currently takes charge of the divisions of Cabin Crew, Engineering, Flight Operations, Customer Services and Operations, and Human Resources.

Mr Ng is presently a Director of Budget Aviation Holdings Pte Ltd and NokScoot Airlines Co., Ltd. He is also a member of the Advisory Council on Community Relations in Defence (Employer and Business) and the Trade and Connectivity Council for Skills, Innovation and Productivity (CSIP) Sub-Committee.

Age: 57

#### Academic and Professional Qualifications:

- Master of Science in Management, Massachusetts Institute of Technology, USA
- Bachelor of Engineering (First Class Honours), National University of Singapore

#### Other Principal Commitments

	Organisation/Company	Title
1.	Budget Aviation Holdings Pte Ltd	Director
2.	NokScoot Airlines Co., Ltd	Director
3.	Advisory Council on Community Relations in Defence (Employer and Business)	Member
4.	Trade and Connectivity Council for Skills, Innovation and Productivity (CSIP) Sub-Committee	Member

#### Directorships/Appointments in the past 3 years

	Organisation/Company	Title
1.	Scoot Pte Ltd	Chairman
2.	Singapore Airlines Cargo Pte Ltd	Chairman
3.	Tiger Airways Holdings Ltd	Director



**DR RAJ THAMPURAN**

**Non-executive and Independent Director**

Dr Thampuran was appointed Director on 1 September 2016. He is currently the Managing Director as well as a Board Director of the Agency for Science, Technology and Research (A\*STAR). Dr Thampuran joined A\*STAR in 2000 as Head of the Technology Planning Unit, and has held various executive positions in the Electronics, Engineering and Chemicals clusters, the Institute of High Performance Computing, and in planning and policy. In these positions and capacities, Dr Thampuran was involved in planning and establishing the framework for Research Councils; helped to plan, manage and support the capability development efforts of public sector performers in areas identified for technological growth; developed initiatives and various schemes to support R&D involving the universities and other institutions of higher learning; spearheaded the R&D portfolio and industry development efforts under the Institute of High Performance Computing; and interacted with policy makers and Ministry officials to establish A\*STAR’s contributions to the National R&D Framework, amongst others.

Dr Thampuran is also the Chairman of Exploit Technologies Pte Ltd, a Board Member of the Defence Science and Technology Agency and a Director of Advanced Micro Foundry Pte Ltd.

Age: 54

**Academic and Professional Qualifications:**

- Bachelor of Mechanical Engineering (Honours)
- PhD in Materials Science-Postdoctoral Fellowship
- Advanced Management Programme, INSEAD (Fountainbleau)
- Fellow, Singapore Academy of Engineers

**Other Principal Commitments**

Organisation/Company	Title
1. Exploit Technologies Pte Ltd	Chairman
2. Agency for Science, Technology & Research	Board Member
3. Defence Science and Technology Agency	Board Member
4. Advanced Micro Foundry Pte Ltd	Director
5. D3 Steering Committee	Chairman
6. ASEAN Committee on Science & Technology	Chairman
7. Nanyang Technological University	Adjunct Professor
8. National University of Singapore (Faculty of Engineering)	Adjunct Professor
9. Tropical Marine Science Institute	Member of Management Board
10. Committee on Autonomous Road Transport for Singapore	Member
11. College Advisory Board for the College of Engineering (NTU)	Chairman
12. NUS Engineering Faculty Advisory Board	Member
13. Advisory Committee for Bioengineering Education (NTU)	Member
14. Digital Economy Committee	Member
15. The Institution of Engineers (IES) – College of Fellows (CoF) Board	Member

**Directorships/Appointments in the past 3 years**

Organisation/Company	Title
1. Singapore Maritime Institute	Director

## CORPORATE GOVERNANCE

### MR WEE SIEW KIM

#### Non-executive and Independent Director

Mr Wee Siew Kim was appointed Director on 8 May 2017. He is currently the Group Chief Executive Officer of NIPSEA Group, a paints and coatings company with 77 manufacturing facilities and operations spanning 17 countries and regions in Asia.

Prior to his current position, Mr Wee was Deputy CEO and President (Defence Business) of Singapore Technologies Engineering Ltd. Mr Wee started his career with Singapore Technologies in 1984 as an engineer in Singapore Aircraft Industries Pte Ltd, the predecessor company of Singapore Technologies Aerospace Ltd. During his 25-year career with Singapore Technologies, Mr Wee held appointments in engineering, business development and management, including operating stints in the United States of America, China, Europe and Singapore.

Mr Wee is also the Chairman of ES Group (Holdings) Limited and a Director of Mapletree Logistics Trust Management Ltd and SBS Transit Limited.

Age: 57

#### Academic and Professional Qualifications:

- Bachelor of Science in Aeronautical Engineering (Honours), Imperial College of Science and Technology
- Master of Business Administration, Graduate School of Business, Stanford University
- Fellow, City and Guilds of London Institute

#### Current Directorships In Other Listed Companies

Company	Title
1. ES Group (Holdings) Limited	Chairman
2. Mapletree Logistics Trust Management Ltd	Director
3. SBS Transit Ltd	Director

#### Other Principal Commitments

Organisation/Company	Title	Organisation/Company	Title
1. 1988JV Pte. Ltd. (In Members' Voluntary Winding Up)	Director	20. Yashili Paint (Suzhou) Co.,Ltd	Director
2. Asia Industries Ltd	Director	21. Langfang Nippon Paint Co Ltd	Director
3. Nippon Paint (Singapore) Company Pte Ltd	Director	22. BK & NP Automotive Coatings (Shanghai) Co Ltd	Director
4. Nippon Paint (Vietnam) Company Ltd	Director	23. Nippon Paint (Shanghai) Research & Development Co., Ltd.	Director
5. Nippon Paint Vietnam (Hanoi) Pte Ltd	Director	24. Nippon Paint (Pakistan) Ltd	Director
6. Nippon Paint (Malaysia) Sendirian Berhad	Director	25. Nippon Paint Industrial Coatings (Shanghai) Co., Ltd.	Director
7. Paint Marketing Company (M) Sdn Bhd	Director	26. Nippon Paint China Holdings Co Ltd.	Director
8. Nippon Paint (Thailand) Company Ltd	Director	27. Nippon Paint (Zhengzhou) Co., Ltd.	Director
9. Nipsea Chemical Korea	Director	28. Nippon Paint (Hebei) Co., Ltd.	Director
10. Nippon Paint (HK) Co Ltd	Director	29. Nippon Paint Decorative Coatings (Thailand) Co Ltd	Director
11. Nippon Paint (China) Co Ltd	Director	30. NP Auto Refinishes Co Ltd	Director
12. Nippon Paint (India) Pte Ltd	Director	31. Nippon Paint (Shenyang) Co., Ltd	Director
13. Nippon Paint And Surface Chemicals Pvt. Ltd	Director	32. Nippon Paint Lanka (Private) Ltd	Director
14. Nippon Paint (Foshan) Co Ltd	Director	33. Nippon Paint Bangladesh Pte Ltd	Director
15. Guangzhou Nippon Paint Co Ltd	Director	34. Nippon Paint (Kunming) Co., Ltd	Director
16. Nippon Paint (Chengdu) Co Ltd	Director	35. Nippon Paint New Materials (Wuhan) Co., Ltd.	Director
17. Nippon Paint (HK.) Co Ltd Taiwan Branch	Director	36. Nippon Paint (HuBei) Co., Ltd.	Director
18. Langfang Nippon Paint Lidong Co., Ltd	Director	37. Nippon Paint New Materials (Shanghai) Co., Ltd.	Director
19. Nippon Paint (Tianjin) Co Ltd	Director	38. Nippon Paint Malaysia (S) Pte Ltd	Director
		39. HSJ Pte Ltd	Director

#### Directorships/Appointments in the past 3 years

Organisation/Company	Title
1. Changi Airports International Pte. Ltd.	Director

## MR PNG KIM CHIANG

### Non-independent Director and Chief Executive Officer

Mr Png was appointed Director on 1 November 2016. He is the Chief Executive Officer of SIA Engineering Company Ltd. He joined Singapore Airlines Ltd in 1975 and has had 43 years of experience in the aerospace industry.

Prior to his appointment as Chief Executive Officer on 1 April 2015, Mr Png was appointed Executive Vice President Operations in 2010, Senior Vice President Aircraft and Component Services in 2009, Senior Vice President Commercial in 2005 and Senior Vice President Services in 2001.

Mr Png is the Deputy Chairman of Boeing Asia Pacific Aviation Services Pte Ltd and Singapore Aero Engine Services Pte Ltd, and a Director of SIA Engineering (Philippines) Corporation.

Age: 59

### Academic and Professional Qualifications:

- Bachelor of Science in Computation, University of Manchester Institute of Science and Technology
- Master of Business Administration, National University of Singapore

### Other Principal Commitments

Organisation/Company	Title
1. Boeing Asia Pacific Aviation Services Pte Ltd	Deputy Chairman
2. Singapore Aero Engine Services Pte Ltd	Deputy Chairman
3. SIA Engineering (Philippines) Corporation	Director

### Directorships/Appointments in the past 3 years

Organisation/Company	Title
1. Hong Kong Aero Engine Services Ltd	Director
2. Jamco Singapore Pte Ltd	Director

## **MR TONG CHONG HEONG**

**CHAIRMAN, BOARD SAFETY & RISK COMMITTEE (until 1 June 2018)**

**Non-executive and Independent Director**

Mr Tong was appointed Director on 1 June 2014. He relinquished all his Committee appointments and stepped down as Director on 1 June 2018. He was Chief Executive Officer of Keppel Offshore & Marine Ltd from 1 January 2009 to 1 February 2014 and was responsible for the overall management and operations of Keppel Offshore & Marine. He was also an Executive Director of Keppel Corporation Ltd from 2009 to 2011 and Senior Executive Director from 2011 to 2014. Upon his retirement on 1 February 2014, he was appointed Senior Advisor of Keppel Offshore & Marine Ltd until 31 January 2016.

Mr Tong was appointed Commander of the Volunteer Special Constabulary (VSC) from 1995 to 2001 and was honoured with the Singapore Public Service Medal at the 1999 National Day Award. He was awarded the Medal of Commendation (Gold) Award at NTUC May Day 2010.

Mr Tong is a Director of ITE Education Services Pte Ltd, a member of the Board of Trustees of the NTUC-U Care Fund and an Advisor to the Singapore Institute of International Affairs.

Age: 71

### **Academic and Professional Qualifications:**

- Graduate, Management Development Programme, Harvard Business School
- Graduate, Stanford-NUS Executive Programme
- Diploma in Management Studies, The University of Chicago Graduate Business School
- Fellow, Singapore Institute of Directors
- Fellow, Institute of Marine Engineering, Science & Technology
- Fellow, Society of Project Managers
- Member, Society of Naval Architects and Marine Engineers (USA)
- Member, American Bureau of Shipping

### **Other Principal Commitments**

Organisation/Company	Title
1. ITE Education Services Pte Ltd	Director
2. NTUC-U Care Fund	Member, Board of Trustees
3. Singapore Institute of International Affairs	Advisor

### **Directorships/Appointments in the past 3 years**

Organisation/Company	Title
1. Keppel Integrated Engineering Ltd	Director
2. Keppel Infrastructure Holdings Pte Ltd	Director
3. KOM Alumni	Chairman
4. Singapore Maritime Institute	Member, Governing Council
5. Institute of Technical Education	Member, Board of Governors

## STATISTICAL HIGHLIGHTS

	2017/18	2016/17	% Change
<b>FINANCIAL STATISTICS<sup>R1</sup></b>			
<b>Financial Results (\$ million)</b>			
Revenue	1,094.9	1,104.1	– 0.8
Expenditure	1,018.5	1,032.1	– 1.3
Operating profit	76.4	72.0	+ 6.1
Profit before taxation	206.4	355.1	– 41.9
Profit attributable to owners of the parent	184.1	332.4	– 44.6
<b>Financial Position (\$ million)</b>			
Equity attributable to owners of the parent	1,495.9	1,554.0	– 3.7
Total assets	1,818.6	1,918.3	– 5.2
Return on equity holders' funds (%) <sup>R2</sup>	12.1	21.9	– 9.8 pts
Value added (\$ million)	761.4	921.0	– 17.3
<b>Per Share Data (cents)</b>			
Earnings after tax – basic <sup>R3</sup>	16.45	29.63	– 44.5
Earnings after tax – diluted <sup>R4</sup>	16.42	29.57	– 44.5
Net asset value <sup>R5</sup>	133.8	138.8	– 3.6
<b>Dividends (cents per share)</b>			
Interim dividend	4.0	4.0	–
Final dividend – ordinary	9.0 <sup>#</sup>	9.0	–
– special	–	5.0	– 5.0 cents
<b>PRODUCTIVITY AND EMPLOYEE DATA</b>			
Average number of employees	6,548	6,330	+ 3.4
Revenue per employee (\$)	167,208	174,430	– 4.1
Value added per employee (\$)	116,283	145,504	– 20.1

# proposed

**Notes:**

- R1 SIA Engineering Company's financial year is from 1 April to 31 March. Throughout this report, all financial figures are in Singapore Dollars, unless stated otherwise.
- R2 Return on equity holders' funds is the profit attributable to owners of the parent expressed as a percentage of the average equity attributable to owners of the parent.
- R3 Earnings after tax per share (basic) is computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue excluding treasury shares.
- R4 Earnings after tax per share (diluted) is computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue excluding treasury shares, after adjusting for the dilutive effect on the exercise of all outstanding share options, performance shares and restricted shares granted to employees.
- R5 Net asset value per share is computed by dividing the equity attributable to owners of the parent by the number of ordinary shares in issue excluding treasury shares at 31 March.

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## FINANCIALS

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# FINANCIAL REVIEW

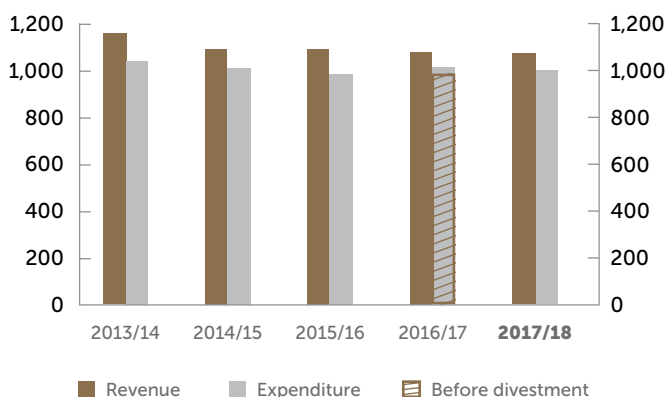
## EARNINGS

The Group posted a profit attributable to owners of the parent of \$184.1 million in 2017/18. 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.

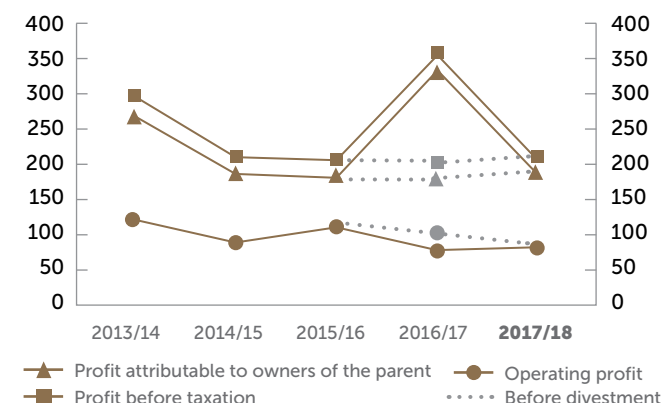
Group revenue at \$1,094.9 million was 0.8% or \$9.2 million lower than last year. Expenditure decreased \$13.6 million (-1.3%) year-on-year to \$1,018.5 million, mainly due to lower staff and subcontract costs, offset partially by an exchange loss of \$6.5 million compared to a \$5.5 million exchange gain last year. The decrease in staff costs was mainly due to the absence of the provision made for the profit-linked component of staff remuneration arising from the gain on 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. However, if we exclude the profit-linked component of staff remuneration arising from the gain on divestment from last year's operating profit, the current financial year's operating profit of \$76.4 million was lower by \$16.9 million or 18.1%.

Basic earnings per share for the Group decreased by 13.18 cents (-44.5%) to 16.45 cents.

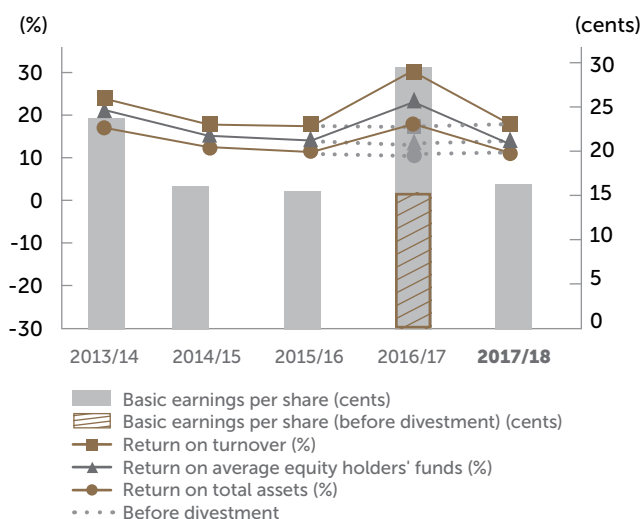
**GROUP REVENUE AND EXPENDITURE**  
(\$ million)



**GROUP OPERATING PROFIT, PROFIT BEFORE TAXATION AND PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT**  
(\$ million)



**GROUP PROFITABILITY RATIOS**



Profitability ratios of the Group are as follows:

	2017/18	Before divestment 2016/17	Change
	%	%	% points
Return on turnover	16.8	15.6	+ 1.2
Return on average equity holders' funds	12.1	11.4	+ 0.7
Return on total assets	10.1	9.1	+ 1.0

	2017/18	After divestment 2016/17	Change
	%	%	% points
Return on turnover	16.8	30.1	- 13.3
Return on average equity holders' funds	12.1	21.9	- 9.8
Return on total assets	10.1	17.3	- 7.2

## FINANCIAL REVIEW

### REVENUE

With the increased integration of the various business operations under the Group, management reassessed the operating segments and reorganised their business into two reportable segments as follows:

- Airframe and line maintenance
- Engine and component

The Group believes that the revised segment information better reflects the changing MRO business and their operations. Details of the revised segment information are disclosed in Note 34 to the financial statements on page 180.

The Group's revenue composition is as follows:

	2017/18 \$ million	2016/17 \$ million (As restated)	Change \$ million	%
Airframe and line maintenance				
– Airframe overhaul and line maintenance	942.5	933.1	+ 9.4	+ 1.0
– Fleet management programme	124.7	147.5	– 22.8	– 15.5
	1,067.2	1,080.6	– 13.4	– 1.2
Engine and component	27.7	23.5	+ 4.2	+ 17.9
Total	1,094.9	1,104.1	– 9.2	– 0.8

Revenue decreased 0.8% or \$9.2 million to \$1,094.9 million. Fleet management revenue was lower, partially mitigated by more cabin services performed. As a result, airframe and line maintenance revenue decreased \$13.4 million or 1.2%. Engine and component revenue increased \$4.2 million or 17.9% with higher revenue from the Risk-Revenue Sharing Programme with Pratt & Whitney.

### EXPENDITURE

A breakdown of the Group's expenditure is as follows:

	2017/18 \$ million	2016/17 \$ million	Change \$ million	%
Staff costs	494.3	512.5	– 18.2	– 3.6
Material costs	186.5	187.6	– 1.1	– 0.6
Subcontract costs	133.9	138.4	– 4.5	– 3.3
Overheads	203.8	193.6	+ 10.2	+ 5.3
Total	1,018.5	1,032.1	– 13.6	– 1.3

Staff costs decreased \$18.2 million (-3.6%) to \$494.3 million, mainly due to the absence of the provision made for the profit-linked component of staff remuneration arising from the gain on divestment last year, offset by annual salary increments and increase in headcount at subsidiaries. Material costs at \$186.5M was comparable to last year. Subcontract costs was \$4.5 million (-3.3%) lower, mainly due to less work outsourced under fleet management contracts, offset by an increase in subcontract services for cabin related work. Overheads were higher by \$10.2 million (+5.3%), largely due to a \$6.5 million exchange loss incurred in 2017/18 compared to a \$5.5 million gain earned in 2016/17, offset by decreases in other expenses.



## FINANCIAL REVIEW

### OPERATING PROFIT

The Group's operating profit by segment is as follows:

	2017/18 \$ million	2016/17 \$ million (As restated)	Change	
			\$ million	%
Airframe and Line Maintenance	79.5	73.6	+ 5.9	+ 8.0
Engine and Component	(3.1)	(1.6)	- 1.5	- 93.8
Total	76.4	72.0	+ 4.4	+ 6.1

The better performance by the airframe and line maintenance segment was mainly due to the absence of the provision for profit-linked component arising from the divestment of HAESL. Engine and component segment's operating loss increased \$1.5 million as costs increase outpaced the revenue growth for the Risk-Revenue Sharing Programme with Pratt & Whitney.

### SHARE OF PROFITS OF ASSOCIATED AND JOINT VENTURE COMPANIES

Share of profits of associated and joint venture companies increased by \$13.3 million (+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.

The improvement in the engine and component segment was mainly contributed by higher share of profits from the engine centres, Singapore Aero Engine Services Pte Ltd ("SAESL") and Eagle Services Asia Private Limited ("ESA"). The number of engines shipped by SAESL was higher for the year. For ESA, while the total number of engines shipped was lower, contributions increased as there was a greater proportion of higher work content and higher margins engines shipped.

SAESL's engine shipments were 206 in 2017/18, compared with 185 in 2016/17. ESA's engine shipments were 133 in 2017/18, compared with 139 in 2016/17.

### TAXATION

The Group's tax provision was \$21.1 million for the financial year 2017/18, an increase of \$3.2 million (+17.9%) compared to last year.

### FINANCIAL POSITION

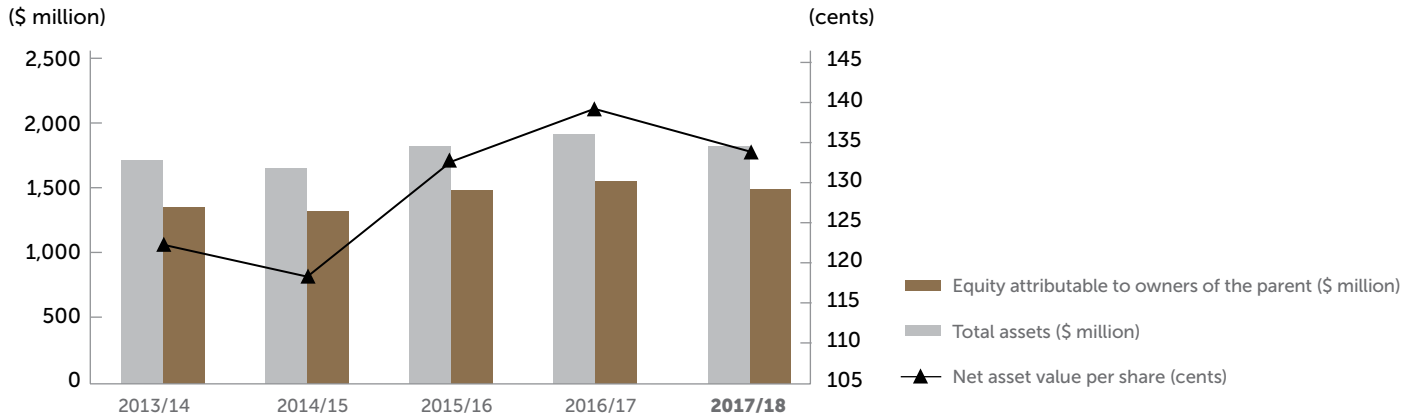
Equity attributable to owners of the parent was \$1,495.9 million as at 31 March 2018, a decrease of \$58.1 million (-3.7%). The decrease was mainly due to payments of 2016/17 final ordinary and special dividends, 2017/18 interim dividend and higher foreign currency translation losses as a result of the weakening of US dollar against the Singapore dollar, partially offset by profits earned for the year.

As of 31 March 2018, total Group assets amounted to \$1,818.6 million, \$99.7 million or 5.2% lower than a year ago. The cash balance of the Group was \$499.8 million, a decrease of \$101.9 million (-16.9%), mainly from dividends paid, offset in part by dividends received from associated and joint venture companies.

## FINANCIAL REVIEW

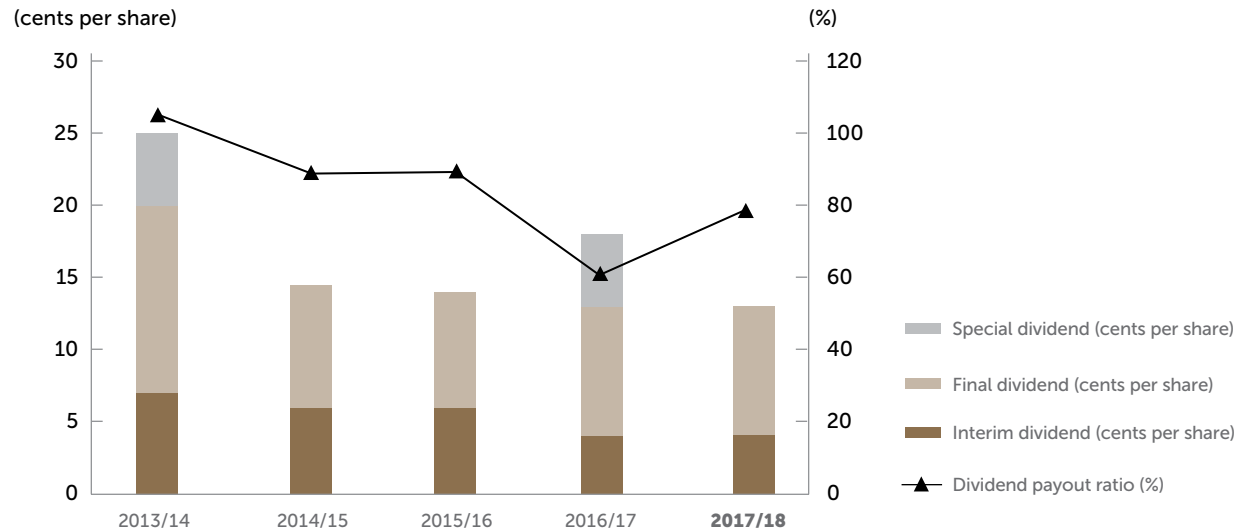
Net asset value per share of the Group at 133.8 cents was 5.0 cents (-3.6%) lower compared to 31 March 2017.

### EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT, TOTAL ASSETS AND NET ASSET VALUE PER SHARE



### DIVIDENDS

An interim dividend of 4.0 cents per share, amounting to \$44.7 million, was paid on 28 November 2017. The Board recommends a final ordinary dividend of 9.0 cents per share for 2017/18. The final ordinary dividend (amounting to approximately \$100.6 million), if approved by shareholders during the Annual General Meeting to be held on 19 July 2018, will be paid on 7 August 2018. This translates to a payout of approximately 79.0 percent.



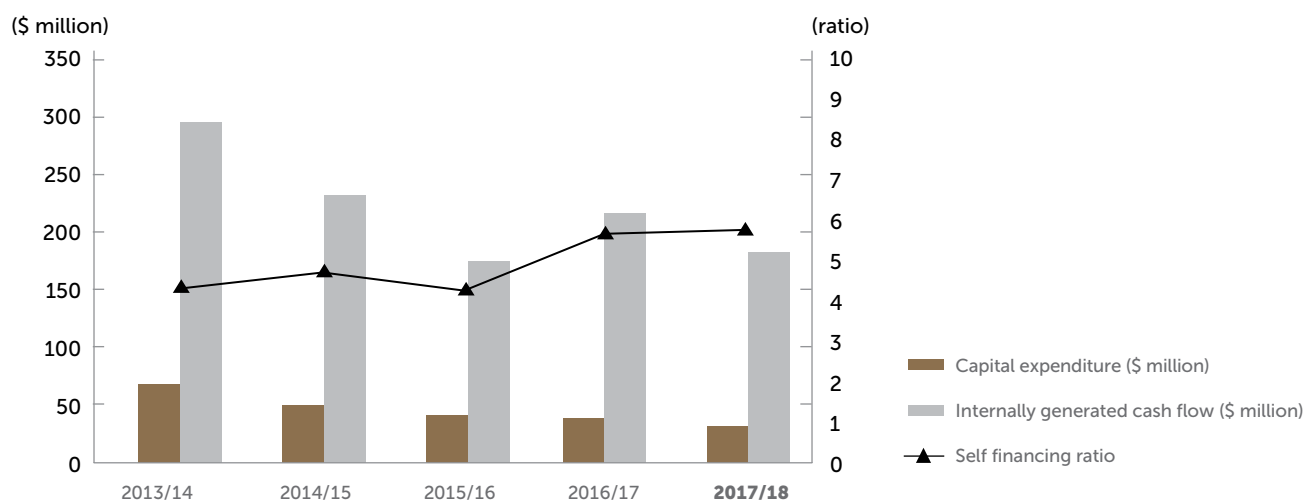
## FINANCIAL REVIEW

### CAPITAL EXPENDITURE AND CASH FLOW

Capital expenditure by the Group fell by \$6.7 million (-17.5%) to \$31.6 million in 2017/18. Approximately 62% of the expenditure was spent on plant, equipment and tooling projects, while 8% was on office equipment.

Internally generated cash flow decreased \$33.3 million (-15.4%) to \$182.9 million. The self-financing ratio of cash flow to capital expenditure was 5.8 times, compared to 5.6 times in the year before.

#### CAPITAL EXPENDITURE, INTERNALLY GENERATED CASH FLOW AND SELF – FINANCING RATIO



### STAFF STRENGTH AND INDICES

The Group's average staff strength and staff productivity are as follows:

	2017/18	2016/17	% change
Revenue per employee (\$)	167,208	174,430	- 4.1
Value added per employee (\$)	116,283	145,504	- 20.1
Staff costs per employee (\$)	75,496	80,965	- 6.8
Average number of employees	6,548	6,330	+ 3.4

## FINANCIAL REVIEW

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

	2017/18	2016/17
Revenue	1,094.9	1,104.1
Less:		
Purchase of goods and services	(464.3)	(466.9)
Value added on operations	630.6	637.2
Add:		
Dividend from non-current asset held for sale	–	39.5
Interest income	4.9	4.0
Surplus on disposal/partial disposal of an associated company	14.3	2.3
Surplus on dilution of shareholding in an associated company	0.8	–
Surplus on disposal of non-current asset held for sale	–	141.6
Surplus/(Loss) on disposal of property, plant and equipment	1.0	(0.1)
Share of profits of associated and joint venture companies, net of tax	109.8	96.5
Total value added available for distribution	761.4	921.0
Applied as follows:		
To employees		
– Salaries and other staff costs	494.3	512.5
To government		
– Corporate taxes	21.1	17.9
To suppliers of capital		
– Interest charges	0.8	0.7
– Interim and proposed dividends	145.3	201.7
– Non-controlling interests	1.2	4.8
Retained for future capital requirements		
– Depreciation of property, plant and equipment	50.9	47.6
– Amortisation of intangible assets	5.4	5.2
– Impairment for property, plant and equipment	3.5	–
– Retained profit	38.9	130.6
Total value added	761.4	921.0
Value added per \$ revenue (\$)	0.70	0.83
Value added per \$ employment cost (\$)	1.54	1.80
Value added per \$ investment in property, plant and equipment (\$)	0.91	1.10

## DIRECTORS' STATEMENT

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 2018.

In our opinion:

- (a) the financial statements set out on pages 105 to 187 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and financial position of the Company as at 31 March 2018, and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

### 1. DIRECTORS OF THE COMPANY

The Directors in office at the date of this statement are as follows:

Stephen Lee Ching Yen	Chairman (Non-independent)
Tang Kin Fei	Deputy Chairman (Independent)
Goh Choon Phong	(Non-independent)
Ng Chin Hwee	(Non-independent)
Manohar Khiatani	(Independent)
Chew Teck Soon	(Independent)
Christina Hon Kwee Fong (Christina Ong)	(Independent)
Tong Chong Heong	(Independent)
Raj Thampuran	(Independent)
Wee Siew Kim	(Independent)
Png Kim Chiang	Chief Executive Officer

### 2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangements to which the Company is a party, whereby Directors of the Company might acquire benefits by means of the acquisition of shares or share options in, or debentures of, the Company or any other body corporate, other than pursuant to the SIA Engineering Company Limited ("SIAEC") Employee Share Option Plan, the SIAEC Restricted Share Plan, the SIAEC Performance Share Plan, the SIAEC Restricted Share Plan 2014 and the SIAEC Performance Share Plan 2014, as disclosed in this statement. Directors of the Company who are employees of the Company's immediate holding company, Singapore Airlines Limited ("SIA"), or its subsidiaries, also participate in the SIA Restricted Share Plan, SIA Performance Share Plan, SIA Restricted Share Plan 2014 and SIA Performance Share Plan 2014 implemented by SIA, as disclosed in this statement.

## DIRECTORS' STATEMENT

### 3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES

The following Directors who held office at the end of the financial year had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), interests (direct and deemed) in the following ordinary shares and share options of the Company, and of related corporations:

Name of Director	Direct interest		Deemed interest	
	1.4.2017	31.3.2018	1.4.2017	31.3.2018
<b>Interest in Singapore Airlines Limited ("SIA")</b>				
<u>Ordinary shares</u>				
Stephen Lee Ching Yen	9,400	9,400	–	–
Goh Choon Phong	764,182	889,554	–	–
Ng Chin Hwee	301,758	363,956	–	–
Manohar Khiatani	4,000	4,000	–	–
Chew Teck Soon	–	30,000 <sup>(1)</sup>	–	–
Png Kim Chiang	1,000	1,000	2,000	2,000
<u>Conditional award of Restricted Share Plan (RSP) shares<sup>(2)</sup></u>				
Goh Choon Phong				
– Base Awards	120,000	42,000	–	–
– Final Awards (Pending Release)	50,117	92,585	–	–
Ng Chin Hwee				
– Base Awards	60,000	21,000	–	–
– Final Awards (Pending Release)	25,060	46,292	–	–
<u>Conditional award of Performance Share Plan (PSP) shares<sup>(3)</sup></u>				
Goh Choon Phong				
– Base Awards	249,546	222,750	–	–
Ng Chin Hwee				
– Base Awards	99,818	89,100	–	–
<u>Conditional award of deferred restricted shares<sup>(4)</sup></u>				
Goh Choon Phong				
– Base Awards	45,600	47,300	–	–
Ng Chin Hwee				
– Base Awards	26,260	24,920	–	–

**Notes:**

- Held in the name of DBS Nominees (Private) Limited.
- The actual number of RSP Final Awards of fully paid ordinary shares will range from 0% to 150% of the Base Awards and is contingent on the achievements against targets over the one-year performance period relating to the awards granted from year 2016 onwards. For awards granted prior to 2016, the awards are contingent on the achievements against targets over the two-year performance period relating to the relevant awards.
- The actual number of PSP Final Awards of fully paid ordinary shares will range from 0% to 200% of the Base Awards and is contingent on the achievements against targets over the three-year performance periods relating to the relevant awards.
- The Deferred Share Award of fully-paid ordinary shares will vest at the end of three years from the date of the grant of the award. At the end of the vesting period, an additional final award will be vested equal to the Base Award multiplied by the accumulated dividend yield (based on the sum of SIA share dividend yields declared with ex-dividend dates occurring during the vesting period).

## DIRECTORS' STATEMENT

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

Name of Director	Direct interest		Deemed interest	
	1.4.2017	31.3.2018	1.4.2017	31.3.2018
<b>Interest in SIA Engineering Company Limited</b>				
<u>Ordinary shares</u>				
Tang Kin Fei	–	–	20,000	20,000
Ng Chin Hwee	10,000 <sup>(5)</sup>	10,000 <sup>(5)</sup>	–	–
Png Kim Chiang	687,022 <sup>(6)</sup>	727,018 <sup>(7)</sup>	–	–
<u>Options to subscribe for ordinary shares</u>				
Png Kim Chiang	28,700	–	–	–
<u>Conditional award of Restricted Share Plan (RSP) shares<sup>(8)</sup></u>				
Png Kim Chiang				
– Base Awards	101,820	108,135	–	–
– Final Awards (Pending Release)	3,798	62,704	–	–
<u>Conditional award of Performance Share Plan (PSP) shares<sup>(9)</sup></u>				
Png Kim Chiang				
– Base Awards	96,477	153,374	–	–
<b>Interest in Singapore Telecommunications Limited</b>				
<u>Ordinary shares</u>				
Stephen Lee Ching Yen	190	190	190	190
Tang Kin Fei	190	190	190	190
Goh Choon Phong	1,610	1,610	–	–
Ng Chin Hwee	2,840	2,840	1,360	1,360
Chew Teck Soon	190	30,190 <sup>(1)</sup>	–	–
Tong Chong Heong	–	200,000	–	–
Raj Thampuran	600	600	–	–
Png Kim Chiang	1,610	1,610	1,360	1,360
<b>Interest in Singapore Technologies Engineering Limited</b>				
<u>Ordinary shares</u>				
Tang Kin Fei	–	100,000	50,000	50,000
Goh Choon Phong	6,000	6,000	–	–
Christina Ong	1	1	–	–
<b>Interest in Mapletree Commercial Trust</b>				
<u>Units</u>				
Chew Teck Soon	20,000	20,000 <sup>(1)</sup>	–	–

**Notes:**

5. 10,000 ordinary shares are held in the name of DBS Nominees (Private) Limited.
6. 600,000 ordinary shares are held in the name of DBS Nominees (Private) Limited.
7. 720,000 ordinary shares are held in the name of DBS Nominees (Private) Limited.
8. The actual number of RSP Final Awards of fully paid ordinary shares will range from 0% to 150% of the Base Awards and is contingent on the achievements against targets over the one-year performance period relating to the awards granted from year 2016 onwards. For awards granted prior to 2016, the awards are contingent on the achievements against targets over the two-year performance period relating to the relevant awards.
9. The actual number of PSP Final Awards of fully paid ordinary shares will range from 0% to 200% of the Base Awards and is contingent on the achievements against targets over the three-year performance periods relating to the relevant awards.

## DIRECTORS' STATEMENT

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

Name of Director	Direct interest		Deemed interest	
	1.4.2017	31.3.2018	1.4.2017	31.3.2018
<b>Interest in Mapletree Greater China Commercial Trust</b>				
<u>Units</u>				
Png Kim Chiang	260,000	260,000 <sup>(10)</sup>	–	–
<b>Interest in Mapletree Global Student Accommodation Private Trust</b>				
<u>Units</u>				
<u>Class A (USD)</u>				
Goh Choon Phong	4,823	4,823	–	–
Ng Chin Hwee	1,600	1,600	–	–
<u>Class B (GBP)</u>				
Goh Choon Phong	4,823	4,823	–	–
Ng Chin Hwee	1,600	1,600	–	–
<b>Interest in Mapletree Logistics Trust</b>				
<u>Units</u>				
Ng Chin Hwee	2,000	2,000	–	–
<b>Interest in Mapletree Treasury Services Limited</b>				
<u>\$700 million 3.95% Perpetual Bonds</u>				
Tang Kin Fei	–	\$500,000	–	–
<b>Interest in Olam International Limited</b>				
<u>Ordinary shares</u>				
Ng Chin Hwee	2,000	2,000	–	–
<u>\$250 million 6% Bonds due 2018</u>				
Ng Chin Hwee	\$1,000,000	\$1,000,000	–	–
<u>\$350 million 5.8% Fixed Rate Notes due 2019</u>				
Tang Kin Fei	\$250,000	\$250,000	–	–
<b>Interest in Ascendas Hospitality Trust</b>				
<u>Units</u>				
Manohar Khatani	52,000	52,000	–	–
<b>Interest in Ascendas Real Estate Investment Trust</b>				
<u>Units</u>				
Chew Teck Soon	40,000	40,000 <sup>(1)</sup>	–	–
Png Kim Chiang	108,000	108,000 <sup>(10)</sup>	–	–
<b>Interest in StarHub Limited</b>				
<u>Ordinary shares</u>				
Chew Teck Soon	10,000	10,000 <sup>(1)</sup>	–	–

**Notes:**

10. Held in the name of DBS Nominees (Private) Limited.



## DIRECTORS' STATEMENT

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

Except as disclosed in this statement, no other Director who held office at the end of the financial year had interests in ordinary shares, share options or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Between the end of the financial year and 21 April 2018, Mr Tang Kin Fei acquired a direct interest on 11 April 2018 in \$250,000 principal amount of 5.8% Bonds due 2019 issued by Olam International Ltd.

Except as disclosed above, there were no changes in any of the above-mentioned interests between the end of the financial year and 21 April 2018.

### 4. EQUITY COMPENSATION PLANS OF THE COMPANY

The Company has in place, the SIA Engineering Company Limited Employee Share Option Plan ("ESOP"), Restricted Share Plan ("RSP") and Performance Share Plan ("PSP").

At the date of this statement, the Compensation & HR Committee administering the ESOP, RSP and PSP comprises the following directors:

Stephen Lee Ching Yen – Chairman  
 Goh Choon Phong  
 Tong Chong Heong  
 Wee Siew Kim (appointed on 1 June 2017)

#### (i) Employee Share Option Plan ("ESOP")

Details of the ESOP are disclosed in Note 12 to the financial statements.

At the end of the financial year, options to take up 4,139,200 unissued shares in the Company were outstanding:

Number of options to subscribe for unissued ordinary shares

Date of grant	Balance at 1.4.2017	Cancelled	Exercised	Balance at 31.3.2018	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
	<u>12,805,040</u>	<u>(8,389,844)</u>	<u>(275,996)</u>	<u>4,139,200</u>		

\* 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 of \$0.10 in the exercise prices of all share options outstanding on 29 July 2011, a \$0.05 on the outstanding share options on 7 August 2014 and a further \$0.05 on the outstanding share options on 3 August 2017. The exercise prices reflected here are the exercise prices after such adjustments.

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

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.

The last grant of the share options under the ESOP was made in July 2008.

## DIRECTORS' STATEMENT

### 4. EQUITY COMPENSATION PLANS OF THE COMPANY (continued)

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

Details of the RSP and PSP are disclosed in Note 12 to the financial statements.

The RSP and PSP were originally adopted by shareholders on 25 July 2005 and expired on 24 July 2015. At the Extraordinary General Meeting of the Company held on 21 July 2014, shareholders approved the adoption of the SIAEC RSP 2014 and SIAEC PSP 2014 to replace the previous RSP and PSP, which were terminated following the adoption of the new plans. The termination of the previous RSP and PSP was without prejudice to the rights of holders of awards outstanding under the respective plans as at the date of such termination.

Under the RSP and PSP, a base number of conditional share awards ("**Base Award**") is granted to eligible participants annually. Depending on the achievement of pre-determined targets over a one-year performance period\* for the RSP and a three-year performance period for the PSP, the Compensation & HR Committee will determine an achievement factor which will then be applied to the Base Award to determine the final number of RSP shares and PSP shares to be awarded at the end of the respective performance periods ("**Final Award**"). The achievement factor could range from 0% to 150% for the RSP and from 0% to 200% for the PSP.

One-third of the RSP Final Awards of fully paid ordinary shares will be released to the participants upon vesting. The balance will be released equally over the subsequent two years with fulfilment of service requirements and performance conditions. All the PSP Final Awards of fully paid ordinary shares will be released to the participants at the end of the three-year performance period.

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

No employee has received 5% or more of the total shares released under RSP and PSP in 2017/18.

\* For RSP Awards granted prior to 2016/17, based on meeting stated performance conditions over a two-year performance period, 50% of the award will vest. The balance will vest equally over the subsequent two years with fulfilment of service requirements and performance conditions.

### 5. AUDIT COMMITTEE

At the date of this statement, the Audit Committee comprises the following five independent non-executive directors:

Chew Teck Soon – Chairman  
Tang Kin Fei (appointed on 1 June 2017)  
Manohar Khiatani  
Christina Ong  
Raj Thampuran

The Audit Committee performed its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, the SGX Listing Manual and the Code of Corporate Governance which include inter alia the review of the following:

- (i) quarterly and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- (ii) audit plans and reports of the external and internal auditors;
- (iii) effectiveness of material controls, including financial, operational, compliance and information technology controls;
- (iv) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual);
- (v) whistle-blowing programme instituted by the Company; and
- (vi) any material loss of funds.

## DIRECTORS' STATEMENT

### 5. AUDIT COMMITTEE (continued)

The Audit Committee has held 4 meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal control system.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

### 6. AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board,

**STEPHEN LEE CHING YEN**  
Chairman

**PNG KIM CHIANG**  
Chief Executive Officer

15 May 2018

# 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 105 to 187.

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.

# INDEPENDENT AUDITORS' REPORT

## 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 policy and a discussion of significant accounting estimates.

Risk	Our response
<p>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.</p> <p>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.</p>	<p>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.</p> <p>On existing investments, we inquired of management if there were any modified terms of arrangements that would change the investment classification previously assessed.</p> <p>We assessed management's conclusion on the classification of these investments by reference to the applicable financial reporting standards.</p>

## 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.

# INDEPENDENT AUDITORS' REPORT

## 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	Our response
<p>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").</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We assessed the appropriateness of identification of CGUs and the allocation of assets to these CGUs.</p> <p>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.</p> <p>We stress-tested the assumptions made by management, including reducing the growth estimates over revenue and operating profits.</p> <p>We evaluated the objectivity of the external valuer, and the methodology and key assumptions used in the valuation of rotables.</p>

## 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.

# INDEPENDENT AUDITORS' REPORT

## 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	Our response
<p>The Group participates in the Pratt &amp; 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.</p> <p>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.</p> <p>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 &amp; Whitney in a risk and revenue sharing arrangement.</p> <p>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 PW1000G engines over the programme life.</p>	<p>We reviewed the investment terms of the PW1000G Programme.</p> <p>We obtained the value in use calculations which are based on Pratt &amp; 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.</p> <p>We stress-tested the forecast number and timing of engine sales to determine the impact on the value in use.</p>

## 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.

# INDEPENDENT AUDITORS' REPORT

## 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	Our response
<p>Of the Group's total revenue, a significant portion applies to airframe maintenance and component overhaul services and fleet management.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>For fleet management services, we assessed the revenues recognised based on contractual terms and flight hours.</p> <p>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.</p> <p>Where contract losses are anticipated, we evaluated management's calculation of the expected losses and the related accounting treatment.</p>

## 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.



## INDEPENDENT AUDITORS' REPORT

### *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 FY2017/18 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.

## INDEPENDENT AUDITORS' REPORT

### *Auditors' responsibilities for the audit of the financial statements (continued)*

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.
- 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

# CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN THOUSANDS OF \$)

	Notes	The Group 2017/18	2016/17
<b>REVENUE</b>	4	1,094,881	1,104,141
<b>EXPENDITURE</b>			
Staff costs	5	494,346	512,507
Material costs		186,468	187,649
Depreciation of property, plant and equipment	16	50,903	47,592
Amortisation of intangible assets	17	5,429	5,181
Impairment of property, plant and equipment	16	3,546	–
Company accommodation		49,259	50,052
Subcontract costs		133,913	138,417
Other operating expenses		94,617	90,737
		1,018,481	1,032,135
<b>OPERATING PROFIT</b>	6	76,400	72,006
Interest income	7	4,860	4,030
Interest on external borrowings		(772)	(727)
Surplus/(Loss) on disposal of property, plant and equipment		980	(87)
Surplus on disposal/partial disposal of an associated company	19	14,269	2,324
Surplus on disposal of non-current asset held for sale	8	–	141,572
Surplus on dilution of shareholding in an associated company	19	870	–
Dividend from non-current asset held for sale		–	39,469
Share of profits of associated companies, net of tax		69,534	64,850
Share of profits of joint venture companies, net of tax		40,284	31,597
<b>PROFIT BEFORE TAXATION</b>		206,425	355,034
Taxation expense	9	(21,154)	(17,887)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		185,271	337,147
<b>PROFIT ATTRIBUTABLE TO:</b>			
<b>OWNERS OF THE PARENT</b>		184,054	332,369
Non-controlling interests		1,217	4,778
		185,271	337,147
<b>BASIC EARNINGS PER SHARE (CENTS)</b>	10	16.45	29.63
<b>DILUTED EARNINGS PER SHARE (CENTS)</b>	10	16.42	29.57

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN THOUSANDS OF \$)

	Notes	The Group	
		2017/18	2016/17
<b>PROFIT FOR THE FINANCIAL YEAR</b>		185,271	337,147
<b>OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>			
<u>Item that will not be reclassified to profit or loss:</u>			
Actuarial gain/(loss) on remeasurement of defined benefit plan		324	(2,395)
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Foreign currency translation		(40,688)	20,021
Realisation of foreign currency translation reserves on disposal/partial disposal of an associated company		524	(14)
Net fair value adjustment on cash flow hedges		(673)	(843)
Realisation of fair value changes on non-current asset held for sale	8	-	(141,924)
Share of other comprehensive income of associated/joint venture companies		4,973	1,460
		(35,864)	(121,300)
Other comprehensive income, net of tax		(35,540)	(123,695)
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		149,731	213,452
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
<b>OWNERS OF THE PARENT</b>		150,289	208,679
Non-controlling interests		(558)	4,773
		149,731	213,452

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## BALANCE SHEETS

AS AT 31 MARCH 2018 (IN THOUSANDS OF \$)

	Notes	The Group		The Company	
		2018	2017	2018	2017
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>					
Share capital	12	420,044	420,044	420,044	420,044
Treasury shares	13	(21,343)	(15,175)	(21,343)	(15,175)
Capital reserve	14	2,789	2,711	2,789	2,711
Share-based compensation reserve	14	7,076	15,971	7,076	15,971
Foreign currency translation reserve	14	(106,232)	(68,048)	–	–
Fair value reserve	14	3,653	(582)	(349)	324
Equity transaction reserve	14	(2,377)	(2,377)	–	–
General reserve	14	1,192,263	1,201,496	836,314	844,675
		1,495,873	1,554,040	1,244,531	1,268,550
<b>NON-CONTROLLING INTERESTS</b>		31,262	33,960	–	–
<b>TOTAL EQUITY</b>		1,527,135	1,588,000	1,244,531	1,268,550
<b>NON-CURRENT LIABILITIES</b>					
Deferred taxation	15	26,479	29,106	24,560	26,293
Long-term bank loan	29	17,297	21,876	–	–
		43,776	50,982	24,560	26,293
		1,570,911	1,638,982	1,269,091	1,294,843
Represented by:					
<b>PROPERTY, PLANT AND EQUIPMENT</b>	16	301,028	331,576	242,531	270,189
<b>INTANGIBLE ASSETS</b>	17	67,698	65,313	8,348	6,076
<b>SUBSIDIARY COMPANIES</b>	18	–	–	131,547	127,770
<b>ASSOCIATED COMPANIES</b>	19	392,462	380,047	220,897	192,926
<b>JOINT VENTURE COMPANY</b>	20	151,851	162,015	61,867	61,867
<b>CURRENT ASSETS</b>					
Trade debtors	21	267,928	197,986	234,880	167,427
Prepayments and other debtors	22	19,748	14,707	11,156	7,552
Immediate holding company	23	41,992	78,916	40,562	77,046
Amounts owing by related parties	24	41,901	48,751	48,981	49,613
Inventories	25	34,198	37,323	24,516	26,984
Short-term deposits	26	433,650	531,199	416,402	518,141
Cash and bank balances	27	66,129	70,536	39,829	40,405
		905,546	979,418	816,326	887,168
Less:					
<b>CURRENT LIABILITIES</b>					
Trade and other creditors	28	222,455	250,353	174,187	211,183
Amounts owing to related parties	24	410	9,237	19,396	26,190
Bank loans	29	4,620	4,083	–	–
Tax payable		20,189	15,714	18,842	13,780
		247,674	279,387	212,425	251,153
<b>NET CURRENT ASSETS</b>		657,872	700,031	603,901	636,015
		1,570,911	1,638,982	1,269,091	1,294,843

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN THOUSANDS OF \$)

	Notes	Share capital	Treasury shares	Capital reserve	Share-based compensation reserve
<b>The Group</b>					
Balance at 1 April 2017		420,044	(15,175)	2,711	15,971
Profit for the year		–	–	–	–
Actuarial gain on remeasurement of defined benefit plan		–	–	–	–
Foreign currency translation		–	–	–	–
Realisation of foreign currency translation reserves on disposal of an associated company		–	–	–	–
Net fair value adjustment on cash flow hedges		–	–	–	–
Share of other comprehensive income of associated/joint venture companies		–	–	–	–
Other comprehensive income for the year, net of tax		–	–	–	–
<b>Total comprehensive income for the financial year</b>		–	–	–	–
Capital contribution		–	–	–	–
Share-based compensation expense	12,14	–	–	–	2,203
Share awards released	12,14	–	2,926	–	(3,169)
Share options lapsed		–	–	–	(7,777)
Purchase of treasury shares	13	–	(10,159)	–	–
Treasury shares reissued pursuant to equity compensation plans	13	–	1,065	78	(152)
Dividends	11	–	–	–	–
<b>Total contributions by and distributions to owners</b>		–	(6,168)	78	(8,895)
Balance at 31 March 2018		420,044	(21,343)	2,789	7,076

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Attributable to Owners of the Parent							Non-controlling interests	Total equity
Foreign currency translation reserve	Fair value reserve	Equity transaction reserve	General reserve	Total				
(68,048)	(582)	(2,377)	1,201,496	1,554,040	33,960	1,588,000		
–	–	–	184,054	184,054	1,217	185,271		
–	–	–	184	184	140	324		
(38,773)	–	–	–	(38,773)	(1,915)	(40,688)		
524	–	–	–	524	–	524		
–	(673)	–	–	(673)	–	(673)		
65	4,908	–	–	4,973	–	4,973		
(38,184)	4,235	–	184	(33,765)	(1,775)	(35,540)		
(38,184)	4,235	–	184,238	150,289	(558)	149,731		
–	–	–	–	–	1,666	1,666		
–	–	–	–	2,203	–	2,203		
–	–	–	243	–	–	–		
–	–	–	7,777	–	–	–		
–	–	–	–	(10,159)	–	(10,159)		
–	–	–	–	991	–	991		
–	–	–	(201,491)	(201,491)	(3,806)	(205,297)		
–	–	–	(193,471)	(208,456)	(2,140)	(210,596)		
(106,232)	3,653	(2,377)	1,192,263	1,495,873	31,262	1,527,135		

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN THOUSANDS OF \$)

	Notes	Share capital	Treasury shares	Capital reserve	Share-based compensation reserve
<b>The Group</b>					
Balance at 1 April 2016		416,503	(6,094)	198	18,404
Effects of adopting FRS 109		-	-	-	-
Profit for the year		-	-	-	-
Actuarial loss on remeasurement of defined benefit plan		-	-	-	-
Foreign currency translation		-	-	-	-
Realisation of foreign currency translation reserves on partial disposal of an associated company		-	-	-	-
Net fair value adjustment on cash flow hedges		-	-	-	-
Realisation of fair value changes on non-current asset held for sale	8	-	-	-	-
Share of other comprehensive income of associated/joint venture companies		-	-	-	-
Other comprehensive income for the year, net of tax		-	-	-	-
<b>Total comprehensive income for the financial year</b>		-	-	-	-
Capital contribution		-	-	-	-
Share-based compensation expense	12,14	-	-	-	3,226
Share awards released	12,14	955	-	-	(1,239)
Share options exercised	12,14	2,586	-	-	(702)
Share options lapsed		-	-	-	(185)
Purchase of treasury shares	13	-	(19,860)	-	-
Treasury shares reissued pursuant to equity compensation plans	13	-	10,779	2,513	(3,533)
Dividends	11	-	-	-	-
<b>Total contributions by and distributions to owners</b>		3,541	(9,081)	2,513	(2,433)
Balance at 31 March 2017		420,044	(15,175)	2,711	15,971

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



Attributable to Owners of the Parent							Non-controlling interests	Total equity
Foreign currency translation reserve	Fair value reserve	Equity transaction reserve	General reserve	Total				
(87,953)	140,747	(2,377)	1,006,073	1,485,501	26,405	1,511,906		
-	-	-	63	63	-	63		
-	-	-	332,369	332,369	4,778	337,147		
-	-	-	(2,266)	(2,266)	(129)	(2,395)		
19,897	-	-	-	19,897	124	20,021		
(14)	-	-	-	(14)	-	(14)		
-	(843)	-	-	(843)	-	(843)		
-	(141,924)	-	-	(141,924)	-	(141,924)		
22	1,438	-	-	1,460	-	1,460		
19,905	(141,329)	-	(2,266)	(123,690)	(5)	(123,695)		
19,905	(141,329)	-	330,103	208,679	4,773	213,452		
-	-	-	-	-	8,195	8,195		
-	-	-	-	3,226	-	3,226		
-	-	-	284	-	-	-		
-	-	-	-	1,884	-	1,884		
-	-	-	185	-	-	-		
-	-	-	-	(19,860)	-	(19,860)		
-	-	-	-	9,759	-	9,759		
-	-	-	(135,212)	(135,212)	(5,413)	(140,625)		
-	-	-	(134,743)	(140,203)	2,782	(137,421)		
(68,048)	(582)	(2,377)	1,201,496	1,554,040	33,960	1,588,000		

## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN THOUSANDS OF \$)

Notes	Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Fair value reserve	General reserve	Total
<b>The Company</b>							
Balance at 1 April 2017	420,044	(15,175)	2,711	15,971	324	844,675	1,268,550
Profit for the year	–	–	–	–	–	185,110	185,110
Other comprehensive income for the year, net of tax:							
Net fair value adjustment on cash flow hedges	–	–	–	–	(673)	–	(673)
<b>Total comprehensive income for the financial year</b>	–	–	–	–	(673)	185,110	184,437
Share-based compensation expense	12,14	–	–	2,203	–	–	2,203
Share awards released	12,14	–	2,926	–	(3,169)	243	–
Share options lapsed		–	–	–	(7,777)	7,777	–
Purchase of treasury shares	13	–	(10,159)	–	–	–	(10,159)
Treasury shares reissued pursuant to equity compensation plans	13	–	1,065	78	(152)	–	991
Dividends	11	–	–	–	–	(201,491)	(201,491)
<b>Total contributions by and distributions to owners</b>		–	(6,168)	78	(8,895)	–	(193,471)
Balance at 31 March 2018	420,044	(21,343)	2,789	7,076	(349)	836,314	1,244,531

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN THOUSANDS OF \$)

	Notes	Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Fair value reserve	General reserve	Total
<b>The Company</b>								
Balance at 1 April 2016		416,503	(6,094)	198	18,404	143,091	673,155	1,245,257
Effects of adopting FRS109		–	–	–	–	–	523	523
Profit for the year		–	–	–	–	–	302,603	302,603
Actuarial loss on remeasurement of defined benefit plan		–	–	–	–	–	(2,131)	(2,131)
Net fair value adjustment on cash flow hedges		–	–	–	–	(843)	–	(843)
Realisation of fair value changes on non-current asset held for sale	8	–	–	–	–	(141,924)	–	(141,924)
Other comprehensive income for the year, net of tax		–	–	–	–	(142,767)	(2,131)	(144,898)
<b>Total comprehensive income for the financial year</b>		–	–	–	–	(142,767)	300,472	157,705
Share-based compensation expense	12,14	–	–	–	3,226	–	–	3,226
Share awards released	12,14	955	–	–	(1,239)	–	284	–
Share options exercised	12,14	2,586	–	–	(702)	–	–	1,884
Share options lapsed		–	–	–	(185)	–	185	–
Purchase of treasury shares	13	–	(19,860)	–	–	–	–	(19,860)
Treasury shares reissued pursuant to equity compensation plans	13	–	10,779	2,513	(3,533)	–	–	9,759
Dividends	11	–	–	–	–	–	(135,212)	(135,212)
Differences arising from restructuring of joint venture under common control	14	–	–	–	–	–	5,268	5,268
<b>Total contributions by and distributions to owners</b>		3,541	(9,081)	2,513	(2,433)	–	(129,475)	(134,935)
Balance at 31 March 2017		420,044	(15,175)	2,711	15,971	324	844,675	1,268,550

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (IN THOUSANDS OF \$)

	Notes	The Group	
		2017/18	2016/17
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	30	54,394	131,815
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure	16	(31,599)	(38,288)
Purchase of intangible assets	17	(11,423)	(5,250)
Proceeds from disposal of property, plant and equipment		4,718	1,573
Proceeds from capital reduction of an associated company		3,288	–
Proceeds from disposal/partial disposal of an associated company		21,056	3,841
Proceeds from disposal of non-current asset held for sale		–	156,600
Investment in associated companies		(32,075)	–
Dividend received from non-current asset held for sale		–	39,469
Dividends received from associated companies		58,706	38,722
Dividends received from joint venture companies		45,899	23,706
Interest received from deposits		4,975	3,294
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		63,545	223,667
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid	11	(201,491)	(135,212)
Dividends paid by subsidiary companies to non-controlling interests		(3,806)	(5,413)
Proceeds from exercise of share options		991	11,643
Proceeds from issuance of share capital by a subsidiary company to non-controlling interests		1,666	8,195
Interest paid		(772)	(727)
Proceeds from borrowings		3,694	1,754
Repayment of borrowings		(6,097)	(10,393)
Purchase of treasury shares	13	(10,159)	(19,860)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		(215,974)	(150,013)
<b>NET CASH (OUTFLOW)/INFLOW</b>		(98,035)	205,469
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>		601,735	393,986
Effect of exchange rate changes		(3,921)	2,280
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>		499,779	601,735
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Short-term deposits	26	433,650	531,199
Cash and bank balances	27	66,129	70,536
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>		499,779	601,735

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 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 listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). 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 31 Airline Road, Singapore 819831.

The financial statements of the Group as at 31 March 2018 and for the year then ended comprise the Company and its subsidiary companies (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in equity-accounted investees.

The principal activities of the Company are the provision of airframe maintenance, component overhaul services and fleet management programme, the provision of line maintenance and technical ground handling services and investment holdings. The principal activities of the subsidiary companies are disclosed in Note 18 to the financial statements. 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 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 15 May 2018.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group and the Company are consistent with those used in the previous financial year, except as explained in Note 2(b), which addresses changes in accounting policies.

### (a) Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD), which is the Company's functional currency and all financial information presented in SGD have been rounded to the nearest thousand (\$'000), unless otherwise stated.

### (b) Changes in accounting policies

On 1 April 2017, the Group adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for annual financial periods beginning on or after 1 April 2017. The adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Group and the Company.

#### Disclosure Initiative (Amendments to FRS 7)

Arising from Amendments to FRS 7, which takes effect from 1 April 2017, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities (Note 30). Comparative information have not been presented.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) 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. As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group is required to apply the specific transition requirements in IFRS 1 First-time Adoption of IFRS. In addition to the adoption of the new framework, the following new IFRSs, amendments to and interpretation of IFRS are effective on the same date.

- IFRS 15 Revenue from Contracts with Customers and Amendments to IFRS 15: Clarifications to FRS 115;
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions;
- Amendments to IFRS 1: Deletion of short-term exemptions for first-time adopters;
- Amendments to IAS 28: Measuring an Associate or Joint Venture at Fair Value; and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for the application of IFRS 1 optional exemptions and IFRS 15, as outlined below.

#### (i) Application of IFRS 1 optional exemptions

IFRS 1 generally requires that the Group applies IFRS on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective 1 April 2018, restatement of comparatives may be required because IFRS 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. IFRS 1 provides mandatory exceptions and optional exemptions from retrospective application, which are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in IFRS 1 to have any significant impact on the financial statements.

##### (a) Fair value as deemed cost exemption for property, plant and equipment

The Group plans to elect and regard the fair values of certain aircraft rotatable spares as their deemed cost at the date of transition to IFRS 1 on 1 April 2017.

##### (b) Foreign currency translation reserve

The Group plans to elect to reset the foreign currency translation reserve for all foreign operations to zero as at the date of transition to IFRS 1 on 1 April 2017.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS) (continued)

#### (ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt IFRS 15 in its financial statements for the year ending 31 March 2019, using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 retrospectively, except as described below, and the comparative period presented in the 2018/19 financial statements will be restated.

The Group plans to use the practical expedients for not disclosing the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue for all reporting periods presented before the date of initial application.

The Company is in the process of finalising the transition adjustments, including any related tax effects. The actual impact may change when the transition adjustments are finalised.

#### Timing of revenue recognition

The Group currently recognises revenue from airframe maintenance and component overhaul services using the percentage of completion method. Under IFRS 15, the Group expects most of its repair services to constitute a single performance obligation due to the inter-dependence of services provided in these contracts. When the Group has an enforceable right to payment for performance completed to date or when the Group's performance creates or enhances an asset that the customer controls as the asset is being created or enhanced, the Group expects to continue to recognise revenue on these contracts over time.

#### Variable considerations

The Group's contracts may include variable considerations such as discounts, incentives, penalties, including liquidated damages for delays, or other similar terms. The Group previously recognised revenue in full and recorded separate provisions for these claims when incurred. Under IFRS 15, the Group reduces revenue by the amount of expected claims based on the historical data of past claim trends. Based on the assessments undertaken to date, the Group does not expect the impact on the financial statements to be significant.

#### Significant financing component

Where the payments terms includes an implicit financing component, i.e. where the period between the transfer of the promised goods or services in the contract to the customer and payment by the customer exceeds one year, the transaction price is adjusted for the time value of money. For this purpose, the Group will elect the practical expedient of not adjusting the transaction price if the period between payment and transfer of goods or services is less than one year.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS) (continued)

#### (iii) Summary of provisional financial impact (in thousands of \$)

The line items on the Group's financial statements that may be adjusted with significant impact arising from the adoption of IFRS 15 and SFRS(I) as described above are summarised below:

	31 March 2018			
	Current framework	IFRS 15	SFRS (I)	IFRS Framework
<b>Balance Sheet:</b>				
Foreign currency translation reserve	(106,232)	–	67,316	(38,916)
General reserve	1,192,263	(959)	(78,500)	1,112,804
Deferred taxation	26,479	–	(2,291)	24,188
Property, plant and equipment	301,028	–	(13,475)	287,553
Trade debtors	267,928	(196,980)	–	70,948
Contract assets	–	196,980	–	196,980
Trade and other creditors	222,455	(32,370)	–	190,085
Contract liabilities	–	33,329	–	33,329
<b>2017/18</b>				
<b>Income statement:</b>				
Depreciation of property, plant and equipment	50,903	–	(2,442)	48,461
Surplus on disposal of an associated company	14,269	–	732	15,001
Taxation expense	(21,154)	–	(415)	(21,569)

#### (d) Standards issued but not yet effective

New standards and amendments to standards other than those mentioned in 2(c) that are effective for annual periods beginning after 1 April 2018 are as follows:

Description	Effective from
Amendments to IAS 23: Borrowing costs eligible for capitalisation <sup>#</sup>	1 April 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 April 2019
Amendments to IAS 12: Income tax consequences of payments on financial instruments classified as equity <sup>#</sup>	1 April 2019
IFRS 16 Leases	1 April 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 April 2019

Except for those marked as #, the ASC has issued the above new IFRS, amendments to and interpretations of IFRS as SFRS (I). The Group is still in the process of assessing the impact of the new IFRSs, amendments to and interpretations of IFRSs on the financial statements. The Group's preliminary assessment of IFRS 16, which is expected to have a more significant impact on the Group, is as described below.

#### IFRS 16 Leases

IFRS 16 replaces existing lease accounting guidance. IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lease accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases, unless the term is less than 12 months or the underlying asset is of low value.



# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Standards issued but not yet effective (continued)

#### IFRS 16 Leases (continued)

As at the reporting date, the Group has non-cancellable operating lease commitments amounting to approximately \$90,124,000 (Note 31(b)). The Group expects a large proportion of these operating leases to be recognised as lease liabilities with corresponding ROU assets under the new standard. This will increase the Group's leverage ratio and its foreign exchange volatility arising from revaluation of lease liabilities that are denominated in USD. There will also be an impact on the timing of expense recognition in the profit or loss over the period of lease. Interest expense will be recognised using the effective interest method on outstanding lease liabilities and the ROU assets will be depreciated, rather than operating lease payments being the expense.

The approximate financial impact of the standard is unknown due to factors that impact the calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

### (e) Basis of consolidation

Business combinations are accounted for by applying the acquisition method in accordance with FRS 103 Business Combinations as at the acquisition date, which is the date on which control is transferred to the Group. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are recognised as expenses as incurred.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2(g). When the amount is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration will be recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settled within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in the profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Changes in the Company's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions and therefore no adjustments are made to goodwill and no gain or loss is recognised in the profit or loss. In such circumstances, adjustments are based on a proportionate amount of the net assets of the subsidiary companies.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with associated and joint venture companies are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Subsidiary, associated and joint venture companies

In the Company's separate financial statements, investments in subsidiary, associated and joint venture companies are accounted for at cost less accumulated impairment losses.

A subsidiary company is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiary companies are included in the consolidated financial statements from the date the control commences until the date the control ceases.

The accounting policies of subsidiary companies have been changed when necessary to align them with policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary company are allocated to the non-controlling interests even if doing so causes the non-controlling interest to have a deficit balance.

An associated company is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

A joint venture company is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Group accounts for its investments in associated and joint venture companies using the equity method, initially at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of associated and joint venture companies, until the date on which significant influence or joint control ceases. Dividends reduce the carrying amounts of the investments.

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

The most recently 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 where provided by the associate or joint venture. Otherwise an estimate is made for the balances to the end of the accounting period based on historical experience and adjusting for the effects of known significant transactions. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Intangible assets

#### Computer software

Acquired computer software is stated at cost less accumulated amortisation and accumulated impairment losses.

#### Deferred engine development cost

This relates to the Group's share of engine programme assets including development costs made in connection with its participation in aircraft engine development projects with other companies. This is measured at cost less accumulated amortisation and accumulated impairment losses.

#### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill that forms part of the carrying amount of an associated or joint venture company is not recognised separately, and therefore, is not tested for impairment separately. Instead, the entire amount of the investment in associated or joint venture company is tested for impairment as a single asset when there is objective evidence that the investment in associated or joint venture company may be impacted.

In the Group's balance sheet, the investments in associates include goodwill on acquisition identified on acquisitions completed on or after 1 April 2001. Goodwill arising from business combinations before 1 April 2001 was previously written-off directly to reserves in the year of acquisition.

#### Others

Licences were acquired in business combinations and are measured at cost less accumulated amortisation and accumulated impairment losses.

#### Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

- Computer software 3 – 5 years
- Licences 3 years

For engine programme assets including development cost, amortisation begins only when assets are available for use. These engine programme assets including development cost are amortised on a straight-line basis over a maximum of 44 years, the expected project life from the start of aircraft engine sales through post-sales maintenance service periods.

Advance and progress payments are not amortised. Amortisation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted if appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Foreign currencies

#### Foreign currency transactions

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

All foreign currency monetary assets and liabilities are translated into SGD using year-end exchange rates. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The foreign currency gain or loss on monetary assets and liabilities is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Foreign currency differences are recognised in the profit or loss, except for qualifying cash flow hedges which are deferred to equity.

#### Foreign operations

For the purpose of the consolidated financial statements, the net assets of the foreign subsidiary, associated and joint venture companies are translated into SGD at the exchange rates ruling at the end of the reporting period. The financial results of foreign subsidiary, associated and joint venture companies are translated monthly into SGD at the prevailing exchange rates. The resulting gains or losses on exchange are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations, and translated into SGD at the closing rate at the end of the reporting period.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity, except to the extent that the foreign currency differences are allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary company while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associated or a joint venture company while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) Property, plant and equipment

#### (i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment are also capitalised. The accounting policy for borrowing costs is set out in Note 2(t).

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 profit or loss.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

#### (ii) Depreciation of property, plant and equipment

Property, plant and equipment 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, residual values and depreciation method are reviewed annually, and adjusted prospectively, if appropriate. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised from the date the property, plant and equipment are installed and ready for use.

Advance and progress payments are not depreciated as they are not yet available for use.

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.

Property, plant and equipment type	Useful lives	Residual values
Leasehold land and buildings	Shorter of lease period or 30 years	Nil
Plant, equipment and engine overhaul tooling	3 – 15 years	Nil
Aircraft rotatable spares	3 – 15 years	Nil
Office furniture, computer equipment and motor vehicles	1 – 7 years	Nil

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an agreement.

#### (i) Finance lease – as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

#### (ii) Operating lease – as lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### (k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Financial instruments

#### (i) Recognition and initial measurement

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, in the case of the financial asset or liability not carried at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

#### (ii) Classification and subsequent measurement

##### Financial assets

On initial recognition, a financial asset is classified as amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

For equity investments that are not held for trading, the Group may irrevocably elect on initial recognition to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

i) Amortised cost: A non-equity financial asset can be measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ii) FVOCI: A non-equity financial asset can be measured at FVOCI only if it meets both of the following conditions:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

iii) FVTPL: All other financial assets are classified as measured at FVTPL. Financial assets that are held for trading and whose performance is evaluated on a fair value basis, are measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset, that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Financial instruments (continued)

#### (ii) Classification and subsequent measurement (continued)

##### Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Group's Management;
- The risks that affect the performance of the business model and how those risks are managed;
- How managers of the portfolio are compensated; and
- The frequency, volume and timing of disposals in prior periods, the reasons for such disposals and its expectations about future activity.

##### Assessment of whether contractual cash flows are solely payments of principal and interest

For assessment purposes, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers contingent events, leverage features, modifications of the time value of money and other limiting terms in the contractual terms of the instrument, which could change the timing or amount of contractual cash flows such that the cash flows of the instrument would not be reflective of solely payments of principal and interest.

##### Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

##### Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

#### (iii) Derecognition

##### Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of the (i) consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Financial instruments (continued)

#### (iii) Derecognition (continued)

Any cumulative gain/loss recognised in other comprehensive income, in respect of equity investment securities designated as at FVOCI, is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition, that is created or retained by the Group, is recognised as a separate asset or liability.

#### Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

#### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### (v) Impairment

#### Expected credit loss

The Group recognises loss allowances for ECL on non-equity financial instruments that are not measured at FVTPL. The Group measures loss allowances at an amount equal to lifetime ECL.

Loss allowances for trade debtors are always measured at an amount equal to lifetime ECL.

12-month ECL is the portion of lifetime ECL that results from the default events on a financial instrument that are possible within the 12 months after the reporting date. The lifetime ECL is the expected credit loss over the term of the financial instrument, and is the shortfall of the probability weighted net present value of cash flows as compared to the carrying value of the non-equity financial asset.

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether non-equity financial assets that are carried at amortised cost and non-equity financial assets that are carried at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### (vi) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair values.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Financial instruments (continued)

#### (vi) Derivative financial instruments and hedge accounting (continued)

##### Designation of hedges

The Group designates certain derivatives as well as non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedge, the economic relationship between the hedge instrument and the hedged item, the effects of credit risk on the hedge, the hedge ratio and the hedge type (cash flow or fair value) at the inception of the hedge.

Designation of a risk component of a hedged item, is permitted provided that it is a separable identifiable component of the item, and the changes in the cash flows or the fair value of the item attributable to changes in the risk component is reliably measurable.

At the inception of the hedge relationship, the Group makes an assessment of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value, or cash flows of the respective hedged item during the period for which the hedge is designated. For a cash flow hedge of a forecast transaction, the Group also assesses whether the forecast transaction is highly probable to occur and if it presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The hedge effectiveness assessment is an assessment of the economic relationship between the hedged item and the hedging instrument, and is therefore only forward looking. There is no prescribed quantitative hedge effectiveness threshold. Hedge effectiveness is the extent to which the fair value of the hedging instrument offset changes in the fair value of the hedged item.

The time value of an option is excluded from the designation of a financial instrument and is accounted for as a cost of hedging. The fair value changes related to time value are recognised in other comprehensive income and depending on the nature of the hedged item, will either be transferred to profit or loss in the same period that the underlying transaction affects profit or loss, or be capitalised into the initial carrying value of a hedged item.

##### Cash flow hedges

When a derivative is designated in a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the fair value reserve. Any ineffective portion of changes in the fair value of the derivative (i.e. the extent to which changes in the fair value of the hedge instrument are greater than the changes in fair value of the hedged item) is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and depending on the nature of the hedged item, will either be transferred to the profit or loss in the same period that the underlying transaction affects the profit or loss or be capitalised in the initial carrying amount of a hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the fair value reserve remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset or its related CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For non-financial assets excluding goodwill and those with indefinite lives, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### (n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

### (o) Share capital and share issuance expenses

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

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Treasury shares

When shares are reacquired by the Company, the amount of consideration paid which includes directly attributable costs, net of any tax effect, is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are subsequently sold or reissued pursuant to equity compensation plans, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised in the capital reserve. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

### (q) Taxation

#### (i) Current income tax

Tax recoverable and tax liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to, respectively, the tax authorities using tax rates enacted or substantively enacted at balance sheet date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to a business combination, or items recognised outside profit or loss, either in other comprehensive income or directly in equity.

#### (ii) Deferred tax

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

Deferred tax assets and liabilities are not recognised for:

- Temporary differences on the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Temporary differences associated with investments in subsidiary and joint venture companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Taxation (continued)

#### (ii) Deferred tax (continued)

Deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income .

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

#### (iii) Indirect taxes

Revenues, expenses and assets are recognised net of the amount of indirect tax except:

- Where the indirect tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the indirect tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of indirect tax included.

The net amount of indirect tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the balance sheets.

### (r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Revenue from airframe and line maintenance includes airframe maintenance, line maintenance and fleet management programme. Revenue from airframe maintenance is recognised based on the percentage of completion of the projects. The percentage of completion of the projects is determined based on the number of man-hours incurred to-date against the estimated man-hours needed to complete the projects. Revenue from line maintenance includes aircraft certification and technical ground handling and is recognised upon rendering of services. For fleet management programme, billings to customers are based on flight hours and/ or fixed contractual prices and revenue is recognised when services are being performed.

Revenue from engine and component includes engine and component overhaul and is recognised based on the percentage of completion of the projects.

### (s) Income from investments

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

Interest income from investments and fixed deposits is recognised using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### (u) Employee benefits

#### Equity compensation plans

Employees of the Group receive remuneration in the form of share options and share awards as consideration for services rendered.

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

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

Details of the plans are disclosed in Note 12 to the financial statements.

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

This cost is recognised in profit or loss as share-based compensation expense, with a corresponding increase in the share-based compensation reserve, over the vesting period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share-based compensation reserve over the remaining vesting period.

No expense is recognised for options or awards that do not ultimately vest, except for options or awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Employee benefits (continued)

#### Defined benefit plans

The Group contributes to several defined benefit pension and post employment benefit plans for some of the regular employees. The cost of providing benefits includes the Group's contribution for the year plus any unfunded liabilities under the plans, which is determined separately for each plan. Contributions to the plans over the expected average remaining working lives of the employees participating in the plans are recognised as expense in profit or loss.

#### Defined contribution plans

As required by law, companies in Singapore make contributions to the Central Provident Fund scheme ("CPF") in Singapore, a defined contribution scheme. Certain of the Group's subsidiary companies outside Singapore make contributions to their respective country's pension schemes. Such contributions are recognised as expenses in the period in which the related services are performed.

#### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### (v) Segmental reporting

For management purposes, the Group is organised into operating segments based on the nature of the services provided which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company that regularly reviews the segments' results in order to allocate resources to the segments and to assess the segments' performance.

The Company and its subsidiaries operate in Singapore, Philippines, Australia, Japan and United States of America. The significant operating segments of the Group are airframe and line maintenance, and engine and component. Additional disclosures on each of these segments are shown in Note 34 including the factors used to identify the reportable segments and the measurement basis of segment information.

### (w) Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (w) Related parties (continued)

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the other).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) The entity is controlled or jointly-controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND CRITICAL JUDGEMENTS

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

### (a) Depreciation of plant, equipment and engine overhaul tooling, and aircraft rotatable spares

The cost of plant, equipment and engine overhaul tooling, and aircraft rotatable spares are depreciated on a straight-line basis over the expected useful lives. Management estimates the useful lives of these assets to be within 3 to 15 years. The carrying amount of the Group's and Company's plant, equipment and tooling and aircraft rotatable spares as at 31 March 2018 was approximately \$138,928,000 (2017: \$159,297,000) and \$121,774,000 (2017: \$140,345,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore future depreciation charges could be revised.



# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND CRITICAL JUDGEMENTS (continued)

### (b) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amounts of the Group's current tax payable and deferred tax liabilities as at 31 March 2018 were approximately \$20,189,000 (2017: \$15,714,000) and \$26,479,000 (2017: \$29,106,000) respectively.

The carrying amounts of the Company's current tax payable and deferred tax liabilities as at 31 March 2018 were approximately \$18,842,000 (2017: \$13,780,000) and \$24,560,000 (2017: \$26,293,000) respectively.

### (c) Accrued receivables

Accrued receivables pertains to services rendered which have not been billed and is stated at cost plus estimated profit earned, based on the estimated percentage of completion and total estimated budgeted cost. Management made reference to labour hours incurred and the physical stage of maintenance, repair and overhaul in estimating the percentage of completion and budgeted cost. In the prior year, these accrued receivables were classified as "work-in-progress" and in view of the nature of these balances, the Group has reclassified these balances as part of trade debtors. Comparative information has been restated accordingly. The carrying amount of the Group's and Company's accrued receivables as at 31 March 2018 was approximately \$196,980,000 (2017: \$110,482,000) and \$182,227,000 (2017: \$106,937,000) respectively.

### (d) Impairment of non-financial assets

Management performs impairment testing for the following items:

- Intangible assets, relating to deferred engine development costs (refer to Note 17);
- Property, plant and equipment; and
- Investments in subsidiary, associated and joint venture companies

Impairment is recognised when events and circumstances indicate that the non-financial assets may be impaired and the carrying amounts of the non-financial assets exceed the recoverable amounts. Recoverable amount is defined as the higher of the non-financial assets' fair value less costs to sell and its value-in-use. In the case of aircraft rotatable spares, the current fair market value is determined based on an independent valuation, which took into account the expected resale prices in the secondary markets and the service condition of the rotatables.

When value-in-use calculations are undertaken, management estimates the recoverable amount based on a discounted cash flow model. The cash flows are derived from the budget approved by the management. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 4. REVENUE (IN THOUSANDS OF \$)

	The Group	
	2017/18	2016/17 (As restated)
Airframe and line maintenance		
– Airframe overhaul and line maintenance	942,504	933,132
– Fleet management programme	124,664	147,471
	1,067,168	1,080,603
Engine and component	27,713	23,538
	1,094,881	1,104,141

With the increased integration of the various business operations under the Group, management has changed the reportable operating segments of the Group. Details of the revised segment information are disclosed in Note 34 to the financial statements.

## 5. STAFF COSTS (IN THOUSANDS OF \$)

	The Group	
	2017/18	2016/17
Salary, bonuses and other costs	445,633	465,728
CPF and other defined contributions	46,466	43,577
Share-based compensation expense	2,247	3,202
	494,346	512,507

The Group contributes to unfunded, non-contributory, defined benefit plans for some of the regular employees. Defined benefit expenses for the Group were approximately \$593,000 (2016/17: \$369,000). As these amounts are not material to the total staff costs of the Group for 2017/18 and 2016/17, additional disclosures of the defined benefit plan are not presented. Disclosures relating to share-based compensation expense are in Note 12.

## 6. OPERATING PROFIT (IN THOUSANDS OF \$)

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

	The Group	
	2017/18	2016/17
Net exchange loss/(gain)*	6,518	(5,481)
Operating lease expenses	10,136	10,452
Provision for obsolete stocks, net	2,794	1,662
Professional fee paid to a firm in which a director is a member	270	1,612
Audit fees		
– Auditors of the Company	242	225
– Other auditors	54	54
Non-audit fees		
– Auditors of the Company	51	45

\* Amount includes a net fair value gain on forward currency contracts used for hedging purposes of approximately \$711,000 (2016/17: net fair value gain of \$1,457,000), which was realised in the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 7. INTEREST INCOME (IN THOUSANDS OF \$)

	The Group	
	2017/18	2016/17
Deposits placed with immediate holding company	4,570	3,762
Deposits placed with banks	290	268
	4,860	4,030

## 8. DISPOSAL OF NON-CURRENT ASSET HELD FOR SALE (IN THOUSANDS OF \$)

In 2016/17, the Company completed the divestment of their equity stake in Hong Kong Aero Engine Services Ltd ("HAESL"), previously an available-for-sale equity investment, which is incorporated and operates in Hong Kong Special Administrative Region of the People's Republic of China. Upon the completion of the divestment on 30 June 2016, the cumulative fair value gain of approximately \$141,924,000, previously recognised in other comprehensive income was reclassified from equity to profit or loss. Consequently, the Group recognised a net gain on divestment of approximately \$141,572,000, after taking into account related transaction costs.

## 9. TAXATION EXPENSE (IN THOUSANDS OF \$)

The major components of income tax expense for the years ended 31 March 2018 and 2017 are as follows:

	The Group	
	2017/18	2016/17
<u>Current tax</u>		
Provision for the financial year	(24,415)	(17,581)
Over/(Under)-provision in respect of prior years	678	(9)
	(23,737)	(17,590)
<u>Deferred tax</u>		
Movement in temporary differences	3,198	19
Under-provision in respect of prior years	(615)	(316)
	2,583	(297)
Income tax expense recognised in profit or loss	(21,154)	(17,887)

Deferred tax related to other comprehensive income:

	The Group	
	2017/18	2016/17
Net change in the fair value of derivative financial instruments designated as cash flow hedges	(138)	(173)
Actuarial loss on revaluation of defined benefit plans	-	(436)
	(138)	(609)

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 9. TAXATION EXPENSE (IN THOUSANDS OF \$) (continued)

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

	The Group	
	2017/18	2016/17
Profit before taxation	206,425	355,034
<u>Less:</u> share of results of associated and joint venture companies	(109,818)	(96,447)
	96,607	258,587
Taxation at statutory tax rate of 17.0% (2017: 17.0%)	(16,423)	(43,960)
<u>Adjustments</u>		
Income not subject to tax	3,491	31,665
Income subject to concessionary tax rate	1,820	1,826
Deferred tax assets not recognised	(3,899)	(2,425)
Expenses not deductible for tax purposes	(5,970)	(3,014)
Effects of difference in tax rates of other countries	(587)	(919)
Over/(Under)-provision in relation to prior years	63	(326)
Provision of withholding tax expense	(1,545)	(1,613)
Tax incentives	1,538	921
Others	358	(42)
Taxation	(21,154)	(17,887)

## 10. EARNINGS PER SHARE

	The Group	
	2017/18	2016/17
Profit attributable to owners of the parent (in thousands of \$)	184,054	332,369
Weighted average number of ordinary shares in issue used for computing basic earnings per share*	1,118,890,446	1,121,855,950
Adjustment for dilutive potential ordinary shares	2,066,264	2,102,882
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	1,120,956,710	1,123,958,832
Basic earnings per share (cents)	16.45	29.63
Diluted earnings per share (cents)	16.42	29.57

\* The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

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

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 10. EARNINGS PER SHARE (continued)

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 potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options, performance shares and restricted shares.

4,139,200 (2016/17: 8,339,444) of share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current year presented.

## 11. DIVIDENDS PAID AND PROPOSED (IN THOUSANDS OF \$)

	The Group and Company	
	2017/18	2016/17
Dividends paid:		
Final dividend of 14.0 cents per share, comprising an ordinary dividend of 9.0 cents per share and a special dividend of 5.0 cents per share in respect of 2016/17 (2016/17: 8.0 cents per share in respect of 2015/16)	156,756	90,344
Interim dividend of 4.0 cents per share in respect of 2017/18 (2016/17: 4.0 cents per share in respect of 2016/17)	44,735	44,868
	201,491	135,212

The directors propose a final tax exempt (one-tier) dividend of 9.0 cents per share (2016/17: final tax exempt (one-tier) dividend of 14.0 cents per share, comprising an ordinary dividend of 9.0 cents per share and a special dividend of 5.0 cents per share), amounting to approximately \$100,637,000 (2016/17: \$156,756,000) to be paid for the financial year ended 31 March 2018.

## 12. SHARE CAPITAL (IN THOUSANDS OF \$)

	The Group and Company	
	31 March	
	2018	2017
<b>Issued and fully paid</b>		
Balance at 1 April		
1,124,116,360 shares (2016/17: 1,123,312,387 shares)	420,044	416,503
No share options exercised during the year (2016/17: 571,900)	–	2,586
No share awards released during the year (2016/17: 232,073)	–	955
Balance at 31 March		
1,124,116,360 shares (2016/17: 1,124,116,360 shares)	420,044	420,044

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. The ordinary shares have no par value.

During the financial year, the Company's options exercised under the Employee Share Option Plan and release of share awards granted under the restricted and performance share plans were all settled by way of issuance of 275,996 treasury shares and 804,399 treasury shares respectively.

In 2016/17, the Company issued 3,522,848 shares, of which 2,950,948 were reissued treasury shares, upon the exercise of options granted under the Employee Share Option Plan. In addition, the Company issued 232,073 shares upon release of share awards granted under the restricted and performance share plans.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 12. SHARE CAPITAL (IN THOUSANDS OF \$) (continued)

### (a) Share Option Plan

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

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

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

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

There are no cash settlement alternatives.

The following table illustrates the number and weighted average exercise prices of, and movements in, the ESOP during the financial year:

	2017/18		2016/17	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 April	12,805,040	\$4.20	16,870,588	\$4.00
Exercised	(275,996)	\$3.59	(3,522,848)	\$3.30
Cancelled	(8,389,844)	\$4.51	(542,700)	\$3.83
Outstanding at 31 March	4,139,200	\$3.54*	12,805,040	\$4.20
Exercisable at 31 March	4,139,200	\$3.54*	12,805,040	\$4.20

\* Weighted average exercise price of \$3.54 has been adjusted for special dividend of \$0.05 declared on 20 July 2017.

The exercise price for options outstanding at the end of the year was \$3.54 (2016/17: \$3.59 – \$4.52). The weighted average remaining contractual life for these options is 0.25 years (2016/17: 0.60 years).

The weighted average share price for options exercised during the year was \$3.50 (2016/17: \$3.67).

Following the expiry of the share option plans in March 2009, the Company ceased to grant options under ESOP.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 12. SHARE CAPITAL (IN THOUSANDS OF \$) (continued)

### (a) Share Option Plan (continued)

Terms of share options outstanding as at 31 March 2018:

Exercisable period	Exercise price (\$)	Number outstanding	Number exercisable
01.07.2010 – 30.06.2018	3.54	4,139,200	4,139,200
Total number of options outstanding/exercisable		4,139,200 <sup>a</sup>	4,139,200 <sup>a</sup>

<sup>a</sup> The total number of options outstanding includes 880,200 (2016/17: 2,639,650) 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.

### (b) Share-based incentive plans

The Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") were originally adopted by shareholders on 25 July 2005 and expired on 24 July 2015. At the Extraordinary General Meeting of the Company held on 21 July 2014, shareholders approved the adoption of the SIAEC RSP 2014 and SIAEC PSP 2014 to replace the previous RSP and PSP, which were terminated following the adoption of the new plans. The termination of the previous RSP and PSP was without prejudice to the rights of holders of awards outstanding under the respective plans as at the date of such termination.

The details of the two plans are described below:

	RSP/RSP 2014	PSP/PSP 2014
Plan Description	Award of fully-paid ordinary shares of the Company, dependent on position level and individual performance targets set at the start of a one-year performance period based on Group and Company objectives with some degree of stretch.	Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives for senior management.
Performance Conditions	<ul style="list-style-type: none"> <li>Group and Company EBITDA<sup>#</sup> Margin</li> <li>Group and Company Value Added per \$ Employment Cost</li> </ul> <p>The above performance conditions are selected as they are the key operational drivers of shareholder value and are aligned to the Group and Company's business objectives.</p>	<ul style="list-style-type: none"> <li>Absolute Total Shareholder Return (TSR) outperform Cost of Equity (COE)</li> <li>Return on Equity (ROE)</li> </ul> <p>The above performance measures are selected as key measurement of value-creation for shareholders.</p>

<sup>#</sup> EBITDA denotes Earnings before Interest, Taxes, Depreciation and Amortisation

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 12. SHARE CAPITAL (IN THOUSANDS OF \$) (continued)

### (b) Share-based incentive plans (continued)

	RSP/RSP 2014	PSP/PSP 2014
Vesting Condition	<p><u>Awards granted prior to 2016/17</u> Based on meeting stated performance conditions over a two-year performance period, 50% of award will vest.</p> <p>Balance will vest equally over the subsequent two years with fulfilment of service requirements and performance conditions.</p> <p><u>Awards granted in and after 2016/17</u> Based on meeting stated performance conditions over a one-year performance period, 1/3 of award will vest.</p> <p>Balance will vest equally over the subsequent two years with fulfilment of service requirements and performance conditions.</p>	<p>Vesting based on meeting stated performance conditions over the three-year performance period.</p>
Payout	0% – 150% depending on the achievement of pre-set performance targets over the performance period.	0% – 200% depending on the achievement of pre-set performance targets over the performance period.

The movement of the shares awarded during the financial year is as follows:

#### RSP

Date of grant	Number of Restricted shares					
	Balance at 1.4.2017/ date of grant	Adjustment*	Cancelled	Released	Modification#	Balance at 31.3.2018
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
03.07.2017	847,420	–	(6,379)	–	10,621	851,662
	2,476,806	56,316	(68,646)	(804,399)	21,000	1,681,077

\* Adjustments 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.



# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 12. SHARE CAPITAL (IN THOUSANDS OF \$) (continued)

### (b) Share-based incentive plans (continued)

#### PSP

Date of grant	Number of Performance shares					
	Balance at 1.4.2017/ date of grant	Adjustment*	Cancelled	Released	Modification#	Balance at 31.3.2018
07.07.2014	134,917	(134,917)	–	–	–	–
06.07.2015	62,080	–	–	–	776	62,856
07.07.2016	127,450	–	–	–	1,594	129,044
03.07.2017	190,900	–	–	–	2,387	193,287
	<u>515,347</u>	<u>(134,917)</u>	<u>–</u>	<u>–</u>	<u>4,757</u>	<u>385,187</u>

\* Adjustments 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.

#### Fair value of RSP and PSP awards

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

The following table lists the key inputs to the model used for the July 2017 and July 2016 award:

	July 2017 Award		July 2016 Award	
	RSP	PSP	RSP	PSP
Expected dividend yield (%)	Management's forecast in line with dividend policy			
Expected volatility (%)	17.77	17.77	18.06	18.06
Risk-free interest rate (%)	1.18 – 1.44	1.44	0.78 – 1.07	1.07
Expected term (years)	1.00 – 3.00	3.00	1.00 – 3.00	3.00
Share price at date of grant (\$)	4.06	4.06	3.73	3.73

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

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 12. SHARE CAPITAL (IN THOUSANDS OF \$) (continued)

### (b) Share-based incentive plans (continued)

Based on the Monte Carlo simulation model, the estimated fair value at date of grant for each share granted under the RSP ranges from \$3.74 to \$3.92 (2016/17: \$3.31 to \$3.56) and the estimated fair value at date of grant for each share granted under the PSP is \$4.31 (2016/17: \$3.54).

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

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

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

The number of contingent shares granted but not released as at 31 March 2018, were 1,681,077 (2016/17: 1,629,386) and 385,187 (2016/17: 324,447) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 2,106,908 (2016/17: 2,372,256) and 770,374 (2016/17: 648,894) fully-paid ordinary shares for RSP and PSP respectively.

For the current financial year, the Group has provided approximately \$2,247,000 (2016/17: \$3,202,000) in respect of the RSP and PSP based on the fair values determined on grant date and estimation of share grants that will ultimately vest.

The amounts recognised in profit or loss for share-based compensation transactions with employees are as follows:

	The Group and Company	
	2017/18	2016/17
Share-based compensation expense		
– Restricted share plan	1,914	2,936
– Performance share plan	333	266
	2,247	3,202

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 13. TREASURY SHARES (IN THOUSANDS OF \$)

	The Group and Company 31 March	
	2017/18	2016/17
Balance at 1 April	(15,175)	(6,094)
Purchase of treasury shares	(10,159)	(19,860)
Treasury shares reissued pursuant to equity compensation plans:		
– For cash on exercise of employee share options	991	9,759
– Transferred from share-based compensation reserve	152	3,533
– Gain on reissuance of treasury shares	(78)	(2,513)
– RSP/PSP awarded in 2017/18 funded by treasury shares	2,926	–
	3,991	10,779
Balance at 31 March	(21,343)	(15,175)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the financial year, the Company purchased 2,819,700 (2016/17: 5,443,700) of its ordinary shares by way of on-market purchases at share prices ranging from \$3.08 to \$4.19 (2016/17: \$3.35 to \$3.87). The total amount paid to purchase the shares was approximately \$10,159,000 (2016/17: \$19,860,000) and this is presented as a component within equity attributable to owners of the Parent.

The Company reissued 275,996 (2016/17: 2,950,948) treasury shares pursuant to its employee share option plans at a weighted average exercise price of \$3.59 (2016/17: \$3.31) each. In addition, 804,399 (2016/17: nil) shares were reissued pursuant to the RSP. The number of treasury shares as at 31 March 2018 was 5,928,957 (2016/17: 4,189,652).

## 14. OTHER RESERVES (IN THOUSANDS OF \$)

### (a) Capital reserve

Capital reserve arises from the gains or losses on the reissuance of treasury shares.

### (b) Share-based compensation reserve

Share-based compensation reserve represents the equity-settled share options and awards granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and awards, and is reduced by the release of share awards and exercise/lapse of share options.

### (c) Foreign currency translation reserve

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

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 14. OTHER RESERVES (IN THOUSANDS OF \$) (continued)

### (d) Fair value reserve

Fair value reserve records the cumulative fair value changes of non-current asset held for sale and the portion of the fair value changes (net of tax) on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

	The Group 31 March	
	2018	2017
Balance at 1 April	(582)	140,747
Net gain on fair value adjustment	1,070	614
Recognised in "other operating expenses" in profit or loss on occurrence of forecast transactions	(711)	(1,457)
Recognised in the carrying value of investment in associated company on the occurrence of capital injection	(1,032)	–
Realisation of fair value changes on non-current asset held for sale	–	(141,924)
Share of other comprehensive income of joint venture company	4,908	1,438
Balance at 31 March	3,653	(582)

	The Company 31 March	
	2018	2017
Balance at 1 April	324	143,091
Net gain on fair value adjustment	1,070	614
Recognised in "other operating expenses" in profit or loss on occurrence of forecast transactions	(711)	(1,457)
Recognised in the carrying value of investment in associated company on the occurrence of capital injection	(1,032)	–
Realisation of fair value changes on non-current asset held for sale	–	(141,924)
Balance at 31 March	(349)	324

### (e) Equity transaction reserve

The reserve represents the effects of changes in ownership interest in subsidiaries when there is no change in control.

### (f) General reserve

General reserve comprises mainly retained earnings of the Group and the Company. Included in the Company's general reserve is a difference arising from the restructuring by a joint venture for entities under common control. Movements in the Group's and the Company's reserves are set out in the Statement of Changes in Equity respectively.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 15. DEFERRED TAXATION (IN THOUSANDS OF \$)

Deferred tax relates to the following items:

	The Group				The Company	
	Consolidated balance sheet 31 March		Consolidated income statement		Balance sheet 31 March	
	2018	2017	2017/18	2016/17	2018	2017
<u>Deferred tax liability</u>						
Differences in depreciation of property, plant and equipment	27,624	29,059	(1,435)	(47)	27,167	28,687
Revaluation of forward currency contracts to fair value	(71)	66	–	–	(71)	66
Undistributed profits of a subsidiary company	642	749	(107)	90	–	–
Undistributed profits of overseas associated companies	1,389	2,243	(854)	145	–	–
Other items	257	251	6	251	–	–
<u>Deferred tax asset</u>						
Actuarial loss on revaluation of defined benefit plans	–	(436)	436	–	–	(436)
Provisions	(2,536)	(2,024)	(512)	15	(2,536)	(2,024)
Other items	(826)	(802)	(117)	(157)	–	–
	26,479	29,106			24,560	26,293
Deferred income tax expense			(2,583)	297		

The Group has tax losses of approximately \$43,833,000 (2016/17: \$28,586,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax assets are recognised due to uncertainty of its recoverability. The use of the tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

At the end of the reporting period, deferred tax liability of \$731,000 (2016/17: \$749,000) has been recognised for taxes that would be payable on the undistributed earnings of one of the Group's subsidiaries.

For the other subsidiaries of the Group, no deferred tax liability has been recognised as the Group has determined that undistributed earnings of these subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised aggregate to \$9,865,000 (2016/17: \$8,507,000). The deferred tax liability is estimated to be \$2,960,000 (2016/17: \$2,552,000).

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 16. PROPERTY, PLANT AND EQUIPMENT (IN THOUSANDS OF \$)

	Leasehold land and buildings	Plant, equipment & engine overhaul tooling	Aircraft rotable spares	Office furniture and computer equipment	Motor vehicles	Advance and progress payments <sup>#</sup>	Total
<b>The Group</b>							
<b>Cost</b>							
At 1 April 2016	268,766	253,804	198,055	43,521	7,631	38,065	809,842
Additions	1,121	20,397	2,950	1,510	569	11,741	38,288
Transfers	18,852	18,575	185	7,572	45	(45,229)	–
Disposals	–	(10,952)	(3,603)	(915)	(732)	–	(16,202)
Exchange differences	1,494	465	201	61	27	(36)	2,212
At 31 March 2017	290,233	282,289	197,788	51,749	7,540	4,541	834,140
Additions	804	19,477	486	2,467	1,336	7,029	31,599
Transfers	20	868	26	6,797	90	(7,801)	–
Disposals	(18)	(11,067)	(8,478)	(457)	(379)	–	(20,399)
Exchange differences	(2,872)	(3,053)	(394)	(274)	(138)	(129)	(6,860)
At 31 March 2018	288,167	288,514	189,428	60,282	8,449	3,640	838,480
<b>Accumulated depreciation and impairment losses</b>							
At 1 April 2016	130,082	209,935	92,555	31,238	5,121	–	468,931
Depreciation	9,949	16,094	14,771	6,075	703	–	47,592
Disposals	–	(10,719)	(2,198)	(908)	(717)	–	(14,542)
Exchange differences	183	178	164	38	20	–	583
At 31 March 2017	140,214	215,488	105,292	36,443	5,127	–	502,564
Depreciation	10,041	18,800	14,060	7,176	826	–	50,903
Impairment losses	–	–	3,546	–	–	–	3,546
Disposals	(15)	(11,156)	(4,907)	(204)	(379)	–	(16,661)
Exchange differences	(543)	(1,825)	(284)	(158)	(90)	–	(2,900)
At 31 March 2018	149,697	221,307	117,707	43,257	5,484	–	537,452
<b>Net book value</b>							
At 31 March 2017	150,019	66,801	92,496	15,306	2,413	4,541	331,576
At 31 March 2018	138,470	67,207	71,721	17,025	2,965	3,640	301,028

# Advance and progress payments comprise mainly plant, equipment and tooling (2017: office and computer equipment).

	The Group 31 March	
	2018	2017
Net book value of property, plant and equipment acquired under finance lease:		
– Plant, equipment and engine overhaul tooling	30	33
– Motor vehicles	9	11

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 16. PROPERTY, PLANT AND EQUIPMENT (IN THOUSANDS OF \$) (continued)

	Leasehold land and buildings	Plant, equipment & engine overhaul tooling	Aircraft rotable spares	Office furniture and computer equipment	Motor vehicles	Advance and progress payments <sup>#</sup>	Total
<b>The Company</b>							
<b>Cost</b>							
At 1 April 2016	243,432	225,749	192,452	40,722	5,854	8,553	716,762
Additions	–	16,747	2,921	457	426	10,901	31,452
Transfers	–	9,115	–	7,569	46	(16,730)	–
Disposals	–	(10,058)	(3,162)	(497)	(597)	–	(14,314)
At 31 March 2017	243,432	241,553	192,211	48,251	5,729	2,724	733,900
Additions	–	15,361	272	1,613	726	4,880	22,852
Transfers	20	729	–	6,266	90	(7,105)	–
Disposals	–	(10,761)	(8,263)	(314)	(364)	–	(19,702)
At 31 March 2018	243,452	246,882	184,220	55,816	6,181	499	737,050
<b>Accumulated depreciation and impairment losses</b>							
At 1 April 2016	123,760	190,783	88,083	29,151	4,058	–	435,835
Depreciation	8,303	11,883	14,337	5,627	487	–	40,637
Disposals	–	(9,833)	(1,834)	(497)	(597)	–	(12,761)
At 31 March 2017	132,063	192,833	100,586	34,281	3,948	–	463,711
Depreciation	8,304	14,116	13,764	6,448	576	–	43,208
Impairment losses	–	–	3,546	–	–	–	3,546
Disposals	–	(10,866)	(4,651)	(65)	(364)	–	(15,946)
At 31 March 2018	140,367	196,083	113,245	40,664	4,160	–	494,519
<b>Net book value</b>							
At 31 March 2017	111,369	48,720	91,625	13,970	1,781	2,724	270,189
At 31 March 2018	103,085	50,799	70,975	15,152	2,021	499	242,531

# Advance and progress payments comprise mainly office and computer equipment (2017: office and computer equipment).

### Impairment losses

In the financial year ended 31 March 2018, an impairment loss of approximately \$3,546,000 (2016/17: nil) was recognised on certain aircraft rotatable spares that could no longer generate sufficient future cash flows. The recoverable amount was based on an independent valuation, which took into account the expected resale prices in the secondary markets and the service condition of the rotatables.

The recoverable amounts of the rotatables subject to fair valuation, after the impairment charge are approximately \$5,457,000 (level 3 of fair value hierarchy).

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 17. INTANGIBLE ASSETS (IN THOUSANDS OF \$)

	Computer software	Deferred engine development costs	Other intangible assets	Advance and progress payments	Total
<b>The Group</b>					
<b>Cost</b>					
At 1 April 2016	47,421	58,250	4,213	886	110,770
Additions	95	1,637	–	3,518	5,250
Transfers	2,980	–	–	(2,980)	–
Disposals	(250)	(3,068)	–	–	(3,318)
Exchange differences	40	2,069	–	–	2,109
At 31 March 2017	50,286	58,888	4,213	1,424	114,811
Additions	281	6,958	–	4,184	11,423
Transfers	877	–	–	(877)	–
Disposals	(7,138)	–	–	–	(7,138)
Exchange differences	(105)	(3,990)	–	–	(4,095)
At 31 March 2018	44,201	61,856	4,213	4,731	115,001
<b>Accumulated amortisation</b>					
At 1 April 2016	43,162	–	4,213	–	47,375
Amortisation	1,860	3,321	–	–	5,181
Disposals	(249)	(2,871)	–	–	(3,120)
Exchange differences	41	21	–	–	62
At 31 March 2017	44,814	471	4,213	–	49,498
Amortisation	2,087	3,342	–	–	5,429
Disposals	(7,138)	–	–	–	(7,138)
Exchange differences	(91)	(395)	–	–	(486)
At 31 March 2018	39,672	3,418	4,213	–	47,303
<b>Net book value</b>					
At 31 March 2017	5,472	58,417	–	1,424	65,313
At 31 March 2018	4,529	58,438	–	4,731	67,698

### Impairment testing of deferred engine development costs

This relates to the Group's share of engine programme assets including development cost made in connection with its participation in aircraft engine development projects with other companies. An impairment test has been performed and no impairment loss was deemed necessary following the review.

The recoverable amount of the cash-generating unit (the aircraft engine development project) has been determined based on value in use calculations using cash flow projections from the business plan provided by the programme manager for the next 44 years (2016/17: 45 years). The pre-tax discount rate applied to cash flow projections is 9% (2016/17: 9%).

The calculations of value in use are most sensitive to the following assumptions:

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to the cash-generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The recoverable amount is still expected to exceed its carrying amount if the discount rate increases by 1% (2016/17: 1%).



# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 17. INTANGIBLE ASSETS (IN THOUSANDS OF \$) (continued)

Impairment testing of deferred engine development costs (continued)

Number and timing of engine sales – Number and timing of engine sales represent the projected number of aircraft engines expected to be sold each year upon the completion of engine development. Projected engine sales are based on current aircraft orders and expectations of market development.

	Computer software	Other intangible assets	Advance and progress payments	Total
<b>The Company</b>				
<b>Cost</b>				
At 1 April 2016	45,545	2,871	888	49,304
Additions	7	–	2,996	3,003
Transfers	2,980	–	(2,980)	–
Disposals	(5)	(2,871)	–	(2,876)
At 31 March 2017	48,527	–	904	49,431
Additions	217	–	3,912	4,129
Transfers	695	–	(695)	–
Disposals	(7,136)	–	–	(7,136)
At 31 March 2018	42,303	–	4,121	46,424
<b>Accumulated amortisation</b>				
At 1 April 2016	41,698	2,871	–	44,569
Amortisation	1,663	–	–	1,663
Disposals	(6)	(2,871)	–	(2,877)
At 31 March 2017	43,355	–	–	43,355
Amortisation	1,857	–	–	1,857
Disposals	(7,136)	–	–	(7,136)
At 31 March 2018	38,076	–	–	38,076
<b>Net book value</b>				
At 31 March 2017	5,172	–	904	6,076
At 31 March 2018	4,227	–	4,121	8,348

## 18. SUBSIDIARY COMPANIES (IN THOUSANDS OF \$)

	The Company 31 March	
	2018	2017
Unquoted shares, at cost	140,062	127,778
Loan to a subsidiary company	4,573	5,249
Impairment loss	(13,088)	(5,257)
	131,547	127,770

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 18. SUBSIDIARY COMPANIES (IN THOUSANDS OF \$) (continued)

### (a) Composition of the Group

The subsidiary companies at 31 March are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2018	2017	2018	2017
Aircraft Maintenance Services Australia Pty. Ltd. <sup>^</sup>	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Australia	8,515	8,515	100.0	100.0
NexGen Network (1) Holding Pte. Ltd.*	Investment holding	Singapore	11,463	11,463	100.0	100.0
NexGen Network (2) Holding Pte. Ltd.*	Investment holding	Singapore	56,177	49,694	100.0	100.0
SIA Engineering (USA), Inc. <sup>#</sup>	Provide aircraft maintenance services, including technical and non-technical handling at the airport	United States of America	1,358	1,358	100.0	100.0
SIAEC Global Private Limited*	Investment holding	Singapore	@	@	100.0	100.0
SIA Engineering Japan Corporation <sup>##</sup>	Provides aircraft maintenance services, including technical and non-technical handling at the airport	Japan	2,706	–	100.0	–
Singapore Jamco Services Private Limited*	Maintenance, repair and overhaul of aircraft and cabin components/ systems	Singapore	7,741	7,741	80.0	80.0
Heavy Maintenance Singapore Services Pte. Ltd.*	Provide airframe maintenance and component overhaul services	Singapore	11,231	8,136	65.0	65.0
SIA Engineering (Philippines) Corporation <sup>^</sup>	Provide airframe maintenance and component overhaul services	Philippines	27,175	27,175	65.0	65.0
Aerospace Component Engineering Services Pte. Limited*	Repair and overhaul of hydro-mechanical equipment for Boeing and Airbus aircraft	Singapore	10,934	10,934	51.0	51.0

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 18. SUBSIDIARY COMPANIES (IN THOUSANDS OF \$) (continued)

### (a) Composition of the Group (continued)

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2018	2017	2018	2017
Aviation Partnership (Philippines) Corporation <sup>^</sup>	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Philippines	2,762	2,762	51.0	51.0

\* Audited by KPMG LLP, Singapore

<sup>^</sup> Audited by member firms of KPMG International in the respective countries

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

# Not required to be audited under the law in the country of incorporation

## Not required to be audited in the current financial year

During the financial year:

1. The Company invested approximately \$6,483,000 in NexGen Network (2) Holding Pte. Ltd. ("NGN2"), under the terms of the shareholders' agreements.
2. The loan extended to a subsidiary company bears an effective interest ranging of 4.00% (2017: 4.19%) per annum. This loan of approximately \$4,573,000 is non-trade related, unsecured and repayable by 31 March 2020.
3. The Company invested approximately \$3,095,000 in Heavy Maintenance Singapore Services Pte. Ltd. ("HMSS"), under the terms of the shareholder's agreement.
4. The Company incorporated a subsidiary, SIA Engineering Japan Corporation ("SIAE (J)") on 19 May 2017. As at year-end, the Company had a total capital contribution in SIAE (J) of approximately \$2,706,000.
5. The Company conducted an impairment review based on the expected recoverable amount of the investment in a subsidiary company due to its weak performance. An impairment loss of approximately \$7,831,000 was recognised to write down the investment in a subsidiary company and the loan extended to the subsidiary company (see note 2 above) to its recoverable amount, estimated based on adjusted net assets as proxy to fair value of the company as at 31 March 2018. The adjusted net assets comprise the fair value of fixed assets and other working capital items which are current monetary assets and liabilities.

### (b) Interest in subsidiary companies with material non-controlling interests ("NCI")

The Group has the following subsidiary companies that has NCI that are material to the Group:

Name	Principal place of business/Country of incorporation	Operating Segment	Ownership interests held by NCI	
			2018 %	2017 %
SIA Engineering (Philippines) Corporation	Philippines	Airframe and line maintenance	35.0	35.0
Aerospace Component Engineering Services Pte. Limited	Singapore	Engine and component	49.0	49.0

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 18. SUBSIDIARY COMPANIES (IN THOUSANDS OF \$) (continued)

### (c) Summarised financial information about subsidiary companies with material NCI

Summarised financial information before intercompany eliminations of subsidiary companies with material non-controlling interests are as follows:

	SIA Engineering (Philippines) Corporation		Aerospace Component Engineering Services Pte. Limited	
	31 March 2018	2017	31 March 2018	2017
<b>Summarised balance sheet</b>				
<u>Current</u>				
Assets	21,683	20,192	17,223	17,665
Liabilities	(16,708)	(10,157)	(3,444)	(3,608)
Net current assets	4,975	10,035	13,779	14,057
<u>Non-Current</u>				
Assets	42,895	46,311	5,934	6,792
Liabilities	(17,297)	(25,329)	(213)	(184)
Net non-current assets	25,598	20,982	5,721	6,608
Net assets	30,573	31,017	19,500	20,665
<b>Summarised statement of comprehensive income</b>				
Revenue	41,966	31,639	22,839	23,404
Profit before income tax	1,681	812	2,045	2,037
Taxation	(366)	(239)	(326)	(433)
Profit after tax	1,315	573	1,719	1,604
Other comprehensive income	131	3	–	–
Total comprehensive income	1,446	576	1,719	1,604
<b>Other summarised information</b>				
Net cash flow from operations	6,452	899	3,408	3,161
Acquisition of significant property, plant and equipment	(3,081)	(2,446)	(645)	(355)

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 19. ASSOCIATED COMPANIES (IN THOUSANDS OF \$)

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Unquoted shares, at cost	226,406	198,435	223,615	195,644
Share of post-acquisition reserves	277,049	271,705	–	–
Share of other comprehensive income	405	340	–	–
Goodwill written-off to reserves	(24,398)	(24,398)	–	–
FRS 109 transfer to reserves	(460)	(460)	–	–
Translation adjustment	(84,002)	(63,037)	–	–
Impairment loss	(2,538)	(2,538)	(2,718)	(2,718)
	392,462	380,047	220,897	192,926

The associated companies at 31 March are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2018	2017	2018	2017
Boeing Asia Pacific Aviation Services Pte. Ltd. <sup>^^^</sup>	Provide engineering, material management and fleet support solutions	Singapore	50,965	23,516	49.0	49.0
Eagle Services Asia Private Limited <sup># #</sup>	Repair and overhaul of aircraft engines	Singapore	71,588	71,588	49.0	49.0
Fuel Accessory Service Technologies Pte Ltd <sup># #</sup>	Repair and overhaul of engine fuel components and accessories	Singapore	5,071	5,071	49.0	49.0
Moog Aircraft Services Asia Pte. Ltd. <sup>#####</sup>	Repair and overhaul services for flight control systems	Singapore	4,626	–	49.0	–
PT Jas Aero-Engineering Services <sup>^^</sup>	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Indonesia	3,675	3,675	49.0	49.0
Southern Airports Aircraft Maintenance Services Company Limited <sup>***</sup>	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Vietnam	1,117	1,117	49.0	49.0
Pan Asia Pacific Aviation Services Ltd <sup>*</sup>	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Hong Kong	3,224	3,224	40.0	47.1
Component Aerospace Singapore Pte. Ltd. <sup># #</sup>	Repair and overhaul of aircraft engine combustion chambers, guides, fuel nozzles and related parts	Singapore	2,853	2,853	46.4	46.4

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 19. 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	
			2018	2017	2018	2017
JAMCO Aero Design & Engineering Private Limited*****	Provide turnkey solutions for aircraft interior modifications	Singapore	767	767	45.0	45.0
Panasonic Avionics Services Singapore Pte. Ltd.®	Provide line maintenance and repair services of in-flight entertainment systems	Singapore	2,685	2,685	42.5	42.5
Goodrich Aerostructures Service Center-Asia Pte Ltd##	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	Singapore	37,220	37,220	40.0	40.0
Safran Electronics & Defense Services Asia Pte. Ltd.**	Provide avionics maintenance, repair and overhaul services	Singapore	11,004	11,004	40.0	40.0
Safran Landing Systems Services Singapore Pte. Ltd.****	Repair and overhaul of Boeing and Airbus series landing gears	Singapore	13,971	13,971	40.0	40.0
Asian Surface Technologies Pte Ltd^	Repair and overhaul of aircraft engine fan blades	Singapore	2,718	2,718	39.2	39.2
International Aerospace Tubes – Asia Pte. Ltd.##	Repair of tubes, ducts and manifolds for aircraft engines and airframe application	Singapore	5,286	5,286	33.3	33.3
Asian Compressor Technology Services Co Ltd#	Repair and overhaul of aircraft engine high pressure compressor stators	Taiwan	–	4,104	–	24.5
Turbine Coating Services Pte Ltd##	Repair and overhaul of aircraft engine turbine airfoils	Singapore	5,671	5,671	24.5	24.5

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 19. 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	
			2018	2017	2018	2017
Jamco Singapore Private Limited*****	Manufacturing and sales of aircraft cabin equipment	Singapore	3,965	3,965	20.0	20.0

@ Audited by KPMG LLP, Singapore

# Audited by PriceWaterhouseCoopers, Taiwan

## Audited by PriceWaterhouseCoopers, Singapore

### Not required to be audited in the current financial year

\* Audited by BDO Limited, Hong Kong

\*\* Appointed/ Audited by Ernst & Young LLP, Singapore

\*\*\* Audited by Deloitte & Touche, Vietnam

\*\*\*\* Audited by Mazars LLP, Singapore

\*\*\*\*\* Audited by Grant Thornton LLP, Singapore

^ Audited by RSM Chio Lim, Singapore

^^ Audited by RSM AAJ, Indonesia

^^^ Audited by Deloitte & Touche, Singapore

^^^^ Audited by Foo Kon Tan LLP

During the financial year:

1. The Company invested approximately \$27,449,000 in Boeing Asia Pacific Aviation Services Pte. Ltd ("BAPAS"), under the terms of the shareholders' agreement.
2. The Company incorporated an associated company, Moog Aircraft Services Asia Pte. Ltd. ("MASA") with Moog Inc. on 3 October 2017. As at year-end, the Company had a total capital contribution in MASA of approximately \$4,626,000.
3. On 22 January 2018, the Company, together with its joint venture partners, Pratt & Whitney ("P&W") and China Airlines Limited ("CAL"), completed the sale of 100% share of Asian Compressor Technology Services Co Ltd ("ACTS"). A gain on disposal of \$14,269,000 has been recorded in the consolidated income statement and ACTS ceased to be an associated company.
4. On 5 March 2018, Hong Kong Airlines Ltd ("HKA") completed the subscription for new shares in Pan Asia Pacific Services Ltd ("PAPAS") for a cash consideration of approximately HK\$21.7 million. After HKA's subscription for new shares in PAPAS, the company's relative interest in PAPAS is 40%. A gain on dilution of approximately \$870,000 was recognised in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 19. ASSOCIATED COMPANIES (IN THOUSANDS OF \$) (continued)

The carrying amount of the material investment is as follows:

	The Group 31 March	
	2018	2017
Eagle Services Asia Private Limited ("ESA")	175,290	164,779
Other associated companies	217,172	215,268
	<b>392,462</b>	<b>380,047</b>

The activities of ESA complement the Group's activities.

Dividends of approximately \$8,026,000 (2016/17: \$8,900,000) were received from ESA.

Summarised financial information in respect of ESA is as follows:

	31 March	
	2018	2017
<b>Summarised balance sheet</b>		
<u>Funds employed:</u>		
Current assets	367,454	296,900
Non-current assets	80,331	52,378
	<b>447,785</b>	<b>349,278</b>
Current liabilities	(86,409)	(10,142)
Non-current liabilities	(3,641)	(2,852)
	<b>357,735</b>	<b>336,284</b>
<u>Financed by:</u>		
Shareholders' equity	357,735	336,284

	2017/18	2016/17
<b>Summarised statement of comprehensive income</b>		
Revenue	1,202,577	1,144,225
Profit after taxation from continuing operations	59,220	46,568
Total comprehensive income	<b>59,220</b>	<b>46,568</b>

The summarised financial information presented is extracted from the last audited financial statements available and unaudited management financial statements of ESA, prepared in accordance with Singapore Financial Reporting Standards.



# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 19. ASSOCIATED COMPANIES (IN THOUSANDS OF \$) (continued)

A reconciliation of the summarised financial information to the carrying amounts of ESA is as follows:

	The Group 31 March	
	2018	2017
Group's share of 49% of net assets	175,290	164,779

Aggregate information about the Group's investment in associated companies that are not individually material are as follows:

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

	The Group 31 March	
	2018	2017
<b>Summarised balance sheet</b>		
<u>Funds employed:</u>		
Current assets	219,141	201,477
Non-current assets	72,192	75,830
	291,333	277,307
Current liabilities	(72,122)	(60,858)
Non-current liabilities	(5,050)	(4,192)
	214,161	212,257
<u>Financed by:</u>		
Shareholders' equity	214,161	212,257

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

	The Group	
	2017/18	2016/17
<b>Summarised statement of comprehensive income</b>		
Profit or loss after tax from continuing operations	40,516	42,032
Other comprehensive income	65	22
Total comprehensive income	40,581	42,054

# NOTES TO THE FINANCIAL STATEMENTS

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## 20. JOINT VENTURE COMPANY (IN THOUSANDS OF \$)

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Unquoted shares, at cost	61,867	61,867	61,867	61,867
Share of post-acquisition reserves	110,809	116,424	–	–
Share of other comprehensive income	4,002	(906)	–	–
Translation adjustment	(24,827)	(15,370)	–	–
	151,851	162,015	61,867	61,867

The joint venture company at 31 March is as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2018	2017	2018	2017
Singapore Aero Engine Services Pte Ltd	Repair and overhaul of aircraft engines	Singapore	61,867	61,867	50.0	50.0

The joint venture company is audited by KPMG LLP, Singapore for the financial year ended 31 December 2017.

The carrying amount of the investment is as follows:

	The Group 31 March	
	2018	2017
Singapore Aero Engine Services Pte Ltd ("SAESL")	151,851	162,015

The Group has 50% (2016/17: 50%) interest in the ownership and voting rights in SAESL. The activities of SAESL complement the Group's activities. The Group jointly controls SAESL with other partners under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

Dividends of approximately \$45,899,000 (2016/17: \$22,752,000) were received from SAESL.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 20. JOINT VENTURE COMPANY (IN THOUSANDS OF \$) (continued)

Summarised financial information in respect of SAESL is as follows:

	31 March	
	2018	2017
<b>Summarised balance sheet</b>		
<u>Funds employed:</u>		
Cash and short-term deposits	45,540	22,205
Other current assets	642,124	509,870
Total current assets	687,664	532,075
Non-current assets	263,089	282,766
Total assets	950,753	814,841
Current liabilities	(437,794)	(384,617)
Non-current liabilities	(209,256)	(106,191)
Total liabilities	(647,050)	(490,808)
Net assets	303,703	324,033
<u>Financed by:</u>		
Shareholders' equity	303,703	324,033
	<b>2017/18</b>	<b>2016/17</b>
<b>Summarised statement of comprehensive income</b>		
Revenue	1,980,455	1,578,479
Depreciation and amortisation	(21,592)	(21,269)
Interest income	66	147
Interest expense	(4,767)	(3,123)
Profit before tax	85,808	62,072
Taxation	(5,239)	(243)
Profit after taxation	80,569	61,829
Other comprehensive income	9,816	1,672
Total comprehensive income	90,385	63,501

The summarised financial information presented is extracted from the last audited financial statements available and unaudited management financial statements of SAESL, prepared in accordance with Singapore Financial Reporting Standards.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 20. JOINT VENTURE COMPANY (IN THOUSANDS OF \$) (continued)

A reconciliation of the summarised financial information to the carrying amounts of SAESL is as follows:

	The Group 31 March	
	2018	2017
Group's share of 50% of net assets	151,851	162,017

## 21. TRADE DEBTORS (IN THOUSANDS OF \$)

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Trade debtors	70,948	87,504	52,653	60,490
Accrued receivables	196,980	110,482	182,227	106,937
	267,928	197,986	234,880	167,427

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

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Not past due and not impaired	248,133	157,378	223,655	138,961
Past due but not impaired*	19,795	40,608	11,225	28,466
	267,928	197,986	234,880	167,427
Impaired trade debtors – collectively assessed	2,225	1,706	1,992	1,298
Less: Accumulated impairment losses	(2,225)	(1,706)	(1,992)	(1,298)
	–	–	–	–
Total trade debtors, net	267,928	197,986	234,880	167,427
* Aging of trade debtors that are past due but not impaired				
Less than 30 days	8,249	26,416	4,029	20,027
30 days to 60 days	6,596	5,244	5,075	4,639
61 days to 90 days	2,391	2,314	1,374	1,236
More than 90 days	2,559	6,634	747	2,564
	19,795	40,608	11,225	28,466

Trade debtors are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The carrying amount of trade debtors impaired by credit losses is reduced through the use of an allowance account unless on the date the impairment loss is recognised, the Group ascertains the amount to be uncollectible whereby it would be reduced directly. In subsequent periods when a trade debtor is ascertained to be uncollectible, it is written off against the allowance account.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 21. TRADE DEBTORS (IN THOUSANDS OF \$) (continued)

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

Accrued receivables pertain to services rendered which have not been billed. Included in accrued receivables are services rendered to immediate holding company of approximately \$67,945,000 (2017: \$47,405,000) and \$67,903,000 (2017: \$47,405,000) for the Group and Company respectively, and services rendered to fellow subsidiaries of the immediate holding company of approximately \$25,319,000 (2017: \$12,786,000) and \$22,568,000 (2017: \$12,786,000) for the Group and Company respectively.

Trade debtors are stated after deducting impairment losses. An analysis of the impairment loss account is as follows:

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Balance at 1 April	1,706	4,240	1,298	3,171
FRS 109 transfer to reserves	–	(523)	–	(523)
Charge/ (Write-back) to profit or loss, net	1,130	(721)	1,205	(60)
Provision utilised during the year	(611)	(1,290)	(511)	(1,290)
Balance at 31 March	2,225	1,706	1,992	1,298
Bad debts written off directly to profit or loss account, net of debts recovered	983	–	–	–

As at 31 March 2018, trade debtors in currencies other than the Group's functional currencies which were denominated in United States Dollars amounted to 15% (2017: 27%) for the Group and 15% (2017: 29%) for the Company.

## 22. PREPAYMENTS AND OTHER DEBTORS (IN THOUSANDS OF \$)

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Prepayments	9,597	7,546	3,030	3,003
Other debtors	10,151	7,161	8,126	4,549
	19,748	14,707	11,156	7,552

Included in other debtors are deposits of approximately \$1,963,000 (2017: \$2,484,000) and \$366,000 (2017: \$331,000) for the Group and Company respectively, and fair value change of forward contracts of approximately \$461,000 for the Group and Company in 2018.

The contract/notional amounts of the forward currency contracts as at 31 March 2018 were approximately \$60,657,000 for the Group and the Company. These contracts were entered into by the Company's immediate holding company, on behalf of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 23. IMMEDIATE HOLDING COMPANY (IN THOUSANDS OF \$)

The amounts due from the immediate holding company, which are carried at cost, are unsecured, trade-related, interest-free and are repayable based on agreed trade terms. The Group has an arrangement with its immediate holding company to settle the net amounts due to or from each other in cash, based on the agreed terms.

The Group's receivables and payables from/(to) immediate holding company that are offset are as follows:

	The Group 31 March 2018			The Company 31 March 2018		
	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Receivables	107,108	(65,116)	41,992	105,678	(65,116)	40,562
Payables	(65,116)	65,116	–	(65,116)	65,116	–

	31 March 2017			31 March 2017		
	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Receivables	135,902	(56,986)	78,916	134,032	(56,986)	77,046
Payables	(56,986)	56,986	–	(56,986)	56,986	–

## 24. AMOUNTS OWING BY/(TO) RELATED PARTIES (IN THOUSANDS OF \$)

The amounts owing by/(to) related parties of the Group are unsecured, trade-related, interest-free and are repayable based on agreed trade terms. The Group has an arrangement with its related parties to settle the net amounts due to or from each other in cash, based on the agreed terms.

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Amounts owing by related parties				
– Fellow subsidiaries	31,619	38,451	30,785	37,741
– Subsidiaries	–	–	8,124	1,741
– Joint venture/associated companies	8,849	8,985	8,689	8,816
– Others	1,433	1,315	1,383	1,315
	41,901	48,751	48,981	49,613
Amounts owing to related parties				
– Fellow subsidiaries	–	(6,334)	–	(6,334)
– Subsidiaries	–	–	(18,991)	(16,984)
– Joint venture/associated companies	(410)	(554)	(405)	(554)
– Others	–	(2,349)	–	(2,318)
	(410)	(9,237)	(19,396)	(26,190)

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 24. AMOUNTS OWING BY/(TO) RELATED PARTIES (IN THOUSANDS OF \$) (continued)

The Group's receivables and payables from/(to) related parties that are offset are as follows:

	The Group 31 March 2018			The Company 31 March 2018		
	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Amounts owing by related parties						
– Fellow subsidiaries	36,321	(4,702)	31,619	35,487	(4,702)	30,785
– Subsidiaries	–	–	–	8,273	(149)	8,124
– Joint venture/associated companies	8,849	–	8,849	8,689	–	8,689
– Others	1,433	–	1,433	1,383	–	1,383
	46,603	(4,702)	41,901	53,832	(4,851)	48,981
Amounts owing to related parties						
– Fellow subsidiaries	–	–	–	–	–	–
– Subsidiaries	–	–	–	(19,445)	454	(18,991)
– Joint venture/associated companies	(410)	–	(410)	(405)	–	(405)
– Others	–	–	–	–	–	–
	(410)	–	(410)	(19,850)	454	(19,396)

	The Group 31 March 2017			The Company 31 March 2017		
	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Amounts owing by related parties						
– Fellow subsidiaries	43,205	(4,754)	38,451	42,495	(4,754)	37,741
– Subsidiaries	–	–	–	2,715	(974)	1,741
– Joint venture/associated companies	8,985	–	8,985	8,816	–	8,816
– Others	1,315	–	1,315	1,315	–	1,315
	53,505	(4,754)	48,751	55,341	(5,728)	49,613
Amounts owing to related parties						
– Fellow subsidiaries	(6,334)	–	(6,334)	(6,334)	–	(6,334)
– Subsidiaries	–	–	–	(17,542)	558	(16,984)
– Joint venture/associated companies	(554)	–	(554)	(554)	–	(554)
– Others	(2,349)	–	(2,349)	(2,318)	–	(2,318)
	(9,237)	–	(9,237)	(26,748)	558	(26,190)

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 25. INVENTORIES (IN THOUSANDS OF \$)

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Aircraft and component spares	28,730	31,142	24,011	26,655
Consumable stores and stocks	5,468	6,181	505	329
Total inventories at lower of cost and net realisable value	34,198	37,323	24,516	26,984

Inventories are stated after deducting provision for stock obsolescence. An analysis of the provision for stock obsolescence is as follows:

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Balance at 1 April	22,292	22,253	22,113	21,221
Charge to profit or loss, net	2,794	1,662	2,740	1,262
Provision utilised during the year	(4,056)	(1,623)	(4,272)	(370)
Balance at 31 March	21,030	22,292	20,581	22,113

## 26. SHORT-TERM DEPOSITS (IN THOUSANDS OF \$)

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Deposits placed with the immediate holding company	414,895	516,636	414,895	516,636
Fixed deposits placed with banks	18,755	14,563	1,507	1,505
	433,650	531,199	416,402	518,141

The surplus funds of the Group's working capital requirements are placed in short-term deposits with the immediate holding company and external financial institutions for varying periods depending on the immediate cash requirements of the Group. These deposits earn interest ranging from 0.1% to 2.28% (2017: 0.01% to 1.5%) per annum and can be withdrawn on demand. The interest rates are repriced at varying periods ranging from 1 to 12 months (2017: 1 to 12 months).

As at 31 March 2018, short-term deposits in currencies other than the Group's functional currencies which were denominated in United States Dollars amounted to 22% (2017: 13%) for the Group and 21% (2017: 12%) for the Company.

## 27. CASH AND BANK BALANCES

These balances are placed in current accounts earning interest at floating rates based on daily bank deposit rates ranging from 0.0% to 0.33% (2017: 0.0% to 0.33%) per annum.

As at 31 March 2018, cash and bank balances in currencies other than the Group's functional currencies which were denominated in United States Dollars amounted to 44% (2017: 37%) for the Group and 65% (2017: 45%) for the Company.



# NOTES TO THE FINANCIAL STATEMENTS

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## 28. TRADE AND OTHER CREDITORS (IN THOUSANDS OF \$)

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Trade	57,993	57,721	37,559	42,716
Accruals	162,732	191,683	136,247	167,518
Provision for warranty claims	1,730	949	381	949
	222,455	250,353	174,187	211,183

These amounts are non-interest bearing.

Included in trade and other creditors are fair value change of forward contracts of approximately \$641,000 for the Group and the Company in 2017.

The contract/notional amounts of the forward currency contracts as at 31 March 2017 were approximately \$48,224,000 for the Group and the Company. These contracts were entered into by the Company's immediate holding company, on behalf of the Group and the Company.

As at 31 March 2018, trade and other creditors in currencies other than the Group's functional currencies which were denominated in United States Dollars amounted to 13% (2017: 14%) for the Group and 17% (2017: 17%) for the Company.

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

	Group and Company	
	2018	2017
Balance at 1 April	949	187
Charge to profit or loss, net	1,294	889
Provision utilised during the year	(513)	(127)
Balance at 31 March	1,730	949

## 29. BANK LOANS (IN THOUSANDS OF \$)

	The Group 31 March	
	2018	2017
<u>Current liabilities</u>		
Current portion of long-term bank loan	3,243	3,454
Revolving credit facilities	1,377	629
	4,620	4,083
<u>Non-current liability</u>		
Long-term bank loan	17,297	21,876

The revolving credit facilities denominated in United States dollars taken by a subsidiary company are unsecured and bears fixed interest ranging from 2.75% to 3.15% per annum (2017: 2.50% to 2.75% per annum). The current revolving credit facilities shall be repayable within 12 months after the reporting date.

The long-term bank loan denominated in United States dollars taken by a subsidiary company is unsecured and bears interest at an average floating rate of 3.17% per annum (2017: 2.09% per annum), re-priced quarterly. This loan is repayable by 29 April 2022.

# NOTES TO THE FINANCIAL STATEMENTS

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## 29. BANK LOANS (IN THOUSANDS OF \$) (continued)

### Reconciliation of movements of liabilities to cash flows arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 April 2017	Proceeds	Repayments	Interest payments	Non-cash changes		31 March 2018
					Interest expense	Foreign exchange movement	
Long-term bank loan	21,876	–	(3,327)	(682)	682	(1,252)	17,297
Bank loans	4,083	3,694	(2,770)	(90)	90	(387)	4,620
	25,959	3,694	(6,097)	(772)	772	(1,639)	21,917

## 30. CASH FLOW FROM OPERATING ACTIVITIES (IN THOUSANDS OF \$)

	The Group	
	2017/18	2016/17
<b>Profit before taxation</b>	206,425	355,034
Adjustments for:		
Interest income	(4,860)	(4,030)
Interest on external borrowings	772	727
Depreciation of property, plant and equipment	50,903	47,592
Amortisation of intangible assets	5,429	5,181
Impairment of property, plant and equipment	3,546	–
Share of profits of associated and joint venture companies, net of tax	(109,818)	(96,447)
Dividend income from non-current asset held for sale	–	(39,469)
(Surplus)/loss on disposal of property, plant and equipment	(980)	87
Surplus on disposal/partial disposal of an associated company	(14,269)	(2,324)
Surplus on dilution of shareholding in an associated company	(870)	–
Surplus on disposal of non-current asset held for sale	–	(141,572)
Exchange differences	6,518	(5,481)
Share-based compensation expense	2,203	3,202
<b>Operating profit before working capital changes</b>	144,999	122,500
Increase in debtors	(81,906)	(3,374)
Decrease in inventories	3,125	3,339
(Decrease)/Increase in creditors	(27,520)	19,456
Decrease/(Increase) in amounts owing by immediate holding company	36,810	(16,499)
(Increase)/Decrease in amounts owing by related parties, net	(1,977)	26,786
<b>Cash generated from operations</b>	73,531	152,208
Income taxes paid	(19,137)	(20,393)
<b>Net cash provided by operating activities</b>	54,394	131,815

# NOTES TO THE FINANCIAL STATEMENTS

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## 31. CAPITAL AND OTHER COMMITMENTS

### (a) Capital expenditure commitments

The Group and the Company have commitments for capital expenditure, with an aggregate value of approximately \$57,911,000 (2017: \$59,916,000) for the Group and \$42,966,000 (2017: \$35,615,000) for the Company.

In addition, the Group's share of a joint venture company's purchase commitments for capital expenditure totalled approximately \$6,089,000 (2017: \$5,983,000).

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

The Group has entered into operating lease agreements for certain equipment and leasehold land and buildings. These non-cancellable leases have lease terms of between 1 and 50 years. There are no restrictions placed upon the Group or the Company by these lease arrangements.

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

	The Group 31 March	
	2018	2017
Within one year	17,235	15,338
After one year but less than five years	25,309	24,863
More than five years	47,580	46,719
	<u>90,124</u>	<u>86,920</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 32. FINANCIAL INSTRUMENTS (IN THOUSANDS OF \$)

### (a) Classification of financial instruments

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

	Financial assets at amortised cost	Derivatives used for hedging at fair value	Financial liabilities at amortised cost	Total
<b>The Group</b>				
<b>31 March 2018</b>				
<u>Assets</u>				
Trade debtors	267,928	–	–	267,928
Other debtors	9,690	461	–	10,151
Immediate holding company	41,992	–	–	41,992
Amounts owing by related parties	41,901	–	–	41,901
Short-term deposits	433,650	–	–	433,650
Cash and bank balances	66,129	–	–	66,129
Total financial assets	861,290	461	–	861,751
Total non-financial assets				956,834
Total assets				1,818,585
<u>Liabilities</u>				
Trade and other creditors	–	–	220,725	220,725
Amounts owing to related parties	–	–	410	410
Bank loans	–	–	4,620	4,620
Long-term bank loan	–	–	17,297	17,297
Total financial liabilities	–	–	243,052	243,052
Total non-financial liabilities				48,398
Total liabilities				291,450

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 32. FINANCIAL INSTRUMENTS (IN THOUSANDS OF \$) (continued)

### (a) Classification of financial instruments (continued)

	Financial assets at amortised cost	Derivatives used for hedging at fair value	Financial liabilities at amortised cost	Total
<b>The Group</b>				
<b>31 March 2017</b>				
<u>Assets</u>				
Trade debtors	197,986	-	-	197,986
Other debtors	7,161	-	-	7,161
Immediate holding company	78,916	-	-	78,916
Amounts owing by related parties	48,751	-	-	48,751
Short-term deposits	531,199	-	-	531,199
Cash and bank balances	70,536	-	-	70,536
Total financial assets	934,549	-	-	934,549
Total non-financial assets				983,820
Total assets				1,918,369
<u>Liabilities</u>				
Trade and other creditors	-	641	248,763	249,404
Amounts owing to related parties	-	-	9,237	9,237
Bank loans	-	-	4,083	4,083
Long-term bank loan	-	-	21,876	21,876
Total financial liabilities	-	641	283,959	284,600
Total non-financial liabilities				45,769
Total liabilities				330,369

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 32. FINANCIAL INSTRUMENTS (IN THOUSANDS OF \$) (continued)

### (a) Classification of financial instruments (continued)

	Financial assets at amortised cost	Derivatives used for hedging at fair value	Financial liabilities at amortised cost	Total
<b>The Company</b>				
<b>31 March 2018</b>				
<u>Assets</u>				
Trade debtors	234,880	–	–	234,880
Other debtors	7,665	461	–	8,126
Immediate holding company	40,562	–	–	40,562
Amounts owing by related parties	48,981	–	–	48,981
Short-term deposits	416,402	–	–	416,402
Cash and bank balances	39,829	–	–	39,829
Total financial assets	788,319	461	–	788,780
Total non-financial assets				692,736
Total assets				1,481,516
<u>Liabilities</u>				
Trade and other creditors	–	–	173,806	173,806
Amounts owing to related parties	–	–	19,396	19,396
Total financial liabilities	–	–	193,202	193,202
Total non-financial liabilities				43,783
Total liabilities				236,985

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 32. FINANCIAL INSTRUMENTS (IN THOUSANDS OF \$) (continued)

### (a) Classification of financial instruments (continued)

	Financial assets at amortised cost	Derivatives used for hedging at fair value	Financial liabilities at amortised cost	Total
<b>The Company</b>				
<b>31 March 2017</b>				
<u>Assets</u>				
Loan to a subsidiary company	5,249	–	–	5,249
Trade debtors	167,427	–	–	167,427
Other debtors	4,549	–	–	4,549
Immediate holding company	77,046	–	–	77,046
Amounts owing by related parties	49,613	–	–	49,613
Short-term deposits	518,141	–	–	518,141
Cash and bank balances	40,405	–	–	40,405
Total financial assets	862,430	–	–	862,430
Total non-financial assets				683,566
Total assets				1,545,996
<u>Liabilities</u>				
Trade and other creditors	–	641	209,593	210,234
Amounts owing to related parties	–	–	26,190	26,190
Total financial liabilities	–	641	235,783	236,424
Total non-financial liabilities				41,022
Total liabilities				277,446

### (b) Fair values

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

#### Financial instruments carried at fair value

##### Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 32. FINANCIAL INSTRUMENTS (IN THOUSANDS OF \$) (continued)

### (b) Fair values (continued)

#### Financial instruments carried at fair value (continued)

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	The Group and the Company 31 March 2018			Total
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs, other than quoted price (Level 2)	Significant unobservable inputs (Level 3)	
<b>Recurring fair value measurements</b>				
<u>Financial asset</u>				
Derivative financial instruments				
Currency hedging contracts	–	461	–	461
	–	461	–	461

	The Group and the Company 31 March 2017			Total
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs, other than quoted price (Level 2)	Significant unobservable inputs (Level 3)	
<b>Recurring fair value measurements</b>				
<u>Financial liability</u>				
Derivative financial instruments				
Currency hedging contracts	–	641	–	641
	–	641	–	641



# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 32. FINANCIAL INSTRUMENTS (IN THOUSANDS OF \$) (continued)

### (b) Fair values (continued)

#### Financial instruments carried at fair value (continued)

##### Level 2 fair value measurements

The Group and Company have carried all derivative instruments at their fair values.

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

#### Financial instruments whose carrying amounts are reasonable approximation of fair value

The carrying amounts of the following financial assets and financial liabilities are reasonable approximations of their fair values due to their short-term nature: cash and bank balances, short-term deposits, amounts owing by/to related parties, immediate holding company, loans, trade and other debtors and creditors.

The carrying amounts of the long-term loan and loan to a subsidiary company are reasonable approximations of fair value as the loans are floating rate loans that re-price to market interest rate quarterly.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IN THOUSANDS OF \$)

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

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

The Audit Committee provides oversight to the work of the Group Risk Management Committee in respect of financial risks.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IN THOUSANDS OF \$) (continued)

### (a) Foreign currency risk

The Group has transactional currency exposures arising from operating revenues and expenses that are denominated in a currency other than the respective functional currencies of Group entities, primarily, Singapore dollars (SGD), Australian dollars (AUD), Philippine Pesos (PHP), Japanese Yen (JPY) and United States dollars (USD). The foreign currencies in which these transactions are denominated are mainly United States dollars. For the financial year ended 31 March 2018, these accounted for 20% of total revenue (2016/17: 24%) and 9% of total operating expenses (2016/17: 10%). The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures.

The Group and Company also hold cash and cash equivalents in foreign currencies other than the functional currencies of the Group, denominated mainly in USD, for working capital purposes. At the end of the reporting period, such USD balances amounted to approximately \$124,306,000 (2017: \$95,124,000) and \$114,535,000 (2017: \$80,557,000) for the Group and the Company respectively.

The Group manages its foreign exchange exposure by a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, as soon as practicable, for Singapore dollars. The Group also uses forward foreign currency contracts to hedge a portion of its future foreign exchange exposure. Such contracts provide for the Group to sell United States dollars at predetermined forward rates, depending on forecast requirements, with settlement dates that range up to one year for the company and up to 3 years for a joint venture. The Group uses forward contracts purely as a hedging tool. It does not take positions in currencies with a view to make speculative gains from currency movements.

#### Cash flow hedges

The Company enters into forward currency contracts to hedge against foreign currency risk for a portion of the forecast net cash generation of USD in the next 12 months. The Company sets aside USD in short-term deposits to hedge against foreign currency risk on highly probable forecast transactions. These transactions pertain to USD capital injections in an associated company.

The cash flow hedges of the expected inflows and outflows in USD in the next 12 months and the highly probable USD capital injections in an associated company were assessed to be highly effective and at 31 March 2018, a net fair value loss before tax of \$421,000 (2017: net fair value gain before tax of \$391,000) with a related deferred tax asset \$72,000 (2017: deferred tax liability of \$66,000), were included in fair value reserve in respect of these contracts.

The cash flows arising from the foreign currency contracts are expected to occur and enter into the determination of profit or loss in the next financial year, and in the case of a joint venture, in the next 3 years.

#### Foreign currency sensitivity analysis

The foreign currency risk sensitivity analysis is based on the assumption that all cash flow hedges are highly effective; hence there will be no impact on profit before taxation from the cash flow hedges.

The following table details the sensitivity to a 1% weakening or strengthening of SGD exchange rate against the USD with all other variables held constant. The sensitivity analysis includes only the USD currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rate.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IN THOUSANDS OF \$) (continued)

### (a) Foreign currency risk (continued)

Foreign currency sensitivity analysis (continued)

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
<u>Effect of weakening of SGD against USD</u>				
Profit before taxation <sup>R1</sup>	1,352	1,135	1,216	946
Equity <sup>R2</sup>	(602)	(489)	(602)	(489)
<u>Effect of strengthening of SGD against USD</u>				
Profit before taxation <sup>R1</sup>	(1,352)	(1,135)	(1,216)	(946)
Equity <sup>R2</sup>	602	489	602	489

R1 Sensitivity analysis on significant outstanding USD denominated monetary items.

R2 Sensitivity analysis on outstanding USD hedging contracts.

### (b) Interest rate risk

The Group's exposure to market risk for changes in the interest rates relates primarily to the Group's short-term deposits with the immediate holding company and banks and other interest-bearing financial assets and financial liabilities.

As at 31 March 2018, other than those short-term deposits and borrowings, the Group has a floating rate long-term bank loan which is re-priced quarterly.

Interest rate sensitivity analysis

At the end of the reporting period, if the floating rates had been 50 basis points lower/higher with all other variables held constant, the Group's profit before tax would have been approximately \$120,000 (2017: \$143,000) higher/lower, arising mainly as a result of lower/higher interest expense on the floating rate loan.

### (c) Credit and Counterparty risk

The Group's and Company's maximum exposure to credit risk in the event that counterparties fail to perform their contractual obligations as at 31 March 2018 in relation to each class of recognised financial assets are as follows:

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Loan to a subsidiary company	–	–	–	5,249
Trade debtors	267,928	197,986	234,880	167,427
Other debtors	10,151	7,161	8,126	4,549
Immediate holding company	41,992	78,916	40,562	77,046
Amounts owing by related parties	41,901	48,751	48,981	49,613
Short-term deposits	433,650	531,199	416,402	518,141
Cash and bank balances	66,129	70,536	39,829	40,405
	861,751	934,549	788,780	862,430

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IN THOUSANDS OF \$) (continued)

### (c) Credit and Counterparty risk (continued)

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

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors. 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 where appropriate, obtains collaterals, including bank guarantees and letters of credit, from customers. In addition, the Group monitors the receivable balances on an ongoing basis, providing for doubtful accounts whenever risks are identified. At 31 March 2018, the only trade debtor exceeding 30% of the Group's trade debtors was an amount of approximately \$109,937,000 (2017: \$126,321,000) due from its immediate holding company, Singapore Airlines Limited.

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

	The Group				The Company			
	Outstanding balance		Percentage of total financial assets		Outstanding balance		Percentage of total financial assets	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Counterparty profiles</b>								
By industry:								
Airlines	732,656	811,699	85%	87%	706,196	782,229	90%	91%
Financial institutions	84,878	83,589	10%	9%	41,336	40,405	5%	5%
Others	34,066	32,100	4%	3%	33,122	29,998	4%	3%
	851,600	927,388	99%	99%	780,654	852,632	99%	99%
By region:								
East Asia	730,917	842,736	85%	90%	678,663	783,657	86%	91%
Europe	90,143	58,686	10%	6%	89,071	58,061	11%	7%
South West Pacific	10,799	8,004	1%	1%	3,418	2,749	0%	0%
Americas	14,535	15,130	2%	2%	4,761	5,864	1%	1%
West Asia and Africa	5,206	2,832	1%	0%	4,741	2,301	1%	0%
	851,600	927,388	99%	99%	780,654	852,632	99%	99%
By Moody's credit ratings:								
Investment grade (A to Aaa)	80,825	75,851	9%	8%	41,336	40,405	5%	5%
Non-rated	770,775	851,537	90%	91%	739,318	812,227	94%	94%
	851,600	927,388	99%	99%	780,654	852,632	99%	99%

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IN THOUSANDS OF \$) (continued)

### (d) Liquidity risk

The Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and credit facilities from financial institutions. As at 31 March 2018, the Group had at its disposal, cash and short-term deposits amounting to approximately \$499,779,000 (2017: \$601,735,000). In addition, the Group had available short-term credit facilities of approximately \$26,667,000 (2017: \$27,631,000).

The Group's holding of cash and short-term deposits, together with credit facilities and net cash flow from operations, are expected to be sufficient for working capital purposes as well as future capital commitments. The shortfall, if any, could be met by bank borrowings.

The maturity profile of the financial liabilities of the Group and the Company is set out below. The amounts disclosed in the table are the contractual undiscounted cash flows, including estimated interest payments.

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
<b>The Group</b>							
<b>31 March 2018</b>							
<u>Financial liabilities</u>							
Trade and other creditors	220,725	–	–	–	–	–	220,725
Amounts owing to related parties	410	–	–	–	–	–	410
Bank loans	4,624	–	–	–	–	–	4,624
Long-term bank loan	637	5,625	5,708	5,522	1,351	–	18,843
Total undiscounted financial liabilities	226,396	5,625	5,708	5,522	1,351	–	244,602
<b>31 March 2017</b>							
<u>Financial liabilities</u>							
Trade and other creditors	249,404	–	–	–	–	–	249,404
Amounts owing to related parties	9,237	–	–	–	–	–	9,237
Bank loans	4,085	–	–	–	–	–	4,085
Long-term bank loan	411	3,900	5,812	5,969	5,839	1,439	23,370
Total undiscounted financial liabilities	263,137	3,900	5,812	5,969	5,839	1,439	286,096

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (IN THOUSANDS OF \$) (continued)

### (d) Liquidity risk (continued)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
<b>The Company</b>							
<b>31 March 2018</b>							
<u>Financial liabilities</u>							
Trade and other creditors	173,806	–	–	–	–	–	173,806
Amounts owing to related parties	19,396	–	–	–	–	–	19,396
Total undiscounted financial liabilities	193,202	–	–	–	–	–	193,202
<b>31 March 2017</b>							
<u>Financial liabilities</u>							
Trade and other creditors	210,234	–	–	–	–	–	210,234
Amounts owing to related parties	26,190	–	–	–	–	–	26,190
Total undiscounted financial liabilities	236,424	–	–	–	–	–	236,424

## 34. SEGMENT INFORMATION (IN THOUSANDS OF \$)

With the increased integration of the various business operations under the Group, management has determined that the Group has the following reportable operating segments:

- The airframe and line maintenance segment provides airframe maintenance, line maintenance, and fleet management programme. These services include scheduled routine maintenance and overhaul, specialised and non-routine maintenance, modification and refurbishment programs. Line maintenance provides aircraft certification and technical ground handling services such as push-back and towing, and the provision of aircraft ground support equipment and rectification work. Fleet management programme encompasses fleet technical management and inventory technical management services, which include the provision of comprehensive engineering and MRO solutions that can be customised to provide maintenance support to airlines.
- The engine and component segment provides component overhaul and engine repair and overhaul services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

This represents a change to the operating segments reported in the previous corresponding period. The previously reported segment results for the year ended 31 March 2017 have been restated to be comparable with the revised segmentation approach as required by FRS 108 Operating Segments.

All other unallocated items will be disclosed in the consolidated financial statements.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which, in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 34. SEGMENT INFORMATION (IN THOUSANDS OF \$) (continued)

Segment liabilities are not available as the information is not used by management to make operating decisions.

Transfer prices between operating segments are on agreed terms between the operating segments.

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.

### Operating Segments

2017/18	Notes	Airframe and line maintenance	Engine and component	Total segments	Consolidation elimination	Per consolidated financial statements
<b>TOTAL REVENUE</b>						
External revenue		1,067,168	27,713	1,094,881	–	1,094,881
Inter-segment revenue	(a)	–	3,406	3,406	(3,406)	–
		1,067,168	31,119	1,098,287	(3,406)	1,094,881
<b>RESULTS</b>						
Segment results		79,482	(3,082)	76,400	–	76,400
Interest income						4,860
Surplus on disposal of an associated company						14,269
Surplus on dilution of shareholding in associated company						870
Share of profits of associated companies, net of tax		(34)	69,568	69,534	–	69,534
Share of profits of joint venture companies, net of tax		–	40,284	40,284	–	40,284
Other unallocated expense						208
Profit before taxation	(b)					206,425
Taxation expense						(21,154)
Profit for the financial year						185,271
<u>Other segment items</u>						
Depreciation of property, plant and equipment		49,857	1,046	50,903	–	50,903
Amortisation of intangible assets		2,038	3,391	5,429	–	5,429
Impairment of property, plant and equipment		3,546	–	3,546	–	3,546
<u>Segment assets</u>						
Property, plant and equipment		295,120	5,908	301,028	–	301,028
Intangible assets		9,236	58,462	67,698	–	67,698
Investment in associated/ joint venture companies		52,617	491,696	544,313	–	544,313
Other unallocated assets	(c)					905,546
Total assets		356,973	556,066	913,039	–	1,818,585

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 34. SEGMENT INFORMATION (IN THOUSANDS OF \$) (continued)

### Operating Segments

2016/17	Notes	As restated			Consolidation elimination	Per consolidated financial statements
		Airframe and line maintenance	Engine and component	Total segments		
<b>TOTAL REVENUE</b>						
External revenue		1,080,603	23,538	1,104,141	–	1,104,141
Inter-segment revenue	(a)	–	3,793	3,793	(3,793)	–
		<u>1,080,603</u>	<u>27,331</u>	<u>1,107,934</u>	<u>(3,793)</u>	<u>1,104,141</u>
<b>RESULTS</b>						
Segment results		73,646	(1,640)	72,006	–	72,006
Interest income						4,030
Surplus on partial disposal of an associated company						2,324
Surplus on disposal of non-current asset held for sale						141,572
Dividend income from non-current asset held for sale						39,469
Share of profits of associated companies, net of tax		859	63,991	64,850	–	64,850
Share of profits of joint venture companies, net of tax		–	31,597	31,597	–	31,597
Other unallocated expense						(814)
Profit before taxation	(b)					<u>355,034</u>
Taxation expense						<u>(17,887)</u>
Profit for the financial year						<u>337,147</u>
<u>Other segment items</u>						
Depreciation of property, plant and equipment		46,385	1,207	47,592	–	47,592
Amortisation of intangible assets		1,803	3,378	5,181	–	5,181
<u>Segment assets</u>						
Property, plant and equipment		324,837	6,739	331,576	–	331,576
Intangible assets		6,843	58,470	65,313	–	65,313
Investment in associated/joint venture companies		30,349	511,713	542,062	–	542,062
Other unallocated assets	(c)					979,418
Total assets		<u>362,029</u>	<u>576,922</u>	<u>938,951</u>	<u>–</u>	<u>1,918,369</u>



# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 34. SEGMENT INFORMATION (IN THOUSANDS OF \$) (continued)

### Notes:

- (a) Inter-segment revenues are eliminated on consolidation.
- (b) The following items are deducted from segment results to arrive at "profit before taxation" presented in the consolidated income statement:

	The Group	
	2017/18	2016/17
Interest on external borrowings	(772)	(727)
Surplus/ (Loss) on disposal of property, plant and equipment	980	(87)
	208	(814)

- (c) The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	The Group 31 March	
	2018	2017
Current assets	905,546	979,418

### 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	
	2018	2017	2018	2017
East Asia	800,612	878,893	852,916	878,521
Europe	203,287	146,161	–	–
South West Pacific	38,525	29,958	1,119	1,211
Americas	27,637	25,099	59,004	59,219
West Asia and Africa	24,820	24,030	–	–
Total	1,094,881	1,104,141	913,039	938,951

For the year ended 31 March 2018, revenue of approximately \$662,967,000 (2016/17: \$713,908,000) and \$188,703,000 (2016/17: \$117,540,000) were from customers located in Singapore and France respectively. The remaining revenue from customers in other countries were individually insignificant.

As at 31 March 2018, non-current assets of approximately \$803,734,000 (2017: \$826,942,000) were located in Singapore. The remaining non-current assets located in other countries were individually insignificant.

Non-current assets information presented above consists of property, plant and equipment, intangible assets, long-term investments and investments in associated and joint venture companies as presented in the consolidated balance sheet.

### Major customers

Revenue from one major customer amounted to approximately \$414,453,000 (2016/17: \$476,916,000), arising from sales by airframe and line maintenance segment.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 35. CAPITAL MANAGEMENT (IN THOUSANDS OF \$)

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

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

During the financial year ended 31 March 2018, the Company made a total dividend payment to shareholders of approximately \$201,491,000 (2016/17: \$135,212,000).

No significant changes were made in the objectives, policies or processes relating to the management of the Company's capital structure during the years ended 31 March 2018 and 31 March 2017.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Capital for the Group and Company is tabulated below:

	The Group 31 March		The Company 31 March	
	2018	2017	2018	2017
Total debt:				
Bank loans	4,620	4,083	–	–
Long-term bank loan	17,297	21,876	–	–
	21,917	25,959	–	–
Total capital:				
Share capital	420,044	420,044	420,044	420,044
Reserves	1,075,829	1,133,996	824,487	848,506
	1,495,873	1,554,040	1,244,531	1,268,550
Capital and total debt	1,517,790	1,579,999	1,244,531	1,268,550

## 36. RELATED PARTY TRANSACTIONS (IN THOUSANDS OF \$)

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

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The Group considers the Directors, Chief Executive Officer, Executive Vice President and Senior Vice Presidents of the Company to be key management personnel of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 36. RELATED PARTY TRANSACTIONS (IN THOUSANDS OF \$) (continued)

In addition to the related party information disclosed elsewhere in the financial statements, the following significant related party transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

### Sale and purchase of goods and services

	The Group	
	2017/18	2016/17
<u>Income</u>		
Sales of services and related materials to:		
– the immediate holding company and fellow subsidiaries	613,936	674,774
– associated companies	6,982	7,332
– joint venture companies	8,605	9,209
– others	19,302	15,775
Interest income from the immediate holding company	4,569	3,762
Equipment fee charged to the immediate holding company	291	313
Rental of office space charged to the immediate holding company	81	83
<u>Expense</u>		
Management fees charged by the immediate holding company for corporate, general and administrative, technical and insurance services and equipment leases	9,384	8,675
Rental of hangars, workshops and office space charged by the immediate holding company	18,151	18,070
Purchases of materials from the immediate holding company and fellow subsidiaries	125,430	124,254
Purchases of goods from:		
– associated companies	13,867	19,551
– joint venture companies	132	54
– others	22,754	18,478
Services rendered by:		
– the immediate holding company	11,002	11,626

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 36. RELATED PARTY TRANSACTIONS (IN THOUSANDS OF \$) (continued)

### Compensation of key management personnel

#### Directors' and key executives' remuneration of the Company

	The Company	
	2017/18	2016/17
<u>Directors</u>		
Directors' fees	1,325	890
<u>Key executives</u>		
Salary, bonuses and other costs	5,061	5,342
CPF and other defined contributions	99	99
Share-based compensation expense	848	821

The details of RSP and PSP granted to key executives of the Company are as follows:

#### (a) RSP Base Awards

Name of participant	Balance as at 1 April 2017 (a)	Base Awards granted during the financial year (b)	Base Awards vested during the financial year (c)	Modification# (d)	Balance as at 31 March 2018/ cessation of employment = (a)+(b)– (c)+(d)	Aggregate Base Awards granted since commencement of RSP to end of financial year under review
Png Kim Chiang	101,820	106,800	101,820	1,335	108,135	363,147
Ivan Neo Seok Kok	34,000	41,200	34,000	515	41,715	225,919
Zarina Piperdi	34,000	18,400	34,000	230	18,630	198,675
Anne Ang Lian Choo*	34,000	18,500	34,000	231	18,731	191,276
Wong Yue Jeen	32,300	19,900	32,300	249	20,149	138,305
Philip Quek Cher Heong	29,520	17,700	29,520	221	17,921	105,995
Foo Kean Shuh	–	20,000	–	250	20,250	20,250

#### (b) RSP Final Awards (Pending Release)

Name of participant	Balance as at 1 April 2017 (a)	Final Awards granted during the financial year <sup>^</sup> (b)	Final Awards released during the financial year (c)	Modification# (d)	Balance as at 31 March 2018/ cessation of employment = (a)+(b)– (c)+(d)	Aggregate ordinary shares released to participant since commencement of RSP to end of financial year under review
Png Kim Chiang	3,798	98,128	39,996	774	62,704	151,668
Ivan Neo Seok Kok	4,422	34,600	17,163	273	22,132	123,497
Zarina Piperdi	3,504	34,600	16,763	267	21,608	124,401
Anne Ang Lian Choo*	3,504	34,600	16,763	267	21,608	120,039
Wong Yue Jeen	3,722	32,560	15,705	257	20,834	54,021
Philip Quek Cher Heong	2,359	30,086	13,933	232	18,744	51,236
Foo Kean Shuh	–	–	–	–	–	–

# Arising from the approval of shareholders on the payment of a special dividend of \$0.05 per share on 20 July 2017, the Committee had also approved an increase in all outstanding PSP awards on 3 August 2017.

<sup>^</sup> Final Awards granted during the financial year is determined by applying the achievement factor to the Base Awards that have vested during the financial year.

\* Ms Anne Ang Lian Choo retired on 1 January 2018.

# NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 36. RELATED PARTY TRANSACTIONS (IN THOUSANDS OF \$) (continued)

### Compensation of key management personnel (continued)

#### (c) PSP Base Awards

Name of participant	Balance as at 1 April 2017 (a)	Base Awards granted during the financial year (b)	Base Awards vested during the financial year (c)	Modification# (d)	Balance as at 31 March 2018/ cessation of employment = (a)+(b)-(c)	Aggregate Base Awards granted since commencement of PSP to end of financial year under review	Aggregate ordinary shares released to participant since commencement of PSP to end of financial year under review
Png Kim Chiang	96,477	75,200	20,197	1,894	153,374	309,126	109,650
Ivan Neo Seok Kok	50,423	32,900	17,673	820	66,470	184,303	84,024
Zarina Piperdi	45,638	16,100	14,138	595	48,195	172,093	91,224
Anne Ang Lian Choo*	45,638	16,200	14,138	597	48,297	130,769	42,170
Wong Yue Jeen	17,500	17,500	–	438	35,438	35,438	–
Philip Quek Cher Heong	–	15,500	–	194	15,694	15,694	–
Foo Kean Shuh	–	17,500	–	219	17,719	17,719	–

# Arising from the approval of shareholders on the payment of a special dividend of \$0.05 per share on 20 July 2017, the Committee had also approved an increase in all outstanding PSP awards on 3 August 2017.

\* Ms Anne Ang Lian Choo retired on 1 January 2018.

## 37. COMPARATIVE INFORMATION (IN THOUSANDS OF \$)

In addition to the changes in comparative information as disclosed elsewhere in the financial statements, the following comparative figures have been reclassified to conform with the current year's presentation.

	Group 31 March 2017		Company 31 March 2017	
	Restated	As previously reported	Restated	As previously reported
<u>Balance Sheet</u>				
Trade debtors	197,986	87,504	167,427	60,490
Work-in-progress	–	110,482	–	106,937

## ADDITIONAL INFORMATION

Required By The Singapore Exchange Securities Trading Limited

### 1. INTERESTED PERSON TRANSACTIONS (IN THOUSANDS OF \$)

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)
<u>Singapore Airlines Group</u>		
SilkAir (Singapore) Pte Ltd	–	483,922
Scoot Tigerair Pte Ltd <sup>1</sup>	–	82,504
Singapore Airlines Limited	–	20,295
Singapore Airlines Cargo Private Limited	–	509
Tata SIA Airlines Limited	–	109
<u>Non-listed Associates of Temasek Holdings</u>		
AJI International Pte Ltd	–	6,000
AETOS Training Academy Pte Ltd	–	230
SMRT Taxis Pte Ltd	–	608
Synergy FMI Pte Ltd	–	194
<u>SATS Ltd</u>		
SATS Security Services Pte Ltd	–	25,396
SATS Ltd	–	2,276
SATS Airport Services Pte Ltd	–	389
<b>Total</b>	<b>–</b>	<b>622,432</b>

**Notes:**

- 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 financial year 2017/18 prior to the amalgamation of Scoot and Tigerair on 25 July 2017.

### 2. MATERIAL CONTRACTS

Except as disclosed above and in the financial statements for the financial year ended 31 March 2018, there were no material contracts entered into by the Company and its subsidiary companies involving the interests of the Chief Executive Officer, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

## QUARTERLY RESULTS OF THE GROUP

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>Revenue</b>						
2017/18	(\$ million)	272.8	274.7	271.0	276.4	1,094.9
	(%)	24.9	25.1	24.8	25.2	100.0
2016/17	(\$ million)	271.6	264.8	272.3	295.4	1,104.1
	(%)	24.6	24.0	24.7	26.7	100.0
<b>Expenditure</b>						
2017/18	(\$ million)	254.7	255.2	252.8	255.8	1,018.5
	(%)	25.0	25.1	24.8	25.1	100.0
2016/17	(\$ million)	273.2	240.3	247.1	271.5	1,032.1
	(%)	26.5	23.3	23.9	26.3	100.0
<b>Operating profit</b>						
2017/18	(\$ million)	18.1	19.5	18.2	20.6	76.4
	(%)	23.7	25.5	23.8	27.0	100.0
2016/17	(\$ million)	(1.6)	24.5	25.2	23.9	72.0
	(%)	(2.2)	34.0	35.0	33.2	100.0
<b>Profit before taxation</b>						
2017/18	(\$ million)	40.3	43.9	60.3	61.9	206.4
	(%)	19.5	21.3	29.2	30.0	100.0
2016/17	(\$ million)	201.1	42.3	59.9	51.8	355.1
	(%)	56.6	11.9	16.9	14.6	100.0
<b>Profit attributable to owners of the parent</b>						
2017/18	(\$ million)	36.2	38.1	54.8	55.0	184.1
	(%)	19.6	20.7	29.8	29.9	100.0
2016/17	(\$ million)	198.4	35.5	52.6	45.9	332.4
	(%)	59.7	10.7	15.8	13.8	100.0
<b>Earnings (after tax) per share – basic</b>						
2017/18	(cents)	3.24	3.40	4.90	4.91	16.45
	(%)	19.7	20.7	29.8	29.8	100.0
2016/17	(cents)	17.67	3.17	4.69	4.09	29.63
	(%)	59.7	10.7	15.8	13.8	100.0

## FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

	2017/18	2016/17	2015/16	2014/15	2013/14
<b>Income statement (\$ million)</b>					
Revenue	1,094.9	1,104.1	1,112.7	1,120.6	1,178.2
Expenditure	1,018.5	1,032.1	1,008.3	1,036.6	1,062.6
Operating profit	76.4	72.0	104.4	84.0	115.6
Other income	20.2	186.6	3.4	15.1	15.8
Share of profits of associated and joint venture companies, net of tax	109.8	96.5	94.2	106.3	162.6
Profit before tax	206.4	355.1	202.0	205.4	294.0
Profit attributable to owners of the parent	184.1	332.4	176.6	183.3	265.7
<b>Balance sheet (\$ million)</b>					
Share capital	420.0	420.0	416.5	410.7	387.3
Treasury shares	(21.3)	(15.2)	(6.1)	–	–
Capital reserve	2.8	2.7	0.2	–	–
Share-based compensation reserve	7.1	16.0	18.4	20.2	23.9
Foreign currency translation reserve	(106.2)	(68.0)	(87.9)	(81.7)	(127.7)
Fair value reserve	3.6	(0.6)	140.7	(14.2)	(0.6)
Equity transaction reserve	(2.4)	(2.4)	(2.4)	(2.4)	–
General reserve	1,192.3	1,201.5	1,006.1	992.3	1,078.0
Equity attributable to owners of the parent	1,495.9	1,554.0	1,485.5	1,324.9	1,360.9
Non-controlling interests	31.3	34.0	26.4	24.7	29.6
Total equity	1,527.2	1,588.0	1,511.9	1,349.6	1,390.5
Property, plant and equipment	301.0	331.6	340.9	344.1	337.2
Intangible assets	67.7	65.3	63.4	61.5	54.3
Associated companies	392.5	380.0	344.0	327.7	309.4
Joint venture companies	151.9	162.0	147.5	136.2	126.5
Long-term investments	–	–	*	14.6	14.6
Current assets	905.5	979.4	926.3	772.5	865.1
Total assets	1,818.6	1,918.3	1,822.1	1,656.6	1,707.1
Non-current liabilities	43.8	51.0	54.0	50.5	40.4
Current liabilities	247.6	279.3	256.2	256.5	276.2
Total liabilities	291.4	330.3	310.2	307.0	316.6
Net assets	1,527.2	1,588.0	1,511.9	1,349.6	1,390.5
<b>Cash flow statement (\$ million)</b>					
Cash flow from operations	73.5	152.2	95.7	119.4	136.6
Internally generated cash flow <sup>R1</sup>	182.9	216.2	174.4	232.0	294.8
Capital expenditure	31.6	38.3	40.9	49.5	67.9

\* Amount less than \$1,000

### Notes:

R1 Internally generated cash flow comprises cash generated from operations, dividends from associated and joint venture companies, and proceeds from disposal of property, plant and equipment.



## FIVE-YEAR FINANCIAL SUMMARY OF THE GROUP

	2017/18	2016/17	2015/16	2014/15	2013/14
<b>Profitability ratios (%)</b>					
Return on equity holders' funds <sup>R2</sup>	12.1	21.9	12.6	13.6	20.0
Return on total assets	10.1	17.3	9.7	11.1	15.6
Return on turnover	16.8	30.1	15.9	16.4	22.6
<b>Productivity and employee data</b>					
Value added (\$ million)	761.4	921.0	709.1	725.2	839.6
Value added per employee (\$)	116,283	145,504	114,589	114,841	131,085
Revenue per employee (\$)	167,208	174,430	179,810	177,449	183,952
Average number of employees	6,548	6,330	6,188	6,315	6,405
<b>Per share data (cents)</b>					
Earnings after tax – basic <sup>R3</sup>	16.45	29.63	15.74	16.36	23.88
Earnings after tax – diluted <sup>R4</sup>	16.42	29.57	15.70	16.28	23.69
Net asset value <sup>R5</sup>	133.8	138.8	132.4	118.1	122.0
<b>Gross dividends (cents per share)</b>					
Interim dividend	4.0	4.0	6.0	6.0	7.0
Final dividend – ordinary	9.0 <sup>#</sup>	9.0	8.0	8.5	13.0
– special	–	5.0	–	–	5.0
Total dividends	13.0	18.0	14.0	14.5	25.0

# proposed

### Notes:

- R2 Return on equity holders' funds is the profit attributable to owners of the parent expressed as a percentage of the average equity attributable to owners of the parent.
- R3 Earnings after tax per share (basic) is computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue excluding treasury shares.
- R4 Earnings after tax per share (diluted) is computed by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue excluding treasury shares, after adjusting for the dilutive effect on the exercise of all outstanding share options, performance shares and restricted shares granted to employees.
- R5 Net asset value per share is computed by dividing the equity attributable to owners of the parent by the number of ordinary shares in issue excluding treasury shares at 31 March.

# GROUP CORPORATE STRUCTURE

AS AT 31 MARCH 2018

## SIA ENGINEERING COMPANY LIMITED

AIRFRAME AND LINE MAINTENANCE		ENGINE AND COMPONENT	
<b>Subsidiary Companies</b>			
<b>100%</b>	Aircraft Maintenance Services Australia Pty Ltd	<b>100%</b>	NexGen Network (1) Holding Pte Ltd
<b>100%</b>	SIA Engineering (USA), Inc.	<b>100%</b>	NexGen Network (2) Holding Pte Ltd
<b>100%</b>	SIAEC Global Pte Ltd	<b>51%</b>	Aerospace Component Engineering Services Pte. Limited
<b>100%</b>	SIA Engineering Japan Corporation		
<b>80%</b>	Singapore Jamco Services Private Limited		
<b>65%</b>	Heavy Maintenance Singapore Services Pte. Ltd.		
<b>65%</b>	SIA Engineering (Philippines) Corporation		
<b>51%</b>	Aviation Partnership (Philippines) Corporation		
<b>Joint Venture Company</b>			
		<b>50%</b>	Singapore Aero Engine Services Pte Ltd
<b>Associated Companies</b>			
<b>49%</b>	Boeing Asia Pacific Aviation Services Pte. Ltd.	<b>49%</b>	Eagle Services Asia Private Limited
<b>49%</b>	PT Jas Aero-Engineering Services	<b>49%</b>	Fuel Accessory Service Technologies Pte Ltd
<b>49%</b>	Southern Airports Aircraft Maintenance Services Company Limited	<b>49%</b>	Moog Aircraft Services Asia Pte. Ltd.
<b>40%</b>	Pan Asia Pacific Aviation Services Ltd	<b>46.4%</b>	Component Aerospace Singapore Pte. Ltd.
		<b>45%</b>	JAMCO Aero Design & Engineering Private Limited
		<b>42.5%</b>	Panasonic Avionics Services Singapore Pte. Ltd.
		<b>40%</b>	Goodrich Aerostructures Service Center – Asia Pte Ltd
		<b>40%</b>	Safran Electronics & Defense Services Asia Pte. Ltd.
		<b>40%</b>	Safran Landing Systems Services Singapore Pte. Ltd.
		<b>39.2%</b>	Asian Surface Technologies Pte Ltd
		<b>33.3%</b>	International Aerospace Tubes-Asia Pte. Ltd.*
		<b>24.5%</b>	Turbine Coating Services Pte Ltd
		<b>20%</b>	Jamco Singapore Private Limited

\* Operations of International Aerospace Tubes-Asia Pte. Ltd. have been integrated into Component Aerospace Singapore Pte. Ltd.

## SHAREHOLDING STATISTICS

AS AT 1 JUNE 2018

No. of Issued Shares	:	1,124,116,360
No. of Issued Shares (Excluding Treasury Shares)	:	1,118,187,403
No. / Percentage of Treasury Shares	:	5,928,957 (0.53%)
No. / Percentage of Subsidiary Holdings <sup>1</sup>	:	0 (0.00%)

Class of Shares	:	Ordinary shares
Voting Rights (Excluding Treasury Shares)	:	1 vote per share

Range of Shareholdings	No. of Shareholders	%	No. of Shares	% <sup>2</sup>
1 – 99	34	0.18	666	0.00
100 – 1,000	6,243	33.06	5,974,548	0.54
1,001 – 10,000	10,192	53.98	43,424,575	3.88
10,001 – 1,000,000	2,395	12.69	80,987,924	7.24
1,000,001 and above	17	0.09	987,799,690	88.34
<b>Total</b>	<b>18,881</b>	<b>100.00</b>	<b>1,118,187,403</b>	<b>100.00</b>

### TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	% <sup>2</sup>
1	SINGAPORE AIRLINES LIMITED	870,000,000	77.80
2	DBS NOMINEES (PRIVATE) LIMITED	44,332,917	3.96
3	CITIBANK NOMINEES SINGAPORE PTE LTD	33,220,555	2.97
4	RAFFLES NOMINEES (PTE) LIMITED	6,994,692	0.63
5	HSBC (SINGAPORE) NOMINEES PTE LTD	6,200,766	0.55
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,863,080	0.52
7	DBSN SERVICES PTE LTD	3,787,041	0.34
8	DB NOMINEES (SINGAPORE) PTE LTD	2,774,840	0.25
9	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,519,802	0.23
10	BPSS NOMINEES SINGAPORE (PTE.) LTD.	2,070,303	0.19
11	CHOO PIANG WONG	2,050,000	0.18
12	MERRILL LYNCH (SINGAPORE) PTE LTD	1,695,819	0.15
13	OCBC SECURITIES PRIVATE LTD	1,428,742	0.13
14	WONG KET SEONG @ WONG KET YIN	1,335,000	0.12
15	CHONG CHEW LIM @ CHONG AH KAU	1,271,800	0.11
16	PHILLIP SECURITIES PTE LTD	1,231,762	0.11
17	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	1,022,571	0.09
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	978,300	0.09
19	YIM CHEE CHONG	745,000	0.07
20	MAYBANK KIM ENG SECURITIES PTE LTD	739,107	0.07
	<b>Total</b>	<b>990,262,097</b>	<b>88.56</b>

# SHAREHOLDING STATISTICS

AS AT 1 JUNE 2018

## SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Direct Interest		Number of Shares		Total Interest	
		% <sup>2</sup>	Deemed Interest <sup>3</sup>	% <sup>2</sup>		% <sup>2</sup>
Singapore Airlines Limited	870,000,000	77.80	–	–	870,000,000	77.80
Temasek Holdings (Private) Limited	–	–	870,030,000	77.80	870,030,000	77.80

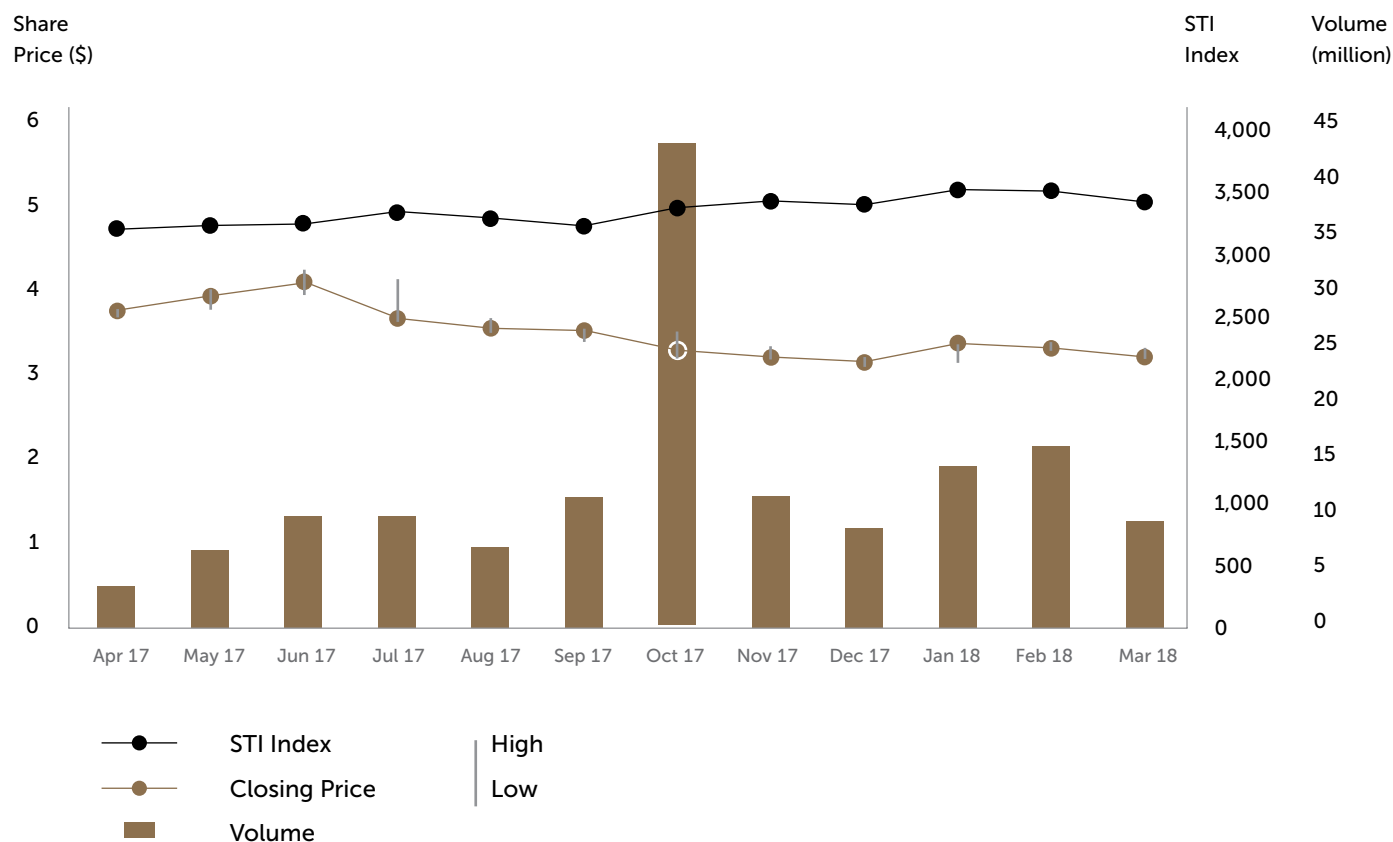
### Notes:

- 1 Subsidiary holdings is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50 of Singapore.
- 2 Based on 1,118,187,403 ordinary shares issued as at 1 June 2018 (this is based on 1,124,116,360 shares issued as at 1 June 2018, excluding the 5,928,957 shares held in treasury as at 1 June 2018).
- 3 Temasek Holdings (Private) Limited is deemed to be interested in 870,000,000 shares held by Singapore Airlines Limited, and in 30,000 shares in which its other subsidiaries and/or associated companies have or are deemed to have an interest.

## SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as of 1 June 2018, 22.12 per cent of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

## SHARE PRICE AND TURNOVER



	FY2017/18	FY2016/17
<b>Share Price (\$)</b>		
Highest closing price	4.21	3.89
Lowest closing price	3.08	3.35
31 March closing price	3.18	3.69
<b>Market Value Ratios*</b>		
Price/Earnings	19.33	12.45
Price/Book Value	2.38	2.66
Price/Cash Earnings**	14.80	10.75

### Notes

\* Based on closing price on 31 March.

\*\* Cash earnings is defined as profit attributable to equity holders of the Company plus depreciation and amortisation of intangibles.

# NOTICE OF ANNUAL GENERAL MEETING

## SIA ENGINEERING COMPANY LIMITED

(Incorporated in the Republic of Singapore)  
Company Registration No. 198201025C

**NOTICE IS HEREBY GIVEN** that the 36<sup>th</sup> Annual General Meeting (“AGM”) of SIA Engineering Company Limited (the “Company”) will be held at Orchard Grand Ballroom, Level 3, Orchard Hotel Singapore, 442 Orchard Road, Singapore 238879 on Thursday, 19 July 2018 at 10.00 a.m. to transact the following business:

### ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 March 2018 and the Auditors’ Report thereon.
2. To declare a final ordinary dividend of 9.0 cents per ordinary share for the financial year ended 31 March 2018.
3. To re-elect the following Directors who are retiring by rotation pursuant to Article 90 of the Constitution of the Company and who, being eligible, offer themselves for re-election as Directors pursuant to Article 91 of the Constitution of the Company:
  - 3.1 Mr Goh Choon Phong
  - 3.2 Mr Manohar Khiatani
  - 3.3 Mr Chew Teck Soon

*Mr Stephen Lee Ching Yen is also due to retire by rotation pursuant to Article 90 of the Constitution of the Company, but will not be offering himself for re-election.*

4. To approve the Directors’ fees of up to \$1,500,000 for the financial year ending 31 March 2019 (FY2017/18: up to \$1,500,000).
5. To re-appoint KPMG LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.

### SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modifications, the following resolutions which will be proposed as Ordinary Resolutions:
  - 6.1 That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, authority be and is hereby given to the Directors of the Company to:
    - (a) (i) issue shares of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
    - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,  
  
at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
  - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

## NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
  - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
  - (ii) any subsequent bonus issue or consolidation or subdivision of shares,

and, in sub-paragraph (1) above and this sub-paragraph (2), “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST;

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

6.2 That the Directors of the Company be and are hereby authorised to:

- (a) grant awards in accordance with the provisions of the SIAEC Performance Share Plan 2014 and/or the SIAEC Restricted Share Plan 2014; and
- (b) allot and issue from time to time such number of fully paid ordinary shares as may be required to be issued pursuant to the vesting of awards under the SIAEC Performance Share Plan 2014 and/or the SIAEC Restricted Share Plan 2014,

provided that:

- (1) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including ordinary shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of ordinary shares, pursuant to the SIAEC Performance Share Plan 2014 and the SIAEC Restricted Share Plan 2014, shall not exceed 5% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) from time to time;

## NOTICE OF ANNUAL GENERAL MEETING

- (2) the aggregate number of ordinary shares under awards to be granted pursuant to the SIAEC Performance Share Plan 2014 and the SIAEC Restricted Share Plan 2014 respectively during the period (the "**Relevant Year**") commencing from this AGM and ending on the date of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, shall not exceed 0.5% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) from time to time (the "**Yearly Limit**"); and
- (3) if the Yearly Limit is not fully utilised during the Relevant Year, any unutilised portion of the Yearly Limit may be used for the grant of awards under the SIAEC Performance Share Plan 2014 and the SIAEC Restricted Share Plan 2014 in subsequent years for the duration of the SIAEC Performance Share Plan 2014 and the SIAEC Restricted Share Plan 2014 respectively,

and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the Singapore Exchange Securities Trading Limited.

6.3 That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are "entities at risk" (as that term is used in Chapter 9), or any of them to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Letter to Shareholders dated 28 June 2018 (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 AGM of the Company; and
- (c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required), as they and/or he/she 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.

6.4 That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
  - (i) market purchase(s) on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"); and/or
  - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy Back Mandate**");



## NOTICE OF ANNUAL GENERAL MEETING

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next AGM of the Company is held;
  - (ii) the date by which the next AGM of the Company is required by law to be held; and
  - (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Buy Back Mandate are carried out to the full extent mandated;
- (c) in this Resolution:
- “Average Closing Price”** means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period;
- “date of the making of the offer”** means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the basis set out herein) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;
- “Maximum Limit”** means that number of issued Shares representing 2% of the total number of issued Shares as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)); and
- “Maximum Price”**, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed, whether pursuant to a market purchase or an off-market purchase, 105% of the Average Closing Price of the Shares; and
- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he/she may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

By Order of the Board

**LU LING LING**  
Company Secretary

28 June 2018  
Singapore

# NOTICE OF ANNUAL GENERAL MEETING

## CLOSURE OF BOOKS

**NOTICE IS HEREBY GIVEN** that, subject to the approval of shareholders being obtained at the 36<sup>th</sup> AGM of the Company for the payment of the final ordinary dividend (the "**Proposed Dividend**"), 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.

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 5.00 p.m. on 25 July 2018 will be registered to determine shareholders' entitlements to the Proposed Dividend. Subject as aforesaid, shareholders whose Securities Accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with ordinary shares of the Company as at 5.00 p.m. on 25 July 2018 will be entitled to the Proposed Dividend. The Company will pay the Proposed Dividend to CDP, which will, in turn, distribute the entitlements to the Proposed Dividend to CDP account-holders in accordance with its normal practice.

The Proposed Dividend, if approved by shareholders, will be paid on 7 August 2018.

## EXPLANATORY NOTES:

1. In relation to Ordinary Resolution Nos. 3.1, 3.2 and 3.3, Mr Goh Choon Phong, Mr Manohar Khiatani and Mr Chew Teck Soon will be retiring from office at the AGM pursuant to Article 90 of the Constitution of the Company and will be standing for re-election at the AGM. Mr Goh will, upon re-election, continue to serve as a member of the Compensation & HR Committee and the Board Committee. Mr Khiatani will, upon re-election, continue to serve as the Chairman of the Board Safety & Risk Committee and as a member of the Audit Committee. Mr Chew will, upon re-election, continue to serve as the Chairman of the Audit Committee and a member of the Nominating Committee. Mr Goh is considered a non-independent Director, and Mr Khiatani and Mr Chew are considered independent Directors. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report FY2017/18 for information on Mr Goh, Mr Khiatani and Mr Chew.
2. Ordinary Resolution No. 4, if passed, will facilitate the payment of Directors' fees during the financial year in which the fees are incurred, that is, during FY2018/19. The amount of the Directors' fees is computed based on the anticipated number of Board meetings for FY2018/19, assuming full attendance by all Directors. The amount also includes an additional 5% to cater for unforeseen circumstances, for example, the appointment of an additional Director, additional unscheduled Board meetings, additional appointments to Board Committees and/or the formation of additional Board Committees. In the event that the amount proposed is insufficient, approval will be sought at the next AGM of the Company for payments to meet the shortfall.

As disclosed on page 55 of the Annual Report FY2017/18, Directors' fees due to Mr Goh Choon Phong and Mr Ng Chin Hwee, who hold executive positions in Singapore Airlines Limited ("**SIA**"), the holding company of the Company, will be paid to and retained by SIA, and Directors' fees due to Dr Raj Thampuran will be paid to a government agency, the Directorship & Consultancy Appointments Council. As disclosed on page 55 of the Annual Report FY2017/18, Mr Png Kim Chiang is the Chief Executive Officer of the Company and does not receive any Directors' fees.

## NOTICE OF ANNUAL GENERAL MEETING

3. Ordinary Resolution No. 6.1, if passed, will empower the Directors to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments up to a number not exceeding 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) with a sub-limit of 10% for issues other than on a pro rata basis. The 10% sub-limit for non-pro rata issues is lower than the 20% sub-limit allowed under the Listing Manual of the Singapore Exchange Securities Trading Limited. The Directors believe that the lower sub-limit of 10% would sufficiently address the Company's present need to maintain flexibility while taking into account shareholders' concerns against dilution. For the purpose of determining the aggregate number of shares which may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time this Ordinary Resolution is passed; and (b) any subsequent bonus issue or consolidation or subdivision of shares. For the avoidance of doubt, shareholders' approval will be required for any consolidation or subdivision of shares. As at 1 June 2018 (the "**Latest Practicable Date**"), the Company had 5,928,957 treasury shares and no subsidiary holdings.
4. Ordinary Resolution No. 6.2, if passed, will empower the Directors to grant awards pursuant to the SIAEC Performance Share Plan 2014 and the SIAEC Restricted Share Plan 2014, and to allot and issue ordinary shares of the Company pursuant to the SIAEC Performance Share Plan 2014 and the SIAEC Restricted Share Plan 2014. The total number of ordinary shares which may be delivered pursuant to awards granted under the SIAEC Performance Share Plan 2014 and the SIAEC Restricted Share Plan 2014 (whether in the form of ordinary shares or in the form of cash in lieu of ordinary shares) shall not exceed 5% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) from time to time. In addition, Ordinary Resolution 6.2 will provide that the total number of ordinary shares under awards to be granted pursuant to the SIAEC Performance Share Plan 2014 and the SIAEC Restricted Share Plan 2014 from this AGM to the next AGM of the Company (the "**Relevant Year**") shall not exceed 0.5% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) from time to time (the "**Yearly Limit**"), provided that if the Yearly Limit is not fully utilised during the Relevant Year, any unutilised portion of the Yearly Limit may be used by the Directors to make grants of awards under the SIAEC Performance Share Plan 2014 and the SIAEC Restricted Share Plan 2014 in subsequent years, for the duration of the SIAEC Performance Share Plan 2014 and the SIAEC Restricted Share Plan 2014.
5. Ordinary Resolution No. 6.3, if passed, will renew the mandate to allow the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited) 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 to Shareholders dated 28 June 2018 (the "**Letter**"). The authority will, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM of the Company. Please refer to the Letter for more details.
6. Ordinary Resolution No. 6.4, if passed, will renew the mandate to allow the Company to purchase or otherwise acquire its issued ordinary shares, on the terms and subject to the conditions set out in the Resolution.

The Company may use internal or external sources of funds to finance the purchase or acquisition of its ordinary shares. The amount of financing required for the Company to purchase or acquire its ordinary shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares were purchased or acquired and whether the ordinary shares purchased or acquired are held in treasury or cancelled.

The financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Buy Back Mandate on the audited financial statements of the Company and the Company and its subsidiaries for the financial year ended 31 March 2018, based on certain assumptions, are set out in paragraph 3.7 of the Letter. Please refer to the Letter for more details.

## NOTICE OF ANNUAL GENERAL MEETING

### NOTES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints two proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which it is signed or a notorially certified copy thereof) must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 not less than 72 hours before the time appointed for holding the AGM.

### PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or its service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or its service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**SIA ENGINEERING COMPANY LIMITED**

(Incorporated in the Republic of Singapore)

Company Registration No. 198201025C

**PROXY FORM****IMPORTANT:**

1. Relevant intermediaries as defined in Section 181 of Companies Act, Chapter 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in SIA Engineering Company Limited, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 28 June 2018.

\*I/We \_\_\_\_\_ (Name)

\_\_\_\_\_ (NRIC/Passport/Co. Reg. Number)

of \_\_\_\_\_ (Address)

being \*a member/members of SIA Engineering Company Limited (the "**Company**"), hereby appoint:

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

or failing \*him/her/them, the Chairman of the Annual General Meeting ("**AGM**") of the Company as \*my/our \*proxy/proxies to attend, speak and vote for \*me/us and on \*my/our behalf at the AGM of the Company to be held at Orchard Grand Ballroom, Level 3, Orchard Hotel Singapore, 442 Orchard Road, Singapore 238879 on Thursday, 19 July 2018 at 10.00 a.m. and at any adjournment thereof.

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

**NOTE: Voting will be conducted by poll.**

No.	Resolution	**No. of Votes "For"	**No. of Votes "Against"
<b>Ordinary Business</b>			
1.	Adoption of the Directors' Statement, Audited Financial Statements and the Auditors' Report		
2.	Declaration of final ordinary dividend		
3.	Re-election of Directors retiring by rotation pursuant to Articles 90 and 91 of the Constitution of the Company:		
	3.1 Mr Goh Choon Phong		
	3.2 Mr Manohar Khiatani		
	3.3 Mr Chew Teck Soon		
4.	Approval of Directors' fees for financial year ending 31 March 2019		
5.	Re-appointment and remuneration of Auditors		
<b>Special Business</b>			
6.1	Approval of the proposed renewal of the Share Issue Mandate		
6.2	Approval of the proposed renewal of the Share Plan Mandate		
6.3	Approval of the proposed renewal of the Mandate for Interested Person Transactions		
6.4	Approval of the proposed renewal of the Share Buy Back Mandate		

\* Delete accordingly

\*\* If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please insert the relevant number of shares in the boxes provided

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

**Total number of Ordinary Shares held:**

--

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

**Important: Please read notes on the reverse side**

1<sup>st</sup> fold here

**NOTES:**

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints two proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its seal or signed by its officer duly authorised.
4. A corporation which is a member may also authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
5. This instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, not less than 72 hours before the time appointed for holding the AGM.
6. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.
7. The appointment of a proxy or proxies shall not preclude a member from attending, speaking and voting in person at the AGM. If a member attends the AGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the AGM.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument (including any related attachment) appointing a proxy or proxies. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

2<sup>nd</sup> fold here

Please  
Affix  
Postage  
Stamp

**M & C SERVICES PRIVATE LIMITED**  
Share Registrar for  
SIA Engineering Company Limited  
112 Robinson Road #05-01  
Singapore 068902  
Republic of Singapore

3<sup>rd</sup> fold here

# CORPORATE DATA

## BOARD OF DIRECTORS

### Chairman

Stephen Lee Ching Yen

### Deputy Chairman

Tang Kin Fei  
(from 8 May 2017)

### Directors

Goh Choon Phong

Ng Chin Hwee

Manohar Khatani

Chew Teck Soon

Christina Ong

Raj Thampuran

Wee Siew Kim  
(from 8 May 2017)

Png Kim Chiang

Tong Chong Heong  
(until 1 June 2018)

## Company Secretaries

Lu Ling Ling

Devika Rani Davar  
(until 20 July 2017)

## AUDIT COMMITTEE

### Chairman

Chew Teck Soon

### Members

Tang Kin Fei  
(from 1 June 2017)

Manohar Khatani

Christina Ong

Raj Thampuran

## NOMINATING COMMITTEE

### Chairman

Christina Ong

### Members

Ng Chin Hwee

Chew Teck Soon

Tong Chong Heong  
(until 1 June 2017)

## COMPENSATION & HR COMMITTEE

### Chairman

Stephen Lee Ching Yen

### Members

Goh Choon Phong

Wee Siew Kim  
(from 1 June 2017)

Tong Chong Heong  
(until 1 June 2018)

Christina Ong  
(until 1 June 2017)

## BOARD SAFETY & RISK COMMITTEE

### Chairman

Manohar Khatani  
(from 1 June 2018)

Tong Chong Heong  
(until 1 June 2018)

### Members

Tang Kin Fei  
(from 1 June 2017)

Ng Chin Hwee

Wee Siew Kim  
(from 1 June 2017)

Chew Teck Soon  
(until 1 June 2017)

## BOARD COMMITTEE

### Members

Stephen Lee Ching Yen

Goh Choon Phong

## EXECUTIVE MANAGEMENT

### Chief Executive Officer

Png Kim Chiang

### Executive Vice President Operations

Ivan Neo Seok Kok

### Senior Vice President

#### Human Resources

Zarina Piperdi

### Senior Vice President

#### Aircraft & Component Services

Wong Yue Jeen

### Senior Vice President

#### Line Maintenance & Cabin Services

Foo Kean Shuh

### Senior Vice President

#### Partnership Management & Business Development

Philip Quek Cher Heong

### Chief Financial Officer

Ng Lay Pheng  
(from 1 October 2017)

Anne Ang Lian Choo  
(until 30 September 2017)

### Senior Vice President

#### Special Projects

Anne Ang Lian Choo  
(1 October until 31 December 2017)

## REGISTERED OFFICE

31 Airline Road  
Singapore 819831  
Tel: +65 6541 5152  
Fax: +65 6546 0679  
Email: siaec@singaporeair.com.sg

## SHARE REGISTRAR

M & C Services Private Limited  
112 Robinson Road #05-01  
Singapore 068902

## AUDITORS

KPMG LLP  
Public Accountants and  
Chartered Accountants  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581

## AUDIT PARTNER

Kenny Tan Choon Wah  
(appointed 21 July 2017)



**SIA ENGINEERING COMPANY LIMITED**

Singapore Company Reg. No.: 198201025C

SGX Trading Code: S59.SI

Registered Office: 31 Airline Road, Singapore 819831

Tel: +65 6541 5152

Fax: +65 6546 0679

Email: [siaec@singaporeair.com.sg](mailto:siaec@singaporeair.com.sg)

[www.siaec.com.sg](http://www.siaec.com.sg)

**Company Secretary**

Lu Ling Ling

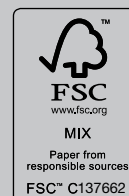
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**Investor Relations and Public Affairs**

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Email: [siaec\\_comms@singaporeair.com.sg](mailto:siaec_comms@singaporeair.com.sg)



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