

FORWARD

Registered Office

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Singapore 179102
Telephone 65 3394500
www.smrtcorp.com.sg

Place of Incorporation

Singapore

Company Secretary

Kuan-Lee Yee Fong, Catherine, CPA

Auditors

KPMG
Audit Partner: Soo Nam Chow
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Principal Bankers

The Development Bank of Singapore Ltd
Overseas-Chinese Banking Corporation Limited
Overseas Union Bank Limited
United Overseas Bank Limited

Share Registrar

Lim Associates (Pte) Ltd
10 Collyer Quay #19-08 Ocean Building
Singapore 049315

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CHAIRMAN'S STATEMENT

The year in review saw the successful listing of SMRT Corporation on the main board of the Singapore Exchange on 26 July 2000, making the Corporation the world's first publicly traded metro rail operator. The offering of about one-third of the Corporation's shares received a good response from investors, with demand exceeding the offer by five times, and the share price has performed reasonably well in a nervous market. Priced at 61 cents in the offering, the share closed at 80 cents on 1 June 2001.

The listing brings with it the economic rigours and governance disciplines that the commercial market place imposes and which shareholders have a right to expect the Board and management to measure up to. However, whilst we aim at enhancing shareholder value, we maintain an unwavering focus on the core mission of providing safe, reliable, convenient, efficient and affordable transportation on the MRT system and the Bukit Panjang LRT operation. Reflecting this philosophy, we shall not skimp on training, maintenance, repair and overhaul expenditures, even as we address the containment of other expenses.

In the last financial year, the year-on-year increase of 11.4% in profit at the operating level before interest, taxation, depreciation and amortisation did not match that of 12.2% in revenue. This was because staff costs rose 15.8% and electricity costs went up a hefty 54.8%. The former included the lifting of the preceding year's wage restraints and the partial restoration of the employer's contribution rate to the Central Provident Fund, in line with industry, whereas the latter was faced universally by all consumers of energy.

Nevertheless, the results for the year were in line with market expectations. In consideration of the profit at the operating level, the Board has proposed a final ordinary dividend of 1.50 cents per share. With the interim dividend of 1.50 cents per share, paid on 30 November 2000, this will make a total of 3.00 cents per share in ordinary dividend for the year. Additionally, the Board has proposed a dividend of 1.65 cents per share, related to interest and investment income for the financial year ended 31 March 2001. (This is declared as a special dividend because, with the payment of the fourth instalment of S\$253 million to the Land Transport Authority in April 2001, investible funds have been depleted and such income of material proportion will not recur in future years.) The total gross dividends for the year will therefore amount to 4.65 cents per share. Net of tax, this is 3.50 cents per share, or just over half the overall after-tax earnings of 6.98 cents per share. The Board intends to uphold this policy of paying annual dividends of approximately half of the consolidated net profit from operations, subject to adequacy of funding for capital expenditures and other necessary investments.

SMRT's reliability continues to exceed the standards set by the Land Transport Authority. For punctuality, 95% of trains arrive within 2 minutes of the scheduled time, and 96% of them depart within 2 minutes of schedule. Even though SMRT is similarly well inside the Authority's safety requirements, there is no room for complacency and there will be no compromise on safety of operations. Every incident and accident, however minor, is thoroughly investigated and the appropriate corrective action instituted. Review of safety performance and consequent implementation of improved procedures is a perpetual process. Safety awareness is also emphasized in staff training and retraining.

Staff training and development is key to improving productivity and service performance. Last year, each staff received an average of 9.29 days of training. As about half the total staff population of 3,000 have been with the Corporation for 8 years and more, this continuous upgrading of skills builds on a base of solid experience and will not be sacrificed in the search for cost savings.

A highlight of the past year was the commissioning of the new Expo station, distinguished by Norman Foster's futuristic architecture, which became the 49th station in the SMRT network. Sixteen new trains were added to the operating fleet in the course of the year, and enabled the improvement in service frequency at peak periods. The new trains also introduced new user-friendly features aimed at enhancing comfort and convenience.

Despite the slowdown in business conditions at large, we expect the secular uptrend in ridership to continue in the current year, although it is reasonable to expect growth to be muted. The commencement of the new station at Dover later in 2001 should generate incremental business. Electricity prices have eased from the peaks of last year, but remain at historically high levels. Hopefully, competition in power generation in Singapore will help to lower prices. With staff costs making up the largest component of expenditures, we will work on relating changes in salary and other payroll costs to gains in productivity. The target for the current year is to at least maintain profit at the operating level.

For the longer term, the Corporation is keeping to its plan of leveraging the proven competence of managing and operating a comprehensive urban rail network, to offer engineering, consultancy and partnership services overseas. However, efforts in this direction are still embryonic and time will be needed for them to produce significant results. Likewise for the joint venture businesses that are related to the core MRT operations, such as the Today newspaper and the Cheers convenience stores at MRT stations.

On behalf of the Board, I thank our staff for their cooperation and dedication, our customers for their valued support, and our shareholders for their confidence in the Corporation.

Chew Choon Seng

Chairman

FINANCIAL REVIEW

Important Note

A comprehensive review of the Group's operations and performance for the financial year ended 31 March 2001 together with comments on our growth strategies are included in the Annual Review. Shareholders may request for a copy of the Annual Review at no cost from the Company Secretary. Please use the Request Form at the end of this Financial Report.

Results for FY 2001

Results for FY 2001 reflect another period of steady revenue growth. The Group achieved growth of 12.2% in turnover to S\$413 million. A gross dividend of 4.65 cents per share was declared for FY 2001. This gives a yield of 6.1%, based on the share price as at 31 March 2001. The Group's steady revenue growth has been a result of continued increases in ridership and fares, supplemented by an expansion of non-fare based revenue streams. Effective cost control has also helped maintain operating margins, despite pressures from increased electricity tariffs and staff costs.

Fare revenue

Fare revenue grew 12.2% to S\$380.1 million from S\$338.7 million in FY 2000. Average daily ridership of the MRT System for FY 2001 was 1.061 million, representing an increase of 5.9% over that of FY 2000. This was the result of the improved economy which increased the level of economic activities, increased throughput at Kranji station, located adjacent to the new Singapore Turf Club, and completion of new residential and commercial projects near MRT stations.

Average fares for the MRT System increased from 91.6 cents to 96.1 cents in FY 2001. This is largely attributable to the removal of a 5% rebate introduced in 1999 and an average fare increase of 2.4% from June 2000 to cover an increase in operating costs.

Non-fare revenue

Non-fare revenue improved by 12.2% to S\$32.9 million. Advertising revenue grew 37% while rental income was fairly stable. New measures taken during the year, such as the introduction of new advertising media and improvements in display panels helped boost advertising revenue. SMRT recognises the potential to gain more advertising revenue and is increasing advertising space and introducing other initiatives to capitalise on our audience reach.

To maximise the use of station premises, a number of sites in selected stations have been identified for the construction of new shop spaces for commercial leases. Construction of shops has commenced and the lease of these additional shop units will aim to further enhance our non-fare revenue.

While operating the MRT is our core business, the Group has begun implementing several projects that capitalise on our expertise, operating assets and infrastructure.

Operating costs

Staff and related costs

Staff and related costs increased 15.8% or S\$19.6 million. Approximately S\$3.4 million of the increase came from the full year operations of the Bukit Panjang LRT which had only 5 months of operations in FY 2000. The restoration of the employer's CPF contribution rate by 2 percentage points in April 2000 and 4 percentage points in January 2001 further increased the salary costs by 2.5%. The balance of the increase came from the lifting of the 1999 wage restraints in line with industry, annual wage adjustments and increase in headcount in preparation for the Changi Airport line and Dover station.

Repair and maintenance costs

Repair and maintenance costs increased 5.5% or S\$1.7 million with higher usage of spares associated with higher utilisation of operating assets.

Electricity costs

Electricity costs rose 54.8% or S\$12.6 million during FY 2001. Approximately S\$10.4 million of the increase was due to significantly higher electricity tariffs. The balance was attributed to the operation of Expo station, increased train runs, and a full year operation of Bukit Panjang LRT.

Other operating expenses

Other operating expenses decreased 8.8% or S\$3.7 million. In FY 2000, a S\$3 million provision was made for a contingent stamp duty liability arising from the group reorganisation. Based on a recent IRAS assessment, S\$2.5 million was written back.

Depreciation and amortisation

In response to the growing MRT ridership, 16 new trains were added during FY 2001. Other on-going asset improvement programmes included the upgrading of automated fare collection, communication and signalling systems and replacement of air-conditioning equipment. These were undertaken to further improve system reliability and train services.

The impact on depreciation (net of amortisation of deferred grant) was an increase of 8% from S\$72.2 million in FY 2000 to S\$78.0 million.

Management remains committed to containing costs and is continually seeking ways to raise productivity and operational efficiency without compromising safety and service standards.

We have formed two committees to focus specifically on ways to reduce staff costs and electricity consumption.

Steps to manage operational costs include:

- a new remuneration structure tied to staff productivity
- higher efficiency in electrical usage such as energy saving lights and more efficient air conditioning systems
- negotiations for better electricity tariff

Interest and investment income

Interest and investment income fell by 8.9% as compared to FY 2000. This corresponds with a decrease in the size of our funds following payments of the third annual instalment of S\$253 million to the LTA and capital expenditure.

Share of results of associated companies

The loss from associated companies of S\$3.5 million in FY 2001 reflects mainly our share of start-up expenses of a newspaper joint venture.

Profit after taxation

In line with improved turnover, profit after taxation for FY 2001 improved 5.2% to S\$104.6 million on a proforma basis.

Dividends

The Corporation declared an ordinary dividend of 3.00 cents and a special dividend of 1.65 cents per ordinary share for the financial year ended 31 March 2001. This brings the total gross dividend to 4.65 cents per ordinary share of 10 cents.

The Corporation intends to continue paying an annual ordinary dividend of approximately 50% of consolidated net profit from operations for each financial year, subject to capital expenditure and other investment plans.

Proforma consolidated profit and loss accounts

Financial year ended 31 March

	2000 S\$'000	2001 S\$'000
Turnover	367,960	412,974
Other Income	7,741	10,854
Staff and related costs	(124,206)	(143,811)
Repairs and maintenance costs	(29,951)	(31,609)
Electricity costs	(22,938)	(35,516)
Other operating expenses	(41,568)	(37,893)
Operating profit before interest, taxation, depreciation and amortisation	157,038	174,999
Depreciation of property, plant and equipment	(117,187)	(122,217)
Amortisation of assets-related grant	44,963	44,236
Operating profit before interest and taxation	84,814	97,018
Interest and investment income	54,015	49,184
Profit before taxation	138,829	146,202
Share of results of associated companies	(43)	(3,450)
	138,786	142,752
Taxation	(39,282)	(38,111)
Profit after taxation	99,504	104,641

The above proforma financial information is presented after making certain proforma adjustments to the audited consolidated profit and loss accounts ('Proforma Adjustments'). These Proforma Adjustments are intended to reflect the financial results as if we had operated with lower investments, cash and cash equivalents after the payment of S\$540 million special dividends to our shareholder, Temasek Holdings (Private) Limited,

of which S\$450 million of the special dividend was paid in April 2000 and the remaining S\$90 million was paid in January 2001. No proforma adjustment has been made in respect of FY 2001 results as the financial impact is considered to be not significant. For more details and explanation of the proforma adjustments, please refer to pages 33 to 35 of the Prospectus dated 17 July 2000 issued in conjunction with the Company's initial public offering.

The table below sets out the resultant Proforma Adjustments to the interest, investment income and tax charges as per audited consolidated profit and loss accounts:

Financial year ended 31 March

	2000 S\$'000
Interest and investment income per audited consolidated profit and loss accounts	75,172
Proforma Adjustments arising from the special dividends of S\$540 million	(21,157)
Interest and investment income after Proforma Adjustments	54,015
Taxation per audited consolidated profit and loss accounts	44,501
Tax effect on the Proforma Adjustments	(5,219)
Taxation after Proforma Adjustments	39,282

DIRECTORS' REPORT

We, the undersigned directors, on behalf of all the directors of the Company, submit this annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2001.

Directorate

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

Chew Choon Seng Chairman

Kwek Siew Jin President

Ho Tian Yee

Lye Fei

Koh Kheng Siong

Tan Yong Soon

Daniel Cuthbert Ee Hock Huat

Appointed on 17 April 2000

Victor Loh Kwok Hoong

Appointed on 18 April 2000

Cheah Kean Huat

Appointed on 20 April 2000

Phoon Siew Heng Jimmy

Appointed on 2 May 2001

Admission of the Company to the Official List of the Singapore Exchange Securities Trading Limited

The Company's shares were listed on the Main Board of the Singapore Exchange Securities Trading Limited ('SGX-ST') on 26 July 2000.

Principal Activities

The principal activities of the Group are those relating to:

- i operation of the Mass Rapid Transit System in Singapore
- ii operation of the Bukit Panjang Light Rail Transit System in Singapore
- iii provision of engineering consultancy, project management and other engineering services
- iv investment holding

The principal activities of the Company are those relating to investment holding and provision of engineering consultancy and other engineering services and management services to group companies.

There have been no significant changes in such activities during the financial year.

Acquisitions and Disposals of Subsidiaries

During the financial year, the Company incorporated two wholly-owned subsidiaries, RFP Investments Pte Ltd and TPG Investments Pte Ltd, and subscribed for 2 ordinary shares of \$1 each in each of the subsidiary.

There were no other acquisitions and disposals of subsidiaries during the financial year.

Financial results

Results of the Group and of the Company for the financial year are as follows:

	The Group	The Company
	\$'000	\$'000
Profit after taxation	104,641	48,579
Retained profits brought forward	136,638	89,931
	241,279	138,510
Dividends:		
Interim ordinary dividend of 15% less tax of 25.5%	(16,763)	(16,763)
Proposed final dividends:		
– Ordinary dividend of 15% less tax of 24.5%	(16,988)	(16,988)
– Special dividend of 16.5% less tax of 24.5%	(18,686)	(18,686)
	(52,437)	(52,437)
Retained profits carried forward	188,842	86,073

Transfers to and from Reserves and Provisions

During the financial year, there were no material transfers to or from reserves. Movements in provisions are set out in the accompanying notes to the financial statements.

Issue of Shares and Debentures

During the financial year, there were the following issues of shares:

By the Company

The Company sub-divided each of its ordinary share of \$1 each in the share capital of the Company into 10 ordinary shares of \$0.10 each.

By the subsidiaries

Name of subsidiaries	Description of shares issued	Purpose of issue
Singapore LRT Pte Ltd	2,000,000 ordinary shares of \$1 each fully paid at par for cash	To provide additional working capital
SMRT Engineering Pte Ltd	500,000 ordinary shares of \$1 each fully paid at par for cash	To provide additional working capital
SMRT International Pte Ltd	200,000 ordinary shares of \$1 each fully paid at par for cash	To provide additional working capital
SMRT Investments Pte Ltd	999,998 ordinary shares of \$1 each fully paid at par for cash	To provide initial working capital
RFP Investments Pte Ltd	2 subscribers' shares of \$1 each fully paid at par for cash	Incorporation of company
	3,599,998 ordinary shares of \$1 each fully paid at par for cash	To provide initial working capital
TPG Investments Pte Ltd	2 subscribers' shares of \$1 each fully paid at par for cash	Incorporation of company

Except for the above, there was no other issue of shares or debentures during the financial year.

Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company or its subsidiaries a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisitions of shares or debentures of the Company or any other body corporate.

DIRECTORS' REPORT

Directors' Interests in Shares and Debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year in shares and debentures in the Company and in related corporations are as follows:

	Held by the Director		Shareholdings in which the director is deemed to have an interest	
	As at 1/4/2000 or date of appointment	As at 31/3/2001	As at 1/4/2000 or date of appointment	As at 31/3/2001
The Company Ordinary shares of \$0.10 each fully paid				
Chew Choon Seng	–	50,000	–	–
Kwek Siew Jin	–	100,000	–	–
Ho Tian Yee	–	20,000	–	–
Daniel Cuthbert Ee Hock Huat	–	50,000	–	5,000
Victor Loh Kwok Hoong	–	50,000	–	1,000
Cheah Kean Huat	–	30,000	–	–
Related Corporations:				
Singapore Airlines Limited Ordinary shares of \$1.00 each fully paid				
Chew Choon Seng	214,000	214,000	–	–
Kwek Siew Jin	–	–	6,000	–
Koh Kheng Siong	15,000	15,000	–	–
Daniel Cuthbert Ee Hock Huat	2,000	2,000	–	–
Singapore Telecommunications Limited Ordinary shares of \$0.15 each fully paid				
Chew Choon Seng	11,760	11,820	–	–
Kwek Siew Jin	1,760	11,820	1,640	21,690
Ho Tian Yee	1,560	1,820	1,560	1,690
Lye Fei	–	–	200	200
Tan Yong Soon	1,760	1,820	1,640	1,690
Koh Kheng Siong	11,760	11,820	1,640	3,230
Daniel Cuthbert Ee Hock Huat	1,880	1,950	1,640	1,690
Victor Loh Kwok Hoong	1,640	1,690	7,640	7,690
SembCorp Industries Ltd Ordinary shares of \$0.25 each fully paid				
Kwek Siew Jin	–	–	12,715	12,715
Koh Kheng Siong	20,000	20,000	–	–
Ho Tian Yee	–	15,000	–	–
Daniel Cuthbert Ee Hock Huat	3,709	3,709	–	–
Victor Loh Kwok Hoong	–	–	3,000	–
Singapore Technologies Engineering Ltd Ordinary shares of \$0.10 each fully paid				
Kwek Siew Jin	–	–	10,000	10,000
Koh Kheng Siong	34,361	34,361	–	–
Ho Tian Yee	–	20,000	–	–
Victor Loh Kwok Hoong	–	–	2,000	2,000
ST Assembly Test Services Ltd Ordinary shares of \$0.25 each fully paid				
Koh Kheng Siong	1,000	1,000	–	–
SembCorp Logistics Ltd Ordinary shares of \$1.00 each fully paid				
Koh Kheng Siong	6,000	6,000	–	–
Singapore Food Industries Limited Ordinary shares of \$0.05 each fully paid				
Lye Fei	18,000	18,000	2,000	2,000
Daniel Cuthbert Ee Hock Huat	–	50,000	–	–

Directors' Interests in Shares and Debentures continued

	Held by the Director		Shareholdings in which the director is deemed to have an interest	
	As at 1/4/2000 or date of appointment	As at 31/3/2001	As at 1/4/2000 or date of appointment	As at 31/3/2001
Related Corporations continued:				
Raffles Holdings Limited Ordinary shares of \$0.50 each fully paid				
Chew Choon Seng	•	12,000	–	–
Lye Fei	•	3,000	–	–
Singapore Airport Terminal Services Limited Ordinary shares of \$0.10 each fully paid				
Chew Choon Seng	–	10,000	–	–
Lye Fei	–	2,000	–	1,000
SIA Engineering Company Limited Ordinary shares of \$0.10 each fully paid				
Chew Choon Seng	–	20,000	–	–
Koh Kheng Siong	–	2,000	–	–
Lye Fei	–	–	–	1,000
CapitaLand Limited Ordinary shares of \$1.00 each fully paid				
Kwek Siew Jin	–	15,000	–	10,000
Koh Kheng Siong	•	25,000	–	–
Tan Yong Soon	–	–	•	2,500
Victor Loh Kwok Hoong	–	–	•	1,000
	Exercise price	Exercisable year	As at 1/4/2000	As at 31/3/2001
Singapore Airlines Limited				
Options to subscribe for ordinary shares of \$1.00 each				
Chew Choon Seng	\$15.96	28/3/2000 to 27/3/2010	60,000	60,000
	\$17.32	3/7/2000 to 2/7/2010	–	90,000
SembCorp Industries Ltd				
Options to subscribe for ordinary shares of \$0.25 each				
Lye Fei	\$2.26	20/5/2001 to 18/5/2004	100,000	100,000
	\$1.99	27/6/2001 to 26/6/2010	–	140,000
SembCorp Logistics Limited				
Options to subscribe for ordinary shares of \$1.00 each				
Lye Fei	\$10.015	29/6/2001 to 28/6/2010	–	10,000

• During the year, CapitaLand Limited ('CapitaLand'), a related corporation, and DBS Land Limited ('DBSL'), entered into a Scheme of Arrangement (the 'Scheme') whereby CapitaLand shares and share options were issued in exchange for DBSL shares and share options in accordance with the terms of the Scheme. The Scheme took effect on 24 November 2000. In addition, resulting from the Scheme taking effect, Raffles Holdings Limited became a subsidiary of CapitaLand and hence a related corporation of the Group.

As at 21 April 2001 (being 21 days after the end of the financial year), the interests of directors who held office at the end of the financial year in shares in the Company remained unchanged.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company or of related corporations either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

DIRECTORS' REPORT

Dividends

Since the end of the last financial period, the Company paid a final tax exempt dividend of \$90,000,000 in respect of the previous financial period as proposed in the directors' report for that period. During the financial year, the Company declared an interim net ordinary dividend of \$16,762,500. The directors now recommend the payment of a final net ordinary dividend of \$16,987,500 and a net special dividend of \$18,686,250 in respect of the financial year under review.

Other Statutory Information

a Bad and Doubtful Debts

Before the profit and loss account and the balance sheet of the Company were made out, the directors took reasonable steps to ascertain what action had been taken in relation to writing off bad debts and providing for doubtful debts of the Company. The directors have satisfied themselves that all known bad debts have been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render any amounts written off or provided for bad and doubtful debts in the financial statements of the Group inadequate to any substantial extent.

b Current Assets

Before the profit and loss account and the balance sheet of the Company were made out, the directors took reasonable steps to ensure that current assets of the Company which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values and that adequate provision has been made for diminution in value of such current assets.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report which would render the values attributable to current assets in the consolidated financial statements misleading.

c Charges and Contingent Liabilities

Since the end of the financial year:

- no charge on the assets of the Company or its subsidiaries has arisen which secures the liabilities of any other person; and
- no contingent liability of the Company or its subsidiaries has arisen.

d Ability to Meet Obligations

No contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or of the Company to meet its obligations as and when they fall due.

e Other Circumstances Affecting the Financial Statements

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the consolidated financial statements of the Group or the financial statements of the Company misleading.

f Unusual Items

In the opinion of the directors, no item, transaction or event of a material and unusual nature has substantially affected the results of the operations of the Group or of the Company during the financial year.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen since the end of the financial year which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Directors' Interests in Contracts

Since the end of the last financial period, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share Options

During the financial year, there were:

- no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company under option.

Audit Committee

The Audit Committee (the 'Committee') comprises five non-executive directors of which four are independent. The Committee's members are as follows:

Daniel Cuthbert Ee Hock Huat Chairman
Ho Tian Yee
Lye Fei
Koh Kheng Siong
Victor Loh Kwok Hoong

The principal responsibility of the Committee is to assist the Board of Directors in the identification and monitoring of areas of significant business risks including the following:

- the effectiveness of the management of financial business risks and the reliability of management reporting;
- compliance with laws and regulations, particularly those of the Companies Act, Chapter 50 and the Singapore Exchange Listing Manual;
- the appropriateness of interim and full year announcements and reports;
- the effectiveness and efficiency of internal and external audits; and
- related party transactions.

Specific functions of the Committee include reviewing the scope of work of the internal and external auditors and the assistance given by the Group's officers to the auditors, and receiving and considering the reports of the internal and the external auditors and their evaluation of the system of internal controls. The Committee also recommends the appointment of the external auditors.

In addition, the Committee has, in accordance with Chapter 9A of the Singapore Exchange Listing Manual, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the internal procedures set up by the Group to identify, report and where necessary, seek approval for interested person transactions and, with the assistance of the internal auditors, reviewed interested person transactions.

The Committee has recommended to the Board of Directors that the auditors, KPMG, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

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

On behalf of the Board of Directors



Chew Choon Seng
Director



Kwek Siew Jin
Director

Singapore
25 May 2001

STATEMENT BY DIRECTORS

We, **Chew Choon Seng** and **Kwek Siew Jin**,
being directors of SMRT Corporation Ltd,
do hereby state that in our opinion:

- a the financial statements set out on pages 13 to 34 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2001 and of the results of the business and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date; and
- b at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors



Chew Choon Seng
Director



Kwek Siew Jin
Director

Singapore
25 May 2001

AUDITORS' REPORT

Report of the Auditors to the Members of SMRT Corporation Ltd

We have audited the financial statements of SMRT Corporation Ltd and consolidated financial statements of the Group for the year ended 31 March 2001 as set out on pages 13 to 34. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- a the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the 'Act') and Statements of Accounting Standard and so as to give a true and fair view of:
 - i the state of affairs of the Company and of the Group as at 31 March 2001 and of the results and changes in equity of the Company and of the Group and the cash flows of the Group for the year ended on that date; and
 - ii the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;
- b the accounting and other records, and the registers required by the Act to be kept by the Company and by the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have also considered the financial statements of a subsidiary which are not yet required to be audited under the Act, being financial statements that have been included in the consolidated financial statements.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comments made under Section 207 (3) of the Act.



KPMG
Certified Public Accountants
Singapore
25 May 2001

BALANCE SHEETS

as at 31 March 2001

		The Group		The Company	
	Note	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Non-current assets					
Property, plant and equipment	5	1,134,250	1,069,593	319	–
Interests in subsidiaries	6	–	–	152,695	150,995
Interests in associated companies	7	4,404	2,781	–	–
Deferred expenditure	8	1,996	3,258	–	–
Current assets					
Inventories	9	21,601	22,499	–	–
Trade and other receivables	10	22,389	40,587	113,833	181,970
Short-term investments	13	41,617	343,071	–	–
Fixed deposits at banks		239,664	769,908	6,000	–
Cash at banks and in hand		3,634	5,025	439	–
		328,905	1,181,090	120,272	181,970
Less:					
Current liabilities					
Trade and other payables	14	100,697	131,032	1,539	3,034
Amount due to LTA – due within one year	17	274,146	277,403	–	–
Provision for taxation		2,024	5,617	–	–
Interim and final dividends		35,674	570,000	35,674	90,000
		412,541	984,052	37,213	93,034
Net current (liabilities)/assets		(83,636)	197,038	83,059	88,936
Non-current liabilities					
Amount due to LTA – due after one year	17	(252,915)	(505,830)	–	–
Deferred taxation	18	(114,000)	(84,709)	–	–
		(366,915)	(590,539)	–	–
		690,099	682,131	236,073	239,931
Share capital	19	150,000	150,000	150,000	150,000
Retained profits	20	188,842	136,638	86,073	89,931
Share capital and reserves		338,842	286,638	236,073	239,931
Deferred grant	21	342,569	386,805	–	–
Fuel equalisation account	22	8,688	8,688	–	–
		690,099	682,131	236,073	239,931

The notes set out on pages 17 to 34 form part of these financial statements.

PROFIT AND LOSS ACCOUNTS

for the year ended 31 March 2001

	Note	The Group			The Company
		2001 \$'000	2000 \$'000	2001 \$'000	6/3/2000 to 31/3/2000 \$'000
Revenue	23	412,974	367,960	74,941	195,403
Other income		10,854	7,741	–	–
Staff and related costs		(143,811)	(124,206)	(3,312)	–
Depreciation of property, plant and equipment	5	(122,217)	(117,187)	(39)	–
Amortisation of asset-related grant	21	44,236	44,963	–	–
Repairs and maintenance costs		(31,609)	(29,951)	(13)	–
Electricity costs		(35,516)	(22,938)	(21)	–
Other operating expenses		(37,893)	(41,568)	(4,843)	(69)
		97,018	84,814	66,713	195,334
Interest and investment income		49,184	75,172	11	–
Profit before taxation	24	146,202	159,986	66,724	195,334
Share of results of associated companies		(3,450)	(43)	–	–
		142,752	159,943	66,724	195,334
Taxation	25	(38,111)	(44,501)	(18,145)	(15,403)
Profit after taxation		104,641	115,442	48,579	179,931
Basic earnings per share (in cents)	26	6.98	7.70		

The notes set out on pages 17 to 34 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2001

	Share capital \$'000	Retained profits \$'000	Total \$'000
The Group			
At 1 April 1999			
– as previously reported	150,000	545,733	695,733
– prior years' adjustments	–	45,463	45,463
– as restated	150,000	591,196	741,196
Profit for the year	–	115,442	115,442
Dividends (tax exempt)			
– interim dividend:			
special dividend of 300%	–	(450,000)	(450,000)
ordinary dividend of 20%	–	(30,000)	(30,000)
– final dividend:			
special dividend of 60%	–	(90,000)	(90,000)
At 31 March 2000	150,000	136,638	286,638
Profit for the year	–	104,641	104,641
Dividends			
– interim ordinary dividend of 15% less tax of 25.5%	–	(16,763)	(16,763)
– proposed final dividends:			
ordinary dividend of 15% less tax of 24.5%	–	(16,988)	(16,988)
special dividend of 16.5% less tax of 24.5%	–	(18,686)	(18,686)
At 31 March 2001	150,000	188,842	338,842
The Company			
At 6 March 2000 (date of incorporation)	150,000	–	150,000
Profit for the period	–	179,931	179,931
Dividend (tax exempt) special final dividend of 60%	–	(90,000)	(90,000)
At 31 March 2000	150,000	89,931	239,931
Profit for the year	–	48,579	48,579
Dividends			
– interim ordinary dividend of 15% less tax of 25.5%	–	(16,763)	(16,763)
– proposed final dividends:			
ordinary dividend of 15% less tax of 24.5%	–	(16,988)	(16,988)
special dividend of 16.5% less tax of 24.5%	–	(18,686)	(18,686)
At 31 March 2001	150,000	86,073	236,073

The notes set out on pages 17 to 34 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2001

	Note	2001 \$'000	2000 \$'000
Cash Flows from Operating Activities			
Profit before taxation		142,752	159,943
Adjustments for items not involving outlay of funds:			
– Share of results of associated companies		3,450	43
– Depreciation of property, plant and equipment		122,217	117,187
– Amortisation of asset-related grant		(44,236)	(44,963)
– Amortisation of deferred expenditure		1,262	530
– Loss/(Profit) from disposals of:			
investments and bonds		(34,488)	(35,708)
property, plant and equipment		(20)	–
– Deferred expenditure written off		–	1,667
– Property, plant and equipment written off		910	1,510
– Dividend income		(730)	(2,812)
– Provision for			
fuel equalisation account		–	1,675
stocks obsolescence		705	410
– Accretion of discounts net of amortisation of premiums on investments		(199)	(1,403)
– Interest income		(13,767)	(35,249)
Operating profit before working capital changes		177,856	162,830
Changes in working capital:			
– Inventories		193	(1,716)
– Trade and other receivables		10,460	(4,382)
– Amounts due from associated and related companies		(943)	(509)
– Trade balance due to LTA		522	(506)
– Trade and other payables		(30,335)	(29,443)
		157,753	126,274
Income tax paid		(12,362)	(12,244)
Dividends paid		(586,763)	(12,000)
Net cash (utilised in)/generated from operating activities		(441,372)	102,030
Cash Flows from Investing Activities			
Investments in associated companies		(5,125)	–
Dividend received		838	2,805
Interest received		22,340	37,252
Deferred expenditure incurred		–	(2,460)
Purchases of investments		(132,052)	(1,644,806)
Purchases of property, plant and equipment		(188,668)	(57,075)
Proceeds from disposals of investments		467,278	2,128,605
Proceeds from disposals of property, plant and equipment		118	13
Net cash generated from investing activities		164,729	464,334
Cash Flows from Financing Activities			
Decrease in non-trade balance due to LTA		(256,694)	(219,295)
Net cash utilised in financing activities		(256,694)	(219,295)
Net (Decrease)/Increase in Cash and Cash Equivalents		(533,337)	347,069
Cash and Cash Equivalents at beginning of year		776,635	429,566
Cash and Cash Equivalents at end of year	27	243,298	776,635

The notes set out on pages 17 to 34 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

These notes form an integral part of and should be read in conjunction with the accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated statement of cash flows.

1 Restructuring

Pursuant to a restructuring exercise carried out in March 2000, the Company acquired all the shares of Singapore MRT Ltd ('SMRT') and two of its wholly-owned subsidiaries, SMRT International Pte Ltd and SMRT Engineering Pte Ltd. The Company issued 150,000,001 ordinary shares of \$1 each credited as fully paid at par to the holding company in exchange for its 150,000,001 ordinary shares in SMRT. The other two subsidiaries were acquired from SMRT for cash consideration.

The above restructuring was accounted for under the 'pooling of interests' method and, accordingly, the consolidated financial statements for the financial year ended 31 March 2000 had been prepared on the basis that the group structure had been in existence since the incorporation of SMRT.

2 Principal Activities

SMRT Corporation Ltd is a company incorporated in the Republic of Singapore with its registered office at 251 North Bridge Road, Singapore 179102.

The principal activities of the Group are those relating to:

- i operation of the Mass Rapid Transit System in Singapore
- ii operation of the Bukit Panjang Light Rail Transit System in Singapore
- iii provision of engineering consultancy, project management and other engineering services
- iv investment holding

The principal activities of the Company are those relating to investment holding and provision of engineering consultancy and other engineering services and management services to group companies.

3 Licence and Operating Agreements

a SMRT

A Licence and Operating Agreement ('the LOA') with Land Transport Authority ('LTA') under which SMRT is licensed to operate the existing MRT system in Singapore came into effect on 1 April 1998. The LOA sets out the terms and conditions under which the licence is granted and include the following:

- i The licence is for a period of 30 years commencing 1 April 1998 at an annual licence fee calculated at 0.5 per cent of the annual passenger revenue net of goods and services tax and rebates for the first 5 years of the LOA, and at 1% from 1 April 2003 to 31 March 2010. SMRT may request LTA to extend the licence or subsequent licence for a period of 30 years subject to any other terms and conditions as LTA may impose.
- ii SMRT may apply for a grant from LTA for the replacement of eligible operating assets to be computed on the basis as set out in the LOA. The main categories of eligible operating assets are trains, permanent way vehicles, power supply equipment and cabling, supervisory control system, escalators and lifts, platforms screen doors, environmental control system, electrical service and fire protection system, signalling system, communication system, automatic fare collection system and depot workshop equipment.

- iii Upon the expiration or cancellation of the licence, SMRT is required to surrender all parts of the MRT system owned by LTA in a condition substantially similar to their state as at the date of the LOA subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the LOA terms by SMRT, SMRT is required upon cancellation to refund to LTA the total amount of the replacement grants received or such portion thereof as LTA may determine.

b Singapore LRT Pte Ltd ('SLRT')

A Licence and Operating Agreement ('the LRT LOA') with LTA under which SLRT is licensed to operate the Bukit Panjang Light Rail Transit System ('the LRT System') in Singapore came into effect on 6 November 1999. SLRT commenced operation on 6 November 1999. The LRT LOA sets out the terms and conditions under which the licence is granted and includes the following:

- i The licence is for the period from 6 November 1999 to 31 March 2028 at an annual licence fee calculated at 0.5 per cent of the annual passenger revenue of the preceding financial year net of goods and services tax and rebates, such percentage would be reviewed every 5 years by LTA. SLRT may request LTA to extend the licence for a period of 30 years and LTA may renew the licence for a period of 30 years or such other period and upon such other terms and conditions as LTA may impose.

- ii SLRT is required to purchase the operating assets of the LRT System from LTA at book values by 25 October 2015 or within such other period as may be agreed in writing between LTA and SLRT.

- iii Prior to SLRT's purchase of the operating assets, SLRT is required to set aside annually the sum of \$3 million or 75% of the post tax surplus (whichever is lower) in a reserve fund account for capital expenditure which includes the cost of any major overhaul of equipment, machinery or any part of the LRT System comprising all assets and infrastructure required to operate the LRT System.

- iv Upon the purchase of the operating assets by SLRT, there is no requirement to maintain the reserve fund account. However, SLRT is required to set aside an amount equivalent to 20% of the annual depreciation charge of trains, maintenance service vehicles, power supply equipment and cabling, escalators and lifts, platforms screen doors, environmental control system, electrical services and fire protection system, signalling system, communication equipment, automatic fare collection system, depot workshop equipment and ATC Central console and equipment in specified investments. SLRT may use such amount from these investments to meet up to half of the purchase costs of replaced operating assets. SLRT may apply for a grant from LTA for certain replaced operating assets to be computed on the basis as set out in the LRT LOA.

- v If the licence is cancelled prior to SLRT purchasing the operating assets of the LRT System, SLRT is required to surrender to the LTA the operating assets and the infrastructure of the LRT system owned by LTA. The operating assets are to be surrendered in a condition similar to their state as at the date of their handing over by LTA to SLRT without any deduction for wear and tear, whilst the infrastructure is to be surrendered subject to reasonable wear and tear. SLRT is required to compensate LTA for any shortfall in the value of the operating assets at the date of surrender compared with the value at the date of handing over to SLRT.

- vi If the licence is cancelled after SLRT purchased the operating assets, SLRT is required to surrender the infrastructure owned by LTA in a condition substantially similar to their state as at the date of their handing over by LTA to SLRT subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the LRT LOA terms by SLRT, SLRT is required to refund to LTA the total amount or such portion thereof as LTA may determine of the replacement grants received by SLRT upon cancellation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

4 Summary of Significant Accounting Policies

a Statement of Compliance

These financial statements have been prepared in accordance with the Singapore Statements of Accounting Standard ('SAS') issued by the Institute of Certified Public Accountants of Singapore and the requirements of the Singapore Companies Act, Chapter 50.

b Basis of Financial Statements Preparation

The financial statements, expressed in Singapore dollars, are prepared in accordance with the historical cost convention.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associated companies.

c Basis of Consolidation

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of Directors.

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the balance sheet date. The results of the subsidiaries acquired or disposed of during the year are included from the effective date of acquisition or to the effective date of disposal respectively.

Any excess or deficiency of the purchase consideration over the net assets (at fair values assigned by the directors) of the subsidiaries at the date of the acquisition is included in goodwill on consolidation or capital reserve on consolidation respectively. Goodwill on consolidation is written off against reserves.

Group restructuring that does not result in the alteration of the rights of the ultimate shareholders and meets the criteria set out in Section 69C of the Companies Act is accounted for under the 'pooling of interests' method in the preparation of the consolidated financial statements.

d Property, Plant and Equipment and Depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and they are depreciated on the straight line basis over their estimated useful lives as follows:

Leasehold land – 30 years
Building – 10 to 30 years
Furniture and fittings, office equipment and computers – 3 to 10 years
Motor vehicles – 5 years
Rolling stock – 15 to 30 years
Power supply equipment – 20 to 25 years
Signalling, communication and automatic fare collection systems – 7 to 30 years
Other operation equipment – 15 to 30 years

The operating assets purchased from LTA on 1 April 1998 are depreciated over the remaining useful lives of the assets, as stated above, based on their respective dates of purchases by LTA.

No depreciation is made on assets under construction until such assets are completed and put into operational use.

Property, plant and equipment costing less than \$1,000 per item are written off as and when they are purchased.

e Investments

i Subsidiaries

Investments in subsidiaries are stated at cost.

ii Associated companies

An associated company is one in which the Company has a long-term interest of between 20% and 50% of the equity and has a significant influence in the operating and financial policy decisions. Investments in associated companies are stated at cost.

The Group's share of the results of the associated companies is equity accounted for in the consolidated profit and loss account. The Group's share of the post-acquisition retained earnings and reserves of the associated companies is included as interests in associated companies in the consolidated balance sheet. For this purpose, the latest audited financial statements are used. Where audited financial statements are not available, unaudited management financial statements are used.

Provision for diminution in value of investments in subsidiaries and associated companies is made, when in the opinion of the directors, there has been a decline, which is other than temporary, in the value of the investments.

f Short-Term Investments

Short-term investments are valued at the lower of cost and market value on a portfolio basis.

g Deferred Expenditure

Deferred expenditure is stated at cost less accumulated amortisation. Deferred expenditure comprises preliminary and pre-operating expenses and is amortised over three years from the date of commencement of operations.

h Inventories

Inventories comprising mainly engineering spares are valued at the lower of cost, principally determined on the weighted average basis and net realisable value.

i Grants

Assets related grants are deferred and allocated to the profit and loss account over the years in which the related fixed assets are depreciated.

j Revenue Recognition

Passenger revenue is recognised on completion of services rendered.

Revenue from advertising is recognised when the advertisements are displayed.

Rental and interest income is recognised on an accrual basis.

Revenue from engineering consultancy, project management services and projects is recognised on completion of services rendered. The stage of completion is measured by reference to the progress claims made over the contract sum.

Dividend income from subsidiaries and associated companies is recognised on a proposed basis.

Dividend income from other investments is recognised on receipt basis.

k Deferred Taxation

Deferred taxation is provided, using the liability method, on all material timing differences arising from the different treatment of certain items for accounting and taxation purposes. A deferred tax benefit is, however, not recognised in the financial statements except when there is a reasonable expectation of realisation.

l Foreign Currency Translation

Monetary assets and liabilities in foreign currencies, except for those that are hedged by forward exchange contracts, are translated into Singapore dollars at rates of exchange approximate to those ruling at the balance sheet date. Monetary assets and liabilities in foreign currencies that are hedged by forward exchange contracts are translated into Singapore dollars at the contracted forward exchange rates. Transactions in foreign currencies during the year are translated at rates ruling on transaction dates. Translation differences are included in the profit and loss account.

m Fuel Equalisation Account

At the direction of the Public Transport Council ('PTC'), a Fuel Equalisation Account has been set up for the purpose of addressing volatile fuel prices. The Account will serve to soften the impact of sharp and transient increase in fuel prices. The amount set aside or withdrawn is computed based on the reference electricity tariff furnished by the PTC against the actual electricity tariff for the year.

n Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank deposits and highly liquid investments which are readily convertible to cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

o Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segment, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure relates to cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

5 Property, Plant and Equipment – The Group

	Leasehold land \$'000	Building \$'000	Furniture and fittings, office equipment and computers \$'000	Motor vehicles \$'000	Rolling stock \$'000
Cost					
At beginning of the year	2,108	3,722	13,405	2,564	668,563
Additions	–	50	1,305	371	2,551
Disposals/write off	–	–	(220)	(362)	–
Transfers/reclassifications	–	855	147	–	172,249
At end of the year	2,108	4,627	14,637	2,573	843,363
Accumulated Depreciation					
At beginning of the year	638	982	4,268	1,497	118,171
Depreciation charge for the year	70	156	1,894	378	64,813
Disposals/write off	–	–	(211)	(264)	–
At end of the year	708	1,138	5,951	1,611	182,984
Depreciation charge for 2000	70	143	1,612	398	58,933
Net Book Value					
As at 31 March 2001	1,400	3,489	8,686	962	660,379
As at 31 March 2000	1,470	2,740	9,137	1,067	550,392

	Power supply equipment \$'000	Signalling, communication and automatic fare collection systems \$'000	Other operation equipment \$'000	Assets under construction \$'000	Total \$'000
	137,822	174,055	247,774	63,682	1,313,695
	117	1,395	1,134	181,745	188,668
	–	(934)	(1,400)	–	(2,916)
	–	9,554	5,586	(188,391)	–
	137,939	184,070	253,094	57,036	1,499,447
	16,691	45,479	56,376	–	244,102
	8,268	19,637	27,001	–	122,217
	–	(140)	(507)	–	(1,122)
	24,959	64,976	82,870	–	365,197
	8,253	20,870	26,928	–	117,207
	112,980	119,094	170,224	57,036	1,134,250
	121,131	128,576	191,398	63,682	1,069,593

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

5 Property, Plant and Equipment – The Company

	Furniture and fittings, office equipment and computers \$'000	Other operation equipment \$'000	Total \$'000
Cost			
At beginning of the year	–	–	–
Additions	316	42	358
At end of the year	316	42	358
Accumulated Depreciation			
At beginning of the year	–	–	–
Depreciation charge for the year	38	1	39
At end of the year	38	1	39
Net Book Value			
As at 31 March 2001	278	41	319
As at 31 March 2000	–	–	–

6 Interests in Subsidiaries – The Company

	Note	2001 \$'000	2000 \$'000
Unquoted equity shares, at cost		156,295	150,995
Provision for diminution in value	24	(3,600)	–
		152,695	150,995

Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Business	% Equity Interest Held 2001	% Equity Interest Held 2000	Cost of Investment 2001 \$'000	Cost of Investment 2000 \$'000
Singapore MRT Ltd and its subsidiary:-	Operation of Mass Rapid Transit System under licence from LTA	Singapore	100	100	150,000	150,000
Singapore LRT Pte Ltd	Operation of Bukit Panjang Light Rail Transit System under licence from LTA	Singapore	100	100	–	–
SMRT Engineering Pte Ltd	Provision of engineering consultancy and project management services	Singapore	100	100	1,495	995
SMRT International Pte Ltd	Train operations, provision of consultancy services and investment holding	Singapore	100	100	200	•
SMRT Investments Pte Ltd	Investment holding	Singapore	100	100	1,000	•
RFP Investments Pte Ltd	Investment holding	Singapore	100	–	3,600	•
TPG Investments Pte Ltd••	Dormant	Singapore	100	–	•	•
					156,295	150,995

• Amount less than \$1,000.

•• The subsidiary was incorporated on 18 November 2000 and has yet to present its first set of audited financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

7 Interests in Associated Companies – The Group

	2001 \$'000	2000 \$'000
Unquoted equity shares, at cost	6,475	1,350
Long-term loan to an associated company	2,905	2,905
	9,380	4,255
Share of post-acquisition results	(4,976)	(1,474)
	4,404	2,781

The long-term loan to an associated company is unsecured, interest-free and not repayable within the next 12 months.

Details of the associated companies are as follows:

Name of Company	Principal Activities	Country of Incorporation	% Equity Interest Held 2001	% Equity Interest Held 2000
Held by Singapore MRT Ltd				
Transit Link Pte Ltd	Provision of services connected with the carriage of goods and passengers in public conveyances	Singapore	33.3	33.3
Bus-Plus Services Pte Ltd	Provision of public transport and other related services	Singapore	50.0	50.0
EZCard Pte Ltd	Provision of multipurpose stored value smart card service for usage on transit services as well as an alternative mode of payment in Singapore and to develop, arrange and promote the use of multi-purpose stored value smart card business in Singapore	Singapore	40.0	–
Held by SMRT Engineering Pte Ltd				
TranSys Pte Ltd•	Design, manufacture, promotion, distribution and sale of railway related parts and services	Singapore	50.0	–
Held by RFP Investments Pte Ltd				
MediaCorp Press Ltd•	Printing, publishing and distribution of a English language newspaper TODAY	Singapore	30.2	–

- These are related corporations by virtue of Section 6 of the Companies Act, Chapter 50.

8 Deferred Expenditure – The Group

	Note	2001 \$'000	2000 \$'000
Balance at beginning of year		3,258	2,965
Amounts incurred during the year		–	2,490
Amounts written off during the year	24	–	(1,667)
Amortisation during the year	24	(1,262)	(530)
Balance at end of year		1,996	3,258
Amounts incurred during the year include:			
Depreciation of property, plant and equipment		–	20
Property, plant and equipment written off		–	10
Interest income		–	(10)

9 Inventories – The Group

	Note	2001 \$'000	2000 \$'000
Inventories		23,778	23,971
Provision for stocks obsolescence		(2,177)	(1,472)
		21,601	22,499
Movements in provision for stocks obsolescence are as follows:			
Balance at beginning of year		(1,472)	(1,062)
Provision made during the year	24	(705)	(410)
Balance at end of year		(2,177)	(1,472)

10 Trade and Other Receivables

	Note	The Group		The Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Trade receivables	11	2,380	2,863	–	–
Other debtors, deposits and prepayments	12	16,050	34,723	6,281	3,000
Amounts due from:					
subsidiaries – non-trade		–	–	107,542	178,970
associated company – trade		3,934	3,001	–	–
related company – non-trade		25	–	10	–
		22,389	40,587	113,833	181,970

11 Trade Receivables – The Group

Included in trade receivables of the Group is an amount due from related companies of \$65,559 (2000: \$72,944).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

12 Other Debtors, Deposits and Prepayments

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Deposits	161	132	27	–
Prepayments	496	994	17	–
Receivable from sale of investments	–	16,413	–	–
Staff loans and advances	5,732	6,512	24	–
Interest receivable	1,680	10,253	1	–
Tax recoverable (see note below)	5,737	–	5,737	–
Other receivable	2,244	419	475	3,000
	16,050	34,723	6,281	3,000

Tax recoverable relates to tax paid to the Comptroller of Income Tax for Section 44 franking of interim dividend payments during the year. The tax paid is available for set-off against future tax liability of the Company.

13 Short-Term Investments – The Group

	2001 \$'000	2000 \$'000
Comprising:		
i Quoted investments at cost:		
Equity investments	17	65,371
Bonds/FRNs/Loan stocks	–	176,500
Singapore Government Securities	–	52,953
	17	294,824
ii Unquoted investments at cost:		
Bonds/FRNs/Loan stocks	41,000	45,445
Negotiable certificates of deposits	–	1,702
Preference shares	600	3,100
	41,600	50,247
Provision for diminution in value of investments		
Balance at beginning of year	(2,000)	–
Transfer from long-term investments	–	(2,000)
Provision utilised	2,000	–
Balance at end of year	–	(2,000)
	41,600	48,247
	41,617	343,071
Market value of quoted investments:		
Equity investments	17	108,373
Bonds/FRNs/Loan stocks	–	178,017
Singapore Government Securities	–	55,779
	17	342,169

14 Trade and Other Payables

	Note	The Group		The Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Trade payables and accruals	15	59,304	39,359	1,039	–
Other creditors and refundable deposits	16	41,393	91,673	500	3,034
		100,697	131,032	1,539	3,034

15 Trade Payables and Accruals – The Group

Included in trade payables and accruals of the Group is an amount due to a related company of \$19,936 (2000: \$13,585).

16 Other Creditors and Refundable Deposits

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Amounts payable under bond repurchase agreements	–	57,304	–	–
Unused portion of farecards	19,102	18,037	–	–
Farecard refundable deposits	7,051	7,070	–	–
Rental deposits	3,585	3,639	–	–
Other creditors	11,655	5,623	500	3,034
	41,393	91,673	500	3,034

17 Amount due to LTA – The Group

	2001 \$'000	2000 \$'000
Comprising:		
Trade	2,911	2,389
Non-trade	524,150	780,844
	527,061	783,233
Payable:		
Within one year	274,146	277,403
After one year	252,915	505,830
	527,061	783,233

The non-trade balances relate mainly to the amounts payable to LTA in lieu of SMRT's obligations to surrender and restore the MRT system under the Licence and Operating Contract which expired on 31 March 1998 and the net purchase consideration for the purchase of the

operating assets of the MRT system excluding infrastructure. The amounts are unsecured, interest free and repayable in 5 equal annual instalments from the financial year ended 31 March 1999.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

18 Deferred Taxation – The Group

	2001 \$'000	2000 \$'000
Tax effect on the following timing differences:		
Excess of net book value over tax written value of property, plant and equipment	145,606	91,611
Interest receivable and discounts on investments	504	2,177
Unabsorbed wear and tear allowances	(29,069)	(9,837)
Other timing differences	(3,041)	758
	114,000	84,709

19 Share Capital – The Company

	2001 No. of shares (‘000)	2001 \$'000	2000 No. of shares (‘000)	2000 \$'000
Authorised:				
Ordinary shares of \$0.10 (2000: \$1) each	5,000,000	500,000	500,000	500,000
Issued and fully paid:				
Ordinary shares of \$0.10 (2000: \$1) each	1,500,000	150,000	150,000	150,000

During the financial year, the Company sub-divided each of its ordinary share of \$1 each in the share capital of the Company into 10 ordinary shares of \$0.10 each.

20 Retained Profits – The Group

	2001 \$'000	2000 \$'000
Retained profits of the Group as at the balance sheet date are set out below:		
Retained in:		
The Company	86,073	89,931
Consolidation adjustments	3,125	(3,000)
	89,198	86,931
Subsidiaries	104,620	51,181
Associated companies	(4,976)	(1,474)
	188,842	136,638

21 **Deferred Grant – The Group**

	2001 \$'000	2000 \$'000
Grant received	480,000	480,000
Accumulated amortisation		
Balance at beginning of the year	(93,195)	(47,340)
Amortisation during the year	(44,236)	(44,963)
Released on assets written off	–	(892)
Balance at end of the year	(137,431)	(93,195)
	342,569	386,805

This relates to an asset-related grant of \$480,000,000 received by SMRT from LTA to defray part of the purchase cost of the operating assets of the MRT system.

22 **Fuel Equalisation Account – The Group**

	Note	2001 \$'000	2000 \$'000
Balance at beginning of year		8,688	7,013
Provision made during the year	24	–	1,675
Balance at end of year		8,688	8,688

23 **Revenue**

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Passenger revenue	380,115	338,662	–	–
Rental income	18,991	18,205	–	–
Advertising income	13,310	9,748	–	–
Engineering services	558	1,345	–	–
Dividend income from subsidiary	–	–	73,145	195,403
Engineering and management service fees from subsidiaries	–	–	1,796	–
	412,974	367,960	74,941	195,403

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

24 Profit before Taxation

	Note	The Group		The Company	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Profit before taxation is arrived at:					
After charging:					
Amortisation of deferred expenditure	8	1,262	530	–	–
Auditors' remuneration		98	93	15	15
Directors' fees		219	99	162	13
Directors' remuneration		441	385	190	–
Deferred expenditure written off	8	–	1,667	–	–
Licence fees paid to LTA		1,900	1,693	–	–
Operating lease expenses		1,172	1,502	–	–
Property, plant and equipment written off		910	1,510	–	–
Provision for:					
– diminution in value in a subsidiary	6	–	–	3,600	–
– stocks obsolescence	9	705	410	–	–
– fuel equalisation account	22	–	1,675	–	–
Preliminary expenses written off		15	67	–	40
And crediting:					
Accretion of discount, net of amortisation of premium on investments		199	1,403	–	–
Dividends received from quoted equity investments		730	2,812	–	–
Interest income:					
– fixed deposits		4,221	7,399	–	–
– negotiable certificates of deposits		16	819	–	–
– Singapore Government securities, bonds, FRNs and loan stocks		9,220	26,764	–	–
– others		310	267	11	–
Gain on disposals of:					
– quoted equity investments		33,954	35,142	–	–
– unquoted non-equity investments		534	566	–	–
– property, plant and equipment		20	–	–	–
Gain on foreign exchange		368	288	–	–

25 Taxation

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Based on profit for the year:				
– Current taxation	–	(159)	(18,145)	(15,403)
– Deferred taxation	(38,054)	(44,289)	–	–
Over/(Under) provision in respect of prior years:				
– Current taxation	(8,769)	–	–	–
– Deferred taxation	8,763	–	–	–
Share of taxation of associated companies	(51)	(53)	–	–
	(38,111)	(44,501)	(18,145)	(15,403)

The Group

The tax charge for the year is higher than that arrived at by applying the statutory income tax rate to the profit for the year primarily because losses incurred by certain subsidiaries are not available for set off against the profits of the other companies in the Group and certain expense items are not deductible for taxation purposes.

As at 31 March 2001, the Group had estimated unutilised tax losses and unabsorbed wear and tear allowances amounting to approximately \$1,097,000 (2000: \$798,000) and \$118,650,000 (2000: \$38,514,000) respectively available for set-off against future taxable income subject to agreement with the Inland Revenue Authority of Singapore and compliance with the provision of Section 37 and 23 of the Income Tax Act, Chapter 134.

The potential deferred tax benefits arising from the unutilised tax losses have not been accounted for in the financial statements of the Group in accordance with its accounting policy.

The unabsorbed wear and tear allowances have been set-off against other timing differences in arriving at the amount of provision for deferred tax liabilities as at balance sheet date.

The Company

The tax charge for the year is higher than that arrived at by applying the statutory income tax rate to the profit for the year primarily because certain expense items are not deductible for taxation purposes.

26 Earnings Per Share

Basic earnings per share is calculated based on the Group's net profit attributable to shareholders of \$104,641,000 (2000: \$115,442,000) divided by the number of ordinary shares in issue of 1,500,000,000 (2000: 1,500,000,000). The number of ordinary shares in issue for the financial year ended 31 March 2000 was adjusted for the sub-division of each of the ordinary share of \$1 each to 10 ordinary shares of \$0.10 each.

There is no diluted earnings per share as the Company does not have any outstanding share options as at balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

27 Cash and Cash Equivalents – The Group

	2001 \$'000	2000 \$'000
Fixed deposits at banks	239,664	769,908
Negotiable certificates of deposit	–	1,702
Cash at banks and in hand	3,634	5,025
	243,298	776,635

28 Holding Company

The immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

29 Significant Related Party Transactions – The Group

During the financial year, the Group had the following related party transactions on terms agreed between the parties:

- i Rental income from related corporations amounting to \$3,690,800 (2000: \$2,808,300);
- ii Purchases of goods and services from related corporations amounting to \$448,000 (2000: \$239,000).

30 Commitments – The Group

	2001 \$'000	2000 \$'000
The Group had following commitments as at the balance sheet date:		
a Forward foreign exchange contracts	–	107,744
b Capital expenditure commitments		
i Contracted but not provided for – purchase of property, plant and equipment	61,871	212,367
ii Approved but not contracted for – purchase of property, plant and equipment	8,520	17,249
iii The Group is required to purchase the operating assets of the LRT System from LTA at book values by 25 October 2015 or within such other period as may be agreed in writing between LTA and SLRT (See Note 3(b)(ii)).		
c Investments in associated companies		
i To subscribe for 735,000 shares of \$1 each fully payable at par for cash	735	–
ii To provide long-term loan	7,852	–
d Operating lease commitments under non-cancellable leases with terms exceeding 1 year:		
i Payable within 1 year	1,578	1,447
ii Payable within 2 to 5 years	2,894	–

The Group and the Company lease offices and apartments under operating leases. The leases typically run for an initial period of 3 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

31 Segment Reporting

The Group's operations are carried out in Singapore and its activities comprise the following main business segments:

Rail Transportation

The Group provides transport-related businesses in Singapore. It operates both the MRT and Bukit Panjang LRT systems.

Rental and Advertising

The Group leases out commercial space, kiosks and advertising panels at the MRT and LRT stations as well as in-train advertising panels.

Engineering Services

The Group provides consultancy and project management services.

The results, assets and liabilities of major business segments of the Group are summarised below:

	Rail MRT \$'000	Rail LRT \$'000	Rental and advertising \$'000	Engineering services \$'000	Total \$'000
Results 2001					
Revenue	372,405	7,710	32,301	558	412,974
Operating expenses	(218,373)	(9,524)	(7,000)	(635)	(235,532)
Depreciation and amortisation	(77,633)	(53)	(257)	(39)	(77,982)
Operating results	76,399	(1,867)	25,044	(116)	99,460
Unallocated expenses					(1,432)
Share of results of associated companies					(3,450)
Interest and investment income (net)					48,174
Profit before taxation					142,752
Results 2000					
Revenue	336,198	2,464	27,953	1,345	367,960
Operating expenses	(194,442)	(3,856)	(5,068)	(762)	(204,128)
Depreciation and amortisation	(71,951)	(17)	(256)	–	(72,224)
Operating results	69,805	(1,409)	22,629	583	91,608
Unallocated expenses					(4,768)
Share of results of associated companies					(43)
Interest and investment income (net)					73,146
Profit before taxation					159,943
Assets and Liabilities 2001					
Operating assets	1,105,079	4,102	4,870	728	1,114,779
Assets under construction	57,036	–	–	–	57,036
Unallocated assets					12,825
Investments and cash equivalents					284,915
Total assets					1,469,555
Segment liabilities	(740,525)	(1,100)	(53)	(384)	(742,062)
Unallocated liabilities					(37,394)
Total liabilities					(779,456)
Assets and Liabilities 2000					
Operating assets	1,033,456	3,527	4,518	1,038	1,042,539
Assets under construction	63,682	–	–	–	63,682
Unallocated assets					32,497
Investments and cash equivalents					1,118,004
Total assets					2,256,722
Segment liabilities	(999,460)	(1,176)	(80)	(816)	(1,001,532)
Unallocated liabilities					(573,059)
Total liabilities					(1,574,591)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2001

31 Segment Reporting continued

	Rail MRT \$'000	Rail LRT \$'000	Rental and advertising \$'000	Engineering services \$'000	Total \$'000
Other information 2001					
Capital expenditure	188,361	96	87	–	188,544
Non-cash expenses other than depreciation and amortisation	1,610	1,262	–	–	2,872
Other information 2000					
Capital expenditure	56,934	166	40	–	57,140
Non-cash expenses other than depreciation and amortisation	3,662	530	–	13	4,205

32 Number of Employees

The number of employees in the Group and the Company as at 31 March 2001 were 2,987 (2000: 2,935) and 73 (2000: Nil) respectively.

33 Comparative Figures

The presentation and classification of items in the financial statements have been changed from the previous financial year due to the adoption of the requirements of SAS 1 (Revised 1999) 'Presentation of financial statements' and SAS 23 'Segment Reporting'. As a result, additional line items have been included on the face of the profit and loss accounts and statements of changes in equity as well as additional notes to the financial statements have been included as part of the financial statements.

Comparative figures have been adjusted to conform with the current year's presentation.

ADDITIONAL INFORMATION

Required by The Singapore Exchange Securities Trading Limited
for the year ended 31 March 2001

A Directors' Remuneration

Number of directors of the Company in each remuneration bands:

	2001	2000
Remuneration Bands		
\$500,000 and above	–	–
\$250,000 to \$499,999	1	1
Below \$250,000	8	5
Total	9	6

B Interested Person Transactions

Pursuant to Chapter 9A of the Singapore Exchange Listing Manual, a general mandate was obtained for recurrent transactions of a revenue or trading nature or those necessary for the Group's day-to-day operations but not in respect of the purchase or sales of assets, undertakings or businesses. In addition, a joint venture mandate was also obtained for the Group to enter into or to participate in joint ventures within the principal activities of the Group with interested person in the normal course of business.

The transactions conducted pursuant to the general and joint venture mandates since the date of listing on 26 July 2000 to 31 March 2001 were as follows:

- i Two subsidiaries of the Group entered into joint venture agreements with related corporations to incorporate two associated companies, TranSys Pte Ltd and MediaCorp Press Ltd, to carry out business activities as set out in Note 7 of the financial statements for the year ended 31 March 2001.
- ii Purchases of goods and services from related corporations amounting to \$448,000.
- iii Renewal of tenancy agreements with related corporations amounting to \$1,801,000.

CORPORATE GOVERNANCE

SMRT Corporation believes in adopting high standards of corporate governance in the conduct of its business activities. The Corporation has followed closely the recommendations under the International Accounting Standards (IAS 34) for interim financial reporting. This move was well received by both analysts and reporters and resulted in the Corporation being ranked third in the Business Times Corporate Transparency Index (4 November 2000).

As a company committed to organisational excellence, SMRT Corporation aims to uphold the highest standards of corporate governance in its structure and system of checks and balances.

Our corporate and executive bodies are organised in line with leading codes of best practices so that the Corporation displays maximum self-regulation and transparency while maintaining optimum efficiency.

Board of Directors

The Board of Directors of SMRT Corporation comprises:

Chew Choon Seng Chairman
Kwek Siew Jin President
Ho Tian Yee Director
Lye Fei Director
Koh Kheng Siong Director
Daniel Cuthbert Ee Hock Huat Director
Tan Yong Soon Director
Victor Loh Kwok Hoong Director
Cheah Kean Huat Director
Jimmy Phoon Siew Heng Director

The Board of Directors supervises the management of the Group and has ultimate responsibilities for its strategic direction. The Board held eleven Board meetings for the financial year ended 31 March 2001.

For the year ended 31 March 2001, the Board of Directors confirms that the Group's corporate governance approach has adhered to the principles of the Singapore Exchange Securities Trading Limited (SGX-ST)'s Best Practices Guide. The Board of Directors and the Board Committees are pleased to report on its corporate governance activities and processes.

Audit Committee

Our Audit Committee ensures that an effective self-regulatory and monitoring mechanism exists and that Group policies and practices are transparent and proper.

Chaired by Daniel Ee, an independent Director, the Audit Committee comprises non-executive Directors, Ho Tian Yee, Lye Fei, Koh Kheng Siong and Victor Loh Kwok Hoong, the majority of whom are independent. The Committee held seven meetings during the year and achieved an overall 80% attendance.

The main terms of reference of the Audit Committee are:

- to review with the internal and external auditors the adequacy of the internal control systems
- to review the audit plans and findings of the internal and external auditors
- to review interim and full year announcements and reports before they are submitted to the Board for approval
- to review interested person transactions

In accordance with the principles and best practices set out in the Best Practices Guide issued by the SGX-ST with respect to Audit Committees, the Committee is pleased to report that the Audit Committee:

- has full access to and cooperation from management as well as full discretion to invite any director or executive director to attend its meetings
- has been given reasonable resources to enable it to complete its functions properly
- has reviewed findings and evaluation of the system of internal controls with internal and external auditors

Remuneration Committee

The Remuneration Committee comprises Chew Choon Seng (Chairman), Koh Kheng Siong and Cheah Kean Huat. The Remuneration Committee:

- Evaluates the President's performance
- Sets the President's goals based on strategic plans
- Administers the SMRT Corporation Employee Share Option Plan
- Develops performance evaluation criteria
- Recommends executive compensation
- Evaluates Board performance

The Committee met twice during the year to address issues including: the Employee Share Option Plan, executive compensation and performance evaluation criteria.

Dealings in Securities

The Group has clear policies on trading of its shares by the Directors and employees. These policies conform to the guidelines of the SGX-ST. Directors and officers of the Group cannot deal in the Corporation's shares during the periods commencing one month before the announcement of the Corporation's interim and annual results and ending on the date of the announcement of the relevant results, or when they are in possession of unpublished material price-sensitive information in relation to the securities of the Corporation as well as securities of other listed companies.

SHAREHOLDER INFORMATION

As at 25 May 2001

Authorised share capital: \$500,000,000
 Issued and fully paid capital: \$150,000,003
 Class of shares: ordinary shares of \$0.10 each
 Voting rights: one vote per share

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 1,000	29,312	54.82	29,311,100	1.95
1,001 – 10,000	23,389	43.75	73,574,000	4.90
10,001 – 1,000,000	751	1.41	30,523,000	2.04
1,000,001 and above	13	0.02	1,366,591,930	91.11
Total	53,465	100.00	1,500,000,030	100.00

Twenty Largest Shareholders	Number of Shares	%
1 Temasek Holdings (Private) Limited	934,400,030	62.29
2 Raffles Nominees Pte Ltd	119,715,200	7.98
3 DBS Nominees Pte Ltd	90,656,600	6.04
4 HSBC (Singapore) Nominees Pte Ltd	84,464,100	5.63
5 Citibank Nominees Singapore Pte Ltd	43,124,000	2.87
6 NTUC Income Insurance Co-operative Limited	29,547,000	1.97
7 United Overseas Bank Nominees Pte Ltd	27,522,000	1.83
8 DB Nominees (S) Pte Ltd	14,102,000	0.94
9 TIBS Investment Pte Ltd	9,000,000	0.60
10 Oversea-Chinese Bank Nominees Pte Ltd	6,662,000	0.44
11 Overseas Union Bank Nominees Pte Ltd	4,460,000	0.30
12 Morgan Stanley Asia (Singapore) Pte	1,594,000	0.11
13 J M Sassoon & Co (Pte) Ltd	1,345,000	0.09
14 Nomura Singapore Limited	852,000	0.06
15 Keppel Bank Nominees Pte Ltd	825,000	0.05
16 Wong Kam Tim or Lim Teow Suah	584,000	0.04
17 Cheong Kwan Choong	562,000	0.04
18 OCBC Securities Private Ltd	555,000	0.04
19 Phillip Securities Pte Ltd	468,000	0.03
20 Bank of East Asia Nominees Pte Ltd	455,000	0.03
Total	1,370,892,930	91.38

Substantial Shareholder	Number of Shares	%
Temasek Holdings (Private) Limited	943,000,030 •	62.87

- Includes shares in which the substantial shareholder is deemed to have an interest.

NOTICE OF ANNUAL GENERAL MEETING

SMRT Corporation Ltd (Incorporated in the Republic of Singapore)

To All Shareholders

Notice is hereby given that the Second Annual General Meeting of the Shareholders of the Company will be held in Bras Basah Room, 4th Level, The Westin Stamford & Westin Plaza, 2 Stamford Road, Singapore 178882 on Wednesday, 18 July 2001 at 11.00 am to transact the following business:

Ordinary Business

- 1 To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 March 2001 and the Auditors' Report thereon.
- 2 To declare a Final Dividend of 1.50 cents per share and a Special Dividend of 1.65 cents per share, less income tax at 24.5 per cent for the financial year ended 31 March 2001.
- 3 To approve the proposed Directors' Fees of \$162,000 (2000: \$12,500).
- 4 To re-elect the following Directors retiring, in accordance with Article 96 of the Company's Articles of Association:
 - a Mr Chew Choon Seng;
 - b Mr Koh Kheng Siong; and
 - c Brigadier-General (NS) Tan Yong Soon.

(Note: Mr Koh Kheng Siong will upon re-election continue to serve on the Audit Committee of the Company. He will not be considered an independent Director pursuant to Clause 902(4)(a) of the Listing Manual of the Singapore Exchange Securities Trading Limited.)
- 5 To re-elect Mr Phoon Siew Heng Jimmy, a Director retiring in accordance with Article 100 of the Company's Articles of Association.
- 6 To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

Special Resolutions

- 7 To alter the Articles of Association of the Company by deleting Articles 87(B), 89, 90, 91, 92 and 94 in their entirety and substituting them in the manner as set out in the Annexure 1 to this Notice of Annual General Meeting dated 22 June 2001.
- #### Ordinary Resolutions
- 8 To consider, and if thought fit, to pass, with or without modifications, the following resolutions:

8.1 "That pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion, deem fit **provided that** the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per cent of the issued share capital of the Company for the time being, of which the aggregate number of shares that may be issued other than on a pro-rata basis to shareholders does not exceed 20 per cent of the issued share capital of the Company for the time being, and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

8.2 "That the Board of Directors of the Company be and is hereby authorised to offer and grant options in accordance with the provisions of the SMRT Corporation Employee Share Option Plan (the "Plan") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Plan **provided always that** the aggregate number of shares to be issued pursuant to the Plan shall not exceed 15 per cent of the issued share capital of the Company from time to time."

8.3 "That for the purposes of Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited:

8.3.1 approval be and is hereby given for the renewal of the General Mandate (adopted at the Extraordinary General Meeting of the Company held on 15 July 2000) for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the categories of Interested Person Transactions and with any party who is of the categories of Interested Persons, particulars of which are set out in the "General Mandate for future Interested Person Transactions" on pages 97 and 98 of the Company's Prospectus dated 17 July 2000, provided that such transactions are made at arm's length basis and on normal commercial terms; and

8.3.2 such approval shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company."

8.4 "That for the purposes of Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited:

8.4.1 approval be and is hereby given for the renewal of the Joint Venture Mandate (adopted at the Extraordinary General Meeting of the Company held on 15 July 2000) for the Company, its subsidiaries and target associated companies or any of them to enter into and/or participate in joint ventures and similar forms of mutual collaboration or participation (such as joint investments, co-operation arrangements and shareholders' agreement) (collectively, "joint ventures") as set out in the Joint Venture Mandate for future Joint Ventures Transactions (the "JV Mandate"), particulars of which are set out in the "Interested Person Transactions - JV Mandate for future Joint Ventures with Interested Persons" section of the Prospectus, with any party who falls within the categories of interested persons as described on page 98 of the Prospectus, provided that such joint ventures are made at arm's length and on normal commercial terms and in accordance with the guidelines of the Company for such transactions; and

8.4.2 such approval shall, unless revoked or varied by the Company in General Meeting, continue in force until the next Annual General Meeting of the Company."

Any Other Business

- 9 To transact any other business that may be transacted at an Annual General Meeting.

Notice of Book Closure

Notice is hereby given that the Transfer Books and Register of Members of the Company will be closed from 25 July 2001 to 26 July 2001 (both dates inclusive) for the preparation of dividend warrants. The final dividends, if approved at the Second Annual General Meeting, will be paid on 6 August 2001.

Duly completed transfers received by the Share Registrar, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building Singapore 049315 up to 5.00 pm on 24 July 2001 (the "Book Closure Date") will be registered to determine shareholders' entitlements to final dividends.

By Order of the Board

Catherine Kuan-Lee Yee Fong

Company Secretary
22 June 2001
Singapore

Explanatory notes on Ordinary Business to be transacted

Resolution 3

Directors will be paid a basic fee and will get additional allowances for their services in other Board Committees.

The proposed fees (per annum) are set out below:

Board of Directors	
Basic Fee	\$12,000
Chairman's Allowance	\$12,000
Audit Committee	
Chairman's Allowance	\$10,000
Member's Allowance	\$5,000
Remuneration Committee	
Chairman's Allowance	\$6,000
Member's Allowance	\$3,000

The Directors' fees of \$12,500 in FY 2000 were for the period from 6 March 2000 (date of incorporation) to 31 March 2000.

Explanatory notes on Special Business to be transacted

i Resolution 7

is to alter Articles 87(B), 89, 90, 91, 92 and 94 of the Articles of Association of the Company to reflect the change of the title of the office of Managing Director to the President which is in line with the current market corporate practice.

ii Resolution 8.1

is to allow the Directors to issue shares in the capital of the Company provided that the aggregate number of shares to be issued does not exceed 50 per cent of the Company's issued share capital, with an aggregate sub-limit of 20 per cent of the Company's issued share capital for issue of shares not made on a pro-rata basis to shareholders.

iii Resolution 8.2

is to authorise the Directors to offer and grant options in accordance with the SMRT Corporation Employee Share Option Plan (the "Plan") which was approved at the Extraordinary General Meeting of the Company on 15 July 2000 and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Plan.

iv Resolution 8.3

is to renew the General Mandate to allow the Company, its subsidiaries and target associated companies or any of them to enter into certain interested person transactions with parties who are considered "interested persons" (as defined in Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited).

v Resolution 8.4

is to renew the JV Mandate to allow the Company, its subsidiaries and target associated companies or any of them to enter into and/or participate in joint ventures and similar forms of mutual collaboration or participation (such as joint investments, co-operation arrangements and shareholders' agreement), with parties who are considered "interested persons" (as defined in Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited).

Notes

- 1 A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and to vote in his stead. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a Member of the Company.
- 2 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 251 North Bridge Road, Singapore 179102, at least 48 hours before the time appointed for the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Annexure 1

Proposed Alterations to the Articles of Association of the Company

The alterations which are proposed to be made to the Articles are set below. For ease of reference, the full text of the Articles proposed to be altered has also been reproduced.

Existing Article 87(B)

The appointment of any Director to the office of Chairman or Deputy Chairman or Managing or Joint or Deputy or Assistant Managing Director shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.

Proposed alteration to Article 87(B)

The appointment of any Director to the office of Chairman or Deputy Chairman or Managing Director or Joint/Deputy/Assistant Managing Director or President or Joint/Deputy/Assistant President shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.

Existing Article 89

The Directors may from time to time appoint one or more of their body to be Managing Director or Managing Directors of the Company and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their places. Where an appointment is for a fixed term, such term shall not exceed five years.

Proposed alteration to Article 89

The Directors may from time to time appoint one or more of their body to be Managing Director or Managing Directors or President or Presidents of the Company and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their places. Where an appointment is for a fixed term, such term shall not exceed five years.

Existing Article 90

A Managing Director shall not while he continues to hold that office be subject to retirement by rotation and he shall not be taken into account in determining the rotation of retirement of Directors but he shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director from any cause he shall ipso facto and immediately cease to be a Managing Director.

Proposed alteration to Article 90

A Managing Director or the President shall not while he continues to hold that office be subject to retirement by rotation and he shall not be taken into account in determining the rotation of retirement of Directors but he shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director from any cause he shall ipso facto and immediately cease to be a Managing Director or President (as the case may be).

Existing Article 91

The remuneration of a Managing Director shall from time to time be fixed by the Directors and may subject to these presents by way of salary or commission or participation in profits or by any or all these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

Proposed alteration to Article 91

The remuneration of a Managing Director or President shall from time to time be fixed by the Directors and may subject to these presents by way of salary or commission or participation in profits or by any or all these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

Existing Article 92

A Managing Director shall at all times be subject to the control of the Directors but subject thereto the Directors may from time to time entrust to and confer upon a Managing Director for the time being such of the powers exercisable under these presents by the Directors as they think fit and may confer such powers for such time and to be exercised on such terms and conditions and with such restrictions as they think expedient and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any such powers.

Proposed alteration to Article 92

A Managing Director or President shall at all times be subject to the control of the Director but subject thereto the Directors may from time to time entrust to and confer upon a Managing Director or President for the time being such of the powers exercisable under these presents by the Directors as they think fit and may confer such powers for such time and to be exercised on such terms and conditions and with such restrictions as they think expedient and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any such powers.

Existing Article 94

At each Annual General Meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, Provided that no Director holding office as Managing or Joint Managing Director shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire.

Proposed alteration to Article 94

At each Annual General Meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, Provided that no Director holding office as Managing or Joint Managing Director or President or Joint President shall be subject to retirement by rotation or be taken into account in determining the number of Directors to retire.

PROXY FORM



Important 1 For investors who have used their CPF monies to buy SMRT Corporation Ltd shares ("CPF investors"), this Financial Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY. **2** This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ NRIC/Passport number _____
of _____

being a member/members of SMRT Corporation Ltd hereby appoint

Name _____ Address _____
NRIC/Passport number _____ Proportion of shareholdings (number of shares) _____

and/or (delete as appropriate)

Name _____ Address _____
NRIC/Passport number _____ Proportion of shareholdings (number of shares) _____

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies, to vote for me/us and on my/our behalf at the Second Annual General Meeting of the Company, to be held on Wednesday, 18 July 2001 at 11.00 am and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting and at any adjournment thereof.

PLEASE CUT ALONG THE DOTTED LINE

Resolutions		Indicate your vote For or Against with a tick	
No	Ordinary Business	For	Against
1	Adoption of Directors' Report, Audited Financial Statements and Auditors' Report		
2	Declaration of Final Dividend and Special Dividend		
3	Approval of Directors' Fees		
4	Re-election of Directors (pursuant to Article 96)		
	a Mr Chew Choon Seng		
	b Mr Koh Kheng Siong		
	c Brigadier-General (NS) Tan Yong Soon		
5	Re-election of Mr Phoon Siew Heng Jimmy as a director pursuant to Article 100		
6	Re-appointment of KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration		
Special Business			
7	Approval of the proposed alterations to the Articles of Association of the Company		
8.1	Authorising Directors to issue and allot shares pursuant to general mandate from members under Section 161 of the Companies Act, Chapter 50		
8.2	Authorising Directors to offer and grant of options and issue shares pursuant to the SMRT Corporation Employee Share Option Plan		
8.3	Renewal of the General Mandate for Interested Person Transactions		
8.4	Renewal of the Joint Venture Mandate for Interested Person Transactions		
Any Other Business			
9	To transact any other business that may be transacted at an Annual General Meeting		

Dated this _____ day of _____ 2001

Total number of shares held: _____

Signature(s) of Member(s) or Common Seal _____

Important: Please read the notes on the reverse

PROXY FORM

Notes

- 1 A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
- 2 Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his holding (expressed as the number of shares) to be represented by each proxy.
- 3 The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing or, where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
- 4 A corporation which is a member may authorise by resolution of its directors or other governing body an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote on its behalf.
- 5 The instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the registered office of the Company at 251 North Bridge Road, Singapore 179102, at least 48 hours before the time appointed for the Meeting.
- 6 A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by the member.
- 7 The Company shall be entitled to reject the instrument appointing proxy or proxies if it is incomplete, or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

REQUEST FORM



2 FOLD

SMRT Corporation Ltd (Incorporated in the Republic of Singapore)

22 June 2001

Dear Shareholder

In addition to this Financial Report that you have received, a comprehensive review of the Group's operations and performance for the financial year ended 31 March 2001 together with comments on our growth strategies are included in the Annual Review. Shareholders may request for a copy of the Annual Review at no cost from the Company Secretary.

Yours faithfully,
For and on behalf of SMRT Corporation Ltd

Catherine Kuan
Company Secretary

1 FOLD

Request Form

To SMRT Corporation Ltd
Please send me a copy of the Annual Review for the financial year ended 31 March 2001.

Names(s) of Shareholder(s)

NRIC/Passport number

Address

Signature

Date

PLEASE CUT ALONG THE DOTTED LINE THEN GLUE AND SEAL ALONG THE EDGE

PLEASE GLUE AND SEAL ALONG THE EDGE

BUSINESS REPLY SERVICE
PERMIT NO. 07076



The Company Secretary
SMRT Corporation Ltd
251 North Bridge Road
Singapore 179102

Postage will be
paid by addressee.
For posting
in Singapore only.



Financial Calendar

Financial year ended 31 March 2001

25 May 2001

Announcement of full year results

18 July 2001

Annual General Meeting

25 to 26 July 2001 (Both dates inclusive)

Book closure dates

6 August 2001

Payment of final and special dividends

Financial year ending 31 March 2002

October/November 2001

Proposed announcement of half year results

May 2002

Proposed announcement of full year results

