

**SMRT
CORPORATION LTD**

**ANNUAL REPORT
2004**

**THE
JOURNEY
IS THE
DESTINATION**

VISION

Moving people, enhancing lives.

MISSION

To be the customers' choice by providing a safe, reliable and friendly travel experience that is enhanced through convenient and innovative services.

SMRT Corporation Ltd (SMRT) is a premier multi-modal public transport operator offering integrated island-wide transport services in Singapore through its subsidiaries.

SMRT has an annual turnover of nearly S\$700 million and total assets worth more than S\$1.5 billion. Incorporated on 6 March 2000, SMRT has been listed on the main board of the Singapore Exchange since 26 July 2000 and has a market capitalisation of approximately S\$900 million.

In addition to its core transport businesses in the provision of train, bus and taxi services, SMRT reaps additional revenue from its leasing of commercial and advertising spaces within its overall transport infrastructure, as well as the provision of engineering consultancy, project management, operations and maintenance services.

02 At a Glance	26 The Year In Review	69 Financial Report
04 Financial Highlights	27 ■ Rail Operations	143 Supplementary Information
07 Financial Calendar	36 ■ Road Operations	149 Shareholders' Information
08 Chairman's Message	42 ■ Other Businesses	151 Notice of Annual General Meeting
12 Board of Directors	46 Our People	155 Letter to Shareholders
15 Organisation Structure	48 Our Role in the Community	Proxy Form
16 Senior Management	52 Corporate Information	
20 Group Structure	53 Corporate Governance	
22 Significant Events		

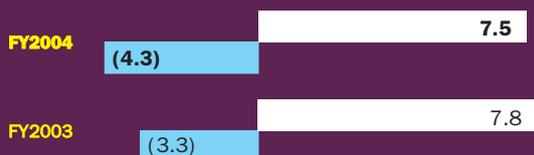
AT A GLANCE

SMRT TRAINS (Previously known as Singapore MRT)



- Operates the first mass rapid transit system in Singapore (North-South and East-West lines) from 1987.
- Network comprises 89.4 kilometres of double track along 51 stations.
- Average daily ridership in FY2004 was 1,070,000.
- Average fare per passenger in FY2004 was S\$0.935.

SMRT LIGHT RAIL (Previously known as Singapore LRT)



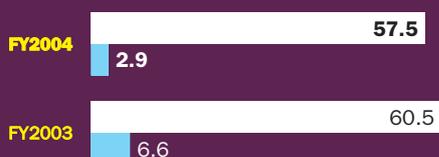
- Operates Singapore's first fully-automated Light Rapid Transit system from 1999.
- Network comprises 7.8 route kilometres along 14 stations.
- Average daily ridership in FY2004 was 37,000.
- Average fare per passenger in FY2004 was S\$0.55.

SMRT BUSES (Previously known as Trans-Island Bus Services)



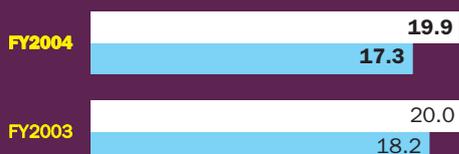
- Operates a fleet of more than 800 buses from three depots and five interchanges.
- Provides 72 bus services concentrated in the western and north-western areas in Singapore.
- Average daily ridership in FY2004 was 721,000.
- Average fare per passenger in FY2004 was S\$0.669.

SMRT TAXIS (Previously known as TIBS Taxis)



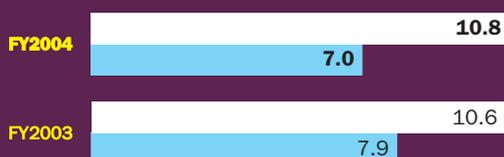
- Manages a fleet of 2,000 taxis, including Mercedes and London cabs.
- Provides employee driver scheme and value-added services.
- Average hired-out rate in FY2004 was 91.4%.

SMRT PROPERTIES (A division of SMRT Investments)



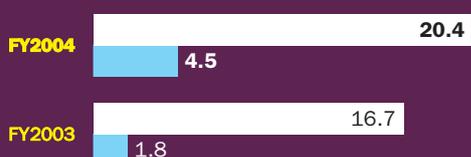
- Leases approximately 250,000 square feet of commercial space at MRT and LRT stations.

SMRT MEDIA (A division of SMRT Investments)



- Sole representative for advertising and promotion of all media spaces on SMRT premises and vehicles.

SMRT ENGINEERING & OTHERS*



- Provides engineering consultancy, project management, operations and maintenance services.
- Leases fibre optic cables.

■ REVENUE (\$MILLION)
 ■ OPERATING PROFITS (\$MILLION)

* Includes SMRT Automotive Services and SMRT International

FY2004 REVIEW

- Revenue declined 4.8% to S\$366.1m due to the SARS outbreak, absorption of increases in Goods & Services Tax (GST) and a lower average fare due to the opening of the North-East Line (NEL) in June 2003.
- Operating income increased 21.4% to S\$59.5m as operating expenses were reduced by 8.6%.

- Revenue declined 3.8% to S\$7.5m due to the SARS outbreak and GST increases.
- Operating losses increased as higher repairs and maintenance costs were incurred to improve reliability.

- Revenue remained stable as implementation of the Enhanced Integrated Fare System reduced fare leakage and mitigated the drop in revenue caused by SARS and increases in GST.
- Operating profits grew 8.6% with rationalisation of bus services and productivity improvements.

- Revenue was 5.0% lower due to smaller hired-out fleet and rental rebates given to hirers as part of the SARS relief package.
- Operating earnings fell to S\$2.9m on lower revenue.

- Revenue declined slightly due to reduced lettable space arising from the construction of the Circle Line and passenger lifts at some MRT stations.
- Operating earnings decreased on lower revenue and higher operating expenses.

- Revenue was relatively unchanged at S\$10.8m as the better performance in the second half offset the weaker first half caused by SARS.
- Operating earnings declined due to start-up costs incurred to set up an in-house advertising department.

- Revenue grew 22.2% to S\$20.4m with increase in consultancy and maintenance services rendered and fees earned by Transit Link, offset by loss of income from disposal of TIBS Leasing.
- Operating profits improved 150.0% mainly due to higher revenue and disposal of loss-making TIBS Leasing.

FY2005 – STRATEGIC DIRECTION AND OUTLOOK

- Revenue is expected to increase with modest improvement in ridership but its growth will be offset by increase in GST and full year impact of NEL.

- Continue to contain operating expenses.

- Revenue is expected to increase with modest improvement in ridership but its growth will be offset by increase in GST.

- Expand our taxi fleet size from 2,000 to 3,000.
- Revenue is expected to improve with larger taxi fleet.

- Revamp 12 MRT stations to enlarge their commercial space.
- Revenue will grow with increase in commercial space.

- Introduce new advertising platforms for all trains, stations, buses and taxis.
- Revenue is expected to increase with more competitive advertising options and improved economic conditions.

- Participate in railway development and related projects in the region to grow revenue.

FINANCIAL HIGHLIGHTS

	FY2000	FY2001	FY2002	FY2003	FY2004
PROFIT & LOSS STATEMENT (\$\$MILLION)					
REVENUE	365.4	409.4	496.8	685.6	667.3
Other operating income	10.0	11.8	14.0	19.9	28.8
Staff and related costs	(124.4)	(144.4)	(184.0)	(261.9)	(256.4)
Repairs and maintenance costs	(30.0)	(31.6)	(37.9)	(59.0)	(63.3)
Electricity and diesel costs	(22.9)	(35.5)	(40.8)	(51.9)	(49.4)
Other operating expenses	(38.6)	(36.6)	(51.5)	(89.0)	(101.5)
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)	159.5	173.2	196.6	243.7	225.5
Depreciation and impairment losses of property, plant and equipment	(117.2)	(122.2)	(149.7)	(186.2)	(154.2)
Amortisation of asset-related grant	45.0	44.2	46.6	42.0	31.7
Amortisation of goodwill	0.0	0.0	(1.2)	(3.6)	(3.6)
EARNINGS BEFORE INTEREST AND TAX (EBIT)	87.3	95.2	92.3	96.0	99.3
Finance costs	0.0	0.0	(6.3)	(20.3)	(15.8)
Interest and investment income/(expense)	75.2	49.2	2.5	(0.5)	3.0
Share of results of associates	(0.0)	(3.5)	(6.3)	(2.6)	(0.3)
PROFIT BEFORE TAX	162.4	140.9	82.3	72.7	86.2
Profit after tax	117.9	102.8	56.8	72.2	90.2
NET PROFIT (AFTER MINORITY INTERESTS) ATTRIBUTABLE TO SHAREHOLDERS	117.9	102.8	56.8	72.1	89.5
NET DIVIDENDS DECLARED	570.0	52.4	32.2	36.0	53.6*

* Upon approval of final dividend at the Fifth Annual General Meeting on 15 July 2004.

SUMMARISED BALANCE SHEET AS AT 31 MARCH (\$\$MILLION)

Non-current assets	1,072.4	1,138.7	1,466.1	1,419.3	1,242.1
Current assets	1,181.1	328.9	458.8	190.6	342.7
Current liabilities	882.0	368.0	547.4	244.6	456.0
Net current assets/(liabilities)	299.1	(39.0)	(88.6)	(54.0)	(113.3)
Non-current liabilities	599.2	375.6	692.4	682.9	426.2
Shareholders' funds	385.4	381.4	387.8	427.2	480.7
Deferred grant	386.8	342.6	295.9	253.5	219.6

REVENUE (\$MILLION)

FY2004	667.3
FY2003	685.6
FY2002	496.8
FY2001	409.4
FY2000	365.4

EARNINGS BEFORE INTEREST AND TAX (EBIT) (\$MILLION)

FY2004	99.3
FY2003	96.0
FY2002	92.3
FY2001	95.2
FY2000	87.3

NET PROFIT (AFTER MINORITY INTERESTS) ATTRIBUTABLE TO SHAREHOLDERS (\$MILLION)

FY2004	89.5
FY2003	72.1
FY2002	56.8
FY2001	102.8
FY2000	117.9

SHAREHOLDERS' FUNDS (\$MILLION)

FY2004	480.7
FY2003	427.2
FY2002	387.8
FY2001	381.4
FY2000	385.4

RETURN ON EQUITY (%)

FY2004	19.7
FY2003	17.7
FY2002	14.8
FY2001	26.8
FY2000	20.8

RETURN ON TOTAL ASSETS (%)

FY2004	5.6
FY2003	4.1
FY2002	3.3
FY2001	5.5
FY2000	5.1

EARNINGS PER SHARE (CENTS)

FY2004	6.0
FY2003	4.8
FY2002	3.8
FY2001	6.9
FY2000	7.9

NET TANGIBLE ASSET PER SHARE (CENTS)

FY2004	27.8
FY2003	24.0
FY2002	21.3
FY2001	25.4
FY2000	25.7

	FY2000	FY2001	FY2002	FY2003	FY2004
FINANCIAL INDICATORS					
EBITDA margin (%)	43.6	42.3	39.6	35.5	33.8
EBIT margin (%)	23.9	23.2	18.6	14.0	14.9
Return on equity (%)	20.8	26.8	14.8	17.7	19.7
Return on total assets (%)	5.1	5.5	3.3	4.1	5.6
Net gearing	0.00	0.00	0.70	0.95	0.49
Interest cover (times)	0.0	0.0	31.3	12.0	14.3
PER SHARE					
Earnings per share (cents)	7.9	6.9	3.8	4.8	6.0
Net asset value per share (cents)	25.7	25.4	25.9	28.5	32.0
Net tangible asset per share (cents)	25.7	25.4	21.3	24.0	27.8
Gross dividend per share (cents) – including special dividend	51.0	4.7	2.8	3.1	4.5
Gross dividend per share (cents) – excluding special dividend	10.7	3.0	2.8	3.1	4.5
PRODUCTIVITY DATA					
Staff strength	2,935	2,987	6,102	6,194	5,975
Employment costs per \$ of turnover (S\$)	0.34	0.35	0.37	0.38	0.38
Economic value-added (S\$million)	(5.9)	24.1	4.7	3.4	24.6
Economic value-added per employee (S\$)	(2,012.27)	8,073.99	765.98	556.34	4,109.12
Value-added (S\$million)	366.3	374.4	386.1	508.9	493.0
Value-added per employee (S\$)	124,797.27	125,337.13	93,926.61*	82,163.22	82,507.78
Value-added per \$ of employment costs (S\$)	2.94	2.59	2.10	1.94	1.92
Value-added per \$ of gross fixed assets (S\$)	0.28	0.25	0.21	0.25	0.25
Value-added per \$ of turnover (S\$)	1.00	0.91	0.78	0.74	0.74

* Adjusted for effect of acquisition of TIBS Holdings Ltd (now known as SMRT Road Holdings Ltd) in December 2001.

FINANCIAL YEAR ENDED 31 MARCH 2004

9 MAY 2003

Announcement of Audited Full Year Results for Financial Year Ended 31 March 2003 and Final Dividend Media and Analysts Briefing

17 JULY 2003

Fourth Annual General Meeting

24 – 25 JULY 2003

Books Closure Dates (*both dates inclusive*)

30 JULY 2003

Announcement of First Quarter FY2004 Financial Results Ended 30 June 2003

5 AUGUST 2003

Payment of FY2003 Final Dividend

30 OCTOBER 2003

Announcement of Second Quarter FY2004 Financial Results Ended 30 September 2003 and Interim Dividend Media and Analysts Briefing

15 – 17 NOVEMBER 2003

Books Closure Dates (*both dates inclusive*)

28 NOVEMBER 2003

Payment of Interim Dividend

30 JANUARY 2004

Announcement of Third Quarter FY2004 Financial Results Ended 31 December 2003 Media and Analysts Teleconference

FINANCIAL YEAR ENDED 31 MARCH 2005

28 APRIL 2004

Announcement of Audited Full Year Results for Financial Year Ended 31 March 2004 and Final Dividend Media and Analysts Briefing

15 JULY 2004

Fifth Annual General Meeting

22 – 23 JULY 2004

Books Closure Dates (*both dates inclusive*)

30 JULY 2004

Announcement of First Quarter FY2005 Financial Results Ending 30 June 2004 Media and Analysts Teleconference

3 AUGUST 2004

Proposed Payment of FY2004 Final Dividend

29 OCTOBER 2004

Announcement of Second Quarter FY2005 Financial Results Ending 30 September 2004 Media and Analysts Briefing

28 JANUARY 2005

Announcement of Third Quarter FY2005 Financial Results Ending 31 December 2004 Media and Analysts Teleconference

27 APRIL 2005

Announcement of Full Year Results for Financial Year Ending 31 March 2005

Note: The dates after July 2004 are indicative and are subject to change. Please check for updates on the financial calendar at http://www.smrt.com.sg/investor_relations.htm.

CHAIRMAN'S MESSAGE



FY2004 was a milestone year for SMRT in many respects, and a year in which we proved our resilience in the face of unprecedented challenges. In terms of performance, we managed to achieve a good 24.2 per cent growth in net profit despite a drop in revenue. The year also saw many initiatives to grow revenue in non-fare sectors, such as property leasing, advertising and taxis. Internally, the year was one of renewal, as a new vision, mission and core values were introduced for the integrated SMRT Group, which will focus our endeavours as we move forward.

FINANCIAL PERFORMANCE

Compared to the previous financial year, Group revenue in FY2004 declined 2.7 per cent to S\$667.3 million. This drop is attributable not only to the SARS (Severe Acute Respiratory Syndrome) outbreak and the generally weakened economic conditions, but also to our absorption of the increases in Goods and Services Tax (GST), by 1 per cent in January 2003, and a further 1 per cent in January 2004. Another factor was a decrease in MRT revenue caused by the lower average fare we experienced when the North-East Line (NEL) started operations in June 2003. Although NEL brought more passengers into our system, the sharing of fares and boarding charges paid by transferring passengers between our lines and NEL led to the decrease in the average fare.

To mitigate the effects of the prevailing weak economic conditions, we implemented a series of cost and productivity improvement measures across all our businesses, and achieved a 2.1 per cent reduction in Group operating expenses. All cost components fell, except repairs and maintenance charges, and some other operating expenses. Repairs and maintenance charges rose due to the increase in engine overhauls for buses, and the planned improvements to LRT's reliability. Other operating expenses increased mainly due to uncontrollable factors, such as property tax, insurance and licence fees.

In spite of the challenging circumstances, I am pleased to report that overall in FY2004 the SMRT Group reported a 24.2 per cent increase in net profit to S\$89.5 million.

In FY2003, we had the benefit of a tax write-back amounting to S\$20.3 million, due to a reduction in the corporate tax rate to 22.0 per cent and the write-back of tax over-provision in previous years. FY2004 saw another tax write-back of S\$14.4 million when the government further reduced the corporate tax rate to 20.0 per cent. The Group also wrote back some S\$8.0 million in tax over-provision upon finalisation of tax assessment. If we exclude these tax write-backs, net profit for FY2004 was actually 29.6 per cent higher than FY2003.



CHOO CHIAU BENG
CHAIRMAN

Given the good results, the Board recommends a final gross dividend of 3.2 cents per share. This dividend, taken together with the interim gross dividend of 1.3 cents per share, will amount to total gross dividends of 4.5 cents a share or S\$53.6 million net of tax for FY2004.

A UNIFIED IDENTITY FOR SMRT

The year in review saw the completion of the integration of the key support functions in SMRT and TIBS, namely Human Resource, Computer Services, Finance and Corporate Communications. The MRT and LRT operating departments were also merged as part of the integration process.

As we move forward as a unified company, we embrace a new vision, mission and core values. Our new vision, "Moving People, Enhancing Lives" positions SMRT not only as a multi-modal transport network that is safe, comfortable and reliable, but also as a corporation that is committed to enhancing customers' lives. Along with the new vision, we introduced new uniforms for frontline staff across rail, bus and taxi operations to reinforce the SMRT brand and build a sense of "one-ness". In so doing, we hope to underline our commitment to providing consistent quality of service for our customers across all our transport modes, whether it is our train, bus or taxi services.

On 10 May 2004, all our subsidiaries adopted the SMRT brand name and corporate identity. We believe the adoption of a single brand is a logical conclusion of our integration efforts, because it symbolises the change in the culture of our organisation. It leverages on SMRT's strong brand name which is associated with efficiency and strong technical fundamentals. We therefore want to reinforce and grow the brand equity that we have built over the years.

Having a common brand identity will also create a stronger marketing platform for us to grow our businesses overseas, as the SMRT brand is well established as a corporation that has wide-ranging expertise in providing multi-modal public transport and related engineering services.

GROWING NON-FARE SECTORS

To increase our top line growth and generate higher shareholder returns, we are looking at increasing our revenue streams in the non-fare sectors, in particular the leasing of commercial space at MRT stations, as well as advertising, taxis and engineering consultancy.

Our growth strategy is to harness the potential within our transport network by expanding all the commercial spaces around our train stations to create attractive retail locations for better rental yield. In FY2005, we will redevelop the Raffles Place Station and 11 other stations to enlarge their commercial space. We intend to apply this strategy in the Circle Line Project and plan the retail element from the start. We have therefore commenced discussions on concepts with LTA.

During the year, we also consolidated all our advertising teams under one division called SMRT Media. SMRT Media will manage the advertising and promotion of all media spaces on trains, stations, buses and taxis, and will contribute to revenue growth by offering new advertising platforms and more competitive options across our network.

The deregulation of the taxi industry from 1 June 2004 bodes well for SMRT Taxis and we are seizing the opportunity to strengthen our market position. With the lifting of the cap on the fleet size this year, we will expand our taxi fleet size from the current 2,000 taxis to 3,000 taxis in FY2005. We have also enhanced our taxi-hiring package and benefits to attract more hirers into our fold.

In the area of engineering consultancy, we will participate in railway development and related projects in the region to grow our revenue.

PROSPECTS FOR FY2005

On 30 April 2004, we announced that we will not be applying for a fare increase this year and that we will continue to absorb the GST increase, because we recognise that the economy is only starting to recover and commuters will need time to adjust to the economic situation. Nevertheless, we expect fare revenue to increase as ridership rises in FY2005, but that revenue growth will be limited by the GST increase and the full year impact of NEL.

We believe our focus on expanding our income from the non-fare sectors will support revenue performance. The increase in retail space will bring in more rental revenue. Advertising is also expected to perform better with an improving economy, while our taxi revenue is expected to grow with our bigger fleet.

Even as we concentrate on top line growth, security and cost management remain our top priorities in FY2005. In light of the heightened security situation worldwide, we have reinforced security at train stations and bus interchanges. We are a member of the Public Transport Security Committee and will continue to work closely with them to implement security measures as appropriate. On the cost front, the removal of property and road tax rebates, rising fuel costs and the build-up of resources for the Circle Line will add to our costs. However, without compromising on the safety, security and reliability of our services, we will continue to focus on cost efficiency and productivity.

With our commitment to create new avenues of revenue growth and contain costs, SMRT is expected to deliver operating profits comparable to those achieved in FY2004.

CORPORATE GOVERNANCE

We believe there is a direct connection between corporate governance and building shareholder value, so we have made it our constant endeavour to raise our standards in this respect. Our corporate governance procedures and practices are reviewed at least once a year by the Board, and in FY2004, we adopted the recommendations of the Singapore Code of Corporate Governance. The recommendations included the establishment of a charter for each of the Board committees – the Audit Committee, Nominating Committee and Remuneration Committee. Several governance enhancements were made, such as the Audit Committee's recent initiative to develop a comprehensive ethics policy in order to enhance our standing as a socially responsible company committed to effective corporate governance.

BOARD AND MANAGEMENT DEVELOPMENTS

At the coming Annual General Meeting on 15 July 2004, our director, Mr Ng Ser Miang, who has been on the SMRT board since December 2001, will step down. We would like to thank him for his contribution over the years and in particular, for seeing us through the integration process of SMRT and TIBS.

The SMRT management team was infused with new blood with the appointment of Mr Yeo Meng Hin as Executive Vice President (Human Resource and Corporate Services) who joined in August 2003, and of Mr Patrick Lau, as Executive Vice President (Finance) and Chief Financial Officer, who came on board a month later.

IN CONCLUSION

FY2004 was a trying period for all of us. We are heartened by the way the management and staff worked together to bring us through the hard times. We are also grateful to all our shareholders and customers for their support and confidence in us.

Our new vision expresses our direction in the years to come, and our responsibility to provide customers with better services, and shareholders with higher value. We will enjoy greater growth when the extension of the rail network is completed. The commercial opportunities presented by our network will be exploited to add convenience to the travel experience and expand our revenue streams. SMRT will evolve from a people-mover into a service provider with a multi-modal transport network that offers an integrated lifestyle experience, one in which the journey itself becomes the destination.



CHOO CHIAU BENG
Chairman

May 2004



1. CHOO CHIAU BENG

CHAIRMAN

Choo Chiau Beng, 56, is the Chairman of SMRT Corporation Ltd. He is also the Chairman and Chief Executive Officer of Keppel Offshore & Marine Ltd, Executive Director of Keppel Corporation Limited and Chairman of Singapore Petroleum Company Limited and Singapore Refining Company Pte Ltd.

Mr Choo sits on the Boards of Keppel Land Limited, k1 Ventures Limited, EDB Investments Pte Ltd and Singapore Maritime Foundation Limited and is a Board Member of the Maritime and Port Authority of Singapore. He is a Member of the Nanyang MBA Advisory Committee. He is also Chairman of Det Norske Veritas South East Asia Committee and Council Member of the American Bureau of Shipping and Member of the American Bureau of Shipping's Southeast Asia Regional Committee and Special Committee on Mobile Offshore Drilling Units.

He was appointed as Singapore's non-resident Ambassador to Brazil on 31 January 2004.

2. SAW PHAIK HWA

PRESIDENT & CHIEF EXECUTIVE OFFICER

Saw Phaik Hwa, 49, is the President and Chief Executive Officer of SMRT Corporation Ltd. Ms Saw brings to SMRT a wealth of experience in retail and international business. She served as Regional President for DFS Venture Singapore (Pte) Ltd, in charge of businesses in Singapore, Indonesia and Malaysia. Her 19-year career with DFS Venture Singapore (Pte) Ltd saw her rising through management ranks to her final position.

Ms Saw is also a Director of Singapore Tourism Board. She graduated with an Honours degree in Biochemistry from the University of Singapore.

3. CHEAH KEAN HUAT

Cheah Kean Huat, 51, is the Chief Executive Officer of WyWy Office Solutions Group Pte Ltd. Prior to that, he served as Vice President and General Manager of Asia Pacific Hewlett-Packard Services Pte Ltd from 2001 to 2003. He is also a Member of the Board of Trustees of Singapore Management University.

Mr Cheah has a Master of Business Administration from Stanford University and a degree in Economics and Electrical Engineering from Yale University.

4. DANIEL EE HOCK HUAT

Daniel Ee, 51, is an independent director and chairs SMRT's Audit Committee. He has more than 14 years of experience in investment banking and was Chief Executive of Standard Chartered Merchant Bank Asia Ltd from 1996 to 1999.

Mr Ee serves on the Board of Directors of several listed companies, namely, Surface Mount Technology (Holdings) Limited and Darco Water Technologies Limited. He is also the Chairman of Gas Supply Pte Ltd and is a Member of the Civil Aviation Authority of Singapore.

A Colombo Plan scholar, Mr Ee has an Honours degree in Systems Engineering from University of Bath and a Master of Science in Industrial Engineering from the National University of Singapore.

5. KOH KHENG SIONG

Koh Kheng Siong, 56, is the Financial Controller of ExxonMobil Asia Pacific Pte Ltd. Mr Koh was previously Treasurer, Esso Singapore Pte Ltd, and held the position of Manager, Financial Planning and Operations, Exxon Company International, U.S.A.

Mr Koh has an Honours degree in Economics from the University of London. He subsequently earned a Master of Business Administration degree in Finance from the University of Chicago Graduate School of Business.

6.VICTOR LOH KWOK HOONG

Victor Loh, 65, serves on the Boards of Thakral Corporation Limited, Seksun Corporation Limited and First Engineering Limited.

Since January 2000, Mr Loh has been Singapore's non-resident Ambassador to Poland. He joined Philips Singapore in 1974 and from 1991 to 1999, was the Chairman, President and CEO of Philips Group of Companies in Singapore, China and Hong Kong.

Mr Loh also served on the Board of the Port of Singapore Authority, the Council of the National University of Singapore, the National Science and Technology Board and the Board of Governors of The Institute of Policy Studies. He read Law at the Inns of Court School of Law, Council of Legal Education in England and is a Fellow of the British Institute of Management. He received the Singapore Business Award as the Outstanding Chief Executive of the Year in 1997.

7.MARGARET LUI-CHAN ANN SOO

Margaret Lui, 44, is Managing Director, Strategic Development (Global Investments) at Temasek Holdings (Private) Limited. She has an Accountancy degree from the University of Singapore. She also sits on the Boards of PSA International Pte Ltd, Hazeltree Holdings Pte Ltd, Singapore Cruise Center Pte Ltd and CIAS International Pte Ltd.

8.NG SER MIANG

Ng Ser Miang, 55, a Nominated Member of Parliament and Singapore's non-resident Ambassador to Norway and Hungary, is currently Chairman of TIBS International Pte Ltd. He was Managing Director of TIBS Holdings Ltd from 1992 to 2001. Mr Ng is also Chairman of NTUC Choice Homes Co-operative Limited, Vice President of Singapore National Olympic Council and a Member of the International Olympic Committee.

Mr Ng holds a Bachelor of Business Administration from the University of Singapore.

9.NIAM CHIANG MENG

Niam Chiang Meng, 46, is the Chief Executive Officer of the Housing and Development Board (HDB). Before taking up his appointment at the HDB in January 2002, he had served in several ministries. Mr Niam earned an Honours degree in Economics from the National University of Singapore and has a Master in Public Administration from Harvard University.

10.NITHIAH NANDAN S/O ARUMUGAM

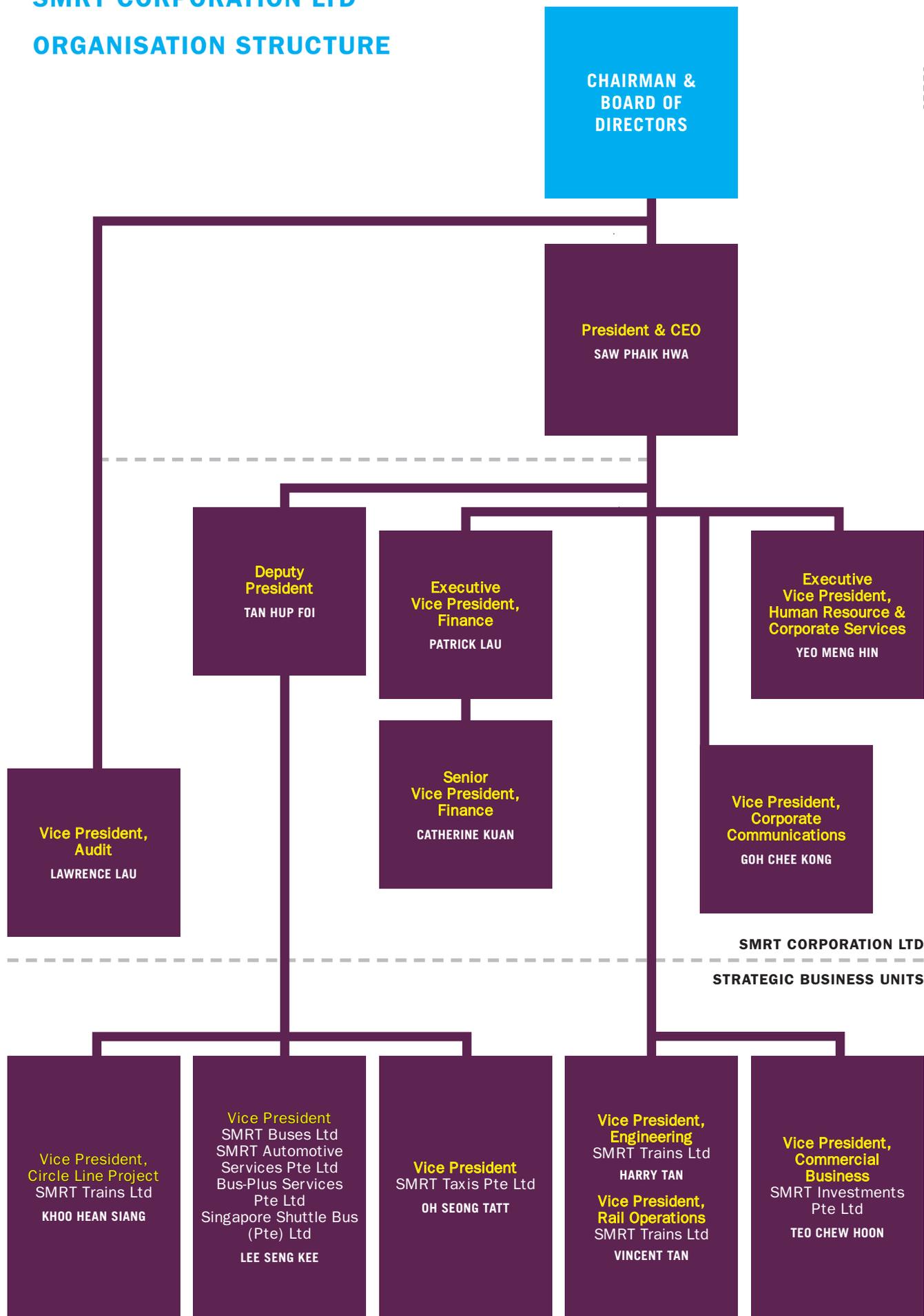
Nithiah Nandan, 54, is the Executive Secretary of the Union of Power and Gas Employees and the Vice President of NTUC Central Committee. He is a Director of NTUC Childcare Board and NTUC Media Co-operative and also a Member of the Government Feedback Panel. Mr Nithiah Nandan currently serves as a Nominated Member of Parliament. He holds a Diploma in Industrial Relations.

11.ENGELIN TEH GUEK NGOR

Engelin Teh, 49, the Managing Director of law corporation Engelin Teh Practice LLC, is a Senior Counsel as well as a Fellow of the Singapore Institute of Arbitrators and sits on the panel of the Singapore International Arbitration Centre. She is also a Fellow of the Singapore Institute of Directors and serves as a Director on the Board of Singapore Power Limited and SP PowerAssets Limited. Ms Teh is a Member of the Singapore Association of Women Lawyers, the Asean Intellectual Property Association, the International Bar Association, Women's Business Connection, International Women's Forum (Singapore) and the Inter-Pacific Bar Association. Ms Teh has an Honours degree in Law from the University of Singapore.

SMRT CORPORATION LTD

ORGANISATION STRUCTURE



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1. SAW PHAIK HWA

PRESIDENT & CHIEF EXECUTIVE OFFICER, SMRT CORPORATION LTD

Saw Phaik Hwa, 49, joined SMRT Corporation Ltd as President and Chief Executive Officer in December 2002. Ms Saw brings to SMRT a wealth of experience in retail and international business. Prior to this appointment, she was with DFS Venture Singapore (Pte) Ltd for 19 years, rising through the management ranks to become Regional President from 1998 to 2002, responsible for their retail business in Singapore, Indonesia and Malaysia.

Ms Saw graduated from the National University of Singapore with an Honours degree in Biochemistry, and has since taken Advanced Management studies in the University of Hawaii, USA. Ms Saw also serves as a Director of the Singapore Tourism Board.

2. TAN HUP FOI

DEPUTY PRESIDENT, SMRT CORPORATION LTD

Tan Hup Foi, 54, is the Deputy President of SMRT Corporation Ltd. Mr Tan also holds appointments in various external councils, including Chairman of the Asia-Pacific Division of the International Union (Association) of Public Transport (UITP), Vice President of the UITP, Chairman of Ngee Ann Polytechnic Council and Trustee of the Singapore National Employers' Federation.

A Colombo Plan scholar, Mr Tan has an Honours degree in Engineering from Monash University in Australia and a Master of Science degree in Industrial Engineering from the National University of Singapore. He was awarded a Public Service Medal, Pingkat Bakti Masyarakat, in 1996.

3. YEO MENG HIN

EXECUTIVE VICE PRESIDENT, HUMAN RESOURCE & CORPORATE SERVICES, SMRT CORPORATION LTD

Yeo Meng Hin, 39, joined SMRT Corporation Ltd as Executive Vice President of Human Resource and Corporate Services in August 2003. Prior to this, Mr Yeo was employed in human resource and consultancy roles in a wide array of industries including hospitality, fast food, professional services, property, financial services and retail. He last held the position of Group Vice President, Human Resource in DFS Group, covering Asia Pacific operations.

Mr Yeo has a Bachelor of Economics from the National University of Singapore and a Graduate Diploma in Personnel Management. He is also a Certified Compensation Professional Administrator and a Global Remuneration Professional.

4. PATRICK LAU LI TAH

EXECUTIVE VICE PRESIDENT, FINANCE, SMRT CORPORATION LTD

Patrick Lau, 49, is the Executive Vice President of Finance at SMRT Corporation Ltd responsible for the company's financial management, investor relations, legal and corporate secretariat and purchasing functions. Before he joined SMRT in September 2003, highlights of his career included positions as Chief Financial Officer at Informatics Holdings Ltd, Regional Head of Finance, Asia-Pacific and Australasia at Equant Pte Ltd, and Chief Financial Officer at O.R. Computer Pte Ltd.

Mr Lau is a Certified Public Accountant with an accounting degree and a Master of Business Administration from the National University of Singapore.

5. CATHERINE KUAN-LEE YEE FONG

SENIOR VICE PRESIDENT, FINANCE, SMRT CORPORATION LTD

Catherine Kuan, 52, is Senior Vice President of Finance at SMRT Corporation Ltd. She joined the Mass Rapid Transit Corporation in 1986 and then SMRT in 1994. Prior to her career in the transport sector, she was with Intraco Ltd for 10 years and her last position held was Financial Controller/Company Secretary. She was awarded the Public Administration Medal in 1994. She holds a Bachelor of Accounting degree from the University of Singapore and is a registered member of the Institute of Certified Public Accountants.

6. HARRY TAN CHUAN HUAT

VICE PRESIDENT, ENGINEERING, SMRT TRAINS LTD

Harry Tan, 53, is the Vice President of Engineering at SMRT Trains Ltd. Prior to 1996 when he joined SMRT, Mr Tan was with the Singapore Air Force for 22 years before joining Singapore Aerospace in 1994 as Aircraft Manager. He was awarded the Singapore Armed Forces (SAF) Commendation Medal (Bronze) in 1982. He obtained a Bachelor of Science (Aeronautical Engineering) Honours degree from the Embry Riddle Aeronautical University in 1986.

7. VINCENT TAN PENG HOCK

VICE PRESIDENT, RAIL OPERATIONS, SMRT TRAINS LTD

Vincent Tan, 49, is the Vice President of Rail Operations at SMRT Trains. He joined the Mass Rapid Transit Corporation in 1985 and then SMRT in 1987. He was promoted to Director of Traffic in 1998 and Senior Director in 2001. Prior to his career in rail traffic management, he was a Principal Mechanical Engineer with the Port of Singapore Authority.

Mr Tan holds an Honours degree in Mechanical Engineering from the University of London and a Master in Technological Economics from the University of Stirling.

8. KHOO HEAN SIANG

VICE PRESIDENT, CIRCLE LINE PROJECT, SMRT TRAINS LTD

Khoo Hean Siang, 55, is the Vice President of the Circle Line Project and a Director of SMRT Engineering Pte Ltd. He was also a Board Member of Transys, a joint venture company between SMRT Engineering Pte Ltd and Singapore Technologies Electronics. Mr Khoo was previously a Senior Engineer at Singapore Telecoms and a Design Engineer at the Mass Rapid Transit Corporation.

A Chartered Electrical Engineer of the Institute of Electrical Engineers (UK), Mr Khoo holds an Honours degree in Electronics Engineering from the University of Sheffield and a Graduate Diploma in Marketing from the Marketing Institute of Singapore. He is also a Fellow of the Institute of Signalling Engineers in the UK.

9. OH SEONG TATT

VICE PRESIDENT, SMRT TAXIS PTE LTD

Oh Seong Tatt, 46, is the Vice President of SMRT Taxis Pte Ltd. Mr Oh joined Trans-Island Bus Services Ltd (now known as SMRT Buses Ltd) in 1988 as Senior Manager, Engineering and Supplies and rose through the ranks to the position of General Manager of TIBS Taxis Pte Ltd (now known as SMRT Taxis Pte Ltd) and TIBS Motors Pte Ltd (now known as SMRT Automotive Services Pte Ltd) in 1995. Mr Oh continues to be responsible for the taxi business after the merger of SMRT and TIBS in 2001.

Mr Oh graduated with an Honours degree majoring in Mechanical Engineering and holds a Masters in Industrial Engineering.

10. LEE SENG KEE**VICE PRESIDENT, SMRT BUSES LTD AND
SMRT AUTOMOTIVE SERVICES PTE LTD**

Lee Seng Kee, 52, was appointed Vice President, SMRT Buses Ltd and SMRT Automotive Services Pte Ltd on 16 April 2004 and assumed duty on 1 May 2004. Mr Lee joined Mass Rapid Transit Corporation (MRTC) in 1984 as a contracts engineer, was appointed as a Maintenance Engineer and Manager (Structures Section) in 1987, and rose to the post of Deputy Director of Rail Maintenance (Structure and Permanent Way) in 1997. Before joining MRTC, he had several years of experience as a design/construction engineer.

A Master of Science graduate from the University of Singapore, Mr Lee majored in Civil Engineering. Mr Lee is a Registered Professional Engineer (Civil), Singapore, a Registered Chartered Engineer (Civil), United Kingdom, and a member of several professional institutions.

11. TEO CHEW HOON**VICE PRESIDENT, COMMERCIAL BUSINESS,
SMRT INVESTMENTS PTE LTD**

Teo Chew Hoon, 39, is the Vice President of Commercial Business at SMRT Investments Pte Ltd. Before joining SMRT, Ms Teo held positions as Group Sales Manager and subsequently General Manager of Airport Operations at DFS Venture Singapore (Pte) Ltd from 1999. The businesses under her charge included Duty Free Liquor, Wines, Tobacco, Beauty, Fashion Goods, Watches, Souvenirs and Packaged Food.

Ms Teo graduated from the National University of Singapore with a Bachelor of Science in Mathematics and Economics.

12. LAWRENCE LAU KAI KUM**VICE PRESIDENT, AUDIT, SMRT CORPORATION LTD**

Lawrence Lau, 51, is the Vice President, Audit of SMRT Corporation Ltd. He joined the Mass Rapid Transit Corporation (MRTC) as a Manager of Internal Audit in 1984. Prior to that, he had worked in large public accounting firms, both locally and overseas, and became the Group Internal Audit Manager for the Union Carbide Singapore group of companies. Mr Lau was awarded the Public Administration Medal in 1993.

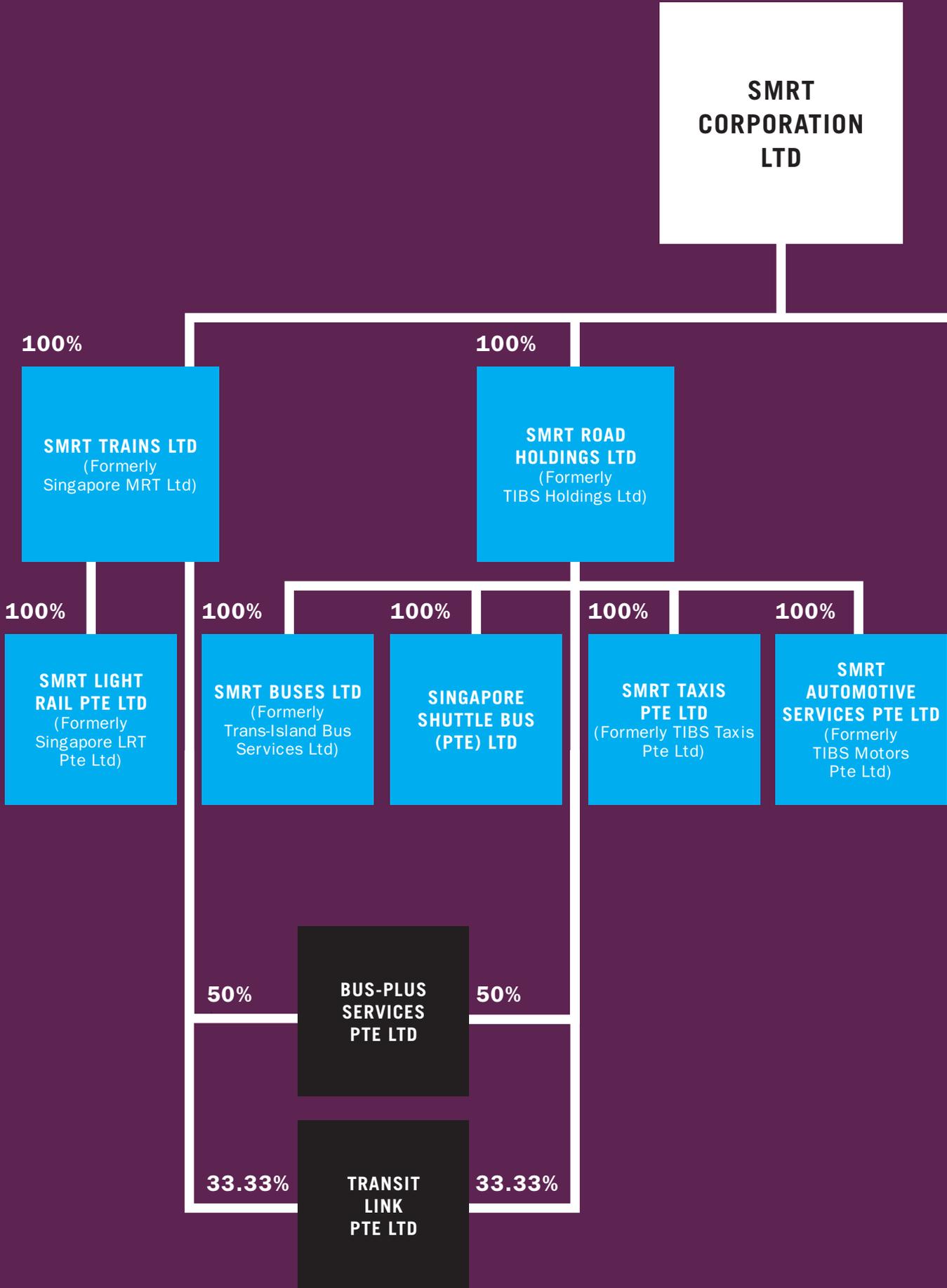
Mr Lau served on the Board of Governors of the Institute of Internal Auditors from 1980 to 1982. Mr Lau is a fellow Chartered Accountant and a fellow member of the Institute of Internal Auditors, Singapore.

13. GOH CHEE KONG**VICE PRESIDENT, CORPORATE COMMUNICATIONS,
SMRT CORPORATION LTD**

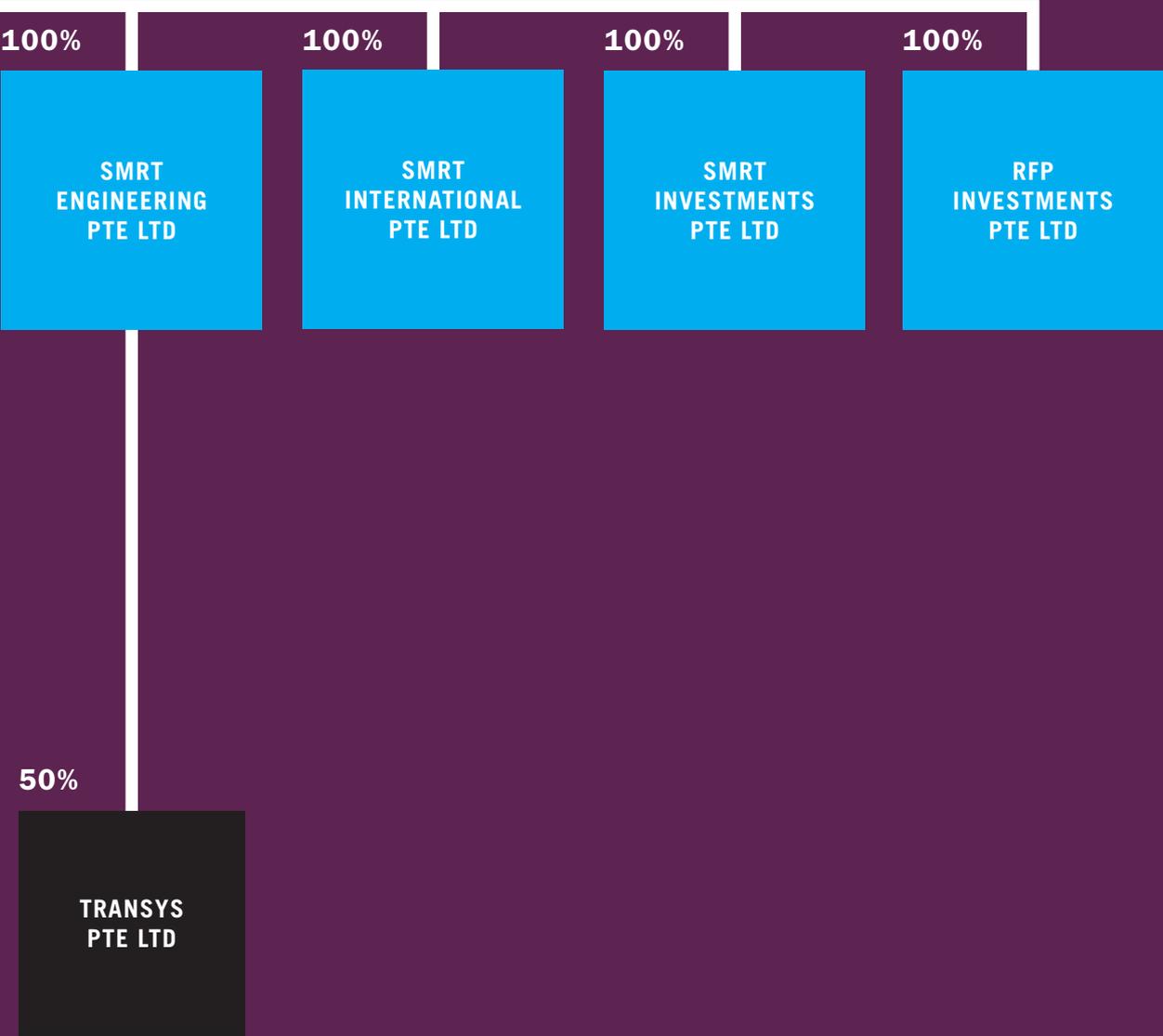
Goh Chee Kong, 48, is Vice President, Corporate Communications of SMRT Corporation Ltd. Prior to this, he served in the Singapore Armed Forces (SAF) of the Ministry of Defence (MINDEF) for 26 years. His appointments in the SAF included Head, Defence Relations Department, Commander, 8th Singapore Armoured Brigade, Commander, Officer Cadet School, and Director, Public Affairs and spokesman for MINDEF. He was awarded the Public Administration Medal (Bronze) in 1998.

Mr Goh has a Bachelor of Science in Electrical and Electronic Engineering from the Royal Military College of Science, UK, and a Master of Defence Studies from the University of New South Wales, Australia.

SMRT CORPORATION GROUP STRUCTURE



On 10 May 2004, the SMRT Group announced the alignment of its businesses under a single SMRT brand. The move positions the organisation as a holistic, integrated public transport service provider offering a complete range of public transport services to facilitate seamless travel. It also strengthens SMRT's competitive advantage in overseas business ventures through reflecting its wide-ranging expertise in providing multi-modal public transport and related engineering services.



SIGNIFICANT EVENTS

/2003

APRIL

- SMRT introduces measures to fight the Severe Acute Respiratory Syndrome (SARS) outbreak, providing vitamin C tablets to its staff and intensifying the cleaning and disinfecting of stations and bus premises, among other initiatives.

MAY

- SMRT releases its full year results for FY2003, posting a net profit of S\$72.1 million. The Board of Directors recommends a final dividend of 1.78 cents per share. This, together with the interim dividend of 1.3 cents per share, amounts to total dividends of S\$36.0 million, representing approximately half of the year's net profits.
- SMRT Taxis introduces a SARS relief package to help its 2,000 cabbies cope with reduced earnings caused by the virus outbreak.
- 374 frontline staff members from its six public transport subsidiaries are honoured with SMRT's Commendation Awards in recognition of their quality service.
- SMRT Taxis introduces free taxi bookings promotion during the SARS crisis to increase ridership, a first in the taxi industry.
- Mr Choo Chiau Beng is appointed by SMRT as a Board director.

JUNE

- SMRT is recognised as a top local brand by Superbrands Singapore and is voted a leader in the Industrial, Realty and Transportation category.

JULY

- The Boon Lay-Changi Airport through train service is converted to a shuttle train service operating between Tanah Merah and Changi Airport stations to reduce waiting time for passengers travelling to Changi Airport.
- SMRT Nightbus is integrated with the Tibs NightRider service to achieve better synergies. All services of SMRT Nightbus are operated as part of the NightRider services.
- Mr Choo Chiau Beng takes over as the non-executive Chairman of SMRT from Mr Chew Choon Seng with the conclusion of the Fourth Annual General Meeting.
- Ms Margaret Lui-Chan Ann Soo is appointed to the Board of SMRT as a non-executive director.
- Services 185 and 989 merge to become Service 985, providing new direct links to Kallang Bahru Industrial Estate and Lorong 1 Geylang.
- SMRT reports net profit of S\$7.3 million for the first quarter of FY2004 ended 30 June 2003.

AUGUST

- SMRT appoints Mr Yeo Meng Hin as Executive Vice President (Human Resource & Corporate Services).
- Six staff members from SMRT are awarded the Singapore Labour Foundation Educational Tour Award for Model Workers 2003.

- SEPTEMBER**
- SMRT Taxis launches a series of cabby-friendly policies to attract more hirers in preparation for market deregulation in mid-2004.
 - Mr Patrick Lau Li Tah is appointed as Executive Vice President (Finance).
 - SMRT contributes S\$1.0 million to the Public Transport Fund launched by the National Trades Union Congress and Community Development Councils to help needy students meet transport expenses.
 - SMRT divests its entire interest in TIBS Leasing for S\$13.5 million.
 - SMRT's new vision, "Moving People, Enhancing Lives", mission and core values statements are launched.
 - Standard & Poor's gives "AAA" corporate rating to SMRT based on its role in the Singapore economy, market position in Singapore's public transport sector and financial profile.

- OCTOBER**
- SMRT receives the Silver Singapore H.E.A.L.T.H. (Helping Employees Achieve Life-Time Health) Award from the Health Promotion Board for its efforts in building a healthy work environment.
 - SMRT announces net profit of S\$21.7 million for the second quarter of FY2004 ended 30 September 2003. The Board of Directors declares an interim dividend of 1.3 cents per share.

- NOVEMBER**
- The Community Chest Award is presented to SMRT for contributions to the community by the organisation and staff.
 - Cabby Eric Yeong Cho Ser wins a Superstar award at the Excellent Service Award 2003. He becomes the first in the taxi industry to win this award. Another 356 employees throughout SMRT win honours at the award ceremony.
 - SMRT Buses launches a new air-conditioned Service 966 from Woodlands Regional Interchange to Marine Parade, providing better connectivity for residents in Woodlands.

- DECEMBER**
- Seventy-two SMRT staff members receive the Transport Gold Award organised by the Singapore Kindness Movement to recognise exemplary customer service.
 - SMRT Investments disposes of its entire 49 per cent shareholding in Convenience Shopper Pte Ltd.
 - SMRT commences improvement works on Bukit Panjang Light Rail Transit's Gealoc system to improve system reliability.

/2004

JANUARY

- To further its campaign to attract more taxi hirers, SMRT Taxis introduces new rental packages with lower rates and discount schemes for cabbies.
- The unveiling of SMRT's new uniforms is held in conjunction with the Commendation Awards ceremony, where 516 frontline staff members are honoured for excellent service. The award winners have garnered almost 1,000 commendation letters from appreciative customers in 2003, an increase of 38 per cent over 2002.
- SMRT reports net profits of S\$19.1 million for the third quarter of FY2004 ended 31 December 2003.
- SMRT is ranked among the top 200 largest companies in Singapore based on turnover in the Singapore 1000 Rankings and Awards 2003/2004 by DP Information Network.

- MARCH**
- Dover Station bags the Best Station of the Year award for the Inter-Station Competition 2003. Boon Lay was named the Most Improved Station of the Year.
 - SMRT Buses achieves the Singapore Service Class certification awarded by SPRING Singapore in recognition of service excellence.
 - SMRT Taxis receives overwhelming response to its recruitment carnivals at four community clubs.



CONNECTIVITY



**Optimising
Performance
and Maximising
Connectivity**

THE YEAR IN REVIEW

Across all our operations, FY2004 was an eventful year in which a mix of external factors tested the Group's mettle.

The outbreak of SARS led to a decline in ridership in the first quarter of the financial year. To ensure uninterrupted services and protect staff and commuters, SMRT instituted temperature checks for staff, stepped up the cleaning and disinfection of stations, buses and trains, and set up contingency teams for critical functions.

In June 2004, NEL commenced operations, and with it came a change in commuters' travelling patterns. Express Bus Service 520 was withdrawn and Bus Service 106 was re-routed to avoid duplication of routes. While MRT ridership improved, the increase was not sufficient to offset the decrease in average fares, due to the transfer of passengers to the new line. The impact on revenue was however mitigated by measures we took to improve cost efficiency and productivity, amongst other things.

As terrorist threats in the region grew, security in the public transport system continued to be a major focus. A series of steps were taken, including increased patrols by staff, removal of rubbish bins in the MRT system and joint exercises with emergency agencies, to bring our security measures in line with heightened security standards worldwide. SMRT also became a member of the Public Transport Security Committee which was set up to undertake a comprehensive review of security and propose new security arrangements.

Despite these factors, we remained committed to our mission to be the customer's premier choice in transport services, and this commitment is demonstrated by our continued investment in upgrading the system as well as enhancing customer service.



SMRT TRAINS LTD

TAKING SERVICE PERFORMANCE TO NEW HEIGHTS

Our commitment to providing safe and reliable services to commuters can only be delivered by consistently maintaining our operating performance standards at the highest level possible.

In 2003, our performance standards surpassed those set by the Land Transport Authority (LTA) and were even better than the performance achieved in 2002. Punctuality remained a strong point with 97.6 per cent of trains arriving within two minutes of schedule against LTA's standard of 94.0 per cent. Train service availability achieved a 99.96 per cent score against LTA's 98.0 per cent. We also exceeded LTA standards in train departures, escalator reliability and signalling system.

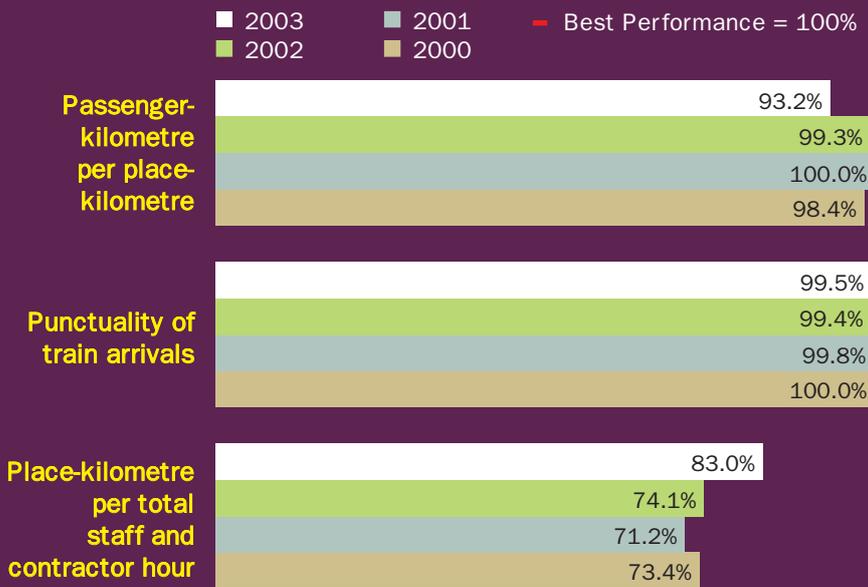
For the year in review, passenger injury rate was 0.01 per one million passenger trips, well within the performance standard of 0.4 per one million passenger trips, as set by LTA. Yet SMRT never takes safety for granted. In October 2003, we launched a comprehensive public education programme that aimed to reach a wide base of commuters, from adults to children. We sought to raise both the appeal and the reach of our safety messages by delivering them in fresh, innovative ways. Posters with the tagline, "We value life. Don't you?", were used to remind commuters of their responsibility to ensure their own safety. To encourage participation, an SMS contest was organised from 17 October 2003 to 4 November 2003. Entitled "Thumbs Up for Safety", it drew more than 33,000 SMS responses.

For children, we organised a series of skits entitled "The Adventures of Captain SMaRT". Featuring a rap incorporating safety messages, the skits were performed at four MRT stations during the December school holidays.

To ensure we consistently achieve high standards, we benchmark our services against other world renowned operators in two metro benchmarking groups. CoMET comprises 10 metro operators in Berlin, Hong Kong, London, Mexico City, Moscow, New York, Paris, Sao Paulo and Tokyo, while NOVA includes 10 more metro operators in Dublin, Glasgow, Hong Kong, Lisbon, Madrid, Montreal, Naples, Newcastle, Oslo and Taipei, as well as SMRT.

Against these benchmarks, our asset utilisation in 2003 – determined by passenger-kilometre per place-kilometre – was lower at 93.2 per cent, mainly due to SARS which reduced ridership. However, punctuality of train arrivals improved, achieving 99.5 per cent in 2003. With regards to place-kilometre per total staff and contractor hour, we attained an efficiency rating of 83.0 per cent in 2003, versus 74.1 per cent in 2002.

BENCHMARKING COMPARISON SMRT Performance vs Best Performance



Internally, we conducted an annual inter-station competition to gauge the performance of our stations and recognise the efforts of our staff in service excellence. Ratings for the 2003 Inter-station Competition improved in all categories. Dover Station was the Best Station of the Year while Boon Lay Station bagged the Most Improved Station award. Gold awards went to Changi Airport Station and Marina Bay Station. Lavender Station, Yishun Station, Jurong East Station and Yew Tee Station all won Silver awards.

CREATING A BETTER TRANSIT EXPERIENCE

During the year under review, several improvements were made to the network in terms of train services and station hardware to enhance the commuting experience.

To achieve greater operational efficiency and improve train frequency, in July 2003, the Boon Lay to Changi Airport through-train service was converted to a shuttle train service operating between Tanah Merah and Changi Airport stations. This conversion reduces waiting time for passengers travelling to Changi Airport from 12 minutes to 7 minutes during the peak period from 7.30 pm to 10.15 pm. With this improvement, passengers from Pasir Ris to Simei stations are also better served, as the peak period train frequency has increased.

At our stations, the installation of wider fare gates which was initiated in the previous financial year was completed in August 2003. The new gates create easier access for passengers with special needs such as the disabled or the elderly, or for those with young children or large baggage. To further improve passenger comfort and energy efficiency, the air-conditioning systems of 12 underground stations were upgraded. The upgraded systems maintain the ambient temperature at 25 degree Celsius, as compared to 27 degree Celsius previously. Lighting at the MRT stations also underwent upgrading, with light fittings that had reached the end of their useful lives being replaced with energy-saving units, and additional illumination provided at the perimeter corridors.

IMPROVING RELIABILITY

A number of projects that we had undertaken to improve reliability and safety were successfully completed during the year in review.

In April 2003, we completed the upgrading of the Automatic Train Supervisory System (ATSS), a major component of the signalling system central to the monitoring, control and automatic operation of trains. The upgraded system has advanced features offering ease of use to controllers, a more seamless relaying of information between systems, and more effective monitoring and control of the railway network.



We also concluded the upgrading of the radio communication system which was initiated in FY2003. The new digital trunked radio system provides at least 98 per cent radio coverage as compared to 90 per cent under the old system.

It also possesses better voice quality, and permits the Operations Control Centre (OCC) to communicate directly with passengers. Supported by back-ups, the system has a high degree of resilience so that a single point of failure will not lead to a total communications shut down. The radio system automatically alerts the train operator if the train is either lagging behind or ahead of schedule, and allows the OCC to monitor the rolling stock operation modes and announcements to passengers.

A third project which saw completion during the year was the replacement of point machines. Point machines enable trains to switch tracks safely to alternative routes. The new point machines have reduced service delays by 49 per cent and improved mean time between failures, lowering maintenance costs by about 43 per cent.

Ongoing efforts to boost system performance include the replacement of slide plates on switch rails with Schwihag Integrated Roller Plates. These new plates reduce point failures and eliminate the need for manual greasing, resulting in higher manpower productivity. Replacement costs for these new roller plates are also a third lower. The first batch of roller plates was installed at 55 critical points on the main line last year. The resultant good performance led to the purchase of a second batch for the remaining 80 critical points on the main line. The roller plates were delivered in January 2004 and installation work is expected to end in June 2004.

The year in review also saw the commencement of the overhaul of all 90 rectifier units of the MRT's 750V DC traction power system to ensure continued reliability. The project will be completed in 2008.

Also underway is an initiative to replace escalator steps and traction machines at selected stations. This asset replacement project will be completed in phases by FY2008 in order to minimise inconvenience to commuters and to better manage maintenance costs.



MAINTAINING PEAK PERFORMANCE

We are committed to maintaining the system at the peak of operating performance, which involves an ongoing programme of investment in our physical infrastructure, and our rolling stock. As our MRT system approaches its seventeenth year of operations, parts of the rolling stock, the signalling systems and sub-systems are facing obsolescence or reduced supportability. Likewise, our first generation of 66 Kawasaki trains now require extensive renewal work. An upgrading project, to be completed in phases over the next four years, will incorporate physical enhancements to ensure a more pleasant transit experience for passengers, as well as greater reliability and safety.

Looking ahead to FY2005, we will commence the progressive replacement of our ageing Supervisory Control System with a safer and more robust system better able to cope with future projected passenger loadings and higher regulatory and user requirements. This system controls and monitors equipment status and faults from the OCC. In addition, the Closed Circuit Television (CCTV) system in our stations, depots and OCC will be upgraded, as it is approaching obsolescence. Recording features will be added to the CCTV system and additional CCTV cameras will be installed to widen coverage.

EXPANDING THE RAIL NETWORK

To bring our commuter services within the reach of more Singaporeans, a major expansion of the network is in progress, involving a planned extension of the East-West Line and the construction of the new Circle Line (CCL).

The extension of the East-West Line is intended to access the Jurong and Tuas industrial areas. Announced by the LTA in March 2003, the extension project is in the final stages of planning. Details on route length and location of stations will be announced later in 2004.

The CCL, on the other hand, a fully underground orbital line linking all radial lines to the city, is currently under construction and will be opened in stages, with full operations expected in 2010.

The CCL will connect with the North-South Line, the East-West Line and the North-East Line, with interchange stations at Dhoby Ghaut, Paya Lebar, Serangoon, Bishan, Buona Vista and HarbourFront. At 33.3 kilometres long, the CCL will start at the Dhoby Ghaut Interchange along Orchard Road, arcing through the civic district, residential towns, industrial developments and research and development institutes, ending up at the HarbourFront Station at the southern tip of Singapore. Offering inter-suburban linkages not provided by existing lines, commuters will be able to bypass the city centre and reduce travelling time.



The CCL is being built by LTA in five stages. All but three of the CCL's 29 stations will be ready by 2010. The remaining three stations – Thomson, Bukit Brown and West Coast – have been earmarked for late construction as the areas around the designated sites are not fully developed yet.

SMRT Trains and LTA are currently collaborating on the design of the stations to ensure that the CCL will feature greater connectivity and passenger convenience, with more entry points into each station via passageways flanked with retail spaces, where appropriate. This will drive greater passenger traffic through the stations and into trains, thus making CCL a profitable line with a captive market.

Our engineers are also working closely with LTA to ensure that the driverless CCL system will be user-friendly and cost-efficient in terms of operation and maintenance. Thirty key operational and maintenance staff members have undergone intensive driverless systems training in France, and more will be trained on driverless systems locally to provide the staff members with sufficient hands-on experience before revenue service begins.

SMRT LIGHT RAIL PTE LTD

SMRT Light Rail Pte Ltd, a wholly owned subsidiary of SMRT Trains Ltd, operates the Bukit Panjang LRT System (BPLRT), Singapore's first fully automated light rail system. We continued our efforts to upgrade the level of service and reliability in the BPLRT during the year.

In June 2003, we integrated the operating units in SMRT Light Rail with SMRT Trains to facilitate the pooling of resources and sharing of expertise. This led to greater efficiency and enhanced problem solving capabilities.

Working with engineers from Bombardier Transportation, the system supplier, we identified the Gealoc system, part of the signalling system that tracks and controls train movement, as the cause of the major service disruptions in 2002. Work commenced in December 2003 to improve the wire connections in the system. To provide an adequate window of 11 hours per weekend to carry out improvement works and system tests, BPLRT operating hours on Sunday morning and night, when ridership is at its lowest, were shortened over 20 Sundays from December 2003 to April 2004. Special bus services were provided along the LRT route at the same rail frequencies to minimise inconvenience to commuters on the affected Sundays.

As a result of our efforts, we achieved a 99.9 per cent system service availability in train service in FY2004, exceeding the 99.7 per cent standard set by the LTA.

KEY OPERATING DATA

The table below shows passenger and other key operating data of the MRT system for the financial years ended 31 March.

	YEAR ENDED 31 MARCH					
	1999	2000	2001	2002	2003	2004
Route length at period end (kilometres)	83.00	83.00	84.94	89.40	89.40	89.40
Total number of passengers (millions)	346.35	367.19	387.39	389.66	394.25	391.46
Growth in passenger numbers (%)	2.78	6.02	5.50	0.59	1.18	(0.71)
Car kilometres operated (millions)	73.50	74.10	75.30	81.38	89.62	77.39
Growth in car kilometres operated (%)	0.00	0.82	1.61	8.07	10.13	(13.64)
Average number of weekday passengers (thousands)	987.00	1,042.00	1,108.00	1,125.00	1,139.30	1,131.40
Growth in weekday passenger (%)	3.35	5.57	6.33	1.53	1.27	(0.69)
Aggregate passenger distance travelled per year (million kilometres)	4,408.70	4,687.00	4,935.00	4,963.00	4,988.90	4,861.30
Growth in passenger distance (%)	3.84	6.31	5.29	0.57	0.52	(2.56)
Average operating car occupancy (persons)	60.00	63.00	65.50	60.98	55.70	63.20
Growth in operating car occupancy (%)	3.45	5.00	3.97	(6.90)	(8.66)	13.46
Operating ratios						
Amounts per passenger carried						
– Railway cash operating costs ^(a) (S\$)	0.56	0.55	0.58	0.59	0.64	0.61
– Railway EBITDA ^(b) (S\$)	0.46	0.44	0.46	0.45	0.39	0.38
Amounts per car km operated						
– Railway cash operating cost ^(a) (S\$)	2.66	2.72	3.00	2.84	2.80	3.08
– Railway EBITDA ^(b) (S\$)	2.15	2.19	2.36	2.17	1.73	1.90

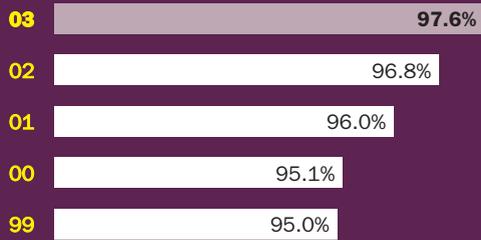
Notes:

(a) Railway cash operating costs refer to operating costs of the MRT system excluding depreciation and amortisation.

(b) Railway EBITDA means earnings before interest, tax, depreciation and amortisation of the MRT system excluding interest and investment income.

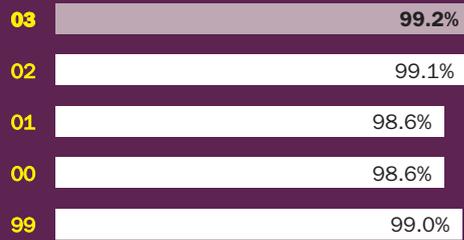
TRAIN ARRIVALS

At least 94% within 2 minutes of schedule



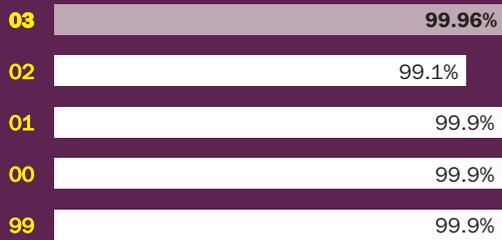
TRAIN DEPARTURES

At least 96% within 2 minutes of schedule



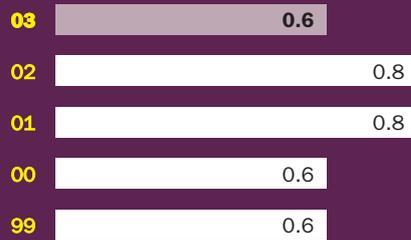
TRAIN SERVICE AVAILABILITY

At least 98%



TRAIN SIGNALLING SYSTEM

No more than 1 failure per 1,500 station stops



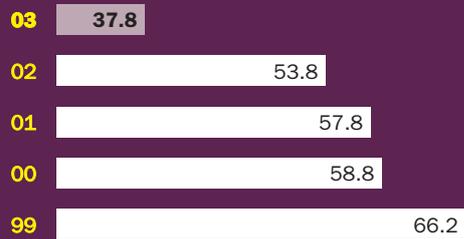
CUSTOMER INJURY RATE*

No more than 0.4 injuries per 1,000,000 customers



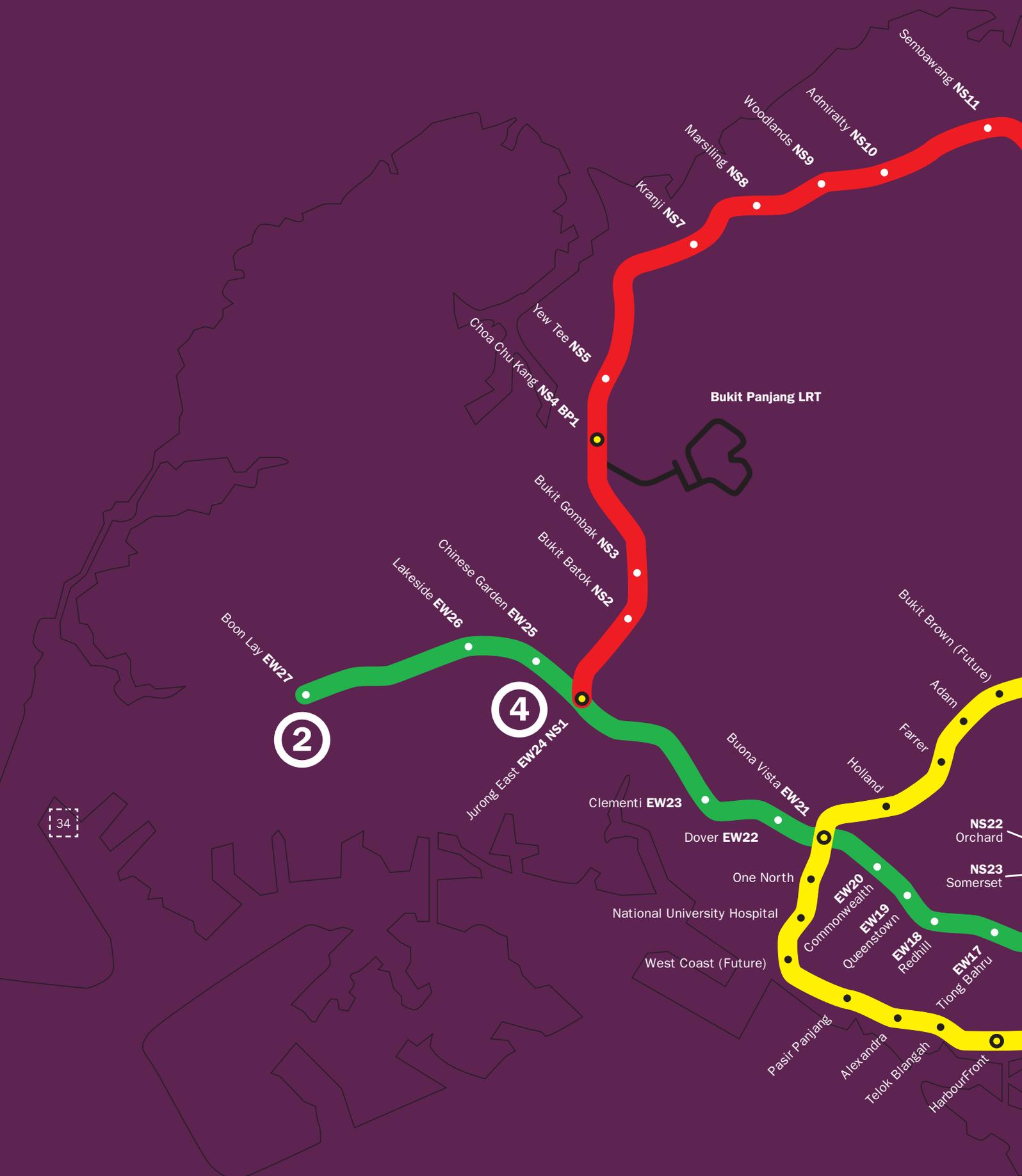
ESCALATORS

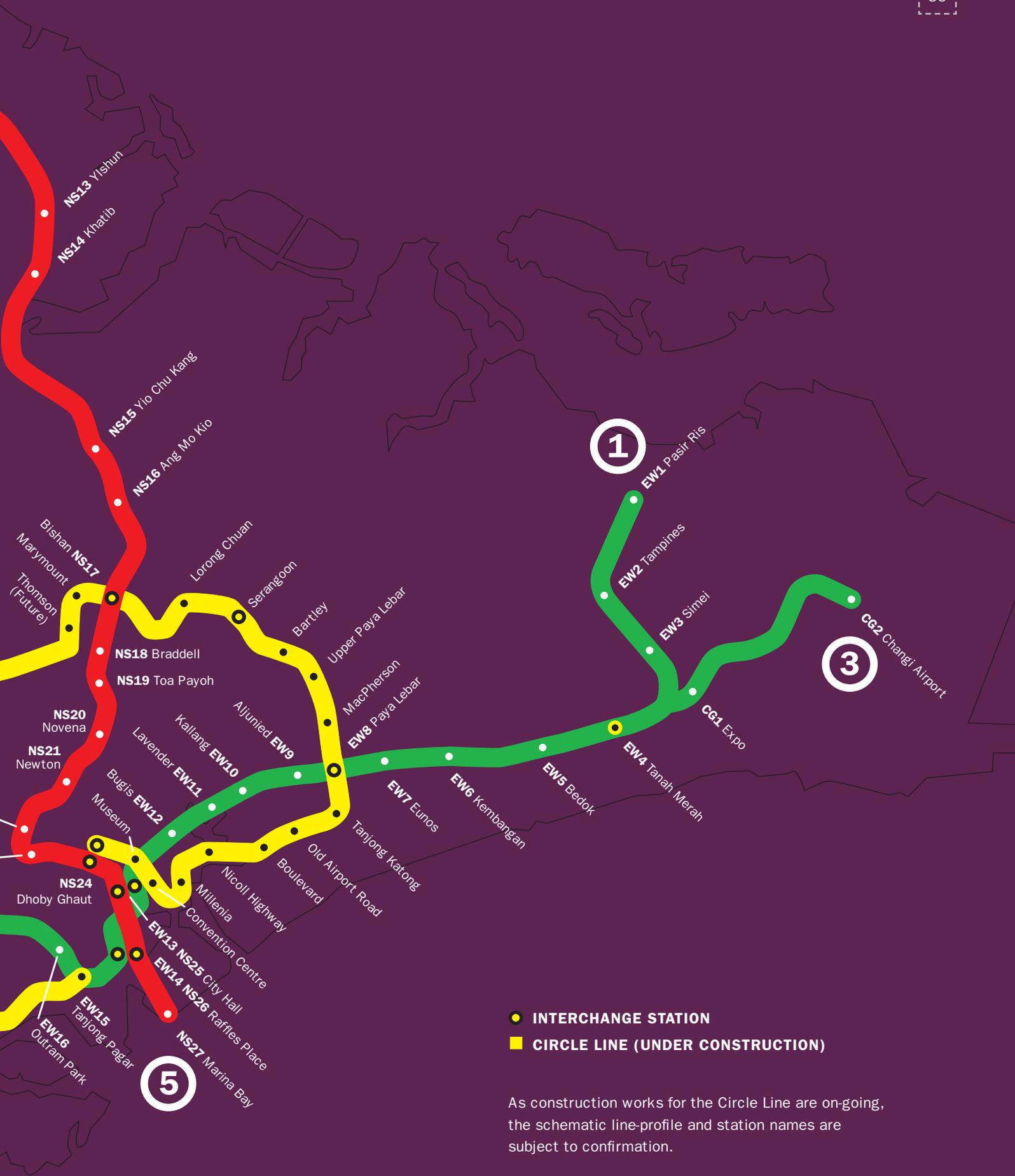
Downtime no more than 200 hrs per 100,000 hrs of use



* The above passenger cumulative injury rates (above first aid cases) are based on a new criterion adopted in 2001. Prior to 2001, passenger injuries caused by personal illness, suicide, assault and drug abuse were included. The injury rates from 1998 to 2000 given above, have been re-worked to reflect the new criterion which excludes passenger injuries caused by personal illness, suicide, assault, drug and alcohol abuse, carelessness and improper use of facilities.

SMRT RAIL NETWORK





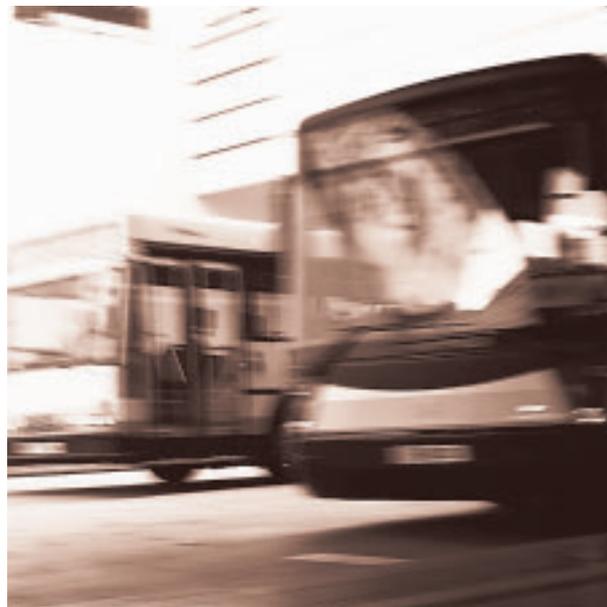
NS13 Yishun
NS14 Khatib
NS15 Yio Chu Kang
NS16 Ang Mo Kio
NS17 Bishan
NS18 Braddell
NS19 Toa Payoh
NS20 Novena
NS21 Newton
NS24 Dhoby Ghaut
NS25 City Hall
NS26 Raffles Place
NS27 Marina Bay

EW1 Pasir Ris
EW2 Tampines
EW3 Simei
EW4 Tanah Merah
EW5 Bedok
EW6 Kembangan
EW7 Eunos
EW8 Paya Lebar
EW9 Aljunied
EW10 Kallang
EW11 Lavender
EW12 Bugis
EW13 Convention Centre
EW14
EW15 Tanjong Pagar
EW16 Outram Park

CG1 Expo
CG2 Changi Airport

1
3
5

ROAD OPERATIONS



SMRT BUSES LTD

SMRT Buses currently manages a bus fleet of more than 800 buses plying 72 routes including 46 trunk services, 19 feeder and intra-town services and seven night services.

In the bus audit conducted by the Public Transport Council (PTC) in 2003, SMRT Buses exceeded minimum compliance levels for bus service standards. For trunk services with morning peak intervals of less than or equal to 10 minutes, we achieved 83.7% compliance against the PTC benchmark of 70%. We also achieved 90.7% compliance for trunk services with evening peak intervals less than or equal to 12 minutes surpassing PTC's 80%. Overall, our performance in 2003 was better than 2002.

The year in review also saw an improvement in customer commendation rate from 4.0 per million passenger rides in the previous financial year to 5.9 per million passenger rides in FY2004, while the complaint rate decreased from 4.0 per million passenger rides in FY2003 to 3.6 per million passenger rides in FY2004. We will continue to drive our service standards higher so that we exceed our customers' expectations, improve service efficiency and enhance the bottom line.

To facilitate direct and open communication with commuters, we organised regular feedback sessions. An example was the "Friends of SMRT" session where SMRT staff held informal dialogues with passengers to gather their opinions on our service quality and to obtain suggestions for further improvement.

Catering to changes in travel requirements and to expand our coverage, we modified existing bus routes and also introduced a new service, 966, during the year. The new service travels extensively on expressways and provides a fast and direct connection between Woodlands and Marine Parade. In July 2003, we integrated the SMRT Nightbus with the TIBS NightRider services to achieve better synergies. We also expanded the network coverage of the SMRT Nightbus. In another move, the route of Feeder Service 945 was extended to include Bukit Batok Street 52.

As a continued endorsement of our customer service drive, the year in review saw 719 service captains gaining membership to the exclusive "Club 001", a scheme launched in January 2003 to promote a safe and friendly service. Among them were 10 service captains who qualified for the Elite 007 membership, having met the criteria of zero complaint, zero accident and at least one customer commendation for seven months in a year.

At the Excellent Service Award Ceremony held in November 2003, our bus operations staff and service captains received more than 200 awards for outstanding service delivery. In December 2003, 15 of our service captains won the Transport Gold Award for their exemplary service.



More significantly, in March 2004, SMRT Buses became one of the first few organisations in Singapore to achieve the Singapore Service Class certification. Awarded by SPRING Singapore, this certification recognises companies for exceeding customers' expectations and for putting in place a systematic framework for achieving service excellence.

IMPROVING PRODUCTIVITY

In FY2004, several steps were taken to increase productivity and cost efficiency. To avoid duplication with the NEL, Express Service 520 was withdrawn on 24 August 2003 and Service 106 was re-routed to operate from Bukit Batok Interchange to Marina Centre Terminal from 27 July 2003.

In another operational improvement, Service 989, which previously travelled from Choa Chu Kang and Bukit Batok to Changi Airport, was integrated with Service 185 to form a new service, 985. The integration avoided duplication with the MRT line leading to the Changi Airport and provided residents of Choa Chu Kang and Bukit Batok with new direct links to Kallang Bahru Industrial Estate and Lorong 1 Geylang.

Productivity improvements were achieved in other areas such as the sourcing of alternative suppliers of spare parts, and shifting emphasis from replacement to repair and reliability improvements. For instance, instead of replacing faulty set point generators, we worked with an electronics firm to repair them and extend their lifespan, leading to annual cost savings of more than S\$50,000. Currently, we are looking into ways of reducing the life cycle costs of all our bus parts in order to curb the rise of bus repair and maintenance costs.

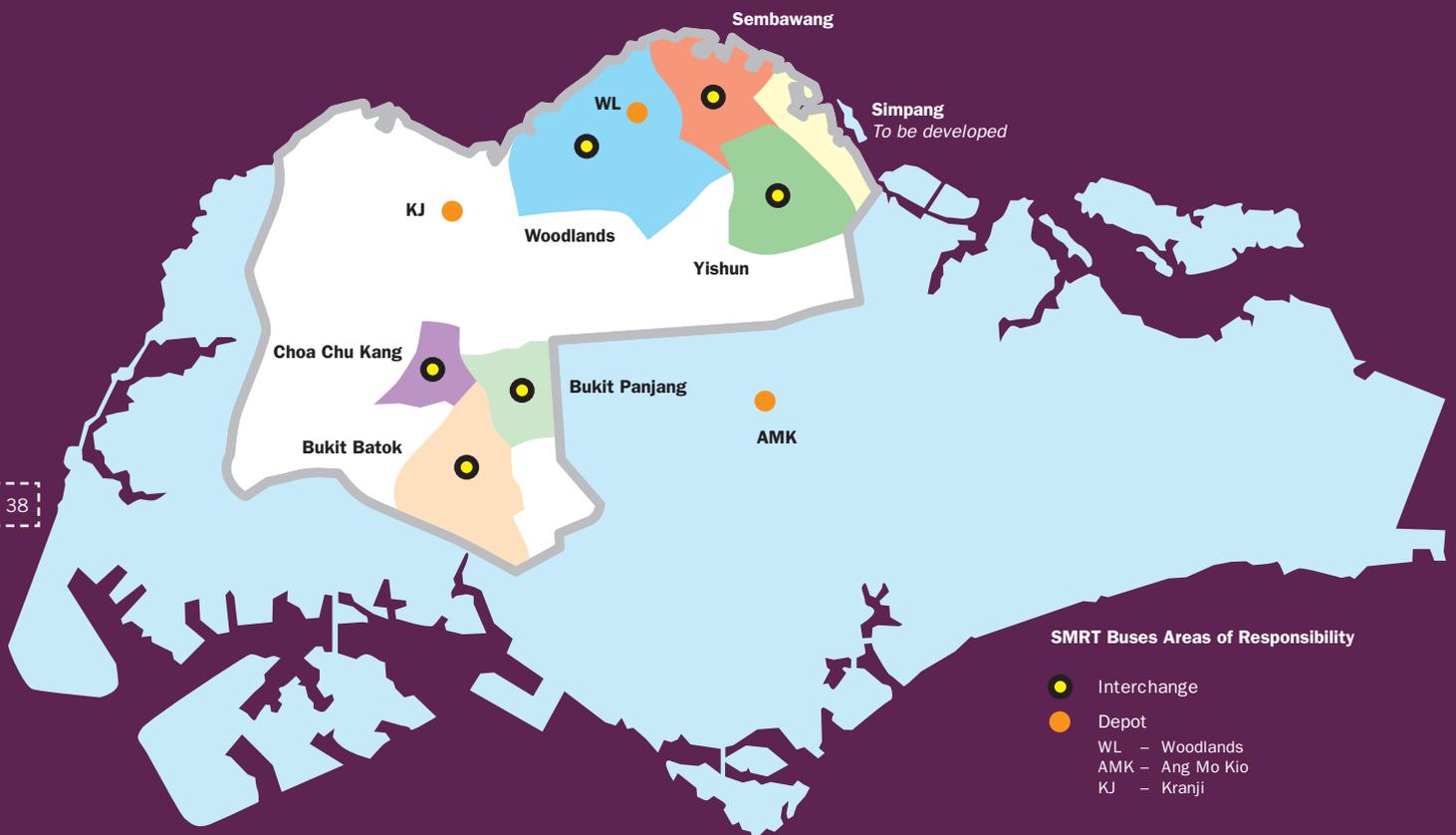
During the year in review, we continued to implement various short working trips along heavy demand sectors and supplementary services to cater to surges in demand.

SMRT TAXIS PTE LTD

STRENGTHENING MARKET POSITION

SMRT Taxis maintains a fleet of over 2,000 taxis. In the year under review, SMRT Taxis implemented various initiatives to strengthen our market position.

In June 2003, the government liberalised the taxi industry by allowing new taxi operators to enter the market. On 1 June 2004, the taxi industry was fully liberalised through the removal of a cap on taxi fleet size. The liberalisation of the taxi industry resulted in rapid changes in the competitive landscape. To stay ahead of competition, we plan to increase our market share by expanding our taxi fleet to 3,000 by end-FY2005.





In line with our expansion plan, SMRT Taxis introduced a series of initiatives aimed at drawing more cabbies. In September 2003, we implemented more cabby-friendly policies costing S\$1.0 million. The new policies include lower security deposit and administration fee, full downtime refund for taxis during maintenance, and waiver of rental fees for taxis involved in accidents.

In January 2004, a competitive taxi-hiring package costing SMRT Taxis S\$3.9 million a year was launched. The new package provides rental discount through the Taxi Age Discount (TAD) which offsets the higher operating cost of driving older taxis, and the Loyalty Rental Discount (LRD) which rewards cabbies for their years of service with a fixed daily discount.

In another initiative, a half-hour express vehicle maintenance service was introduced at our Ang Mo Kio and Woodlands depots. More express servicing workshops will be set up in FY2005 at various locations in Singapore to support our taxi fleet expansion plan.

To further our campaign to attract more cabbies, we organised eight recruitment carnivals in March 2004. The carnivals, held at various community clubs to reach out to heartlanders, were met with overwhelming response.

During the year, SMRT Taxis also introduced a mentor scheme where experienced staff members are assigned to new cabbies to render advice and assistance. We also launched the “Drivers’ Net”, a website that provides services such as an online search-and-match system that allows cabbies to search for a relief driver at their convenience. The website also allows cabbies to participate in the Taxi Refresher Course and Taxi Vocational Licence Course at their own pace.

SERVICE PERFORMANCE

With the collective effort of our dedicated staff and cabbies, SMRT Taxis became the first taxi company to receive certification in the National Skills Recognition System (NSRS) implemented by the Singapore Workforce Development Agency. A total of 850 cabbies were awarded seven units of competence under the NSRS for their skills in areas such as customer service and defensive driving.

At the Excellent Service Award (EXSA) 2003, we attained the highest number of awards among contenders in the land transport category, with 76 of our cabbies receiving the coveted award. One of our cabbies, Eric Yeong Cho Ser, became the first taxi driver in Singapore to win the EXSA 2003 Superstar award for his outstanding service record. Our Call Centre also received its share of honours with our Call Centre Manager, Eunice Lui, receiving the runner-up award for Call Centre Manager of the Year 2003 (under 50 seats). We were also a finalist in the Call Centre of the Year Award (under 50 seats).



**Building on
Our Network
and Enhancing
Profitability**



COLOURS

OTHER BUSINESSES



PROPERTY LEASING

In the area of SMRT's property leasing, the average occupancy rate of our commercial space was maintained despite the economic downturn during the year in review.

Our property leasing business offers great potential in the furthering of our new vision and mission. In pursuit of our vision, we will transform our MRT stations into "lifestyle hubs" with a greater retail element and more colour. Commuters and local residents will benefit from the added convenience that the transformed MRT stations will offer. The revamping of the stations will also boost our revenue from property rentals significantly.

Plans are already underway to redevelop existing stations. Twelve MRT stations have been earmarked for enhancements that will enlarge their commercial space by more than 6,500 square metres by end-FY2005.

The first MRT station to be redeveloped is Raffles Place Station. It will undergo a major retrofit slated to commence in June 2004 and be completed by end November 2004. The current 1,700 square metres of retail space will be refurbished to yield an additional 35 per cent or 2,600 square metres.

We will improve the mix of tenants in our MRT stations to create more buzz and offer a wider range of conveniences in one place for walk-through customers. More eateries, snack bars and necessity stops such as banks, clinics, convenience stores and sundry shops will be introduced. The mix of tenants will vary from station to station, depending on the community we serve.

To ensure appropriate integration of the retail component within the Circle Line network, we are currently working closely with LTA to plan and develop commercial space for its stations.

ADVERTISING

During the year, advertising revenue remained at similar level as the previous year as the better performance in the second half of the year arising from improved economic conditions offset the weaker first half caused by SARS.

From 1 April 2004, all of SMRT's advertising and promotions businesses were consolidated under the brand, SMRT Media. SMRT Media replaces Motion Ads, our former marketing arm established under subsidiary TIBS Motors (now known as SMRT Automotive Services).



The creation of SMRT Media as our sole media representative enables us to have effective ownership and marketing of the media spaces at all our premises and vehicles, comprising trains, stations, buses and taxis. Moreover, the consolidation of our advertising and promotion businesses presents us with a captive audience of more than two million commuters daily. It also provides advertisers with a single integrated advertising platform that will reach out to commuters using all three modes of public transport, enabling better flexibility and reach. Lastly, in line with our new customer-responsive focus, as the media owner, we now enjoy direct engagement with our customers and the regulatory authorities.

ENGINEERING AND OTHER SERVICES

SMRT is also involved in business activities that leverage on our transport expertise in specialised areas such as engineering consultancy, project management, operations and maintenance.

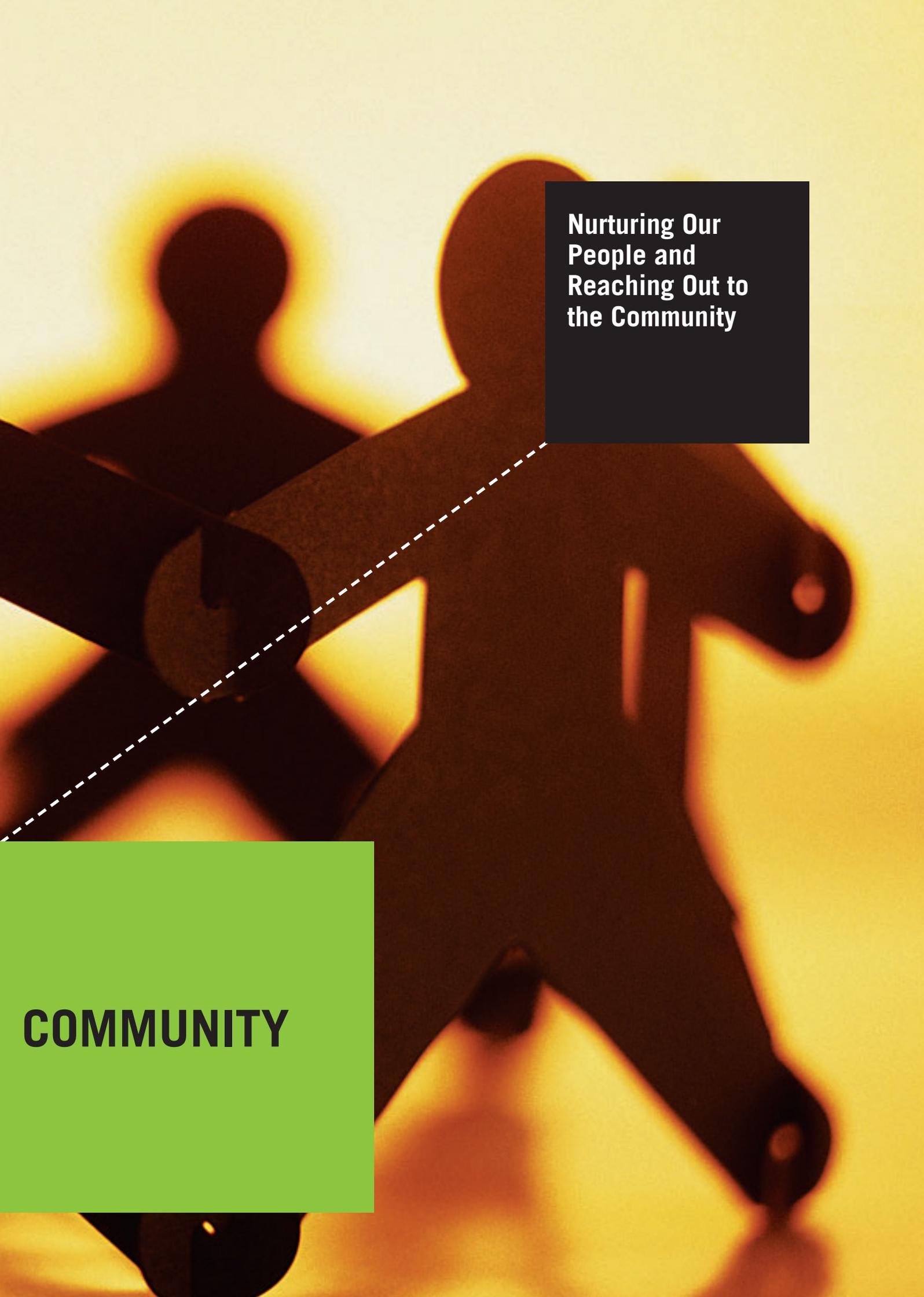
Major engineering consultancy projects that SMRT undertook in FY2004 included construction work for the Sentosa People Mover System which commenced in May 2003. Our project management team is working closely with the system owner, Sentosa Development Corporation, and the system supplier to achieve project completion by September 2006.

We have begun alteration works at Paya Lebar Station in February 2004 in a contract awarded by the LTA. The contract involves the installation, testing and commissioning of the new railway signalling system. The expected completion date is September 2006.

In the maintenance area, we were commissioned to maintain the automatic fare collection system of the NEL, as well as the Sengkang and Punggol LRT system, in a five-year contract. We were also awarded a contract to provide operations and maintenance training to the Bangkok Metro Company.

We see significant growth potential for our business in this region and will participate in railway development and related projects to grow our revenue. To further expand our businesses, we are also exploring avenues for collaboration with strategic partners to expand our fibre optics cable business beyond the current fixed price leasing model.





**Nurturing Our
People and
Reaching Out to
the Community**

COMMUNITY

OUR PEOPLE



We believe that our human capital is the key to building SMRT as a premier multi-modal transportation company. Our Human Resource (HR) strategy is designed to propel our business growth by harnessing the talent of highly motivated employees. To this end, we seek to attract, nurture and retain driven and committed individuals.

NURTURING OUR TALENT

Central to our HR strategy is the development of the next generation of leaders capable of driving our company into the future. Through a succession programme, we have identified top talents to undergo accelerated developmental programmes involving mentoring, taskforce assignments and strategic management training to hone their leadership skills.

During the year in review, our staff underwent eight training days, outperforming the national average of five training days a year. The training programmes which staff attended ranged from IT courses to customer service. We continue to benefit from the expertise of visiting Professors from the SMRT-NTU (Nanyang Technological University) Professorship in Transportation Studies programme, which was established in 2000. The learning they impart is a major resource to help us sustain our position at the forefront of the transportation industry.

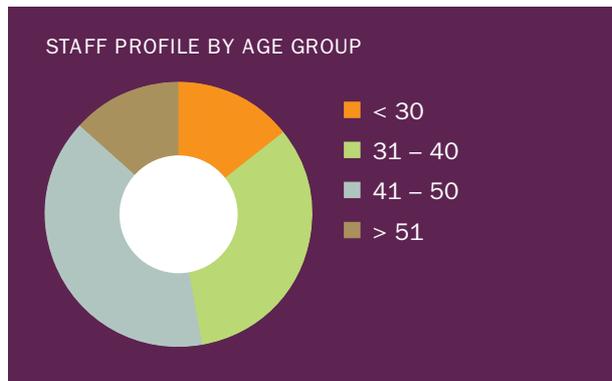
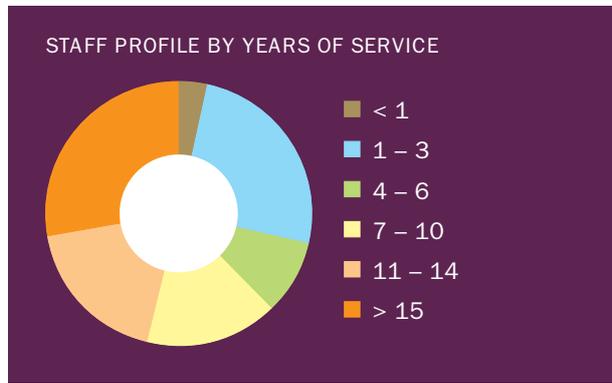
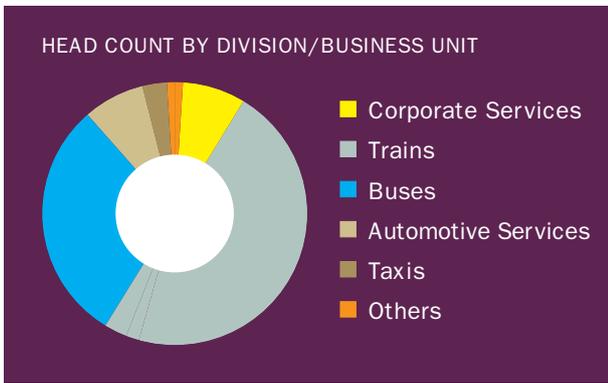
To encourage a culture of continuous innovation and cross learning, we also created managerial and executive SWAT (SMRT Wonderwork Action Taskforce) teams, which brought staff from various divisions together to create business solutions.

ENGAGING OUR STAFF

In the year, SMRT put in place several initiatives to enhance employee engagement and connectivity.

A new Employee-Has-Its-Privileges programme was introduced. Under this programme, activities were organised to build team spirit, a sense of involvement and pride in belonging to the SMRT family. Another key strategy in our drive towards generating employee commitment is to create in them a stakeholder mindset where staff think and act like investors, and align their goals with those of our shareholders. To this end, we carried out our third SMRT Employee Share Option Plan (ESOP) in July 2003.

The launch of a new vision, mission and core values in September 2003 has also helped foster among staff a deeper sense of ownership of our common goals and aspirations. Our new vision, "Moving People, Enhancing Lives" positions SMRT as an organisation that is committed to enhancing customers' lives. Customised workshops were held to help staff understand and identify with the new vision, mission and core values, as well as forge a sense of unity.



Along with the new vision, new uniforms were introduced for frontline staff across rail, bus and taxi operations, as a manifestation of our unity as a corporation with a common identity.

To realise our vision of becoming the customers' choice, it is critical that we raise the bar on customer service standards. Our aim is to achieve a quantum leap in the quality of our frontline service delivery, and in the growth of a service-driven culture. To achieve this, a new service philosophy "Through the eyes of the customer" was created. Through the introduction of this service philosophy and its attendant training programmes, we aim to improve our customer service standards and enrich our customers' travelling experience.

Staff communications are a cornerstone of our HR strategy. The year in review saw regular focus group discussion sessions organised to widen channels of communication between staff and management. These sessions enabled staff and management to share and address issues of concern and helped employees understand and support our business goals.

Similarly, we continued to hold regular dialogues with the union to maintain a harmonious relationship. We also instituted briefings on our financial position to facilitate mutual understanding and support.

EMPLOYEE WELLNESS

At SMRT, employees' well-being is important to us. The health of our employees has a direct impact on our productivity. The year in review saw added emphasis on this. Besides adopting various measures to protect our staff from SARS infection, we also protected our frontline staff from influenza by providing free vaccinations.

In the spirit of promoting healthy lifestyle, the SMRT Workplace Health Promotion Programme (WHPP) committee organised various activities, including the annual A.C.T.I.V.E. Day, which saw over 900 staff members participating in a mass workout.

HARNESSING THE BENEFITS OF IT

Our human resource management was enhanced by several IT initiatives during the year in review. The electronic mail systems of all subsidiaries were integrated to enable seamless communication across the SMRT group. A common Enterprise Resource Planning (ERP) platform, covering financial management, material management and operational systems, was adopted for all subsidiaries to facilitate knowledge sharing. In addition, a cost-effective strategy for disaster recovery and data centre consolidation was developed to ensure business continuity.

OUR ROLE IN THE COMMUNITY



At SMRT, community responsibility is deeply rooted in our core values, and is expressed in our commitment to various charity and community projects as well as practices we adopt in relation to the environment.

CARING FOR THE ENVIRONMENT

With green issues at the top of our agenda, we are sensitive to the impact of our operations on the environment. A range of initiatives has been implemented to encourage a more environmentally responsible culture. In terms of air quality, our key concern is to reduce or eliminate all atmospheric pollutants. Currently, about 98 per cent of our bus fleet meets the Euro 1 or Euro 2 standards for exhaust emissions, and our bus air-conditioning systems utilise ozone-friendly refrigerants. Our new buses will conform to government regulations for all new vehicles to be Euro 4 compliant from October 2006.

At present, SMRT is exploring the feasibility of using compressed natural gas (CNG) as an alternative fuel in buses and taxis to eliminate harmful exhaust emissions. CNG is cleaner as it does not emit PM2.5 (i.e. Particular Matter that is 2.5 microns or smaller).

In energy conservation, we aim to reduce the consumption of limited natural resources. Our bus automatic transmission systems optimise fuel economy and emission quality. In the SMRT trains, propulsion systems that enable trains to coast along stretches of track and regenerative braking systems that return electricity to the system upon braking minimise electrical consumption.

We additionally seek to minimise the output of industrial waste and to reuse resources. For instance, our buses are washed with recycled water, bus tyres are rethreaded for reuse, a treatment plant converts waste water into usable treated water, and oil interceptors trap oil before discharging wastewater into the public sewage system. The use of new Schwihag Integrated Roller Plates on switch rails in MRT tracks has also eliminated our reliance on heavy industrial grease for plate lubrication.

SUPPORTING THE NATION

As Singapore's leading public service provider, SMRT is committed to enhance the nation's welfare.

When the community's spirits flagged as a result of the SARS crisis, our staff rallied together to contribute to the SARS Relief Fund. We also joined students from the National University of Singapore in their project to pay tribute to healthcare workers by inviting commuters to pen "thank you" messages at Novena Station in April 2003.

To help cushion the impact of the CPF cut, SMRT contributed S\$1.0 million to the National Trades Union Congress (NTUC) and Community Development Council's (CDC) Public Transport Fund to help offset transport expenses of low-income families with school-going children.



CORPORATE SPONSORSHIPS

In January 2004, we organised a fund-raising event which saw 51 MRT stations, five bus interchanges and selected taxis being used as “donation destinations”, with management and staff volunteers encouraging donations. A total of S\$30,000 was raised to help disadvantaged and disabled children. Beneficiaries include Autism Resource Centre, Beyond Social Services, Care Community Services Society, KK Outreach to Kids Fund and Very Special Arts.

This year, the Community Chest’s SHARE programme continues to enjoy generous contributions from the management and staff. With SMRT matching employee contributions dollar-for-dollar, we won the Corporate Bronze Award from the National Council of Social Service for total contributions of S\$323,872 in FY2004. We also received the SHARE Corporate Platinum Award for maintaining high participation. Our concern for the disabled was demonstrated by providing free transportation for outings and sponsoring fund-raising events. This year, we also organised an excursion on our Love Bus for 16 couples from the Singapore Association for the Deaf and the Singapore Association for the Visually Handicapped to celebrate Valentine’s Day at the Mandai Orchid Garden.

ENRICHING THE COMMUNITY

SMRT’s growth has been tied to Singapore’s development. In celebration of Singapore’s heritage, SMRT sponsored advertising space for the “Heritage Express” MRT train, a first-of-its-kind mobile museum exhibition in November 2003 organised by the National Heritage Board.

ANNUAL REPORT / 2004

We also promoted the value of reading by providing an MRT train in which the National Library Board held its “Great Singapore Stories” programme. With some 500 children on board, the unusual reading venue added to the excitement of the story-telling sessions.

To bring the arts to the community, SMRT collaborated with the Life Art Society to organise Singapore’s largest Art Carnival. Officiated by President S R Nathan, it was held outside the Tampines Station on 8 November 2003. In addition, an art competition, themed “Singapore, My Home, My Country”, was held to enable young artists to express their visions of Singapore. During the year, the public was treated to free performances featured at The Esplanade’s “December Celebrations” sponsored by SMRT. Our funding of these activities reflects our desire to touch the hearts and enhance the cultural lives of the community.

Furthermore, we continued our adoption of the Singapore Zoological Gardens’ Cotton-top Tamarins, and the Jurong Bird Park’s Celebes Hornbills.

MOVING INTO THE FUTURE

Looking ahead, SMRT has plans to do even more in its corporate social responsibility programme. For a start, we have adopted two voluntary welfare organisations – the Geylang East Home for the Aged, and Beyond Social Services, which aims to curb juvenile delinquency. We will also participate in the Red Cross Blood Donor Recruitment programme by setting up blood donation booths in our stations and bus interchanges, in a bid to help save more lives.



COUNSEL



**Enhancing
Governance,
Transparency and
Accountability**

CORPORATE INFORMATION

REGISTERED OFFICE

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Facsimile: 65 6334 0247
Website: www.smrt.com.sg

PLACE OF INCORPORATION

Singapore

COMPANY REGISTRATION NUMBER

200001855H

DATE OF INCORPORATION

6 March 2000

BOARD OF DIRECTORS

Choo Chiau Beng, Chairman
Saw Phaik Hwa, President & CEO
Cheah Kean Huat
Daniel Ee Hock Huat
Koh Kheng Siong
Victor Loh Kwok Hoong
Margaret Lui-Chan Ann Soo
Ng Ser Miang
Niam Chiang Meng
Nithiah Nandan s/o Arumugam
Engelin Teh Guek Ngor

COMPANY SECRETARY

Patrick Lau Li Tah

AUDIT COMMITTEE

Daniel Ee Hock Huat, Chairman
Koh Kheng Siong
Victor Loh Kwok Hoong
Engelin Teh Guek Ngor

REMUNERATION COMMITTEE

Choo Chiau Beng, Chairman
Cheah Kean Huat
Koh Kheng Siong
Nithiah Nandan s/o Arumugam

NOMINATING COMMITTEE

Engelin Teh Guek Ngor, Chairman
Choo Chiau Beng
Victor Loh Kwok Hoong
Margaret Lui-Chan Ann Soo
Niam Chiang Meng

AUDITORS

KPMG
Audit Partner: Yap Chee Meng
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

PRINCIPAL BANKERS

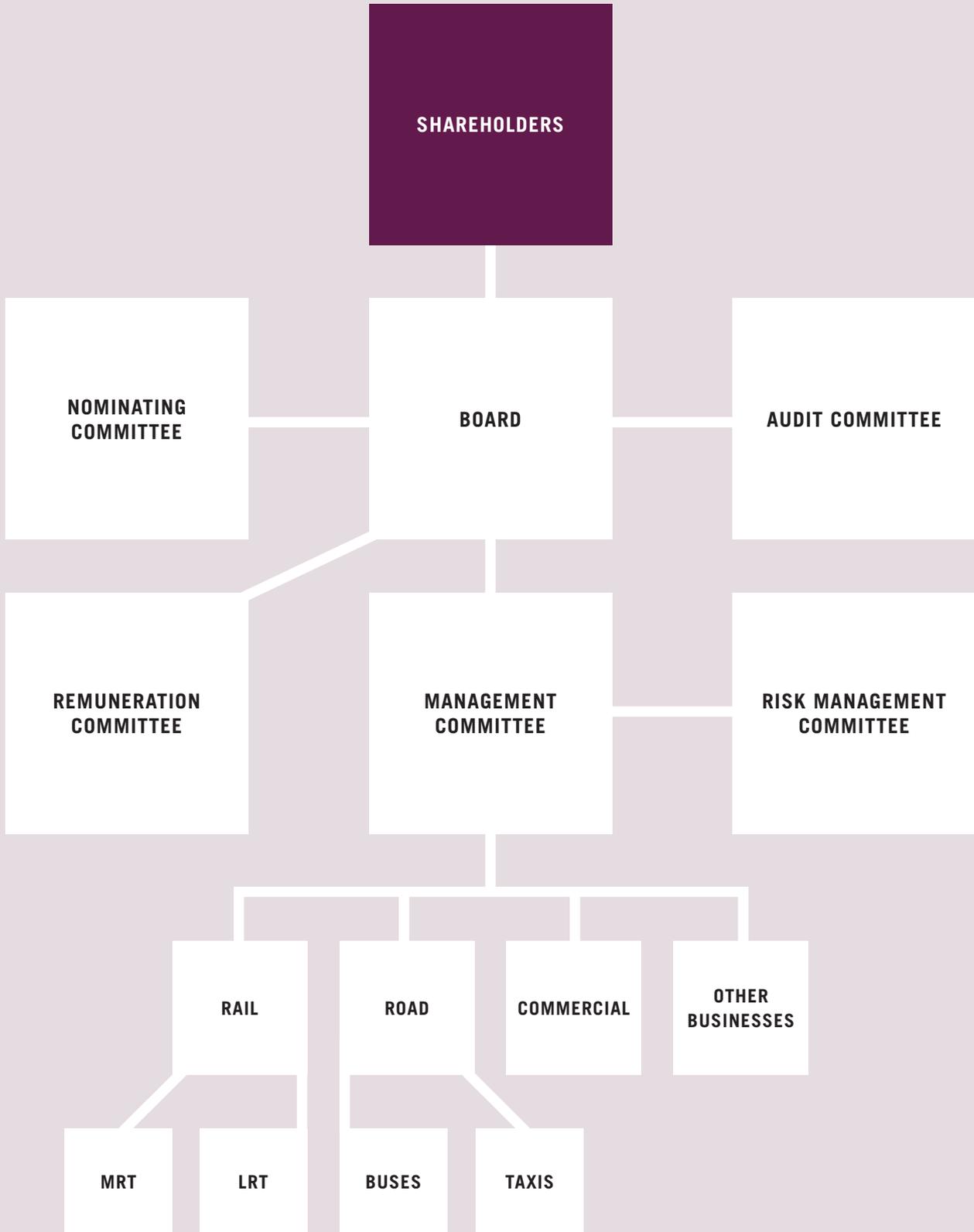
DBS Bank Ltd
Oversea-Chinese Banking
Corporation Limited
United Overseas Bank Limited

SHARE REGISTRAR

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

CORPORATE GOVERNANCE

This report describes the corporate governance policies and practices of the SMRT Corporation Ltd group of companies (the “Group”) during the financial year under review. In line with the recommendations of the Singapore Code of Corporate Governance, the Group has taken steps to achieve full compliance with the Code. The diagram below illustrates the Group’s Corporate Governance Structure.



THE BOARD'S CONDUCT OF ITS AFFAIRS

The Board oversees the overall strategy of the Group and supervises its management and affairs. Apart from its statutory duties, the Board approves the Group's strategic directions, key operational initiatives, annual budgets, major acquisitions and disposals, authority levels for expenditure, and major funding and investment proposals. It also reviews the financial position of the Group.

The Group has adopted internal guidelines, contained in the Financial Procedures manual, setting forth matters that require Board approval.

The Company's Articles of Association allows telephonic and videoconference Board meetings.

Board meetings have been held quarterly since October 2003. In total, the Board held five scheduled meetings and one "off-site" meeting during the year under review. The two-day "off-site" meeting was organised for the Directors to review the Group's strategy and plans with Management. The Board members' attendance at these meetings and Board Committee meetings is shown on page 65.

Since 2002, SMRT has implemented an orientation programme for new Directors to give them a better understanding of the Group's principal business activities and enable them to make informed and effective business decisions.

Four new Board members, namely Choo Chiau Beng (Chairman), Niam Chiang Meng, Nithiah Nandan s/o Arumugam and Margaret Lui-Chan Ann Soo, attended an orientation programme last July. The five-day programme featured briefings on our transportation businesses (train, bus and taxi operations) and covered relations with key external stakeholders, the regulatory framework, the operating licence/vocational licence requirements, key performance indicators, and the operation and performance of key support services and other business units. It also included interactions with key executives in the Group, rides on our various transportation modes, and visits to train stations, depots and the Operations Control Centre. It concluded with a briefing and tour of our current major line expansion project, the Circle Line, covering the functional model, developmental phases, the infrastructural progress to date and the business potential of commercial spaces within the stations and depot.

BOARD COMPOSITION AND BALANCE

The Board comprises 11 Directors, most of whom are independent and non-executive, as shown on page 65. The Nominating Committee ("NC") determines annually whether a Director is independent, according to the Code of Corporate Governance's definition, and examines the size and composition of the Board, taking into account the scope and nature of the Group's operations.

The Board considers that its size and composition are appropriate for effective decision-making. Together, the Directors possess core competencies in areas such as accounting, finance, law, and experience in business management, strategic planning and customer relations. The Directors' academic and professional qualifications are shown on pages 66 to 68.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman, Choo Chiau Beng, who is non-executive, and the President & Chief Executive Officer ("CEO"), Saw Phaik Hwa, are kept distinct through a clear division of responsibility.

The Company Secretary assists the Chairman and the Chairmen of Board committees in scheduling Board meetings and Board Committee meetings respectively. The Company Secretary also prepares agenda papers for Board and Board Committee meetings in consultation with the Chairman and the President & CEO. Reports on financial and operational performance are circulated to Directors every month to ensure effective control over the quality, quantity and timeliness of the flow of information between Management and Board.

BOARD MEMBERSHIP

BOARD PERFORMANCE

Each Director is required to assess the Board's effectiveness as a whole annually.

Directors are required to participate in the recently introduced annual Directors' Self-Assessment. The assessment takes into account a Director's attendance at Board meetings, willingness to devote time to the Company, contribution to the development of strategy and risk management, independence of view, knowledge and skills, and communication with fellow Directors.

The Chairman also assesses the Board's effectiveness by evaluating the performance of each Director once a year.

The above assessments are conducted based on the objective performance criteria established by the Nominating Committee ("NC").

The NC comprises five members: Engelin Teh Guek Ngor (Chairman), Choo Chiau Beng, Victor Loh Kwok Hoong, Margaret Lui-Chan Ann Soo and Niam Chiang Meng. Except for Margaret Lui-Chan Ann Soo, all members are independent Directors.

The NC's terms of reference are as follows:

- To annually review the size, composition and core competencies required by the Board and Board Committees.
- To identify and review all nominations of any person or member of the Company for the following positions:
 - Director and Alternate Director (for appointment or re-appointment, election or re-election), taking into account the proposed appointee's background, experience, other board memberships and in the case of re-nomination, their contribution and performance;
 - Membership of the Remuneration Committee, the Audit Committee and other Board Committees that may be established from time to time; and
 - The President & CEO, Deputy President and Executive Vice-Presidents, including any officer who, regardless of title, has responsibilities and functions similar to any of these officers.
- To review and nominate Directors required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.
- To review and determine annually the "independence" of each Director and to make appropriate disclosure.
- To review Directors serving on multiple boards and determine if such directors are able to adequately carry out his/her duties as Director.
- To conduct an annual assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board, and in that regard, to set an objective performance criteria.
- To set an objective performance criteria for individual Directors for the purpose of evaluation by the Board Chairman, to be conducted on an annual basis, or as decided by the Board Chairman.

BOARD MEMBERSHIP (CONT'D)

BOARD PERFORMANCE (CONT'D)

- To set an objective performance criteria for the President & CEO for the purpose of evaluation by the full Board to be conducted on an annual basis or as decided by the NC.
- To formulate succession plans for Board appointments and senior management.
- To review the terms of reference when appropriate.
- To sub-delegate any of the NC's powers within its terms of reference as listed above, from time to time, as this Committee may deem fit.

To guide the effective operation of the Committee, the NC has drawn up a charter, which defines, amongst other things, its authority, composition, conduct of meetings and responsibilities.

During the year under review, the NC met three times. Internal guidelines have also been drawn up to address the issue of competing time commitments that are faced when Directors serve on multiple boards.

Pursuant to the Company's Articles of Association, one-third of the Board of Directors retires and is subject to re-election at every Annual General Meeting ("AGM") of the Company. A newly appointed Director must also subject himself for retirement and election at the AGM immediately following his appointment.

Key information regarding Directors are set out on pages 66 to 68.

ACCESS TO INFORMATION

To assist the Board in discharging its duties, the Management provides the Board with balanced and understandable operational and financial reports of the Group's performance and prospects on a monthly basis. Directors receive Board and Committee meeting Agenda and Papers several days in advance of Board and Committee meetings and have separate and independent access to the Company's Senior Management and Company Secretary. The Company Secretary attends all Board meetings and his role is clearly defined.

The Board has adopted a procedure whereby any Director may, in the furtherance of his duties, take independent professional advice, if necessary, at the Company's expense.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

LEVEL AND MIX OF REMUNERATION

The Group has appointed the Remuneration Committee (RC) to assist the Board in fulfilling its responsibility to develop formal and transparent policies on remuneration matters across the Group. The members of the RC are Choo Chiau Beng (Chairman), Cheah Kean Huat, Koh Kheng Siong and Nithiah Nandan.

The members of the RC are appointed by the Board, on the recommendation of the NC, in consultation with the Chairman of the RC. All the members of the RC are non-executive directors.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (CONT'D)
LEVEL AND MIX OF REMUNERATION (CONT'D)

The core duties and responsibilities of the RC are:

- to determine, review and approve the broad policy framework for the remuneration of the Group's CEO, Chairman, the executive Directors, and such other members of the executive management as it is designated to consider. The remuneration of the non-executive Directors shall be a matter for the Chairman and the executive members of the Board. No director shall be involved in any decisions as to their own remuneration.
- to ensure that the members of the executive management of the Group are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.
- to review the on-going appropriateness and relevance of the remuneration policy, giving due regard to any relevant legal requirements and the provisions and recommendations in the Singapore Code of Corporate Governance.
- to approve the design and determine targets for any performance-related pay schemes operated by the Company, and approve the total annual payments made under such schemes.
- to review the design of all employee stock option plans and other incentive plans for approval by the Board and shareholders. To determine each year whether awards will be made for any such plans, the level of such awards, the individual awards to executive directors and other senior executives, and the performance targets to be used.
- to ensure that contractual terms on termination and any payments made are fair to the individual and the Group, that failure is not rewarded, and that the duty to mitigate loss is fully recognised.
- to determine the total individual remuneration package of the CEO's direct reports, including bonuses, incentive payments and share options or other share awards.
- to establish the selection criteria to select, appoint and set the terms of reference for any remuneration consultants who advise the Committee, and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfill its obligations.
- to provide clear disclosure of the Company's remuneration policy, the level and mix of remuneration, and the procedure for setting remuneration in the Company's Annual Report.

DISCLOSURE ON REMUNERATION

Non-executive Directors are paid Directors' fees comprising a basic fee and additional fees for appointments in other Board Committees. The fees payable to each Director are computed based on the period he serves as a Director and Committee Member during the year. As an executive Director, the President & CEO does not receive Directors' fees. A study to review Directors' fees was commissioned by the RC to ensure a market-competitive Director fee structure such that Directors are provided with appropriate incentives to encourage enhanced performance. Carrots Consulting Pte Ltd has been appointed to carry out the review, which is still in progress.

The report on Directors' remuneration and the remuneration of top five key executives are shown on pages 144 to 145. There is no employee whose remuneration exceeded \$150,000 during the financial year ended 31 March 2004 who is an immediate family member of a Director or the President & CEO.

The RC held four meetings during the year, and the issues covered in these meetings included the performance assessment of Senior Management and the determination of their compensation, performance bonus incentives and awards.

Key recommendations included the incorporation of a remuneration report in the Annual Report containing disclosure of the remuneration of the top five key executives of the Company, describing in percentage terms their base/fixed salary, variable or performance-related income or bonuses, benefits in kind and long term incentives; and disclosure of details of the Company's Employee Stock Option Plan to enable shareholders to assess the benefits and potential cost to the Company. The above recommendations were accepted by the RC as these were consistent with the RC's terms of reference and charter.

Another major topic of discussion was the rationalisation of position titles, job grades and salary ranges for non-bargainable employees. The objective of this job-levelling exercise was to validate the market worth of jobs. Together with the harmonisation of salaries, benefits and employment terms and conditions across the Group, it facilitates better integration and enables cross-business staff movements, bringing about the synergies required to increase organisational effectiveness.

Whilst attaining internal and external equity in total rewards competitiveness, overall cost savings for the Company will be achieved through resource leveraging in this exercise.

With the approval of the RC, the job-levelling exercise takes effect from the start of the new financial year in April 2004.

ACCOUNTABILITY

Management, financial and operational progress reports are circulated to all Directors monthly to keep the Board updated on the Group's affairs.

AUDIT COMMITTEE

The Audit Committee ("AC") is chaired by Daniel Ee Hock Huat, and includes members Victor Loh Kwok Hoong, Koh Kheng Siong, and Engelin Teh Guek Ngor, all of whom are non-executive and independent. Two members (including the chairman) have accounting and relevant financial management experience.

The Committee met seven times during the year. The President & CEO, Deputy President, Executive Vice President (Finance), Vice President (Audit) and the external auditors usually attend the meetings. Separate meetings were also held in May 2003 and April 2004 for the AC to meet with the external auditors and the internal auditors without the presence of Management, to enable the auditors to raise issues encountered in the course of their work directly to the AC.

The AC's terms of reference are as follows:

- To review the accounting policies of the Company to ensure that they are in compliance with accounting standards and the law.
- To review, with the internal and external auditors, their audit plans.
- To review, with the internal and external auditors, their evaluation of the Group's system of internal accounting controls.
- To review, with the internal and external auditors, their audit reports.
- To review the co-operation given by the Company's officers to the internal and external auditors.
- To review the scope and results of the internal audit procedures.
- To review the balance sheet and profit & loss account of the Company and the consolidated balance sheet and profit & loss account of the Group, and to submit them to the Board.
- To nominate and review the appointment or re-appointment of the external auditors.
- To review interested person transactions.
- To examine all other matters which may be referred to the AC by the Board.

The AC has also drawn up a charter setting out, amongst other things, the Committee's authority, composition, conduct of meetings and responsibilities. Minutes of AC meetings are circulated to the Board members for information.

AUDIT COMMITTEE (CONT'D)

The AC reviews the scope and results of both internal and external audits, and their cost effectiveness. The AC also reviews the independence and objectivity of the external auditors, and the nature and extent of non-audit services provided by them. To ensure their independence and objectivity, the AC makes certain that:

- the non-audit services provided are not subject to statutory audit by the same firm;
- the services to be awarded do not involve the design and implementation of internal controls; and
- the partner providing such non-audit services is kept separate from those providing statutory audit services.

Annually, prior to the re-appointment of the external auditors, the AC reviews their independence based on the guidelines provided by the Accounting and Corporate Regulatory Authority. Having reviewed the volume of non-audit services provided to the Group by the external auditors, and being satisfied that the nature and extent of such services will not prejudice their independence and objectivity, the AC has recommended their re-appointment.

INTERNAL CONTROLS

The Board believes that the system of internal controls, maintained by the Company's Management and set in place throughout the financial year up to the date of this report, is adequate to meet the needs of the Group in the current business environment. The system of internal controls is designed to manage the risk of failure to achieve business objectives, rather than to eliminate it. As such, the controls can only provide reasonable assurance against material mis-statement or loss, not absolute assurance.

At the beginning of each financial year, the Internal Audit Department prepares an Audit Plan to review the adequacy and effectiveness of the Company's system of internal controls and compliance. After each review, the Internal Audit Department issues a report on its findings with appropriate recommendations to the AC, President & CEO and Chairman of the Board. A copy of this internal audit report is given to Heads of Department for their follow-up action, and to the external auditors.

During the year, the AC reviewed the effectiveness of the Group's internal controls, including financial, operational and compliance controls, and risk management. The processes used by the AC to review the effectiveness of the system of internal controls and risk management include:

- discussions on risks identified by management;
- audit processes;
- review of internal and external audit plans; and
- review of significant issues arising from internal and external audits.

INTERNAL CONTROLS (CONT'D)

The key elements of the Group's system of controls are as follows:

Operating Structure

The Group has a clearly defined operating structure with lines of responsibility and delegated authority, as well as adequate reporting mechanisms to Senior Management and the Board.

Board Sub-Committees

The Board has established several sub-committees – the Audit, Nominating and Remuneration Committees. The terms of reference, procedures, responsibilities and powers of each committee are clearly defined in their respective charters.

The Executive Committee (“Exco”) formed in December 2001 to oversee the management of the Group's business affairs within the limits of authority delegated by the Board was dissolved in February 2004. All applicable authority limits delegated to the Exco were reverted to the Board.

Special Board committees will be formed when there is a need to give specific attention to a particular project or issue.

Management Committee

The Management Committee (“MC”) is not a Board Committee. It is chaired by the President & CEO and comprises Senior Management and Heads of Department. The MC facilitates the communication of the Board's decisions to the respective departments in the organisation. It meets fortnightly to review the status of various projects, and discuss or propose strategic objectives, key policies and operational matters for the Group.

Policies and Procedures

Controls are detailed in formal procedures, instructions and manuals, and compliance is verified by the Company's internal auditors and ISO9002 auditors.

Financial Reporting

A planning and budgeting system, in which the annual budget is approved by the Board, is applied group-wide. The reporting of actual performance against budget and revised forecasts to the Board is conducted monthly while the reporting to the shareholders in accordance with the requirements of the SGX-ST is conducted on a quarterly basis.

Internal Audit

Internal Audit performs continuous monitoring to ensure compliance with company policies, internal controls and procedures designed to manage risks and safeguard the business and assets of the Group. Internal Audit reports its findings to the AC, President & CEO, and the Chairman of the Board.

INTERNAL CONTROLS (CONT'D)

Risk Identification and Assessment

The Risk Management Committee (“RMC”), which is not a Board Committee, is chaired by the President & CEO, and comprises the heads of the key functional units and Vice President (Audit). Its appointed risk management practices contain specialised functions to deal with individual risks.

The RMC’s terms of reference are as follows:

- To set a high level risk policy aligned with the Group’s strategic business objectives.
- To champion risk awareness within the Group.
- To communicate risk policy, and assign responsibilities and the requisite risk reporting structure to all concerned.
- To perform strategic business risk oversight and review the risk profile of the Group.
- To continually review the adequacy and effectiveness of risk management practices within the Group.
- To communicate with the AC and Board with regard to the strategic/operational risks in the Group, changes in such risks, and their management.

The RMC annually reviews business and operational risks to determine and manage any changes to the Group’s risk profile, and submits a report proposing risk-mitigating action plans to the AC.

Property and Liability Risks

The Group’s risk exposure is annually reviewed by risk management consultants to ensure that its insurance programme continues to be adequate for the risk exposure identified.

Investment Projects

Investment projects are subject to formal authorisation procedures with designated levels of authority. Major projects are subject to Board review and approval.

INTERNAL AUDIT

The Internal Audit Department reports functionally to the Chairman of the Audit Committee, and administratively to the President & CEO.

The conduct and activities of the Internal Audit Department are governed by the Institute of Internal Auditors’ (IIA) Standards for the Professional Practice of Internal Auditing, to ensure it remains as an independent, objective assurance and consulting function which will add value to, and improve, the Company’s operations. Accordingly, a mandatory external review to evaluate compliance by the internal audit function with the IIA standards at least once every five years is required, with effect from 1 January 2002. During the year, PricewaterhouseCoopers was appointed to conduct such a review and the Internal Audit Department was found to be in compliance with the standards.

The Internal Audit Department is adequately resourced with 13 staff and has appropriate standing within the Company. Each staff undergoes on average, three to five training days per year.

COMMUNICATION WITH SHAREHOLDERS

The Group is committed to engage in open, regular and comprehensive communication with shareholders and the investor public and present a true and fair state of the Company. In communicating with shareholders and investors, the Group is guided by certain principles, policies and practices which adhere to the Singapore Code of Corporate Governance and the Corporate Disclosure Policies of the SGX-ST Listing Manual. The Group also keeps abreast of the best practices in investor relations so that it can improve its communication with shareholders and investors.

Since the Company's listing in July 2000, an Investor Relations department has been set up to manage the Group's relations with financial analysts, shareholders and investors. The aim of Investor Relations is to communicate meaningful and relevant information to shareholders and investors that can help them make informed investment decisions.

DISSEMINATION OF MATERIAL INFORMATION

The basic principle when dealing with shareholders and members of the investor and analyst community is to ensure that material information on the Group is made available to all shareholders and investors on a timely and non-selective basis.

Such material information is disseminated in a form of a media release or announcement by MASNET onto the SGX-ST website and via the media and newswires to reach all shareholders and investors. The same media release or announcement is uploaded onto the corporate website as soon as possible to ensure that all other stakeholders have equal access to the information disclosed. It is also broadcasted by electronic mail to analysts, shareholders and investors who have registered their e-mail addresses for receipt of such information.

RELEASE OF FINANCIAL RESULTS

From FY2004, the Group has moved from a half-yearly to a quarterly financial reporting regime. Its quarterly results are released within one month of the close of the quarter and audited results within one month from the financial year ended 31 March.

In the release of quarterly and full-year financial results, the announcement is first released via MASNET to the SGX-ST website after trading hours. Thereafter, a combined media and analysts conference is held at the Company headquarters where the President & CEO, Deputy President and the Executive Vice President (Finance) will brief the media and analysts on the results and take questions. For the release of the first and third quarter results, teleconferences are organised to brief the media and analysts on the results. From the feedback gathered from analysts, the frequency of disclosure forums is adequate for their reporting and research purposes.

When presenting financial results, apart from issuing the financial statements on the MASNET template, the financial and operating performance data are presented in clear and simplified form in a media release, supported by charts and commentaries on presentation slides. All the briefing materials are not only posted on the SGX-ST website along with the MASNET announcement, they are also available electronically at the same time on the corporate website and broadcasted by electronic mail to analysts, shareholders and investors who are on the Group's mailing list.

COMMUNICATION WITH SHAREHOLDERS (CONT'D)

STAYING ENGAGED WITH INVESTORS

The Group observes an open policy in its relations with shareholders and the investor public. The Investor Relations department organises meetings to communicate with them regularly either individually or in groups to update on the Company's developments, address their concerns and to obtain feedback. It also participates in investor conferences and roadshows organised by institutional brokers.

At such meetings, care is taken to ensure that no previously undisclosed material information is divulged to any class of shareholders or investors selectively. If material information is inadvertently disclosed, a media release or announcement will be issued immediately.

The Group also communicates its key operating data monthly and announces significant developments via its Investor Relations page on the corporate website. It believes that such information is crucial to shareholders and investors. Shareholders and investors can contact the Group for more information by accessing the corporate website. They can post a request or ask to be placed on the Investor Relations mailing list. The Group will continue to take advantage of electronic means to communicate more effectively with shareholders and investors.

ENCOURAGING SHAREHOLDER PARTICIPATION AT ANNUAL GENERAL MEETINGS

The Group regards the AGM as an opportunity to communicate directly with shareholders. To encourage more shareholders to participate in the AGM, the meeting is held at convenient locations.

The Chairman, President & CEO, Chairman of each Board Committee and Executive Vice President (Finance) attend the AGM and take questions and feedback from shareholders. The external auditors are also present to address queries by shareholders relating to the financial accounts.

The Group treats shareholder issues, particularly those that require shareholders' approval, such as re-election of Directors and approval of Directors' fees, as distinct subjects and submits them to the AGM as separate resolutions.

The Articles of Association have yet to be amended to allow voting in absentia by mail or electronic means. Such voting methods may only be possible after a careful study to ensure that the integrity of the information and authentication of the identity of shareholders through the Internet are not compromised and that legislative changes are in place to recognise electronic voting.

DEALINGS IN SECURITIES

The Company has an internal code of conduct for Directors and employees on securities transactions when they are in possession of unpublished price-sensitive information on the Company's securities. In accordance with the internal code, Directors and employees are advised not to deal in the Company's securities during the period commencing one month before the announcement of each of the Company's financial results (i.e. the quarterly and full-year results) and ending on the date of announcement of the relevant results.

Directors and employees are reminded to be mindful of the law on insider trading and to ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act, and the Companies Act.

DIRECTORS & BOARD COMMITTEE MEETINGS & ATTENDANCE FROM 1 APRIL 2003 TO 31 MARCH 2004

Each director attended the following Board meetings and Board committee meetings during the year while being a member of the Board:

65

	BOARD		COMMITTEE							
	A	B	AUDIT		EXCO*		NOMINATING		REMUNERATION	
			A	B	A	B	A	B	A	B
Choo Chiau Beng ⁽¹⁾	5	4	–	–	–	–	2	2	2	2
Saw Phaik Hwa	5	5	–	–	–	–	–	–	–	–
Cheah Kean Huat	5	4	–	–	–	–	–	–	4	4
Daniel Ee Hock Huat	5	5	7	7	–	–	–	–	–	–
Koh Kheng Siong	5	5	7	7	–	–	–	–	4	4
Victor Loh Kwok Hoong ⁽²⁾	5	5	7	7	–	–	2	2	–	–
Margaret Lui-Chan Ann Soo ⁽³⁾	4	4	–	–	–	–	2	2	–	–
Ng Ser Miang	5	2	–	–	–	–	–	–	–	–
Niam Chiang Meng ⁽⁴⁾	5	2	–	–	–	–	2	1	–	–
Nithiah Nandan s/o Arumugam ⁽⁵⁾	5	3	–	–	–	–	–	–	1	1
Engelin Teh Guek Ngor	5	4	7	6	–	–	3	3	–	–
Chew Choon Seng ⁽⁶⁾	1	1	–	–	–	–	1	1	2	2
Jimmy Phoon Siew Heng ⁽⁷⁾	1	–	–	–	–	–	1	–	–	–

Column A: number of meetings held while a member.

Column B: number of meetings attended.

(1) Appointed as Director on 1 May 2003 and as Remuneration Committee Chairman and Nominating Committee Member on 17 July 2003

(2) Appointed as Nominating Committee Member on 30 July 2003

(3) Appointed as Director and Nominating Committee Member on 17 July 2003 and 30 July 2003 respectively

(4) Appointed as Nominating Committee Member on 30 July 2003

(5) Appointed as Remuneration Committee Member on 9 February 2004

(6) Resigned as Director and Remuneration Committee Member on 17 July 2003

(7) Resigned as Director and Remuneration Committee Member on 17 July 2003

* Executive Committee (“EXCO”) was dissolved on 17 February 2004.

BOARD OF DIRECTORS & COMPOSITION OF BOARD COMMITTEES

NAME OF DIRECTOR	BOARD APPOINTMENTS	BOARD COMMITTEES			
	– EXECUTIVE OR NON-EXECUTIVE DIRECTOR – INDEPENDENT OR NON-INDEPENDENT DIRECTOR	AUDIT	EXCO*	NOMINATING	REMUNERATION
Choo Chiau Beng (Chairman)	Non-Executive/Independent		Chairman	Member	Chairman
Saw Phaik Hwa (President & CEO)	Executive/Non-Independent				
Cheah Kean Huat	Non-Executive/Independent				Member
Daniel Ee Hock Huat	Non-Executive/Independent	Chairman			
Koh Kheng Siong	Non-Executive/Independent	Member			Member
Victor Loh Kwok Hoong	Non-Executive/Independent	Member		Member	
Margaret Lui-Chan Ann Soo	Non-Executive/Non-Independent			Member	
Ng Ser Miang	Non-Executive/Independent		Member		
Niam Chiang Meng	Non-Executive/Independent			Member	
Nithiah Nandan s/o Arumugam	Non-Executive/Independent				Member
Engelin Teh Guek Ngor	Non-Executive/Independent	Member		Chairman	

* Executive Committee (“EXCO”) was dissolved on 17 February 2004.

PARTICULARS OF DIRECTORS

NAME OF DIRECTOR/ AGE	ACADEMIC & PROFESSIONAL QUALIFICATIONS	DIRECTORSHIP:		DIRECTORSHIPS OR CHAIRMANSHIPS IN OTHER LISTED COMPANIES & OTHER MAJOR APPOINTMENTS, BOTH PRESENT AND HELD OVER THE PRECEDING 3 YEARS	
		DATE FIRST APPOINTED	DATE LAST RE-ELECTED		
Choo Chiau Beng 56 yrs	Bachelor of Science (Naval Architecture) 1st Class Hons, University of Newcastle Upon Tyne, United Kingdom (Colombo Plan Scholar)	01.05.2003	17.07.2003	Ambassador (Non-Resident)	Brazil
				Chairman & Chief Executive Officer	Keppel Offshore & Marine Ltd
				Chairman	Keppel FELS Limited
	Master of Science (Naval Architecture), University of Newcastle Upon Tyne, United Kingdom			Chairman	Singapore Petroleum Company Limited
				Chairman	Singapore Refining Company Pte Ltd
	Completed Programme for Management Development, Harvard Business School			Director	Keppel Corporation Limited
				Director	Keppel Land Limited
	Member of Wharton Society of Fellows			Director	k1 Ventures Limited
				Director	EDB Investments Pte Ltd
				Board Member	Maritime and Port Authority of Singapore
				Director	Singapore Maritime Foundation Limited
Saw Phaik Hwa 49 yrs	Bachelor of Science (Biochemistry) Hons, University of Singapore	20.03.2003	17.07.2003	Director	Singapore Tourism Board
				Regional President	DFS Venture Singapore (Pte) Ltd (1985 to 2002)
Cheah Kean Huat 51 yrs	Bachelor of Science (Economics & Electrical Engineering), Yale University	20.04.2000	17.07.2003	Chief Executive Officer	WyWy Office Solutions Group Pte Ltd
				Vice President & General Manager	Asia Pacific Hewlett-Packard Services Pte Ltd (2001 to 2003)
	Master of Business Administration, Stanford University			Member	Board of Trustees, Singapore Management University

PARTICULARS OF DIRECTORS (CONT'D)

NAME OF DIRECTOR/ AGE	ACADEMIC & PROFESSIONAL QUALIFICATIONS	DIRECTORSHIP:		DIRECTORSHIPS OR CHAIRMANSHIPS IN OTHER LISTED COMPANIES & OTHER MAJOR APPOINTMENTS, BOTH PRESENT AND HELD OVER THE PRECEDING 3 YEARS	
		DATE FIRST APPOINTED	DATE LAST RE-ELECTED		
Daniel Ee	Bachelor of Science (Systems Engineering)	17.04.2000	17.07.2002	Director	Surface Mount Technology (Holdings) Limited
Hock Huat	1st Class Hons, University of Bath (Colombo Plan Scholar)			Director	Kyosha Holdings (Singapore) Limited (from February 2000 to April 2004)
	Master of Science (Industrial Engineering), National University of Singapore			Director	Darco Water Technologies Limited
				Chairman	Gas Supply Pte Ltd
				Director	Singapore Changi Airport Enterprise Pte Ltd
				Member	Civil Aviation Authority of Singapore since 1995
Koh Kheng Siong	Bachelor of Science (Economics) Hons, University of London	07.03.2000	18.07.2001	Financial Controller	ExxonMobil Asia Pacific Pte Ltd
	Master of Business Administration (Finance), University of Chicago Graduate School of Business				
Victor Loh Kwok Hoong	Read Law at the Inns of Court School of Law, Council of Legal Education in England	18.04.2000	17.07.2002	Ambassador (Non-Resident)	Poland
	Fellow of British Institute of Management			Director	Thakral Corporation Limited
				Director	Seksun Corporation Limited
				Director	First Engineering Limited
Margaret Lui-Chan Ann Soo	Bachelor of Accountancy, University of Singapore	17.07.2003		Managing Director, Strategic Development (Global Investments)	Temasek Holdings (Private) Limited
				Director	Singapore Cruise Centre Pte Ltd
				Director	PSA International Pte Ltd
				Director	HazelTree Holdings Pte Ltd
				Director	CIAS International Pte Ltd

PARTICULARS OF DIRECTORS (CONT'D)

NAME OF DIRECTOR/ AGE	ACADEMIC & PROFESSIONAL QUALIFICATIONS	DIRECTORSHIP:		DIRECTORSHIPS OR CHAIRMANSHIPS IN OTHER LISTED COMPANIES & OTHER MAJOR APPOINTMENTS, BOTH PRESENT AND HELD OVER THE PRECEDING 3 YEARS	
		DATE FIRST APPOINTED	DATE LAST RE-ELECTED		
Ng Ser Miang 55 yrs	Bachelor of Business Administration, Hons, University of Singapore	13.12.2001		Nominated	Parliament
		17.07.2002		Member	
				Ambassador (Non-Resident)	Norway and Hungary
				Chairman	TIBS International Pte Ltd
				Chairman	NTUC Choice Homes Co-operative Limited
				Vice President	Singapore National Olympic Council
				Chairman	Singapore Sports Council (1991–2002)
		Managing Director	TIBS Holdings Ltd (1992 to 2001)		
Niam Chiang Meng 46 yrs	Bachelor of Social Science, Hons, 2nd Class Upper, Economics, National University of Singapore	20.03.2003		Chief Executive	Housing & Development Board
		17.07.2003		Officer	
	Master in Public Administration, Harvard University			Director	Keppel Land Limited
Nithiah Nandan s/o Arumugam 54 yrs	Diploma in Industrial Relations	20.03.2003		Nominated	Parliament
		17.07.2003		Member	
				Vice President	NTUC Central Committee
				Executive Secretary	Union of Power and Gas Employees
				Director	NTUC Media Co-operative
				Director	NTUC Childcare Co-operative
				Member	Government Feedback Panel
				Director	NTUC Income (June 1991 to May 2003)
		Director	SPRING Singapore (April 2002 to March 2004)		
Engelin Teh Guek Ngor 49 yrs	LLB (Hons), University of Singapore Fellowship of the Singapore Institute of Arbitrators Senior Counsel Arbitrator, Singapore International Arbitration Centre Panel	01.08.2001		Director	Singapore Power Limited
		17.07.2002		Director	SP PowerAssets Limited
				Managing Director	Engelin Teh Practice LLC

FINANCIAL REPORT

70	Operating and Financial Review Statutory Accounts
84	■ Directors' Report
91	■ Statement by Directors
92	■ Report of the Auditors

93	■ Balance Sheets
95	■ Consolidated Profit and Loss Account
96	■ Consolidated Statement of Changes in Equity
97	■ Consolidated Statement of Cash Flows
99	■ Notes to the Financial Statements

OPERATING AND FINANCIAL REVIEW

The following should be read in conjunction with the audited financial statements and notes thereto for the financial years ended 31 March 2003 and 2004.

BACKGROUND

Incorporated on 6 March 2000, SMRT Corporation Ltd (“the Company”) was listed on the mainboard of the Singapore Exchange Securities Trading Limited on 26 July 2000. The Company wholly owns Singapore MRT Ltd (“MRT”, now known as SMRT Trains Ltd) and Singapore LRT Pte Ltd (“LRT”, now known as SMRT Light Rail Pte Ltd), which operates the North-South and East-West lines of Singapore’s Mass Rapid Transit System (“MRT system”) and the Light Rapid Transit System in Bukit Panjang (“LRT system”) respectively.

In December 2001, the Company acquired TIBS Holdings Ltd (now known as SMRT Road Holdings Ltd – “SRH”) for S\$198.6 million. SRH’s core businesses of bus and taxi services became part of the SMRT Group’s multi-modal land transport system. Staff strength grew from 3,115 to 6,102 as at March 2002. Goodwill arising from the acquisition amounted to S\$71.7 million and is amortised over 20 years from the date of acquisition. FY2003 recorded the Group’s first full-year consolidation of SRH’s earnings.

SMRT Properties and SMRT Media are two divisions of SMRT Investments Pte Ltd, a wholly owned subsidiary of the Company. SMRT Properties is primarily involved in the development, leasing and marketing of commercial spaces at train stations while SMRT Media is a consolidated advertising arm of the Group that promotes advertising across trains, train stations, buses and taxis.

Engineering and Other Services are undertaken through our wholly owned subsidiaries SMRT Engineering Pte Ltd (“SMRTE”), TIBS Motors Pte Ltd (now known as SMRT Automotive Services Pte Ltd – “SMRT Automotive”) and SMRT International Pte Ltd (“SMRT International”). SMRTE provides engineering consultancy, project management, rail-related and non-rail maintenance services while SMRT Automotive provides fleet maintenance services and diesel sales. SMRT International leases fibre optic cables.

In FY2004, about 83.7 per cent of Group revenue was made up of fare revenue from MRT, LRT and buses. The remaining 16.3 per cent of Group revenue came from taxis rental, commercial space rental, advertising revenue and engineering and other services revenue.

OPERATING LICENCES

The Group entered into a Licence and Operating Agreement with Singapore’s Land Transport Authority (“LTA”) to operate the MRT system for 30 years from 1 April 1998 to 31 March 2028. Pursuant to the agreement, we purchased the MRT system’s operating assets on 1 April 1998 for approximately S\$1.2 billion. To assist us in the purchase of these assets, LTA gave us an asset-related grant of S\$480.0 million which we amortise by recognising it as deferred income over the life of the related assets. We had fully paid for the operating assets in five equal annual instalments by April 2002.

The salient terms and conditions of the Licence and Operating Agreement are stated in the Notes to the Financial Statements on page 100.

The operation of the LRT system is on a 30-year lease commencing 6 November 1999. The salient terms and conditions of the Licence and Operating Agreement for the LRT system are found on pages 100 to 101.

On 8 August 2001, we were awarded by the LTA to operate the new Circle Line for an initial period of 10 years from the date of its opening, which may be extended by an additional 30 years at the discretion of the LTA. The terms and conditions of the Licence and Operating Agreement for the Circle Line are still under negotiations.

BACKGROUND (CONT'D)

FARE STRUCTURE

Our fare structure is based on the distance travelled by passengers. From 1 July 2002, the single trip fare for the MRT system ranges from S\$0.80 to S\$2.80, and for our buses from S\$0.70 to S\$2.35, with a lower fare structure if stored value tickets are used. Concessionary fares are available to students, senior citizens and full-time national servicemen.

Passengers using the stored value tickets may enjoy transfer rebates for the first, second and third valid transfers on a single journey (for example, transfers between bus, LRT and MRT services regardless of the operators). The rebates are generally 25 cents for adults and senior citizens, and 10 cents for children and students. The rebates reduce the minimum boarding charge and thus lower the fare which would otherwise be payable by the passenger making such subsequent legs of their journey.

Fare leakage on buses has been reduced and under control with the full implementation of the Enhanced Integrated Fare System ("EIFS") in December 2002 using contactless smart card technology. With EIFS, we are also able to fine-tune fare adjustments in these smart cards to as low as one cent.

FARE ADJUSTMENT FORMULA

The fares we charge passengers are regulated by the Public Transport Council ("PTC"), a statutory body whose members are appointed by the Minister for Transport. To apply for a fare increase, we need to provide the PTC with copies of our audited accounts, including projections showing the effect of the proposed increase. The PTC, in considering any application for fare increase, takes into account the need for the transport operator to remain financially viable and the need for public interest to be safe-guarded. The PTC is also guided by three principles, namely:

1. Fare adjustments should be made in small steps, rather than large and irregular steps;
2. The increases need not be effected across the board, but should be implemented in sectors where there are service improvements and other changes; and
3. Fare revision should result in what the PTC considers to be an acceptable rate of return to the public transport operators.

Since 1998, the PTC has capped the overall fare increase allowed each year based on the formula of $CPI + X$, where CPI is the Consumer Price Index and X is a small percentage to account for cost factors, apart from fuel price, and discounts for productivity. As fuel prices are dependent on external factors, the PTC will consider this factor separately and will reflect the impact of fuel prices in the final fare adjustments outside the cap formula. X has been set at 1.5 per cent for five years from January 2001 to December 2005.

Given this fare revision framework, we review our fares every year so as to monitor whether fare revenue adequately covers all operating costs, including costs of maintenance, upgrading and renewal of operating assets, and maintenance of the MRT infrastructure and bus interchanges, and to provide a reasonable return to our shareholders.

Since the adoption of the formula, there have been two fare adjustments, one that took effect on 1 June 2000 and another on 1 July 2002, each time by approximately 2.4 per cent on average.

Recently in March 2004, the government appointed a committee to relook at the annual fare review framework and explore ways to improve the current formula, which will expire in 2005. It aims to achieve a good balance between affordable fares and financially viable operations. The review recommendations are expected in March 2005.

REVIEW OF PERFORMANCE FOR FINANCIAL YEAR ENDED 31 MARCH 2004

	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
REVENUE (\$\$ MILLION)					
FY2004	158.3	174.6	168.5	165.9	667.3
FY2003	165.6	178.0	173.7	168.3	685.6
OTHER OPERATING INCOME (\$\$ MILLION)					
FY2004	4.3	9.1	6.3	9.1	28.8
FY2003	3.7	4.0	5.9	6.3	19.9
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (\$\$ MILLION)					
FY2004	48.9	64.8	61.1	50.7	225.5
FY2003	57.5	65.8	67.6	52.8	243.7
EARNINGS BEFORE INTEREST AND TAX (\$\$ MILLION)					
FY2004	13.6	31.6	28.6	25.5	99.3
FY2003	22.0	25.8	32.6	15.6	96.0
PROFIT BEFORE TAX (\$\$ MILLION)					
FY2004	10.1	28.6	25.3	22.2	86.2
FY2003	15.9	19.9	25.9	11.0	72.7
NET PROFIT (AFTER MINORITY INTERESTS) ATTRIBUTABLE TO SHAREHOLDERS (\$\$ MILLION)					
FY2004	7.3	21.7	19.1	41.4	89.5
FY2003	27.0	13.4	19.3	12.4	72.1
EARNINGS PER SHARE (CENTS)					
FY2004	0.5	1.4	1.3	2.8	6.0
FY2003	1.8	0.9	1.3	0.8	4.8
NET TANGIBLE ASSET PER SHARE* (CENTS)					
FY2004	24.6	24.7	25.0	27.8	–
FY2003	23.2	23.0	23.1	24.0	–
NET GEARING					
FY2004	0.88	0.77	0.66	0.49	–
FY2003	1.22	1.15	1.09	0.95	–

* Excludes goodwill on consolidation.

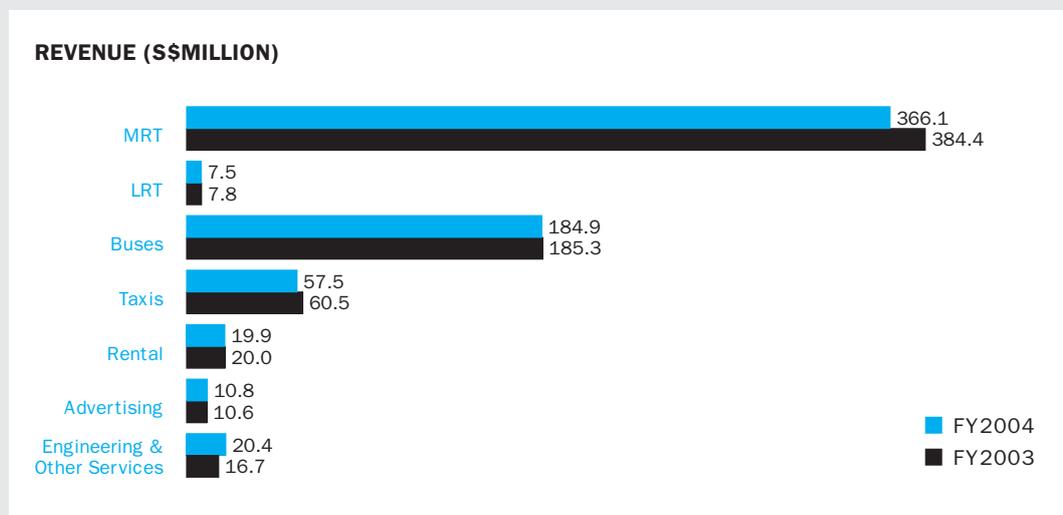
REVENUE

Our Group revenue for FY2004 was S\$667.3 million compared with S\$685.6 million for FY2003. (Revenue is stated net of goods and services taxes or GST). The 2.7 per cent decline in revenue was largely due to:

1. The absorption of GST, which increased by 1.0 per cent to 4.0 per cent on 1 January 2003 and to 5.0 per cent on 1 January 2004. The absorption of the GST increases was equivalent to S\$5.5 million loss in revenue in FY2004 as compared to FY2003.
2. The outbreak of SARS (Severe Acute Respiratory Syndrome) between late March and early May 2003 which severely affected Group revenue by approximately S\$13.0 million.
3. Lower MRT average fare due to the impact of the North-East Line (“NEL”).

REVENUE (CONT'D)

REVIEW OF SECTORAL REVENUE

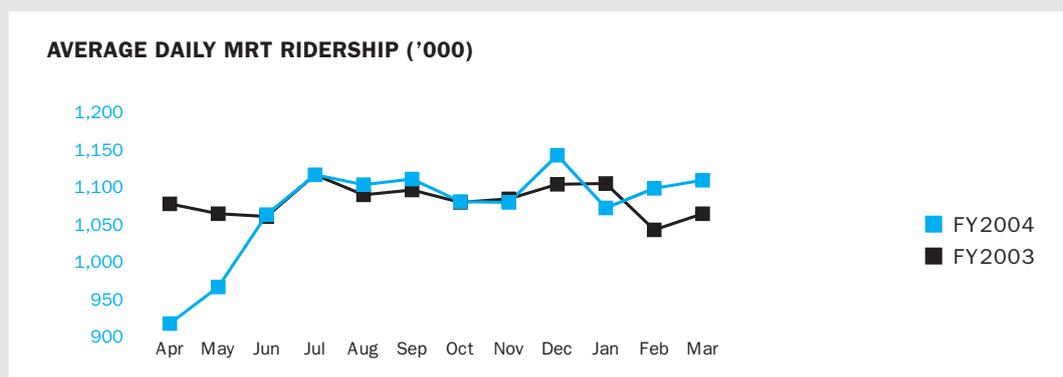


MRT OPERATIONS

	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
MRT RIDERSHIP (MILLION)					
FY2004	89.2	101.9	101.1	99.3	391.5
FY2003	96.9	101.1	100.0	96.2	394.2
% Change	(7.9)	0.8	1.1	3.2	(0.7)
MRT AVERAGE DAILY RIDERSHIP ('000)					
FY2004	979.9	1,107.9	1,098.8	1,090.8	1,069.6
FY2003	1,065.3	1,098.5	1,087.0	1,069.3	1,080.1
% Change	(8.0)	0.9	1.1	2.0	(1.0)
MRT AVERAGE FARE (CENTS)					
FY2004	97.0	93.3	92.7	91.5	93.5
FY2003	96.8	98.7	97.6	96.8	97.5
% Change	0.2	(5.5)	(5.0)	(5.5)	(4.1)

MRT revenue fell 4.8 per cent to S\$366.1 million in FY2004 as a result of the absorption of GST increases, SARS and lower average fare due to NEL.

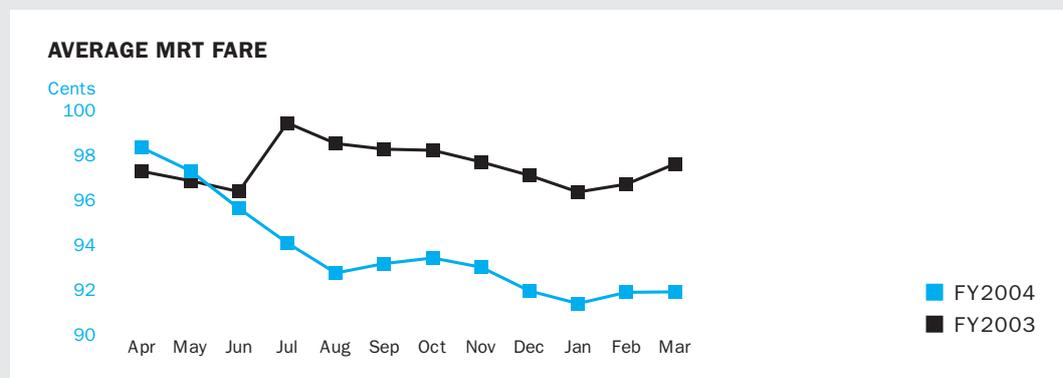
Our MRT ridership was severely affected by SARS during the months of April and May 2003. In April when the SARS crisis was at its peak, our average daily ridership fell to the lowest point of about 915,000 compared to the usual 1.0 million passengers. Since June 2003, our ridership had recovered to normal levels.



REVENUE (CONT'D)

MRT OPERATIONS (CONT'D)

The lower MRT revenue for the year was also caused by a decline in average MRT fare since second quarter FY2004. The NEL, which began operations in June 2003, brought more passengers to our MRT system. However, the increase in ridership was offset by lower average fare as a result of the sharing of fares and boarding charges between ourselves and the operator of NEL.



BUS OPERATIONS

	QTR 1	QTR 2	QTR 3	QTR 4	TOTAL
BUS RIDERSHIP (MILLION)					
FY2004	62.4	68.2	64.9	68.3	263.8
FY2003	72.6	71.9	65.7	66.4	276.6
% Change	(14.0)	(5.1)	(1.2)	2.9	(4.6)
BUS AVERAGE FARE (CENTS)					
FY2004	68.1	65.4	68.2	66.1	66.9
FY2003	56.3	64.8	67.3	66.6	63.6
% Change	21.0	0.9	1.3	(0.8)	5.2

Bus ridership in FY2004 declined 4.6 per cent to 263.8 million passengers largely due to the SARS outbreak in the first quarter. Our average bus fare in FY2004 increased 5.2 per cent to 66.9 cents as a result of the full year impact of the 2.4 per cent fare increase in July 2002 and reduction of fare leakage with the implementation of the EIFS, offset by the increases in GST. Bus revenue therefore remained relatively stable at S\$184.9 million.

TAXI OPERATIONS

Revenue contribution from taxis decreased 5.0 per cent to S\$57.5 million due to a smaller hired-out fleet and rental rebates given to hirers to help them cope with the impact of reduced income from SARS. Our hired-out rate fell to a low of 84.8 per cent in May 2003 compared to 92.1 per cent in the previous corresponding month. It had since June 2003 recovered to 91.4 per cent as of end-March 2004. Rental rebates given between April and August 2003 represented a cost of approximately S\$1.6 million.

RENTAL

Rental revenue from the leasing of commercial space at MRT stations was not significantly affected by the SARS outbreak and economic downturn in FY2004 as there was no change in occupancy rate. Rental revenue in FY2004 declined marginally to S\$19.9 million mainly because of the reduction in lettable space due to the construction of the Circle Line and passenger lifts at certain MRT stations.

REVENUE (CONT'D)**ADVERTISING**

Revenue from advertising was maintained at S\$10.8 million. The better performance in the second half of the year arising from improved market conditions was able to offset the weaker first half caused by SARS.

ENGINEERING AND OTHER SERVICES

Engineering and Other Services revenue rose 22.2 per cent to S\$20.4 million. Consultancy and services fees earned by SMRTE and Transit Link Pte Ltd were higher, but offset by loss of income upon disposal of TIBS Leasing Pte Ltd ("TIBS Leasing"). We divested TIBS Leasing, a non-core business involved in leasing and rental of vehicles, to Prime Leasing Pte Ltd for S\$13.5 million on 2 October 2003.

Our consultancy and maintenance services revenue came from engineering consultancy, the maintenance of the automatic fare collection system of the NEL and the Sengkang/Punggol Light Rapid Transit system, the provision of operations and maintenance training to the Bangkok Metro Company and project revenue from the contract awarded in February 2004 by the LTA to perform alteration works for the Paya Lebar MRT Station.

OTHER OPERATING INCOME

Other operating income comprises mainly fares from unutilised and expired tickets, maintenance income, gains or losses on disposal of assets, grant released upon the disposals and write-offs of assets, and recovery of operating expenses from other transport operators.

The increase in other operating income in FY2004 was attributable mainly to expired farecard revenue and the recovery of maintenance charges from other transport operators for maintaining ticketing and passenger service machines on their behalf.

OPERATING EXPENDITURE

Total operating expenditure in FY2004 declined 2.1 per cent or S\$12.7 million to S\$596.8 million due to lower staff and related costs, depreciation and energy costs, offset by increase in repairs and maintenance costs and other operating expenses which were largely uncontrollable.

OPERATING EXPENSES	FY2004	FY2003	INC/(DEC)	
	\$'M	\$'M	\$'M	%
Staff and related costs	256.4	261.9	(5.5)	(2.1)
Depreciation and impairment losses of property, plant and equipment	154.2	186.2	(32.0)	(17.2)
Amortisation of asset-related grant	(31.6)	(42.1)	(10.5)	(24.9)
Repairs and maintenance costs	63.3	59.0	4.3	7.3
Electricity and diesel costs	49.4	51.9	(2.5)	(4.8)
Other operating expenses	105.1	92.6	12.5	13.5
	596.8	609.5	(12.7)	(2.1)

STAFF AND RELATED COSTS

Our staff and related costs consist of staff salaries, allowances, welfare and training. Staff and related costs was the largest single component of our total operating expenses, accounting for approximately 43.0 per cent of total operating expenses in FY2004

In FY2004, staff and related costs declined by 2.1 per cent or S\$5.5 million to S\$256.4 million. The lower staff and related costs were due to the reduction in employers' CPF contribution from 16.0 to 13.0 per cent which took effect from 1 October 2003 and lower provisions for unconsumed leave and retirement benefits. The revision of CPF rate represented a reduction in staff costs of approximately S\$2.9 million in FY2004.

OPERATING EXPENDITURE (CONT'D)

DEPRECIATION AND IMPAIRMENT LOSSES OF PROPERTY, PLANT AND EQUIPMENT

AMORTISATION OF ASSET-RELATED GRANT

Since the purchase of MRT's operating assets from LTA in April 1998, we have owned a substantial amount of fixed assets, the value of which we depreciate over the estimated useful lives of these assets, on a straight line basis, in our financial statements.

We amortised the grant of S\$480.0 million from LTA by recognising it as deferred income over the estimated useful lives of the related assets. Hence, the amortisation of asset-related grant in a quarter or financial year will generally move in tandem with depreciation charges since the bulk of the latter charges largely relates to depreciation on MRT's operating assets.

Also with the acquisition of bus and taxi businesses in December 2001, our fixed assets increased. Following the September 2003 announcement by the government to extend the statutory life of taxis from seven to eight years, we have revised the depreciation period for new taxis, registered from 1 September 2003 onwards, from 80 to 92 months.

In FY2004, depreciation charge declined 17.2 per cent or S\$32.0 million to S\$154.2 million largely because certain MRT operating assets and equipment, such as escalators, lifts, fire protection systems, signalling and communication equipment and automatic fare collection equipment, were fully depreciated during the year. Similarly, amortisation of grant fell 24.9 per cent to S\$31.6 million.

REPAIRS AND MAINTENANCE COSTS

MRT and LRT (collectively known as "Rail")

The parts used for rail maintenance are generally imported from the original equipment manufacturers and therefore, their prices reflect international market prices for these types of parts. We maintain a comprehensive inventory of parts to be prepared for various contingencies because some of our spares have to be specially ordered. The level of maintenance in any one year depends largely on the overall maintenance programme for the MRT system.

A large proportion of our maintenance work is carried out in-house, except for building maintenance, cleaning and horticulture. Maintenance services comprise routine preventive maintenance and "special" maintenance that are needed to improve the safety of the MRT system. With an increase in rolling stock since FY2002, we now conduct a planned light overhaul of our rolling stock approximately every four years or after 500,000 kilometres and a planned heavy overhaul about once every eight years. Certain maintenance works are required to be inspected by independent professionals.

We also maintain and periodically upgrade our various equipment, such as the ticketing machines, automatic fare gates, signalling and communication equipment, air-conditioning equipment and electrical power distribution systems, when these equipment have reached obsolescence and equipment manufacturers no longer offer support. The upgrading and improvement works carried out in FY2004 are described in the Rail Operations review on pages 28 to 29. The improvements we make to raise our service quality to meet passenger expectations and for train and station operations to function effectively entails an increase in repairs and maintenance costs.

Although the components of the MRT infrastructure, including tunnels, tracks, viaducts and stations, do not belong to us, we are required under the Licence and Operating Agreement to maintain all such components.

Buses

Bus maintenance work is carried out in-house by SMRT Automotive. It has three workshops strategically located at Ang Mo Kio, Woodlands and Kranji, servicing a fleet of 849 buses. We maintain a comprehensive range of maintenance parts to prepare for contingencies so as to minimise disruption to bus operations.

OPERATING EXPENDITURE (CONT'D)**REPAIRS AND MAINTENANCE COSTS (CONT'D)*****Buses (cont'd)***

All buses go through regular preventive maintenance once every six to seven weeks to ensure the highest safety standard. Corrective maintenance is required in the event of accident or breakdown. We also conduct overhauls of engines, transmission systems and other parts on a regular basis to maintain bus performance. For instance, the overhaul of transmission systems is carried out approximately every three years or after 750,000 kilometres and the overhaul of engines takes place about once every seven years.

Taxis

Taxis are also maintained by SMRT Automotive. The monthly preventive maintenance on taxis is compulsory to ensure the safety of our hirers and passengers. Various taxi components, such as in-vehicle equipment, engine, gearbox and transmission, and interior body are periodically maintained and upgraded to ensure safety and reliability of our vehicles.

In FY2004, the Group's repairs and maintenance costs rose 7.3 per cent to S\$63.3 million due mainly to the increase in engine overhauls for buses and our planned improvements to the LRT's reliability. Between December 2003 and April 2004, works were carried out to improve the wire connections of the Gealoc system, part of LRT's signalling system that tracks and controls train movements.

ELECTRICITY AND DIESEL COSTS

Electricity costs in Singapore generally parallel changes in worldwide oil and other fuel prices. As Singapore has already deregulated the power market for large consumers, there have been opportunities for us to source for lower electricity tariffs and enter into contracts with the electricity retail companies to assure lower prices over a period of time.

All power retailers are requested to submit quotes, of which the lowest quote is accepted. In the last few tender exercises, the retailers' quotes were generally more favourable than the prevailing Power Supply tariffs and pool prices at the time of tender.

Diesel price in Singapore is subject to movements of global oil prices as the domestic fuel demand depends on supplies from overseas. We purchase diesel directly from a wholesaler and pricing is based on monthly average rate.

In FY2004, total electricity and diesel costs fell 4.8 per cent to S\$49.4 million as a result of lower electricity tariffs and reduced electricity consumption with the conversion of the Changi Airport through service to a shuttle service.

Fuel Equalisation Account

We are required by the PTC to maintain a fuel equalisation account ("FEA"), the purpose of which is to hedge against volatile fuel prices as part of regulating public transport fares. If actual electricity tariff and diesel price in any year are below the reference rates set by the PTC for that year, we must set aside the cost savings in the FEA, which we can draw upon later if electricity tariffs and diesel prices are above the reference rate. Any provisions we make towards the FEA are treated as operating expenses in the year the provisions are made. Amounts drawn from the FEA are treated as a reduction of our electricity and diesel costs during the year of drawing. The amount that can be drawn from the FEA to the profit and loss account is limited to the maintenance of a minimum balance in the FEA equivalent to one year's fuel consumption calculated based on the reference rates. All transfers made to and from the FEA must be approved by the PTC. The provisions made are not tax-deductible and the amounts drawn are not taxable.

During the year, the actual electricity tariff and diesel price were above the reference rates. However, there was no release of the FEA to the profit and loss account as the outstanding balance in the FEA is below the cap of one year's electricity and diesel consumption. As at 31 March 2004, the electricity and diesel amounts standing in the credit of our FEA were approximately S\$8.7 million and S\$9.3 million respectively.

OPERATING EXPENDITURE (CONT'D)

OTHER OPERATING EXPENSES

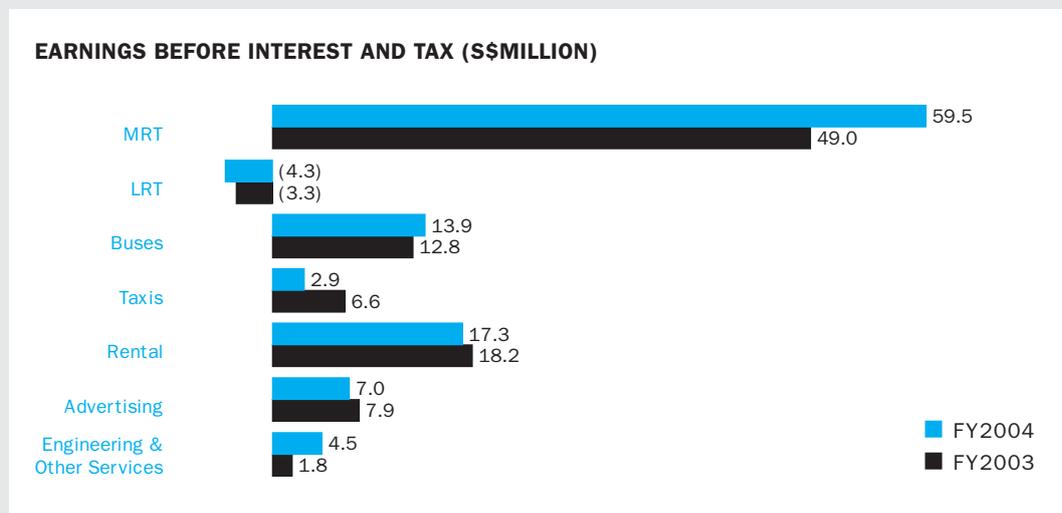
Other operating expenses in FY2004 rose 13.5 per cent to S\$105.1 million mainly because:

1. Property tax increased due to the reduction in property tax rebate from 30.0 to 15.0 per cent from July 2003 and the cessation of the rebate in January 2004;
2. LTA licence fees for the MRT system were adjusted upwards from 0.5 to 1.0 per cent of annual fare revenue net of GST and rebates since April 2003;
3. Insurance costs were higher in line with the general increase in insurance liability rates worldwide since the September 11 terrorists' attacks in the US;
4. Operating fees were paid to EZ-Link Pte Ltd in relation to the use of the ez-link Card system; and
5. Property, plant and equipment, such as the Gates Integrated Ticketing System, Automatic Train Supervisory System and the Radio Network System, with a net carrying value of S\$7.4 million were written off.

Besides the above, other operating expenses also included road tax and ERP charges, amortisation of goodwill, legal and professional fees, utilities, office rental and office equipment maintenance.

EARNINGS BEFORE INTEREST AND TAX ("EBIT")

Despite the decline in Group revenue, we recorded a higher EBIT or profit from operations of S\$99.3 million for FY2004 as compared to S\$96.0 million in FY2003 mainly due to the increase in other operating income and lower operating expenses.



78

EBIT contribution from our MRT operations increased 21.4 per cent to S\$59.5 million, despite lower revenue, owing to the 19.7 per cent reduction in depreciation as certain operating equipment had been fully depreciated.

Operating losses from our LRT operations increased to S\$4.3 million, attributable mainly to higher costs associated with its maintenance programme.

Bus operations registered an 8.6 per cent rise in EBIT to S\$13.9 million as a result of the reduction in operating expenses arising from the rationalisation of bus services and productivity improvements (see review of Road Operations on pages 36 to 37).

EARNINGS BEFORE INTEREST AND TAX (“EBIT”) (CONT’D)

EBIT contribution from commercial space rental declined 4.9 per cent to S\$17.3 million on lower revenue and higher operating expenses.

Operating profits from advertising fell 11.4 per cent to S\$7.0 million because of start-up costs incurred to set up an in-house advertising department.

Engineering and Other Services’ EBIT surged 150.0 per cent to S\$4.5 million mainly due to higher revenue and the disposal of loss-making TIBS Leasing. In the previous financial year, TIBS Leasing incurred a loss of S\$2.8 million.

FINANCE COSTS

Our interest expense in FY2004 was significantly lower by 22.2 per cent at S\$15.8 million compared to S\$20.3 million in FY2003. This was because of our repayment of outstanding bank loans and redemption of the S\$80.0 million bonds issued by SRH in March 2003.

INTEREST AND INVESTMENT INCOME

Our business operations generate a substantial amount of cash, part of which we put aside to provide for our future expenditure requirements and cost of planned maintenance, some of which, such as rolling stock mid-life upgrade, can be substantial. Surplus funds were invested mainly in short-term financial instruments to provide liquidity for the redemption of the S\$250.0 million bonds due December 2004.

SHARE OF RESULTS OF ASSOCIATES

Share of results of associates for FY2004 improved as compared to the prior year.

The Group had fully accounted for its share of losses in MediaCorp Press Ltd (“MediaCorp Press”) to the extent of its cost of investment in FY2003. In FY2004, our stake in MediaCorp Press was diluted from 22.8 to 14.6 per cent. As a result, MediaCorp Press ceased to be an associate and the Group’s investment in MediaCorp Press was reclassified as a long-term investment.

The Group disposed of its entire equity interest in another associate, Convenience Shopper Pte Ltd, in FY2004 for a cash consideration of S\$367,500.

INCOME TAX

The tax charge for FY2004 included a write-back of deferred tax provision of S\$14.4 million due to the reduction in corporate tax rate from 22.0 to 20.0 per cent and a write-back of over-provision in prior years amounting to S\$8.0 million upon finalisation of tax assessment.

FY2003 also had the benefit of a write-back of deferred tax provision of S\$16.0 million arising from the reduction in corporate tax rate from 24.5 to 22.0 per cent as well as the write-back of over-provision of prior years’ tax of S\$4.3 million.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Excluding the write-backs of taxation as described above, our net profit in FY2004 would have been S\$67.1 million or 29.6 per cent higher than FY2003. The improvement in net profits was attributable mainly to an increase in other operating income, lower depreciation and reduction in costs through productivity improvements.

HALF-YEARLY RESULTS COMMENTARY

FIRST HALF VS SECOND HALF REVENUE AND NET PROFIT	FY2004	FY2003	INC/(DEC)	
	\$'M	\$'M	\$'M	%
Revenue reported for first half year	332.9	343.6	(10.7)	(3.1)
Net profit after tax before deducting minority interests reported for first half year	29.6	40.4	(10.8)	(26.7)
Revenue reported for second half year	334.4	342.0	(7.6)	(2.2)
Net profit after tax before deducting minority interests reported for second half year	60.6	31.8	28.8	90.6

Revenue for the first half year was S\$10.7 million or 3.1 per cent lower than the previous corresponding period mainly due to the outbreak of SARS in the first quarter and the impact of NEL. During the first half of FY2003, there was a write-back of S\$16.0 million arising from the change in tax rates. Without the tax adjustment, the net profit for the first half of FY2003 would have been S\$24.4 million. The first half of FY2004 registered an after-tax profit of S\$29.6 million, an improvement of 21.3 per cent compared to the tax-adjusted net profit for the corresponding period last year.

Revenue for the second half last year was lower than the previous corresponding period mainly due to the absorption of the 1.0 per cent increase in GST and the impact of NEL, despite the 1.5 per cent increase in average daily MRT ridership. The after-tax profits in the second half of FY2004 and FY2003 included tax write-backs of S\$22.4 million and S\$4.3 million respectively. Excluding the tax write-backs, the net operating profit in the second half of FY2004 would have been S\$38.2 million, an improvement of 38.9 per cent compared to the tax-adjusted net profit for the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

Our cash generated from operations is mainly revenue from rail, bus and taxi operations. The principal uses of cash have been for meeting operating expenses – staff and related expenses, electricity and diesel, and repairs and maintenance costs. Our capital expenditure and working capital requirements are currently financed by cash generated from operations.

As at 31 March 2004, our consolidated cash and cash equivalents stood at S\$263.0 million, an increase of 173.1 per cent from S\$96.3 million as at end FY2003.

LIQUIDITY AND CAPITAL RESOURCES (CONT'D)

The following table sets forth the condensed summary of our consolidated statement of cash flows for the financial years ended 31 March 2003 and 2004:

	FY2004	FY2003
	S\$'M	S\$'M
Cash flow from/(used in):		
Operating activities	189.2	159.8
Investing activities	(17.3)	(46.4)
Financing activities	(5.2)	(355.1)
Net increase/(decrease) in cash and cash equivalents	166.7	(241.7)
Cash and cash equivalents at 31 March	263.0	96.3

The detailed consolidated statement of cash flows can be found on pages 97 to 98.

NET CASH FROM OPERATING ACTIVITIES

Cash flow from operating activities in FY2004 grew 18.4 per cent to S\$189.2 million mainly due to improved working capital.

NET CASH USED IN INVESTING ACTIVITIES

The net cash outflow on investing activities in FY2004 was S\$17.3 million, which was S\$29.1 million less than FY2003. The two main contributing reasons were lower capital expenditure and the cash receipts of S\$11.2 million derived from the disposal of TIBS Leasing.

NET CASH USED IN FINANCING ACTIVITIES

Net cash used in financing activities was S\$5.2 million as compared to S\$355.1 million in FY2003. The cash outflow was higher in FY2003 due to the redemption of the S\$80.0 million bonds issued by SRH and repayment of the final instalment of S\$250.9 million to the LTA for the purchase of the operating assets.

FREE CASH FLOW

Free cash flow, which is cash flow from operating activities less capital expenditure outflow, was S\$154.7 million compared to S\$96.2 million in FY2003.

CAPITAL EXPENDITURE

Our total capital expenditure for FY2004 was S\$34.5 million. Approximately 50.0 per cent of the capital expenditure was invested in improving and upgrading the MRT system such as the installation of wide gates, upgrading of the air-conditioning system, escalator overhaul and a new supervisory control system. These projects and their benefits are described in the Rail Operations review. Another one-third of the capital expenditure pertained to the purchase of taxis for replacement purposes.

CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Our contingent liabilities pertain to corporate guarantee in relation to performance bonds of an associate.

Contractual commitments relate to the upgrading of air-conditioning system in the MRT stations, installation of a closed circuit television network system, implementation of bus operating system, purchase of taxis and other significant items of capital expenditure, which have been contracted for, but not yet delivered. As at 31 March 2004, capital expenditure contracted but not provided for in the financial statements was S\$21.8 million.

RISK MANAGEMENT

Our Risk Management Committee, headed by the President & CEO and reporting to the Audit Committee, reviews the Group's business risks to determine, mitigate and manage the changes to the Group's risk profile.

MANAGING OPERATIONAL RISKS

We are required under the Licence and Operating Agreement to meet certain operating performance standards, which are our mandatory minimum operating standards relating to various aspects of our service quality, safety and key equipment performance.

To ensure that we meet the minimum MRT and LRT operating performance standards, we carry out a rigorous operating asset maintenance, upgrading and service improvement programme every year based on economic considerations, user requirements and benefits to our passengers. For example, in FY2004, we upgraded the Automatic Train Supervisory System, a major component of the train signalling system crucial for the monitoring, control and automatic operation of trains. A new digital trunked radio system was installed to build in a high degree of resilience with back-ups and multiple redundancies to support the communication system and to prevent trains from lagging behind schedules. We also carried out improvement works on the LRT's signalling system to prevent service disruptions and delays.

We mitigate the risks of non-compliance by constantly assessing our level of service and benchmarking our key performance indicators against international standards (see review of Rail Operations). We also monitor the performance of our operating equipment to ensure that they are reliable, efficient and robust enough for a smooth functioning of the MRT and LRT systems.

We also mitigate other operational risks, such as those relating to safety and security of our trains and buses, by promoting safety and installing additional measures to augment our security system. Our safety programme is audited by the American Public Transport Association to benchmark our programme against global standards. We continuously review our security measures to bring them in line with worldwide standards.

MANAGING COST RISKS

We are exposed to cost risks that are outside our control, such as fluctuations in oil prices, which affect our energy costs. We mitigate rising electricity cost by entering into electricity contracts for a full year at a fixed rate. Diesel is purchased in foreign currencies and we use forward exchange contracts to hedge our foreign currency risk exposure.

MANAGING INVESTMENT RISK

Our investment risk relates largely to those of capital investments made for the maintenance, upgrading and replacement of operating assets. The capital investments are subject to financial procedures for expenditure control. The selection of suppliers and contractors for these capital investment projects are also subject to financial procedures for cost-control and guided by an internal selection criteria. The proposed major capital investments are evaluated by senior management and approved by the Board of Directors.

MANAGING FINANCIAL RISKS

Our management of credit, liquidity, interest rate and currency rate risks are discussed in the Notes to the Financial Statements on pages 138 to 142.

SENSITIVITY ANALYSIS

MRT RIDERSHIP

Every one percentage point change in annual MRT ridership will result in a S\$3.7 million change in gross operating profit. This assumes that the MRT fare structure remains at 2004 level.

BUS RIDERSHIP

Every one percentage point change in annual bus ridership will lead to a S\$1.7 million change in gross operating profit. This assumes that the bus fare structure remains at 2004 level.

SENSITIVITY ANALYSIS (CONT'D)

ELECTRICITY AND DIESEL COSTS

Every one percentage point change in the rate of electricity and diesel will lead to a S\$0.5 million change in gross operating profit per annum. This assumes that the electricity and diesel usage is constant at 2004 level.

COST OF BORROWING

Every 100 basis points change in interest rate will result in a change in interest expense by S\$5.0 million per annum, based on outstanding borrowings at the end of FY2004.

PROSPECTS FOR FY2005

On 30 April 2004, we announced that the Group will not apply for an increase in train and bus fares this year as we are mindful that the Singapore economy is only starting to recover and commuters are still facing economic hardship.

Without any fare adjustment, our fare revenue is expected to increase with modest growth in ridership but its growth will be affected by the additional 1 per cent increase in GST and the full year impact of NEL.

We will focus on growing revenues in non-fare sectors, in particular commercial space leasing, advertising, taxis and engineering consultancy.

We will revamp the Raffles Place station and 11 other stations to enlarge their commercial space. The renovation and development of shop spaces at these stations will be progressively completed from October 2004 and this should generate incremental rental revenue for FY2005.

Advertising is expected to perform better on an improving economy. In addition, we have consolidated all our advertising businesses under SMRT Media. This move will strengthen our ability to offer better value to our customers and thus generate more advertising revenue.

With the deregulation of taxi industry in June 2004, we will expand our taxi fleet by 1,000 taxis to 3,000 taxis. We are also enhancing our taxi-hirer benefits and incentives to attract new hirers and retain existing ones. Taxi revenue is expected to improve with our enlarged fleet.

In the area of engineering consultancy, we will participate in railway development and related projects in the region to grow our revenue.

However, the removal of property and road tax rebates, higher fuel costs and build-up of resources for the Circle Line will add to the costs of the Group. We therefore expect our operating profits for FY2005 to be comparable to that of FY2004.

FUTURE CAPITAL EXPENDITURE

Given our plans to grow our non-fare sectors, we expect our capital expenditure in FY2005 to increase substantially compared to FY2004. Approximately S\$100.0 million will be allocated for the expansion of our taxi fleet and about S\$20.0 million for the renovation and upgrading of the commercial spaces in the 12 selected MRT stations.

The first batch of our rolling stock has reached mid-life and is due for an upgrade. It is estimated that some S\$150.0 million to S\$200.0 million is required for the upgrade of these assets. As we need to maintain the frequency and level of our MRT service daily, we would need to stagger the mid-life upgrade and refurbishment of rolling stock over an estimated period of four years starting from late FY2005.

In addition to rolling stock, buses, taxis and other operating assets also require replacement or upgrades from time to time. Our capital expenditure may therefore fluctuate from year to year and could be substantially higher in some years than others when large capital expenditure is required. In such years, our cash generated from that year's operations may not be sufficient to meet all our capital expenditure requirements. We would rely on cash resources accumulated from prior years' operations or external financings such as borrowings.

DIRECTORS' REPORT

for the year ended 31 March 2004

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 March 2004.

DIRECTORS

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

Choo Chiau Beng, Chairman (*Appointed on 1 May 2003*)

Saw Phaik Hwa

Cheah Kean Huat

Daniel Ee Hock Huat

Koh Kheng Siong

Victor Loh Kwok Hoong

Margaret Lui-Chan Ann Soo

Ng Ser Miang

Niam Chiang Meng

Nithiah Nandan s/o Arumugam

Engelin Teh Guek Ngor

DIRECTORS' INTERESTS

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 (including those held by their spouses and infant children) in shares, debentures and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

NAME OF DIRECTOR AND CORPORATION IN WHICH INTERESTS ARE HELD	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN	
	AT BEGINNING OF THE YEAR/ DATE OF APPOINTMENT	AT END OF THE YEAR
CHOO CHIAU BENG		
SMRT Corporation Ltd		
– ordinary shares of \$0.10 each	–	100,000
SIA Engineering Company Limited		
– ordinary shares of \$0.10 each	100,000	100,000
Singapore Food Industries Limited		
– ordinary shares of \$0.05 each	–	20,000
Singapore Technologies Engineering Ltd		
– ordinary shares of \$0.10 each	20,000	20,000
SAW PHAIK HWA		
SMRT Corporation Ltd		
– ordinary shares of \$0.10 each	80,000	80,000
– options to subscribe for ordinary shares of \$0.10 each at \$0.623 between 22/7/2004 to 21/7/2013	–	160,000
CHEAH KEAN HUAT		
SMRT Corporation Ltd		
– ordinary shares of \$0.10 each	30,000	30,000
Singapore Telecommunications Limited		
– ordinary shares of \$0.15 each	10,000	–

DIRECTORS' INTERESTS (CONT'D)

NAME OF DIRECTOR AND CORPORATION IN WHICH INTERESTS ARE HELD	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN	
	AT BEGINNING OF THE YEAR/ DATE OF APPOINTMENT	AT END OF THE YEAR
DANIEL EE HOCK HUAT		
CapitaMall Trust Management Limited		
– units in property trust	20,000	22,000
SMRT Corporation Ltd		
– ordinary shares of \$0.10 each	55,000	55,000
SembCorp Industries Ltd		
– ordinary shares of \$0.25 each	3,709	3,709
Singapore Food Industries Limited		
– ordinary shares of \$0.05 each	61,000	61,000
Singapore Telecommunications Limited		
– ordinary shares of \$0.15 each	3,760	3,760
Singapore Technologies Engineering Ltd		
– ordinary shares of \$0.10 each	20,000	20,000
KOH KHENG SIONG		
CapitaLand Limited		
– ordinary shares of \$1.00 each	25,000	25,000
SembCorp Industries Ltd		
– ordinary shares of \$0.25 each	20,000	20,000
SembCorp Logistics Ltd		
– ordinary shares of \$0.25 each	24,000	24,000
SIA Engineering Company Limited		
– ordinary shares of \$0.10 each	2,000	2,000
Singapore Airlines Limited		
– ordinary shares of \$0.50 each	15,000	15,000
Singapore Technologies Engineering Ltd		
– ordinary shares of \$0.10 each	34,361	34,361
Singapore Telecommunications Limited		
– ordinary shares of \$0.15 each	15,160	15,160
ST Assembly Test Services Ltd		
– ordinary shares of \$0.25 each	1,000	1,000
VICTOR LOH KWOK HOONG		
SMRT Corporation Ltd		
– ordinary shares of \$0.10 each	51,000	51,000
CapitaLand Limited		
– ordinary shares of \$1.00 each	1,000	1,000
Singapore Technologies Engineering Ltd		
– ordinary shares of \$0.10 each	92,000	92,000
Singapore Telecommunications Limited		
– ordinary shares of \$0.15 each	9,480	9,480
Singapore Airlines Limited		
– ordinary shares of \$0.50 each	–	111,000

DIRECTORS' INTERESTS (CONT'D)

NAME OF DIRECTOR AND CORPORATION IN WHICH INTERESTS ARE HELD	HOLDINGS IN THE NAME OF THE DIRECTOR, SPOUSE OR INFANT CHILDREN	
	AT BEGINNING OF THE YEAR/ DATE OF APPOINTMENT	AT END OF THE YEAR
MARGARET LUI-CHAN ANN SOO		
CapitaLand Limited		
– ordinary shares of \$1.00 each	10,000	10,000
SembCorp Industries Ltd		
– ordinary shares of \$0.25 each	11,000	11,000
Singapore Telecommunications Limited		
– ordinary shares of \$0.15 each	3,440	3,440
Tiger Airways Pte Ltd *		
– ordinary shares of \$1.00 each	–	1
NG SER MIANG		
SembCorp Industries Ltd		
– ordinary shares of \$0.25 each	100,000	100,000
Singapore Telecommunications Limited		
– ordinary shares of \$0.15 each	4,660	4,660
Singapore Airlines Limited		
– ordinary shares of \$0.50 each	–	1,000
NIAM CHIANG MENG		
CapitaLand Limited		
– ordinary shares of \$1.00 each	10,000	10,000
CapitaMall Trust Management Limited		
– units in property trust	94,000	–
Singapore Telecommunications Limited		
– ordinary shares of \$0.15 each	15,200	15,200
NITHIAH NANDAN S/O ARUMUGAM		
Singapore Telecommunications Limited		
– ordinary shares of \$0.15 each	–	840
ENGELIN TEH GUEK NGOR		
Finlayson Global Corporation Ltd		
– 0% bonds maturing in 2004	\$10,000	–
Singapore Airlines Limited		
– ordinary shares of \$0.50 each	5,000	5,000
Singapore Telecommunications Limited		
– ordinary shares of \$0.15 each	1,540	1,540
ST Assembly Test Services Ltd		
– ordinary shares of \$0.25 each	1,000	50,000
The Ascott Group Limited		
– ordinary shares of \$0.20 each	10,000	–

* Held on trust for Fullerton Management Pte Ltd.

DIRECTORS' INTERESTS (CONT'D)

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options 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.

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2004.

Except as disclosed under the "Share Options" section of this report, neither at the end of, nor at any time during the financial year, was the Company 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 acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the last financial year, 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

The SMRTC Corporation Employee Share Option Plan ("SMRTC ESOP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2000. The SMRTC ESOP is administered by the Remuneration Committee, comprising Mr Choo Chiau Beng, Chairman of the Committee, Mr Cheah Kean Huat, Mr Koh Kheng Siong and Mr Nithiah Nandan s/o Arumugam.

The SMRTC ESOP comprises two distinct schemes:

- (i) Management Scheme – Scheme designed for management staff in the positions of Deputy Director and above of the Group.
- (ii) Employee Scheme – Scheme designed for all other employees of the Group.

In exercising its discretion, the Committee must act in accordance with any guidelines that may be provided by the Board of Directors. The Committee shall refer any matter not falling within the scope of its terms of reference to the Board. The Committee shall have the power, from time to time, to make and vary such regulations for the implementation and administration of the SMRTC ESOP as it thinks fit.

The salient features of the SMRTC ESOP are as follows:

(i) **Eligible participants**

At the absolute discretion of the Committee, all confirmed employees of the Group (including any director of the Group who performs an executive function) who are not less than 21 years old and have been in the service of the Group for at least one year prior to the date of which an Option is granted ("Grant Date") are eligible to participate in the SMRTC ESOP.

(ii) **Maximum allowable allotment**

The aggregate number of shares issued under the SMRTC ESOP ("ESOP Shares") shall not exceed fifteen percent of the issued share capital of the Company on the Grant Date.

The number of ESOP Shares to be offered to a participant shall be determined by the Committee at its absolute discretion after taking into account the length of service and performance of the participant and such other general criteria as the Committee may consider appropriate.

(iii) **Subscription price**

The subscription price for each share in respect of which an option is exercisable shall be the average of the last dealt prices of the Shares as published by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five consecutive market days immediately preceding the Grant Date.

SHARE OPTIONS (CONT'D)**(iv) Option period**

The Options granted under the Management Scheme will be vested over a 3-year period (that is 33% in the first year, 66% in the second year and 100% in the third year) and may be exercised during the period commencing after the vesting date but before the tenth anniversary of the Grant Date.

The Options granted under the Employee Scheme may be exercised during the period commencing after the second anniversary of the Grant Date but before the tenth anniversary of the Grant Date. The right of the participants to exercise their Options is in all cases subject to such vesting schedule (if any) stipulated by the Committee and any other conditions which may be imposed by the Committee from time to time in its absolute discretion.

At the end of the financial year, details of the options granted under the SMRTC ESOP on the unissued ordinary shares of \$0.10 each of the Company are as follows:

DATE OF GRANT OF OPTIONS	EXERCISE PRICE PER SHARE	OPTIONS OUTSTANDING AT 1/4/2003			OPTIONS OUTSTANDING AT 31/3/2004			NUMBER OF OPTION HOLDERS AT 31/3/2004	EXERCISE PERIOD
		AT 1/4/2003	OPTIONS GRANTED	OPTIONS EXERCISED	OPTIONS CANCELLED	AT 31/3/2004			
16/7/2001	\$0.816	7,163,000	–	–	74,000	7,089,000	2,436	16/7/2002 to 15/7/2011	
22/7/2002	\$0.676	6,311,200	–	–	331,400	5,979,800	3,391	22/7/2003 to 21/7/2012	
22/7/2003	\$0.623	–	6,309,800	–	61,800	6,248,000	3,152	22/7/2004 to 21/7/2013	
		13,474,200	6,309,800	–	467,200	19,316,800	8,979		

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Details of options granted to directors of the Company under the SMRTC ESOP are as follows:

NAME OF DIRECTOR	OPTIONS GRANTED FOR FINANCIAL YEAR ENDED 31 MARCH 2004	AGGREGATE OPTIONS GRANTED SINCE COMMENCEMENT OF SCHEME TO 31 MARCH 2004	AGGREGATE OPTIONS EXERCISED SINCE COMMENCEMENT OF SCHEME TO 31 MARCH 2004	AGGREGATE OPTIONS OUTSTANDING AS AT 31 MARCH 2004
	Saw Phaik Hwa	160,000	160,000	–

Since the commencement of the SMRTC ESOP, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the SMRTC ESOP has been granted 5% or more of the total options available under the SMRTC ESOP.

During the financial year, no options have been granted to the employees of the holding company or its related corporations under the SMRTC ESOP.

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

AUDIT COMMITTEE

The Audit Committee (the "Committee") comprises four non-executive directors. The Committee's members during the year and at the date of this report are as follows:

Daniel Ee Hock Huat (*Chairman*)
Koh Kheng Siong
Victor Loh Kwok Hoong
Engelin Teh Guek Ngor

The Committee performs the functions specified in Section 201B of the Companies Act, the SGX-ST Listing Manual ("Listing Manual"), the SGX-ST Best Practices Guide, and the Code of Corporate Governance.

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 Listing Manual;
- the appropriateness of quarterly and full year announcements and reports;
- the effectiveness of the Group's system of internal controls;
- the effectiveness and efficiency of internal and external audits; and
- interested person transactions.

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

The Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The Committee met seven times during the year.

The Committee has met with the internal and external auditors separately without the presence of management once during the year.

The Committee has reviewed all non-audit services provided by the external auditors, KPMG, to the Group and is of the opinion that the provision of such non-audit services has not affected the independence of the external auditors.

AUDIT COMMITTEE (CONT'D)

In addition, the Committee has, in accordance with Chapter 9 of the Listing Manual, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the internal procedures set up by the Group to identify and 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

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

On behalf of the Board of Directors



CHOO CHIAU BENG
Director



SAW PHAIK HWA
Director

Singapore
28 April 2004

STATEMENT BY DIRECTORS

for the year ended 31 March 2004

91

In our opinion:

- (a) the financial statements set out on pages 93 to 142 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2004 and of the results, changes in equity 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.

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

On behalf of the Board of Directors



CHOO CHIAU BENG
Director



SAW PHAIK HWA
Director

Singapore
28 April 2004

REPORT OF THE AUDITORS

to the Members of SMRT Corporation Ltd

We have audited the accompanying financial statements of SMRT Corporation Ltd for the year ended 31 March 2004 as set out on pages 93 to 142. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2004 and of the results, changes in equity and cash flows of the Group for the year ended on that date; and
- (b) the accounting and other records (excluding registers) required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



KPMG

Certified Public Accountants

Singapore
28 April 2004

BALANCE SHEETS

as at 31 March 2004

93

	NOTE	THE GROUP		THE COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NON-CURRENT ASSETS					
Property, plant and equipment	4	1,174,254	1,346,891	237	184
Intangible asset	5	63,373	66,960	–	–
Investments in subsidiaries	6	–	–	351,332	351,332
Interests in associates	7	741	1,215	–	–
Finance lease receivables due after 12 months	8	–	148	–	–
Financial assets	9	3,753	4,050	–	–
		1,242,121	1,419,264	351,569	351,516
CURRENT ASSETS					
Inventories	10	41,522	45,456	–	–
Trade and other receivables	11	36,415	43,098	540,436	558,337
Financial assets	9	–	400	–	–
Tax recoverable	12	1,809	5,365	1,809	5,365
Fixed deposits with banks and financial institutions		227,722	58,102	–	–
Cash at banks and in hand		35,268	38,168	511	473
		342,736	190,589	542,756	564,175
CURRENT LIABILITIES					
Trade and other payables	13	177,137	216,269	41,473	27,622
Amount due to LTA	14	4,740	3,721	–	–
Interest-bearing borrowings	15	250,000	4,972	250,000	–
Employee benefits	16	3,474	4,011	219	121
Provisions	17	12,687	10,980	–	–
Current tax payable		7,992	4,656	–	–
		456,030	244,609	291,692	27,743
NET CURRENT (LIABILITIES)/ASSETS		(113,294)	(54,020)	251,064	536,432
BALANCE CARRIED FORWARD		1,128,827	1,365,244	602,633	887,948

The accompanying notes form an integral part of these financial statements.

	NOTE	THE GROUP		THE COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
BALANCE BROUGHT FORWARD		1,128,827	1,365,244	602,633	887,948
NON-CURRENT LIABILITIES					
Interest-bearing borrowings	15	250,000	500,000	250,000	500,000
Employee benefits	16	3,745	6,043	543	–
Deferred tax liabilities	18	154,542	158,892	–	–
Fuel equalisation account	19	17,961	17,961	–	–
		426,248	682,896	250,543	500,000
MINORITY INTERESTS		2,281	1,582	–	–
NET ASSETS		700,298	680,766	352,090	387,948
SHARE CAPITAL	20	150,000	150,000	150,000	150,000
ACCUMULATED PROFITS		330,709	277,249	202,090	237,948
SHARE CAPITAL AND ACCUMULATED PROFITS		480,709	427,249	352,090	387,948
DEFERRED GRANT	21	219,589	253,517	–	–
		700,298	680,766	352,090	387,948

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2004

	NOTE	2004 \$'000	2003 \$'000
Revenue	22	667,344	685,638
Other operating income	23(a)	28,771	19,901
Staff and related costs	23(b)	(256,424)	(261,925)
Depreciation and impairment losses of property, plant and equipment	4	(154,221)	(186,168)
Amortisation of asset-related grant	21	31,655	42,049
Repairs and maintenance costs		(63,299)	(59,023)
Electricity and diesel costs		(49,383)	(51,871)
Other operating expenses		(105,108)	(92,609)
PROFIT FROM OPERATIONS		99,335	95,992
Finance costs	23(d)	(15,779)	(20,279)
Interest and investment income/(expense)	23(e)	2,989	(466)
Share of results of associates		(312)	(2,568)
PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION	23	86,233	72,679
Income tax credit/(expense)	24	3,962	(483)
PROFIT FROM ORDINARY ACTIVITIES AFTER TAXATION		90,195	72,196
Minority interests		(699)	(128)
NET PROFIT FOR THE YEAR		89,496	72,068
EARNINGS PER SHARE (IN CENTS)			
Basic	25	5.97	4.80
Diluted	25	5.97	4.80

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2004

	SHARE CAPITAL \$'000	ACCUMULATED PROFITS \$'000	TOTAL \$'000
THE GROUP			
At 1 April 2002	150,000	237,835	387,835
Net profit for the year	–	72,068	72,068
Final dividend paid of 1.50 cents per share less tax at 22% in respect of year 2002	–	(17,444)	(17,444)
Interim dividend paid of 1.30 cents per share less tax at 22% in respect of year 2003	–	(15,210)	(15,210)
At 31 March 2003	150,000	277,249	427,249
Net profit for the year	–	89,496	89,496
Final dividend paid of 1.78 cents per share less tax at 22% in respect of year 2003	–	(20,826)	(20,826)
Interim dividend paid of 1.30 cents per share less tax at 22% in respect of year 2004	–	(15,210)	(15,210)
At 31 March 2004	150,000	330,709	480,709

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2004

97

	2004 \$'000	2003 \$'000
OPERATING ACTIVITIES		
Profit from operating activities before taxation	86,233	72,679
Adjustments for items not involving outlay of funds:		
Amortisation of asset-related grant	(31,655)	(42,049)
Amortisation of goodwill	3,587	3,587
Decrease in employee benefits	(2,783)	(730)
Depreciation and impairment losses of property, plant and equipment	154,221	186,168
Dividend income	–	(184)
Grant released upon disposal/write-off of property, plant and equipment	(2,273)	(311)
Interest expense	15,779	20,279
Interest income	(905)	(768)
Diminution in value of long-term investments	297	90
(Gain)/loss on disposals of:		
– investments	(2,208)	1,418
– property, plant and equipment	(201)	(1,118)
– investment in a subsidiary	329	–
– investment in an associate	(205)	–
Property, plant and equipment written off	7,391	749
Provisions made during the year	8,133	5,905
Share of results of associates	312	2,568
Waiver of loan by minority shareholder of a subsidiary	(472)	–
Operating profit before working capital changes	235,580	248,283
Changes in working capital:		
Inventories	3,924	(3,207)
Finance lease receivables	270	1,475
Trade and other receivables	8,067	18,702
Amounts due from associates	(379)	(403)
Trade balance due to LTA	1,731	51
Trade and other payables and provisions	(14,638)	(57,372)
Cash flows from operations	234,555	207,529
Income taxes refunded	6,504	5,129
Dividends paid	(36,036)	(32,654)
Interest paid	(15,746)	(20,236)
CASH FLOWS FROM OPERATING ACTIVITIES	189,277	159,768
BALANCE CARRIED FORWARD	189,277	159,768

The accompanying notes form an integral part of these financial statements.

	NOTE	2004 \$'000	2003 \$'000
BALANCE BROUGHT FORWARD		189,277	159,768
INVESTING ACTIVITIES			
Dividends received		–	184
Interest received		668	854
Purchase of property, plant and equipment		(34,546)	(63,568)
Proceeds from disposals of:			
– investments		2,608	11,739
– property, plant and equipment		2,331	4,427
– investment in an associate		367	–
Net cash inflow from disposal of investment in a subsidiary	28	11,227	–
CASH FLOWS USED IN INVESTING ACTIVITIES		(17,345)	(46,364)
FINANCING ACTIVITIES			
Decrease in non-trade balance due to LTA		(712)	(250,941)
Repayment of bank loans		(4,500)	(24,216)
Redemption of unsecured bonds		–	(80,000)
Loan from minority shareholder of a subsidiary		–	22
CASH FLOWS USED IN FINANCING ACTIVITIES		(5,212)	(355,135)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		166,720	(241,731)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		96,270	338,001
CASH AND CASH EQUIVALENTS AT END OF YEAR		262,990	96,270

Cash and cash equivalents at end of the year comprise:

	2004 \$'000	2003 \$'000
Fixed deposits with banks and financial institutions	227,722	58,102
Cash at banks and in hand	35,268	38,168
	262,990	96,270

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2004

99

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Directors on 28 April 2004.

1. DOMICILE AND ACTIVITIES

SMRT Corporation Ltd (the "Company") is incorporated in the Republic of Singapore and has its registered office at 251 North Bridge Road, Singapore 179102.

The principal activities of the Company are those relating to investment holding and provision of management services to group companies. The subsidiaries are involved in seven key businesses as follows:

(i) Rail Operations

Its principal activities are to provide transport-related businesses in Singapore. It operates the East-West and North-South lines of the Mass Rapid Transit System (the "MRT System") and the Bukit Panjang Light Rapid Transit System (the "LRT System").

(ii) Bus Operations

Its principal activities are to provide bus services and charter hire services.

(iii) Taxi Operations

Its principal activities are to provide rental of taxis and provision of taxi services.

(iv) Rental

Its principal activities are the leasing of commercial space and kiosks.

(v) Advertising

Its principal activities are the leasing of advertising panels at the MRT and LRT stations as well as advertising panels in trains, and on buses and taxis.

(vi) Engineering and Other Services

The business provides consultancy, project management services, leasing of fibre optic cables and repair and maintenance services.

(vii) Investment Holding

Its principal activities are the provision of management services to Group companies and investments in associates.

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

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

2. LICENCE AND OPERATING AGREEMENTS

(A) SINGAPORE MRT LTD (“MRT”)

A Licence and Operating Agreement (“the MRT LOA”) with the Land Transport Authority (“LTA”) under which MRT is licensed to operate the existing MRT System in Singapore came into effect on 1 April 1998. The MRT 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% of the annual passenger revenue net of goods and services tax and rebates for the first 5 years of the MRT LOA, and at 1% from 1 April 2004 to 31 March 2010 and thereafter, the percentage shall be determined by LTA and renewed every ten years. MRT 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) MRT 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 MRT 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, MRT 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 MRT LOA subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the MRT LOA terms by MRT, MRT 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 (“LRT”)

A Licence and Operating Agreement (“the LRT LOA”) with LTA under which LRT is licensed to operate the LRT System in Singapore came into effect 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% of the annual passenger revenue of the preceding financial year net of goods and services tax and rebates, and such percentage would be reviewed every 5 years by LTA. LRT 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) LRT 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 LRT. However, LTA may require LRT to do so earlier if it is of the view that it is reasonable to do so by giving 12 months notice. If LRT can satisfy LTA that it is not economically viable to do so, LRT may defer such purchase.

2. LICENCE AND OPERATING AGREEMENTS (CONT'D)

(B) SINGAPORE LRT PTE LTD ("LRT") (CONT'D)

- (iii) Prior to LRT's purchase of the operating assets, LRT 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 LRT, there is no requirement to maintain the reserve fund account. However, LRT 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. LRT may use such amount from these investments to meet up to half of the purchase costs of replaced operating assets. LRT 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 LRT purchasing the operating assets of the LRT System, LRT 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 LRT without any deduction for wear and tear, whilst the infrastructure is to be surrendered subject to reasonable wear and tear. LRT 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 LRT.
- (vi) If the licence is cancelled after LRT purchased the operating assets, LRT 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 LRT subject to reasonable wear and tear. If the cancellation of the licence is due to breaches of the LRT LOA terms by LRT, LRT is required to refund to LTA the total amount or such portion thereof as LTA may determine of the replacement grants received by LRT upon cancellation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance.

The financial statements were previously prepared in accordance with Singapore Statements of Accounting Standard ("SAS"). The transition from SAS to FRS did not give rise to any adjustments to the opening balances of accumulated profits of the prior and current years or to changes in comparatives.

The historical cost basis is used. Amounts are expressed in Singapore dollars, unless stated otherwise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 CONSOLIDATION

Subsidiaries

Subsidiaries are companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In respect of acquisition of subsidiaries accounted for by the use of the purchase method of accounting, the difference between the cost of acquisition and fair values of the Group's share of the identifiable net assets acquired is accounted for as goodwill in accordance with Note 3.5.

Merger and acquisition of subsidiaries which meet the criteria set out in Section 69B of the Act and in Singapore Financial Reporting Standard No. 22, "Business Combinations", are accounted for under the pooling of interests method in the preparation of the consolidated financial statements.

Associates

Associates are companies in which the Group has significant influence, but not control, over the financial and operating policies.

The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associates, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations or made payments on behalf to satisfy obligations of the associates that the Group has guaranteed or otherwise committed.

Transactions Eliminated on Consolidation

All significant intra-group transactions, balances and unrealised gains are eliminated on consolidation. Unrealised gains resulting from transactions with an associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Disposals

On disposal of a subsidiary or an associate, any attributable amount of purchased goodwill not previously amortised through the profit and loss account is included as part of the cost of investment.

Accounting Policies of Subsidiaries

Where necessary, accounting policies for subsidiaries have been adjusted on consolidation to be consistent with the policies adopted by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 FOREIGN CURRENCY TRANSLATION

Foreign Currency Transactions

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

Foreign Entities

The assets and liabilities of foreign entities are translated into Singapore dollars at the rates of exchange ruling at the balance sheet date. The results of foreign entities are translated at the average exchange rates for the year. Goodwill and fair value adjustments arising on the acquisition of foreign entities are stated at exchange rates ruling on transaction dates. Exchange differences arising on translation are recognised directly in equity. On disposal, the accumulated translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

3.4 PROPERTY, PLANT AND EQUIPMENT

Owned Assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent Expenditure

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Depreciation

Depreciation is provided on a straight-line basis so as to write off the cost of the property, plant and equipment and major components that are accounted for separately over their estimated useful lives as follows:

Leasehold land and properties	– lease period ranging from 6 to 30 years
Furniture and fittings, office equipment and computers	– 3 to 10 years
Motor vehicles	– 5 to 6 years
Rolling stock	– 15 to 30 years
Power supply equipment	– 20 to 25 years
Signalling, communication and automatic fare collection systems	– 3 to 30 years
Buses	– 10 to 12 years
Taxis and vehicles for rental	– 6.67 to 7.67 years
Plant and machinery	– 3 to 12 years
Other operation equipment	– 15 to 30 years

No depreciation is provided on unregistered buses and taxis.

No depreciation is provided 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 expensed off as and when they are purchased.

3.5 INTANGIBLE ASSETS

Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair values of the Group's share of the identifiable net assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Goodwill is amortised from the date of initial recognition over a period of 20 years.

Negative Goodwill

Negative goodwill arising on acquisition represents the excess of the fair values of the identifiable net assets acquired over the cost of acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those assets that are depreciable or amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

In respect of associates, the carrying amount of negative goodwill is included in the carrying amount of the investment in associates. The carrying amount of other negative goodwill is deducted from the carrying amount of intangible assets.

Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 FINANCIAL ASSETS

Equity securities and other investments held for the long-term are stated at cost less allowance for diminution in value which, in the opinion of the directors, is other than temporary.

Equity securities held for the short term are stated at cost less allowance for diminution in value to reflect the net carrying value at the lower of cost and market value, determined on an individual investment basis. Cost is determined on the weighted average method.

Profits or losses on disposal of financial assets are determined as the difference between the net disposal proceeds and the carrying amount of the financial assets and are accounted for in the profit and loss account as they arise.

3.7 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses forward foreign exchange contracts to partially hedge its exposure to foreign exchange risks arising from operational activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Forward foreign exchange contracts are accounted for on an equivalent basis to the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or positions.

3.8 INVENTORIES

Inventories comprising engineering spares and consumables used for the maintenance of the MRT and LRT systems, buses and taxis and not intended for resale, are stated at cost less allowance for obsolete inventories.

All other inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.9 FINANCE LEASE, TRADE AND OTHER RECEIVABLES

Finance lease, trade and other receivables are stated at their cost less allowance for doubtful receivables.

3.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and bank deposits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 IMPAIRMENT

The carrying amounts of the Group's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the profit and loss account.

The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the profit and loss account.

Any impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

3.12 LIABILITIES AND INTEREST BEARING BORROWINGS

Trade and other payables and interest bearing borrowings are stated at cost.

3.13 EMPLOYEE BENEFITS

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense in the profit and loss account as incurred.

Defined Benefit Plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value. The discount rate is the market yield of quoted Singapore Government Bonds at balance sheet date. The calculation is performed using the projected unit credit method.

When the benefits of a plan change, the portion of the increased benefit relating to past service by employees is recognised as an expense in the profit and loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the profit and loss account.

In calculating the Group's obligation in respect of a plan, any actuarial gain or loss is recognised in the profit and loss account in the period that the gain or loss arises.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 EMPLOYEE BENEFITS (CONT'D)

Short-Term Accumulating Compensated Absences

Provision is made when services are rendered by employees that increase their entitlement to future compensated absences.

Equity and Equity Related Compensated Benefits

The SMRTC Corporation Employee Share Option Plan ("SMRTC ESOP") allows the Group's employees to acquire shares of the Group companies. No compensation cost or obligation is recognised. When options are exercised, equity is increased by the amount of the proceeds received.

3.14 PROVISIONS

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

Accident claims

A provision for accident claims is recognised when an accident has occurred. The amount of provision is based on the claims outstanding and estimated amounts payable.

The expected reimbursement from insurance policies and other parties in respect of the expenses required to settle a provision, is recognised as a separate asset disclosed as "Recoverable in respect of accident claims" included in "Other receivables, deposits and prepayments" (refer to Note 11(b)).

Warranties

A provision for warranties is recognised when motor vehicles are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.15 INCOME TAX

Income tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 FUEL EQUALISATION ACCOUNT ("FEA")

The FEA has been set up in accordance with the directive of the Public Transport Council ("PTC") as part of the mechanism for regulating public transport fares. The FEA is computed based on the reference electricity tariff and diesel price for the year as determined by the PTC.

In the year where the actual electricity tariff and diesel price is below the reference electricity tariff and diesel price for that year, a FEA is set up as a charge to the profit and loss account for that year. In the year where the actual electricity tariff and diesel price is above the reference electricity tariff and diesel price for that year, the FEA previously set up is released to that year's profit and loss account. The amount that can be released to the profit and loss account is limited to the maintenance of a minimum balance (or such other amount as may be approved by PTC) in the FEA equivalent to one year's fuel consumption calculated based on the reference electricity tariff and diesel price.

All transfers to and from the FEA must be approved by the PTC. The PTC may also direct such transfers that it considers necessary and has the obligation to ensure that the benefits relating to the balance in the FEA will be passed back to the commuting public.

3.17 DIVIDENDS

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

3.18 GRANTS

Asset related grants received from the Land Transport Authority for the purchase of eligible operating assets are deferred and amortised in the profit and loss account using the straight-line method and over the same periods in which the related property, plant and equipment are depreciated.

3.19 REVENUE RECOGNITION

Passenger revenue

Passenger revenue from MRT, LRT and buses is recognised at the end of the ride.

Taxi Rental and Rental Revenue

Rental revenue receivable under operating leases is recognised in the profit and loss account on a straight-line basis over the terms of the leases.

Advertising Revenue

Advertising revenue is recognised on an accrual basis according to the terms of the contract with its appointed agent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 REVENUE RECOGNITION (CONT'D)

Engineering and Other Services

Revenue from short-term workshop and other services is recognised upon completion of services rendered.

Revenue from engineering consultancy and project management services is recognised on the percentage of completion method. The stage of completion is recognised upon completion of work done at designated phases of the contracts. Provision for foreseeable losses, on contracts not yet completed, is made as soon as such losses are determinable.

Sales of Goods and Motor Vehicles

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyers. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3.20 OPERATING LEASES

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the profit and loss account on a straight-line basis over the terms of the leases.

3.21 FINANCE COSTS

Interest expense and similar charges are expensed in the profit and loss account in the period in which they are incurred.

3.22 INTEREST AND INVESTMENT INCOME

Interest income from bank deposits and other debt securities is accrued on a time-apportioned basis.

Dividend income from equity investments is recognised in the profit and loss account at gross on a receipt basis.

Gain or loss on sale of investments is recognised upon the execution of sales contract with counterparties.

3.23 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.

4. PROPERTY, PLANT AND EQUIPMENT

THE GROUP	LEASEHOLD	FURNITURE AND FITTINGS, OFFICE EQUIPMENT	MOTOR	ROLLING
	LAND AND PROPERTIES \$'000	AND COMPUTERS \$'000	VEHICLES \$'000	STOCK \$'000
COST				
At 1 April	45,167	49,288	4,117	824,240
Additions	2,547	4,747	252	782
Disposals/write offs	(8)	(681)	(178)	(5)
Disposal of subsidiary	(34)	(31)	(23)	–
Transfers/reclassifications	17	90	(1)	–
* Cost adjustments	–	–	–	(1,896)
At 31 March	47,689	53,413	4,167	823,121
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES				
At 1 April	6,255	24,187	2,728	289,751
* Depreciation charge for the year	2,056	6,866	631	56,398
Impairment losses for the year	–	–	–	–
Disposals/write offs	(8)	(461)	(79)	(5)
Disposal of subsidiary	(15)	(18)	(15)	–
Transfers/reclassifications	1	5	–	–
At 31 March	8,289	30,579	3,265	346,144
Depreciation charge and impairment losses for 2003	1,636	6,739	641	70,131
CARRYING AMOUNT				
31 March 2004	39,400	22,834	902	476,977
31 March 2003	38,912	25,101	1,389	534,489

- * Cost adjustments relate to the return of automatic fare collection (“AFC”) equipment to and price revisions on AFC equipment, rolling stock and communication systems by the Land Transport Authority during the year. The associated reduction in depreciation amounting to \$3,143,000 has been accounted for in the current year.

	SIGNALLING, COMMUNICATION AND AUTOMATIC FARE COLLECTION SYSTEMS	BUSES	TAXIS AND VEHICLES FOR RENTAL	PLANT AND MACHINERY	OTHER OPERATION EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	138,010	258,096	183,000	133,025	47,028	276,556	65,735	2,024,262
	193	684	417	11,569	216	1,209	10,765	33,381
	(634)	(25,964)	(729)	(4,001)	(148)	(605)	–	(32,953)
	–	–	–	(16,974)	–	–	–	(17,062)
	–	67,561	9	3,662	(23,543)	4,144	(51,939)	–
	–	(29,229)	–	–	–	–	–	(31,125)
	137,569	271,148	182,697	127,281	23,553	281,304	24,561	1,976,503
	41,375	101,084	26,994	29,160	22,420	133,417	–	677,371
	8,251	20,149	19,333	19,660	1,903	18,942	–	154,189
	–	–	32	–	–	–	–	32
	(303)	(19,024)	(318)	(2,654)	(124)	(456)	–	(23,432)
	–	–	–	(5,863)	–	–	–	(5,911)
	–	3,847	–	2,020	(5,869)	(4)	–	–
	49,323	106,056	46,041	42,323	18,330	151,899	–	802,249
	8,274	23,897	19,179	24,093	6,677	24,901	–	186,168
	88,246	165,092	136,656	84,958	5,223	129,405	24,561	1,174,254
	96,635	157,012	156,006	103,865	24,608	143,139	65,735	1,346,891

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE COMPANY	FURNITURE AND FITTINGS, OFFICE EQUIPMENT AND COMPUTERS		ASSETS UNDER CONSTRUCTION	TOTAL \$'000
	\$'000	\$'000	\$'000	
COST				
At 1 April	390	–	–	390
Additions	66	116	–	182
Disposals	(115)	–	–	(115)
At 31 March	341	116	–	457
ACCUMULATED DEPRECIATION				
At 1 April	206	–	–	206
Depreciation charge for the year	65	–	–	65
Disposals	(51)	–	–	(51)
At 31 March	220	–	–	220
Depreciation charge for 2003	90	–	–	90
CARRYING AMOUNT				
31 March 2004	121	116	–	237
31 March 2003	184	–	–	184

5. INTANGIBLE ASSET – THE GROUP

	NOTE	GOODWILL \$'000
COST		
At 1 April and 31 March		71,700
ACCUMULATED AMORTISATION		
At 1 April		4,740
Amortisation charge for the year	23(c)	3,587
At 31 March		8,327
Amortisation charge for 2003	23(c)	3,587
CARRYING AMOUNT		
31 March 2004		63,373
31 March 2003		66,960

6. INVESTMENTS IN SUBSIDIARIES – THE COMPANY

	2004 \$'000	2003 \$'000
Unquoted equity shares, at cost	362,808	362,808
Less:		
Impairment losses	11,476	11,476
	351,332	351,332

Details of the subsidiaries are as follows:

NAME OF SUBSIDIARY	PLACE OF INCORPORATION	EFFECTIVE EQUITY INTEREST HELD BY THE GROUP	
		2004	2003
		%	%
¹ Singapore MRT Ltd and its subsidiary:	Singapore	100	100
¹ Singapore LRT Pte Ltd	Singapore	100	100
¹ SMRT Engineering Pte Ltd	Singapore	100	100
¹ SMRT International Pte Ltd	Singapore	100	100
¹ SMRT Investments Pte Ltd	Singapore	100	100
¹ RFP Investments Pte Ltd and its subsidiary:	Singapore	100	100
^{2, 5} Fin Holdings Limited	Republic of Ireland	100	–
⁶ TPG Investments Pte Ltd	Singapore	–	100
¹ TIBS Holdings Ltd and its subsidiaries:	Singapore	100	100
¹ Trans-Island Bus Services Ltd	Singapore	100	100
¹ Singapore Shuttle Bus (Pte.) Ltd.	Singapore	100	100
¹ TIBS Taxis Pte Ltd	Singapore	100	100
¹ TIBS Motors Pte. Ltd.	Singapore	100	100
⁶ TIBS China Automotive Industries Investment Pte Ltd	Singapore	–	100
⁴ TIBS China Motor Investment Pte Ltd	Singapore	100	100
TIBS Leasing Pte Ltd (note 28)	Singapore	–	100
⁴ TIBS Investment Pte Ltd and its subsidiaries:	Singapore	100	100
⁶ TIBS Capital Pte Ltd	Singapore	–	100
⁶ Seven Seas Marina Pte. Ltd.	Singapore	–	100
⁴ TIBS (Hong Kong) Investments Limited and its subsidiary:	Hong Kong	100	100
^{2, 5} Fin Holdings Limited	Republic of Ireland	–	100
⁶ TIBS Trading Pte Ltd	Singapore	–	100
¹ Bus-Plus Services Pte Ltd	Singapore	100	100
³ Transit Link Pte Ltd	Singapore	66.67	66.67
⁴ EZCard Pte Ltd	Singapore	55	55

¹ Audited by KPMG, Singapore.

² Audited by KPMG, Ireland.

³ Audited by PricewaterhouseCoopers, Singapore.

⁴ Not audited as the Company is in the process of being struck off from the Register of the Accounting and Corporate Regulatory Authority or under members' voluntary liquidation.

⁵ During the financial year, a wholly-owned subsidiary, TIBS (Hong Kong) Investments Limited, transferred its entire equity interest in Fin Holdings Limited to another wholly-owned subsidiary, RFP Investments Pte Ltd, for a consideration of \$1.

⁶ Struck off from the Register of the Accounting and Corporate Regulatory Authority during the year.

7 INTERESTS IN ASSOCIATES – THE GROUP

	2004 \$'000	2003 \$'000
Unquoted equity shares, at cost	1,500	13,343
Share of post-acquisition results	(759)	(12,128)
	741	1,215

Details of the associates are as follows:

NAME OF ASSOCIATE	PLACE OF INCORPORATION	EFFECTIVE EQUITY INTEREST	
		HELD BY THE GROUP	
		2004	2003
		%	%
HELD BY SMRT ENGINEERING PTE LTD			
¹ TranSys Pte Ltd*	Singapore	50.0	50.0
HELD BY RFP INVESTMENTS PTE LTD			
MediaCorp Press Ltd*	Singapore	–	22.8
HELD BY SMRT INVESTMENTS PTE LTD			
Convenience Shopper Pte Ltd	Singapore	–	49.0

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

¹ Audited by KPMG, Singapore.

During the financial year, the following events took place:

- (1) A wholly-owned subsidiary, SMRT Investments Pte Ltd, disposed of its entire equity interest in Convenience Shopper Pte Ltd for a cash consideration of \$367,500.
- (2) Equity interest in MediaCorp Press Ltd held by a wholly-owned subsidiary, RFP Investments Pte Ltd, was diluted to 14.6% due to equity contributions by other shareholders. As a result, MediaCorp Press Ltd ceased to be an associate of the Group and the Group's investment in MediaCorp Press Ltd was reclassified as a long-term investment.

8. FINANCE LEASE RECEIVABLES – THE GROUP

There are no finance lease receivables as at the balance sheet date following the disposal of a wholly-owned subsidiary, TIBS Leasing Pte Ltd, by the Group during the year. The finance lease receivables in the prior year comprise:

NOTE	MINIMUM	UNGUARANTEED	GROSS	UNEARNED	ALLOWANCE FOR	NET	
	LEASE	RESIDUAL		FINANCE LEASE	DOUBTFUL		
	PAYMENT	VALUE	RECEIVABLE	INTEREST	RECEIVABLES	RECEIVABLE	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2003							
Receivable:							
Within 1 year	11	122	299	421	(25)	(3)	393
Within 2 to 5 years		62	102	164	(16)	–	148
		184	401	585	(41)	(3)	541

9. FINANCIAL ASSETS – THE GROUP

	NOTE	2004 \$'000	2003 \$'000
(A) LONG-TERM INVESTMENTS			
Quoted investments, at cost:			
Equity securities		3,129	3,129
Unquoted investments, at cost:			
Equity securities		12,049	573
Other investments		438	438
		12,487	1,011
		15,616	4,140
Less:			
Allowance for diminution in value of investments		11,863	90
Net carrying value		3,753	4,050
Market value of quoted equity investments	30	3,195	3,124
(B) SHORT-TERM INVESTMENTS			
Unquoted investments, at cost:			
Preference shares		–	400

10. INVENTORIES – THE GROUP

	2004 \$'000	2003 \$'000
Motor vehicles held for sale	–	664
Spare parts, diesel, tyres and consumable stores	45,882	48,721
	45,882	49,385
Less:		
Allowance for obsolete inventories	4,360	3,929
	41,522	45,456

11. TRADE AND OTHER RECEIVABLES

	NOTE	THE GROUP		THE COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade receivables	11(a)	9,898	16,638	–	–
Other receivables, deposits and prepayments	11(b)	25,323	25,252	329	286
Amounts due from:					
– subsidiaries	11(c)	–	–	540,093	558,046
– associates					
– trade		1,180	808	–	–
– non-trade		14	7	14	5
Finance lease receivables due within 12 months	8	–	393	–	–
		36,415	43,098	540,436	558,337

The non-trade amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

11(a). TRADE RECEIVABLES – THE GROUP

	2004 \$'000	2003 \$'000
Trade receivables	10,655	16,893
Less:		
Allowance for doubtful receivables	757	255
	9,898	16,638

Trade receivables of the Group include amounts of \$287,273 (2003: \$268,985) due from related corporations.

11(b). OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deposits	360	1,318	1	–
Prepayments	7,161	9,979	26	40
Recoverable expenses	3,291	2,792	–	34
Staff loans and advances	742	1,675	279	143
Interest receivable	255	18	–	–
Certificates of entitlement	1,663	434	–	–
Recoverable in respect of accident claims	4,389	4,872	–	–
Accrued income (trade)	6,206	1,932	–	–
Other receivables	1,256	2,232	23	69
	25,323	25,252	329	286

11(c). AMOUNTS DUE FROM SUBSIDIARIES – THE COMPANY

	2004 \$'000	2003 \$'000
Current account	16,161	3,849
Non-interest bearing loans	180,960	180,960
Interest bearing loans	343,858	373,392
	540,979	558,201
Less:		
Allowance for doubtful receivables from subsidiaries	886	155
	540,093	558,046

The interest bearing loans to subsidiaries are unsecured, bear interest at rates ranging from 0.55% to 3.41% (2003: 0.66% to 3.41%) per annum and have no fixed terms of repayment.

The remaining balances are unsecured, interest-free and have no fixed terms of repayment.

12. TAX RECOVERABLE

Tax recoverable of the Group and the Company relates mainly to tax deducted at source on dividend income received from its subsidiaries. The tax recoverable is refundable and/or is available for set-off against future tax liability of the Company.

13. TRADE AND OTHER PAYABLES

	NOTE	THE GROUP		THE COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade payables and accrued operating expenses	13(a)	78,341	77,261	4,551	1,555
Other payables and refundable deposits	13(b)	98,796	139,008	4,377	4,346
Amounts due to subsidiaries	13(c)	–	–	32,545	21,721
		177,137	216,269	41,473	27,622

13(a). TRADE PAYABLES AND ACCRUED OPERATING EXPENSES – THE GROUP

Trade payables and accrued operating expenses of the Group include amounts of \$5,935,876 (2003: \$98,202) due to related corporations.

13(b). OTHER PAYABLES AND REFUNDABLE DEPOSITS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Customers deposits	3,358	5,364	–	–
Unearned revenue received	580	232	–	–
Unused portion of farecards	10,057	14,981	–	–
Farecard refundable deposits	10,106	10,399	–	–
Rental deposits	4,154	4,095	–	–
Interest payable	4,377	4,344	4,376	4,344
Purchase of property, plant and equipment	58,992	91,282	–	–
Other payables	7,172	8,311	1	2
	98,796	139,008	4,377	4,346

13(c). AMOUNTS DUE TO SUBSIDIARIES – THE COMPANY

	2004	2003
	\$'000	\$'000
Current account	693	–
Interest bearing loans	31,852	21,721
	32,545	21,721

The interest bearing loans from subsidiaries are unsecured, bear interest at rates ranging from 0.55% to 0.83% (2003: 0.66% to 1.17%) per annum and have no fixed terms of repayment.

The remaining balances are unsecured, interest-free and have no fixed terms of repayment.

14. AMOUNT DUE TO LTA – THE GROUP

	2004	2003
	\$'000	\$'000
Comprising:		
– Trade	3,699	1,968
– Non-trade	1,041	1,753
	4,740	3,721

The non-trade balances are unsecured, interest-free and have no fixed terms of repayment.

15. INTEREST BEARING BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing borrowings. For more information about the Group's exposure to interest rate and currency risks, refer to Note 30.

	THE GROUP		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
NON-CURRENT LIABILITIES				
Unsecured quoted bonds	250,000	500,000	250,000	500,000
CURRENT LIABILITIES				
Unsecured quoted bonds	250,000	–	250,000	–
Unsecured loan from a minority shareholder of a subsidiary	–	472	–	–
Unsecured bank loans	–	4,500	–	–
	250,000	4,972	250,000	–
			REPAYABLE	
			AFTER 1 YEAR	
			WITHIN	BUT WITHIN
			1 YEAR	5 YEARS
		TOTAL		
		\$'000	\$'000	\$'000
THE GROUP				
2004				
Unsecured quoted bonds:				
– S\$ fixed at 2.87% per annum due 2004		250,000	250,000	–
– S\$ fixed at 3.41% per annum due 2006		250,000	–	250,000
		500,000	250,000	250,000
2003				
Unsecured loan from a minority shareholder of a subsidiary				
S\$ variable at 5.83% per annum		472	472	–
Unsecured long-term bank loans				
S\$ fixed at 4.55% to 4.93% per annum		4,500	4,500	–
Unsecured quoted bonds:				
– S\$ fixed at 2.87% per annum due 2004		250,000	–	250,000
– S\$ fixed at 3.41% per annum due 2006		250,000	–	250,000
		504,972	4,972	500,000

15. INTEREST BEARING BORROWINGS (CONT'D)

	TOTAL \$'000	REPAYABLE	
		WITHIN 1 YEAR \$'000	AFTER 1 YEAR BUT WITHIN 5 YEARS \$'000
THE COMPANY			
2004			
Unsecured quoted bonds:			
– S\$ fixed at 2.87% per annum due 2004	250,000	250,000	–
– S\$ fixed at 3.41% per annum due 2006	250,000	–	250,000
	500,000	250,000	250,000
2003			
Unsecured quoted bonds:			
– S\$ fixed at 2.87% per annum due 2004	250,000	–	250,000
– S\$ fixed at 3.41% per annum due 2006	250,000	–	250,000
	500,000	–	500,000

The bonds were issued in bearer form with interest coupons attached and in denominations of \$250,000 each. Interest is payable semi-annually in arrears. The bonds are listed on the Singapore Exchange Securities Trading Limited.

The bonds constitute direct, unconditional and unsecured obligations of the Company ranking *pari passu* as a single class without any preference or priority among themselves and ranking *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law or the Trust Deed) of the Company from time to time outstanding.

Unless previously redeemed or purchased and cancelled, the bonds due 2004 and 2006 shall be redeemed in whole at par on 21 December 2004 and 21 December 2006 respectively.

16. EMPLOYEE BENEFITS

	THE GROUP		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Liability for defined benefit plan	5,247	6,081	543	–
Liability for short-term accumulating compensated absences	1,972	3,973	219	121
	7,219	10,054	762	121
Current	3,474	4,011	219	121
Non-current	3,745	6,043	543	–
	7,219	10,054	762	121

16. EMPLOYEE BENEFITS (CONT'D)**(A) LIABILITY FOR DEFINED BENEFIT PLAN**

The Group pays retirement benefits to certain employees who have completed at least five years of service upon their retirement at the statutory retirement age of sixty-two years or above. The amount of future benefit is calculated based on 10% of the employee's last drawn monthly basic salary multiplied by each completed year of service over the number of years of service to sixty-two years. The maximum benefit is capped at two and a half times of the last drawn monthly basic salary.

MOVEMENTS IN THE NET LIABILITY RECOGNISED IN THE BALANCE SHEET

	NOTE	THE GROUP		THE COMPANY	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At 1 April		6,081	5,218	–	–
Expenses (reversed)/recognised during the year	23(b)	(789)	886	–	–
Payments made		(45)	(23)	–	–
Transferred from subsidiary		–	–	543	–
		5,247	6,081	543	–

RECOGNISED IN THE PROFIT AND LOSS ACCOUNT

Current service costs	237	502	–	–
Interest on obligations	68	73	–	–
Actuarial (gain)/loss	(1,094)	311	–	–
	(789)	886	–	–

PRINCIPAL ACTUARIAL ASSUMPTIONS

Principal actuarial assumptions used in calculating the Group's liability for defined benefit plan include estimated future salary increases and employee turnover rates based on historical trends and discount rates based on the market yield at balance sheet date on quoted Singapore Government Bonds that have maturity dates approximating the average discount period.

(B) SHORT-TERM ACCUMULATING COMPENSATED ABSENCES

Short-term accumulating compensated absences are recognised when the employees render services that increase their entitlement to future compensated absences.

(C) EQUITY COMPENSATION BENEFITS

The SMRTC Corporation Employee Share Option Plan ("SMRTC ESOP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2000. The SMRTC ESOP is administered by the Remuneration Committee, comprising Mr Choo Chiau Beng, Chairman of the Committee, Mr Cheah Kean Huat, Mr Koh Kheng Siong and Mr Nithiah Nandan s/o Arumugam.

The SMRTC ESOP comprises two distinct schemes:

- (i) Management Scheme – designed for management staff in the positions of Deputy Director and above.
- (ii) Employee Scheme – designed for all other employees of the Group.

In exercising its discretion, the Committee must act in accordance with any guidelines that may be provided by the Board of Directors. The Committee shall refer any matter not falling within the scope of its terms of reference to the Board. The Committee shall have the power, from time to time, to make and vary such regulations for the implementation and administration of the SMRTC ESOP as it thinks fit.

16. EMPLOYEE BENEFITS (CONT'D)**(C) EQUITY COMPENSATION BENEFITS (CONT'D)**

The salient features of the SMRTC ESOP are as follows:

(i) Eligible participants

At the absolute discretion of the Committee, all confirmed employees of the Group (including any director of the Group who performs an executive function) who are not less than 21 years old and have been in the service of the Group for at least one year prior to the date of which an Option is granted ("Grant Date") are eligible to participate in the SMRTC ESOP.

(ii) Maximum allowable allotment

The aggregate number of shares issued under the SMRTC ESOP ("ESOP Shares") shall not exceed fifteen percent of the issued share capital of the Company on the Grant Date.

The number of ESOP Shares to be offered to a participant shall be determined by the Committee at its absolute discretion after taking into account the length of service and performance of the participant and such other general criteria as the Committee may consider appropriate.

(iii) Subscription price

The subscription price for each share in respect of which an option is exercisable shall be the average of the last dealt prices of the Shares as published by the Singapore Exchange Securities Trading Limited for five consecutive market days immediately preceding the Grant Date.

(iv) Option period

The Options granted under the Management Scheme will be vested over a 3-year period (that is 33% in the first year, 66% in the second year and 100% in the third year) and may be exercised during the period commencing after the vesting date but before the tenth anniversary of the Grant Date.

The Options granted under the Employee Scheme may be exercised during the period commencing after the second anniversary of the Grant Date but before the tenth anniversary of the Grant Date. The right of the participants to exercise their Options is in all cases subject to such vesting schedule (if any) stipulated by the Committee and any other conditions which may be imposed by the Committee from time to time in its absolute discretion.

At the end of the financial year, details of the options granted under the SMRTC ESOP on the unissued ordinary shares of \$0.10 each of the Company are as follows:

DATE OF GRANT OF OPTIONS	EXERCISE PRICE PER SHARE	OPTIONS OUTSTANDING AT 1/4/2003	OPTIONS GRANTED	OPTIONS EXERCISED	OPTIONS CANCELLED	OPTIONS OUTSTANDING AT 31/3/2004
16/7/2001	\$0.816	7,163,000	–	–	74,000	7,089,000
22/7/2002	\$0.676	6,311,200	–	–	331,400	5,979,800
22/7/2003	\$0.623	–	6,309,800	–	61,800	6,248,000
		13,474,200	6,309,800	–	467,200	19,316,800

OPTIONS EXERCISABLE AT 1/4/2003	OPTIONS EXERCISABLE AT 31/3/2004	PROCEEDS ON EXERCISE OF OPTIONS DURING THE YEAR		MARKET PRICE OF SHARES AT EXERCISE DATE OF OPTION	EXERCISE PERIOD
		CREDITED TO SHARE CAPITAL \$'000	CREDITED TO SHARE PREMIUM \$'000		
185,000	6,904,000	–	–	–	16/7/2002 to 15/7/2011
366,166	–	–	–	–	22/7/2003 to 21/7/2012
–	–	–	–	–	22/7/2004 to 21/7/2013
551,166	6,904,000	–	–		

17. PROVISIONS – THE GROUP

	NOTE	ACCIDENT		TOTAL \$'000
		CLAIMS \$'000	WARRANTIES \$'000	
At 1 April 2003		10,973	7	10,980
Provisions made during the year	23(c)	10,634	–	10,634
Provisions used during the year		(8,643)	–	(8,643)
Provisions reversed during the year	23(c)	(277)	–	(277)
Disposal of subsidiary	28	–	(7)	(7)
At 31 March 2004		12,687	–	12,687

Provisions relate to provisions for accidents claims and warranties and are accounted for in accordance with accounting policies set out in note 3.14. The Group expects to incur the liability over the next 12 months.

18. DEFERRED TAXATION – THE GROUP

Deferred tax liabilities/(assets) and movements in temporary differences during the year are attributable to the following:

	LIABILITY/ (ASSET) AT 1/4/2003 \$'000	RECOGNISED IN INCOME (NOTE 24) \$'000	LIABILITY/ (ASSET) AT 31/3/2004 \$'000
Excess of net book value over tax written down value of property, plant and equipment	193,411	(33,553)	159,858
Unutilised wear and tear allowances	(26,579)	26,496	(83)
Unutilised tax losses	–	(17)	(17)
Other temporary differences	(7,940)	2,724	(5,216)
	158,892	(4,350)	154,542

19. FUEL EQUALISATION ACCOUNT (“FEA”) – THE GROUP

	2004 \$'000	2003 \$'000
At 1 April and 31 March	17,961	17,961

The FEA is accounted for in accordance to the policy set out in note 3.16.

During the year, the actual electricity tariff and diesel price was above the reference electricity tariff and diesel price. However, there is no release of the FEA to the profit and loss account as the outstanding balance in the FEA is below the cap of one year’s electricity and diesel consumption.

20. SHARE CAPITAL – THE COMPANY

	2004		2003	
	NO. OF SHARES (‘000)	\$’000	NO. OF SHARES (‘000)	\$’000
AUTHORISED:				
Ordinary shares of \$0.10 each	5,000,000	500,000	5,000,000	500,000
ISSUED AND FULLY PAID:				
Ordinary shares of \$0.10 each	1,500,000	150,000	1,500,000	150,000

21. DEFERRED GRANT – THE GROUP

	NOTE	2004	2003
		\$’000	\$’000
Grant received		480,000	480,000
Accumulated amortisation			
At 1 April		(226,483)	(184,123)
Amortisation during the year		(31,655)	(42,049)
Released on assets disposed/written-off	23(a)	(2,273)	(311)
At 31 March		(260,411)	(226,483)
		219,589	253,517

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. REVENUE – THE GROUP

	2004	2003
	\$’000	\$’000
Passenger revenue	558,531	577,485
Taxis rental	57,565	60,462
Rental revenue	19,873	20,035
Advertising revenue	10,833	10,657
Engineering and other services	13,520	7,280
Sales of goods and motor vehicles	3,571	3,600
Finance lease interest	–	74
Others	3,451	6,045
	667,344	685,638

23. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION – THE GROUP

Profit from ordinary activities before taxation includes the following:

	NOTE	2004 \$'000	2003 \$'000
(A) OTHER OPERATING INCOME			
Commission and distribution fee		547	749
Gain on disposal of property, plant and equipment		201	1,118
Unutilised tickets		9,795	6,225
Maintenance income		1,054	1,202
Miscellaneous rental income		958	949
Grant released upon disposal/write-off of property, plant and equipment	21	2,273	311
Operating expense recharged to other transport operators		12,866	8,283
Others		1,077	1,064
		28,771	19,901
(B) STAFF AND RELATED COSTS			
Wages and salaries		224,520	224,877
Contributions to defined contribution plans		27,258	30,964
(Decrease)/Increase in liability for defined benefit plan	16(a)	(789)	886
Decrease in liability for short-term accumulating compensated absences		(1,994)	(1,616)
Other staff-related expenses and benefits-in-kind		7,429	6,814
		256,424	261,925
Included in staff and related costs are directors' remuneration as follows:			
Directors of the Company			
– fees		317	270
– remuneration		649	649
Other directors			
– remuneration		–	250
		966	1,169
		2004	2003
Number of employees at 31 March		5,975	6,194

23. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION – THE GROUP (CONT'D)

	NOTE	2004 \$'000	2003 \$'000
(C) OTHER EXPENSES			
Amortisation of goodwill	5	3,587	3,587
Non-audit fees paid to auditors of the Company:			
– current year		187	172
– underprovision in respect of prior years		12	–
Licence fees paid to LTA		3,862	2,262
Operating lease expenses		2,883	4,450
Property, plant and equipment written off		7,391	749
Provisions made during the year, net of reimbursement of \$2,224,000 (2003: \$845,000)	17	8,410	6,183
Provisions reversed	17	(277)	(278)
(D) FINANCE COSTS			
Interest paid and payable on:			
– unsecured quoted bonds		15,732	19,706
– bank loans		47	363
– others		–	210
		15,779	20,279
(E) INTEREST AND INVESTMENT INCOME/(EXPENSE)			
Dividends received from:			
– quoted equity investments		–	69
– unquoted equity investments		–	115
Interest income from:			
– bank deposits		880	696
– others		25	72
Gain/(Loss) on disposal of:			
– quoted equity investments		–	(1,460)
– unquoted equity investments		–	42
– other unquoted investments		2,208	–
– investment in a subsidiary	28	(329)	–
– investment in an associate		205	–
		2,989	(466)

24. INCOME TAXES – THE GROUP

	2004 \$'000	2003 \$'000
Current tax expense/(credit)		
Current year	8,378	(1,058)
Overprovision in respect of prior years	(7,990)	(951)
	388	(2,009)
Deferred tax (credit)/expense		
Movement in temporary differences	10,040	21,803
Reduction in tax rate	(14,445)	(15,995)
Under/(Over)provision in respect of prior years	55	(3,316)
	(4,350)	2,492
	(3,962)	483

RECONCILIATION OF EFFECTIVE TAX RATE

	2004		2003	
	%	\$'000	%	\$'000
Profit before tax		86,233		72,679
Income tax using the Singapore tax rate	20.0%	17,247	22.0%	15,989
Effect of reduction in tax rate on deferred tax liabilities	(16.8%)	(14,445)	(22.0%)	(15,995)
Expenses not deductible for tax purposes	1.8%	1,570	4.8%	3,471
Income not subject to tax	(0.5%)	(469)	(0.1%)	(48)
Tax exempt revenue	(0.0%)	(32)	(0.1%)	(39)
Current year deferred tax assets not recognised	0.1%	70	1.8%	1,273
Utilisation of tax losses previously not recognised	(0.3%)	(239)	(0.0%)	(6)
Tax losses not allowed to be setoff against future taxable profits	0.3%	271	0.1%	105
Overprovision in respect of prior years	(9.2%)	(7,935)	(5.8%)	(4,267)
	(4.6%)	(3,962)	0.7%	483

Deferred tax assets have not been recognised for the following temporary differences:

	2004 \$'000	2003 \$'000
Excess of tax written down value over net book value of property, plant and equipment	223	129
Unutilised tax losses	4,312	4,115
Unabsorbed wear and tear allowances	3,177	3,535
Deductible temporary differences	1,818	4,314
	9,530	12,093

The tax losses are subject to agreement by the Comptroller of Income Tax. The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have been recognised only to the extent that it is probable that future taxable profits will be available against which the Group can utilise the benefits.

25. EARNINGS PER SHARE – THE GROUP**(A) BASIC EARNINGS PER SHARE**

Basic earnings per share is based on:

	2004 \$'000	2003 \$'000
(i) Net profit for the year	89,496	72,068

	2004 NO. OF SHARES (‘000)	2003 NO. OF SHARES (‘000)
(ii) Weighted average number of shares in issue during the year	1,500,000	1,500,000

(B) DILUTED EARNINGS PER SHARE

For the purpose of calculating the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted for the dilutive effect on the exercisable outstanding share options where such shares would be issued at a price lower than the fair value (average share price during the financial year).

	2004 NO. OF SHARES (‘000)	2003 NO. OF SHARES (‘000)
Weighted average number of shares in issue, used in the calculation of basic earnings per share	1,500,000	1,500,000
Dilutive effect of share options	–	–
Weighted average number of ordinary shares (diluted)	1,500,000	1,500,000

26. SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments that are predominantly operated in Singapore. The primary format, business segments, 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.

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

The Group's activities comprises the following main business segments:

Rail operations	: Provision of MRT and LRT services.
Bus operations	: Provision of bus services and charter hire services.
Taxi operations	: Rental of taxis and provision of taxi services.
Rental	: Leasing of commercial space and kiosks.
Advertising	: Leasing of advertising panels at the MRT and LRT stations as well as in trains, and on buses and taxis.
Engineering and other services	: Provision of consultancy, project management services, leasing of fibre optic cables and repair and maintenance services.
Investment holding	: Provision of management services to Group companies and investments in associates.

26. SEGMENT REPORTING (CONT'D)

	RAIL			
	MRT	LRT	BUS	TAXI
	OPERATIONS	OPERATIONS	OPERATIONS	OPERATIONS
	\$'000	\$'000	\$'000	\$'000
(A) REVENUE AND EXPENSES				
2004				
Revenue				
– External customers	366,064	7,538	184,929	57,565
– Inter-segment	–	–	437	86
Operating expenses	(233,699)	(11,751)	(144,166)	(35,522)
Depreciation, impairment and amortisation	(72,903)	(114)	(27,324)	(19,190)
Operating profit/(loss)	59,462	(4,327)	13,876	2,939
Amortisation of goodwill				
Finance costs				
Interest and investment income/(expense)				
Share of results of associates				
Income tax credit/(expense)				
Minority interests				
Net profit for the year				
2003				
Revenue				
– External customers	384,372	7,826	185,287	60,462
– Inter-segment	–	–	623	–
Operating expenses	(246,996)	(11,021)	(145,231)	(33,863)
Depreciation, impairment and amortisation	(88,354)	(86)	(27,909)	(20,040)
Operating profit/(loss)	49,022	(3,281)	12,770	6,559
Amortisation of goodwill				
Finance costs				
Interest and investment income/(expense)				
Share of results of associates				
Income tax credit/(expense)				
Minority interests				
Net profit for the year				

RENTAL \$'000	ADVERTISING \$'000	ENGINEERING AND OTHER SERVICES \$'000	INVESTMENT HOLDING \$'000	ELIMINATION \$'000	TOTAL \$'000
19,873	10,833	20,367	175	–	667,344
764	–	41,153	47,191	(89,631)	–
(3,168)	(3,521)	(54,462)	(31,570)	76,003	(441,856)
(122)	(302)	(2,539)	(72)	–	(122,566)
17,347	7,010	4,519	15,724	(13,628)	102,922
					(3,587)
					(15,779)
					2,989
					(312)
					3,962
					(699)
					89,496
20,035	10,657	16,713	286	–	685,638
767	–	38,490	288,934	(328,814)	–
(2,522)	(2,520)	(46,132)	(17,179)	63,524	(441,940)
(75)	(278)	(7,269)	(108)	–	(144,119)
18,205	7,859	1,802	271,933	(265,290)	99,579
					(3,587)
					(20,279)
					(466)
					(2,568)
					(483)
					(128)
					72,068

26. SEGMENT REPORTING (CONT'D)

	RAIL			
	MRT OPERATIONS \$'000	LRT OPERATIONS \$'000	BUS OPERATIONS \$'000	TAXI OPERATIONS \$'000
(B) ASSETS AND LIABILITIES				
AS AT 31 MARCH 2004				
Operating assets	913,730	6,110	200,635	96,806
Assets under construction	23,248	15	–	–
	936,978	6,125	200,635	96,806
Intangible asset – Goodwill on consolidation				
Interests in associates				
Investments and cash equivalents				
Tax recoverable				
Unallocated assets				
Total assets				
Segment liabilities	545,062	16,796	161,536	58,226
Current tax payable				
Unsecured bonds				
Deferred tax liabilities				
Total liabilities				
AS AT 31 MARCH 2003				
Operating assets	1,014,906	5,724	227,296	104,586
Assets under construction	65,492	47	–	–
	1,080,398	5,771	227,296	104,586
Intangible asset – Goodwill on consolidation				
Interests in associates				
Investments and cash equivalents				
Tax recoverable				
Unallocated assets				
Total assets				

RENTAL \$'000	ADVERTISING \$'000	ENGINEERING AND OTHER SERVICES \$'000	INVESTMENT HOLDING \$'000	ELIMINATION \$'000	TOTAL \$'000
5,463	5,549	46,143	956,564	(1,003,625)	1,227,375
1,182	–	–	116	–	24,561
6,645	5,549	46,143	956,680	(1,003,625)	1,251,936
					63,373
					741
					266,743
					1,809
					255
					1,584,857
4,223	160	42,391	46,447	(655,097)	219,744
					7,992
					500,000
					154,542
					882,278
4,690	2,531	65,685	983,607	(1,039,185)	1,369,840
196	–	–	–	–	65,735
4,886	2,531	65,685	983,607	(1,039,185)	1,435,575
					66,960
					1,215
					100,720
					5,365
					18
					1,609,853

26. SEGMENT REPORTING (CONT'D)

	RAIL			
	MRT	LRT	BUS	TAXI
	OPERATIONS	OPERATIONS	OPERATIONS	OPERATIONS
	\$'000	\$'000	\$'000	\$'000
(B) ASSETS AND LIABILITIES (CONT'D)				
AS AT 31 MARCH 2003 (CONT'D)				
Segment liabilities	565,195	12,038	186,901	68,720
Current tax payable				
Unsecured bonds				
Deferred tax liabilities				
Total liabilities				
(C) OTHER SEGMENT INFORMATION				
2004				
Capital expenditure	12,952	23	4,615	11,092
Non-cash expenses other than depreciation, impairment losses and amortisation	3,676	(52)	940	6,680
2003				
Capital expenditure	105,990	296	28,287	15,582
Non-cash expenses other than depreciation, impairment losses and amortisation	(1,128)	(59)	2,199	4,214

RENTAL \$'000	ADVERTISING \$'000	ENGINEERING AND OTHER SERVICES \$'000	INVESTMENT HOLDING \$'000	ELIMINATION \$'000	TOTAL \$'000
4,128	–	66,615	35,666	(675,306)	263,957
					4,656
					500,000
					158,892
					<u>927,505</u>
3,183	–	1,330	186	–	33,381
–	–	(232)	(247)	–	10,765
1,095	10	3,590	–	–	154,850
–	–	227	250	–	5,703

27. SIGNIFICANT RELATED PARTY TRANSACTIONS – THE GROUP

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

	2004	2003
	\$'000	\$'000
Rental income received/receivable	2,431	2,350
Maintenance income received/receivable	631	420
Commission and distribution fee received/receivable	869	1,101
Purchases of goods and services	35,069	42,470

28. DISPOSAL OF SUBSIDIARY

On 2 October 2003, the Group disposed of a wholly-owned subsidiary, TIBS Leasing Pte Ltd (“TIBS Leasing”). The principal activities of TIBS Leasing were the rental and leasing of vehicles. The Company contributed a loss of \$2,768,400 to the consolidated net profit for the year ended 31 March 2003 and a net profit of \$46,700 for the six months ended 30 September 2003.

The effect of the disposal of TIBS Leasing is set out below:

	NOTE	2004
		\$'000
Property, plant and equipment		11,151
Finance lease receivables due after 12 months		271
Inventories		10
Trade and other receivables		1,062
Cash at bank and in hand		2,313
Trade and other payables		(924)
Employee benefits		(7)
Provisions	17	(7)
Net identifiable assets and liabilities		13,869
Loss on disposal	23(e)	(329)
Cash consideration received		13,540
Cash disposed of		(2,313)
Net cash inflow		11,227

29. COMMITMENTS

The Group and the Company had the following commitments as at the balance sheet date:

	THE GROUP		THE COMPANY	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(a) Forward foreign exchange contracts	–	2,857	–	–
(b) Capital expenditure commitments				
(i) Contracted but not provided for with respect to purchase of property, plant and equipment	21,794	17,687	384	–
(ii) Approved but not contracted for with respect to purchase of property, plant and equipment	322,471	2,309	–	–
(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 LRT (See Note 2(b)(ii)).				
(c) Non-cancellable operating leases payable:				
(i) Within 1 year	2,003	3,155	–	–
(ii) After 1 year but within 5 years	5,063	4,634	–	–
(iii) After 5 years	4,158	5,192	–	–
	11,224	12,981	–	–
The Group lease terminals, office facilities and staff apartments under operating leases. The leases typically run for an initial period of 3 years to 30 years, with an option to renew the lease after that date. None of the leases include contingent rentals.				
(d) Non-cancellable operating leases receivable:				
(i) Within 1 year	19,635	19,950	–	–
(ii) After 1 year but within 5 years	16,182	25,389	–	–
(iii) After 5 years	3,185	4,565	–	–
	39,002	49,904	–	–

30. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit, liquidity, interest rate and currency rate risks arise in the normal course of the Group's business. The Group's risk management policies and guidelines are summarised below:

The Group's accounting policies in relation to derivative financial instruments are set out in Note 3.7.

CREDIT RISK

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Where appropriate, the Group obtains collateral from customers. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

LIQUIDITY RISK

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

INTEREST RATE RISK

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's investment portfolio and debt obligations. The Group does not use derivative financial instruments to hedge against such risk exposure.

EFFECTIVE INTEREST RATES AND REPRICING ANALYSIS

In respect of interest earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at balance sheet date and the periods in which they reprice or mature, whichever is earlier.

30. FINANCIAL INSTRUMENTS (CONT'D)**EFFECTIVE INTEREST RATES AND REPRICING ANALYSIS (CONT'D)**

	NOTE	EFFECTIVE INTEREST RATE %	TOTAL \$'000	WITHIN 1 YEAR \$'000	1 TO 5 YEARS \$'000
THE GROUP					
2004					
Financial assets					
Fixed deposits with banks and financial institutions		0.63%	227,722	227,722	–
Financial liabilities					
Unsecured quoted bonds:					
– due 2004	15	2.87%	(250,000)	(250,000)	–
– due 2006	15	3.41%	(250,000)	–	(250,000)
			(500,000)	(250,000)	(250,000)
2003					
Financial assets					
Finance lease receivables	8	7.72%	585	421	164
Fixed deposits with banks and financial institutions		0.58%	58,102	58,102	–
			58,687	58,523	164
Financial liabilities					
Unsecured loan from a minority shareholder of a subsidiary					
	15	5.83%	(472)	(472)	–
Unsecured fixed rate bank loans	15	4.72%	(4,500)	(4,500)	–
Unsecured quoted bonds:					
– due 2004	15	2.87%	(250,000)	–	(250,000)
– due 2006	15	3.41%	(250,000)	–	(250,000)
			(504,972)	(4,972)	(500,000)
THE COMPANY					
2004					
Financial assets					
Amounts due from subsidiaries	11(c)	0.69% to 3.41%	343,858	343,858	–

30. FINANCIAL INSTRUMENTS (CONT'D)**EFFECTIVE INTEREST RATES AND REPRICING ANALYSIS (CONT'D)**

	NOTE	EFFECTIVE INTEREST RATE %	TOTAL \$'000	WITHIN 1 YEAR \$'000	1 TO 5 YEARS \$'000
THE COMPANY (CONT'D)					
2004 (CONT'D)					
Financial liabilities					
Amounts due to subsidiaries	13(c)	0.69%	(31,852)	(31,852)	–
Unsecured quoted bonds:					
– due 2004	15	2.87%	(250,000)	(250,000)	–
– due 2006	15	3.41%	(250,000)	–	(250,000)
			(531,852)	(281,852)	(250,000)
2003					
Financial assets					
Amounts due from subsidiaries	11(c)	0.66% to 3.41%	373,392	373,392	–
Financial liabilities					
Amounts due to subsidiaries	13(c)	0.66%	(21,721)	(21,721)	–
Unsecured quoted bonds:					
– due 2004	15	2.87%	(250,000)	–	(250,000)
– due 2006	15	3.41%	(250,000)	–	(250,000)
			(521,721)	(21,721)	(500,000)

FOREIGN CURRENCY RISK

The Group incurs foreign currency risks on purchases that are denominated in a currency other than Singapore dollars. The currencies giving rise to this risk are primarily the US dollar, Sterling pound, EURO and Japanese yen.

The Group uses forward exchange contracts to partially hedge its foreign currency risk. The Group only enters into forward exchange contracts with maturities of less than one year. Where necessary, the forward exchange contracts are rolled over upon maturity at market rates.

In respect of other monetary assets and liabilities held in currencies other than the Singapore dollar, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

30. FINANCIAL INSTRUMENTS (CONT'D)**FAIR VALUES****Recognised financial instruments**

The aggregate net fair values of financial assets and liabilities which are not carried at fair value in the balance sheet as at 31 March 2004 are represented in the following table:

		2004	2004	2003	2003
	NOTE	CARRYING	FAIR	CARRYING	FAIR
		AMOUNT	VALUE	AMOUNT	VALUE
		\$'000	\$'000	\$'000	\$'000
THE GROUP					
Financial assets					
Finance lease receivables	8	–	–	541	561
Long-term quoted investments	9(a)	2,988	3,195	3,058	3,124
		2,988	3,195	3,599	3,685
Financial liabilities					
Unsecured quoted bonds	15	(500,000)	(514,895)	(500,000)	(523,348)
Total		(497,012)	(511,700)	(496,401)	(519,663)
Unrecognised loss			(14,688)		(23,262)
THE COMPANY					
Financial liabilities					
Unsecured quoted bonds	15	(500,000)	(514,895)	(500,000)	(523,348)
Unrecognised loss			(14,895)		(23,348)

The fair values of quoted investments and quoted bonds are the market values which are equivalent to the quoted market price at the balance sheet date. The fair values of finance lease receivables are determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

It is not practicable to estimate the fair values of the Group's long-term and short-term unquoted investments because of the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs. However, management believes that the carrying amounts recorded at balance sheet date reflect the corresponding fair values.

In addition to the above, financial assets also comprise trade and other receivables and cash and cash equivalents. Financial liabilities also include trade and other payables and other interest bearing loans and borrowings. The carrying values of these financial assets and liabilities are approximations of their fair values because they are either:

- carried at fair values; or
- short-term in nature; or
- repriced frequently.

30. FINANCIAL INSTRUMENTS (CONT'D)**FAIR VALUES (CONT'D)*****Unrecognised financial instruments***

The valuation of financial instruments not recognised in the balance sheet reflects amounts which the Group expects to pay or receive to terminate the contracts or replace the contracts at their current market rates at the balance sheet date.

The notional amount and net fair value of financial instruments not recognised in the balance sheet as at balance sheet date are:

	2004	2004	2003	2003
	NOTIONAL	FAIR	NOTIONAL	FAIR
	AMOUNT	VALUE	AMOUNT	VALUE
	\$'000	\$'000	\$'000	\$'000
THE GROUP				
Forward foreign exchange contracts	–	–	2,857	4

31. CONTINGENT LIABILITIES

As at balance-sheet date, the Group and the Company had the following unsecured contingent liabilities:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Performance bonds	953	872	953	872

32. DIVIDENDS

After the balance sheet date, the directors proposed a final dividend of 3.2 cents (2003: 1.78 cents) per share less tax at 20% (2003: 22%) amounting to a net dividend of \$38,400,000 (2003: \$20,826,000). The dividend has not been provided for.

33. COMPARATIVE INFORMATION

Certain items in the comparative figures have been reclassified to conform with the current year's presentation.

SUPPLEMENTARY INFORMATION

The following pages do not form part of the statutory audited financial statements

(B) REMUNERATION OF TOP FIVE KEY EXECUTIVES

REMUNERATION BAND & NAME OF KEY EXECUTIVE	VARIABLE OR PERFORMANCE RELATED			
	BASE SALARY %	INCOME/ BONUSES %	BENEFITS %	OTHERS %
\$500,000 – \$750,000				
Tan Hup Foi	67	31	2	–
\$250,000 – \$499,000				
Catherine Kuan	74	15	11	–
¹ Teo Joo Huak	66	31	3	–
\$100,000 – \$249,000				
² Yeo Meng Hin	83	6	11	–
² Patrick Lau Li Tah	84	5	11	–

¹ Teo Joo Huak retired on 30 April 2004.

² Both Yeo Meng Hin and Patrick Lau Li Tah had less than a year of service for the year ended 31 March 2004.

(C) GROUP PROPERTIES

Major properties held for investment

LOCATION	DESCRIPTION/EXISTING USE	TENURE OF LEASE	REMAINING TERM OF LEASE
3 Bishan Street 14	2-storey recreation clubhouse with tennis courts and basket/volley ball court.	Leasehold	17.6 years
6 Ang Mo Kio Street 62	A bus depot comprising a 4-storey administrative office block, a workshop building with a 2-storey office block and 7 single-storey bus parking bay-cum-workshop.	Leasehold	8.7 years
60 Woodlands Industrial Park E	A bus depot comprising garaging with 3-storey workshops facilities and 2-storey ancillary office.	Leasehold	23.3 years

(D) INTERESTED PERSON TRANSACTIONS

Pursuant to Chapter 9 of the SGX-ST 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.

INTERESTED PERSON/NATURE OF TRANSACTIONS	AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS DURING THE FINANCIAL YEAR UNDER REVIEW (EXCLUDING TRANSACTIONS LESS THAN \$100,000 AND TRANSACTIONS CONDUCTED UNDER SHAREHOLDERS' MANDATE PURSUANT TO RULE 920) \$'000	AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS CONDUCTED UNDER SHAREHOLDERS' MANDATE PURSUANT TO RULE 920 (EXCLUDING TRANSACTIONS LESS THAN \$100,000) \$'000
PURCHASES OF GOODS AND SERVICES		
Senoko Energy Supply Pte Ltd	–	35,013
National Computer Systems Pte Ltd	–	500
MediaCorp Press Ltd	–	223
ST Mobile Data Pte Ltd	–	189
SALES OF SERVICES		
National University Hospital	–	672
Singapore Telecommunications Ltd	–	322
DBS Bank Ltd	–	643
MediaCorp Press Ltd	–	547
John Hopkins – NUH International Medical Centre Pte Ltd	–	102
SERVICE FEES		
TranSys Pte Ltd	–	163

ECONOMIC VALUE ADDED STATEMENT

for the year ended 31 March 2004

	2004 \$'000	2003 \$'000
Profit from ordinary activities after taxation	90,195	72,196
Adjustments for:		
Interest expense	15,779	20,279
Deferred tax	(28,031)	(20,132)
Tax effect on interest expense adjustment (Note 1)	(3,156)	(4,461)
Others	7,075	749
NET OPERATING PROFIT AFTER TAX (NOPAT)	81,862	68,631
Average capital employed (Note 2)	955,160	931,221
Weighted average cost of capital (Note 3)	6.0%	7.0%
CAPITAL CHARGE	57,310	65,185
ECONOMIC VALUE ADDED (EVA)	24,552	3,446

Note 1: The reported current tax is adjusted for the statutory tax impact of interest expense.

Note 2: Average shareholders' equity plus interest-bearing liabilities and timing provisions.

MAJOR CAPITAL COMPONENTS	\$'000
Long-term debt	500,000
Equity	453,979
Others	1,181
	955,160

Note 3: The Weighted Average Cost of Capital is calculated as follows:

- (i) Cost of Equity using Capital Asset Pricing Model with market risk premium at 6.0%;
- (ii) Pre-tax Risk-free rate of 3.1% (FY2003: 4.0%) based on average yield of Singapore Government 7 years Bond;
- (iii) Ungeared beta at 0.54 based on peer analysis; and
- (iv) Pre-tax Cost of Debt at 4.1% (FY2003: 4.9%) based on Pre-tax Risk-free rate plus credit spread.

VALUE ADDED STATEMENT

for the year ended 31 March 2004

	2004 \$'000	2003 \$'000
Revenue	667,344	685,638
Less:		
Cost of bought-in materials and services	177,238	174,803
Gross value added	490,106	510,835
Share of results of associates	(312)	(2,568)
Investment income	2,084	(1,234)
Interest income	905	768
Gain on disposal of property, plant and equipment	201	1,118
	492,984	508,919
Applied as follows:		
To Employees – staff and related costs	256,424	261,925
To Government – income and other taxes	8,020	10,400
To Providers of capital:		
Interest on borrowings	15,779	20,069
Dividends to shareholders	36,036	32,654
Others	0	210
Balance reinvested in business:		
Depreciation of property, plant and equipment	154,189	182,868
Minority interests	699	128
Profit for the period retained by the Group	53,460	39,414
Others	(31,623)	(38,749)
	492,984	508,919

SHAREHOLDERS' INFORMATION

STATISTICS OF SHAREHOLDERS as at 26 May 2004

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

DISTRIBUTION OF SHAREHOLDERS

SIZE OF HOLDINGS	NO. OF		NO. OF SHARES	
	SHAREHOLDERS	%		%
1 – 999	3	0.01	1,650	0.00
1,000 – 10,000	50,379	92.44	122,986,601	8.20
10,001 – 1,000,000	4,097	7.52	181,164,598	12.08
1,000,001 and above	18	0.03	1,195,847,181	79.72
Total	54,497	100.00	1,500,000,030	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	Temasek Holdings (Private) Limited	934,400,030	62.29
2	Raffles Nominees Pte Ltd	116,793,414	7.79
3	DBS Nominees Pte Ltd	59,297,922	3.95
4	Citibank Nominees Singapore Pte Ltd	21,302,375	1.42
5	HSBC (Singapore) Nominees Pte Ltd	19,942,440	1.33
6	United Overseas Bank Nominees Pte Ltd	17,884,000	1.19
7	Oversea-Chinese Bank Nominees Pte Ltd	8,011,000	0.53
8	Quah Wee Lai	3,000,000	0.20
9	Choo Si Sen	2,150,000	0.14
10	The Asia Life Assurance Society Ltd – Singapore Life Fund	1,769,000	0.12
11	UOB Kay Hian Pte Ltd	1,768,000	0.12
12	Chen Siong Seng	1,699,000	0.11
13	Lee Pineapple Company Pte Ltd	1,550,000	0.10
14	Kim Eng Securities Pte Ltd	1,512,000	0.10
15	Phillip Securities Pte Ltd	1,303,000	0.09
16	Yap Wai Ying Theresa	1,262,000	0.08
17	Chong Yean Fong	1,200,000	0.08
18	OCBC Securities Private Ltd	1,003,000	0.07
19	Overseas Union Enterprise Limited	1,000,000	0.07
20	Toi Boon How Holdings Pte Ltd	1,000,000	0.07
Total		1,197,847,181	79.85

SUBSTANTIAL SHAREHOLDER

NAME OF SHAREHOLDER	NO. OF SHARES	%
Temasek Holdings (Private) Limited	934,400,030	62.29

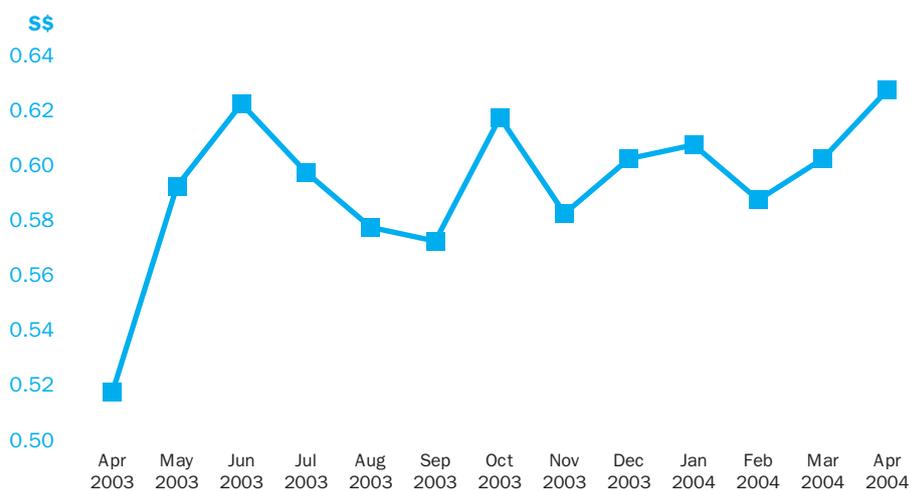
SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 26 May 2004, approximately 37.66% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

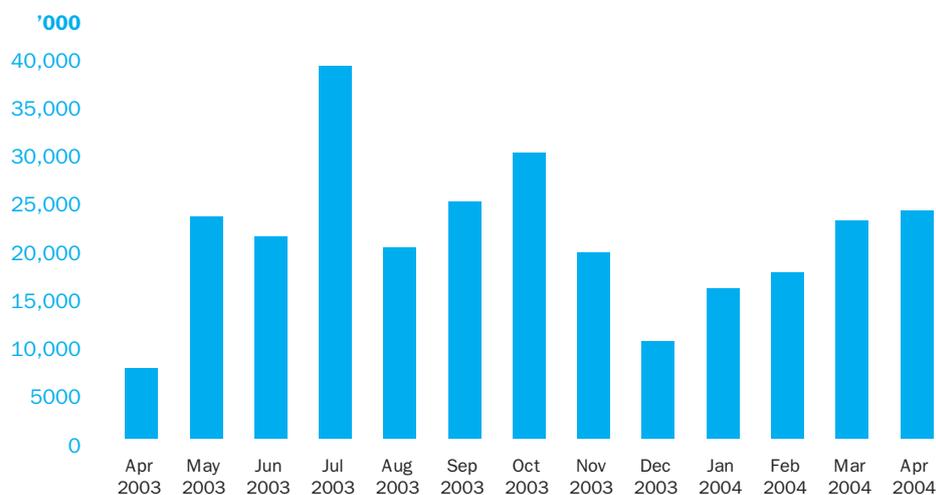
SHARE PRICES AND TRADED VOLUMES

DATE	CLOSING PRICE (S\$)	TRADED VOLUME ('000)
April 2003	0.515	7,295
May 2003	0.590	23,104
June 2003	0.620	21,035
July 2003	0.595	38,736
August 2003	0.575	19,837
September 2003	0.570	24,652
October 2003	0.615	29,754
November 2003	0.580	19,292
December 2003	0.600	10,073
January 2004	0.605	15,643
February 2004	0.585	17,218
March 2004	0.600	22,680
April 2004	0.625	23,687

MONTHLY SHARE PRICE PERFORMANCE



MONTHLY TRADED VOLUME



NOTICE OF ANNUAL GENERAL MEETING

SMRT Corporation Ltd (Incorporated in the Republic of Singapore)

151

To: All Shareholders

Notice is hereby given that the Fifth Annual General Meeting of the Company will be held at Ballroom I & II, Level 2, InterContinental Singapore, 80 Middle Road, Singapore 188966 on Thursday, 15 July 2004 at 2.30 p.m. 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 2004 together with the Auditors' Report thereon.
- 2) To declare a Final Dividend of 3.2 cents per share, less income tax at 20 per cent for the financial year ended 31 March 2004.
- 3) To approve Directors' Fees of \$317,000 for the financial year ended 31 March 2004 (FY2003: \$187,344).
- 4) (a) To re-elect the following Directors who are retiring in accordance with Article 94 of the Company's Articles of Association:
 - (i) Mr Daniel Ee Hock Huat; and
 - (ii) Mr Koh Kheng Siong.(b) To note the retirement of Mr Ng Ser Miang as Director in accordance with Article 94 of the Company's Articles of Association.
- 5) To re-elect Mrs Margaret Lui-Chan Ann Soo, a Director who is 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

- 7) To consider, and if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:
 - 7.1) That authority be and is hereby given to the Directors of the Company to:
 - (a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares

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

SPECIAL BUSINESS (CONT'D)

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

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);
 - (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“SGX-ST”)) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (ii) any subsequent consolidation or subdivision of shares;
 - (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
 - (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next 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.
- 7.2) That authority be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the SMRT Corporation Employee Share Option Plan (“SMRTC ESOP”) 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 SMRTC ESOP PROVIDED ALWAYS THAT the aggregate number of shares to be issued pursuant to the SMRTC ESOP shall not exceed 15 per cent of the issued share capital of the Company from time to time.

SPECIAL BUSINESS (CONT'D)

- 8) To consider, and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

“That for the purpose of Chapter 9 of the Listing Manual of the SGX-ST (“Chapter 9”):

- (a) approval be and is hereby given for the renewal of the mandate for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions, particulars of which are set out in Appendix B to the attached Letter to Shareholders dated 18 June 2004, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;
- (b) the approval given in paragraph (a) above (the “General Mandate”) shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- (c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the General Mandate and/or this Resolution.”

ANY OTHER BUSINESS

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

By Order of the Board

PATRICK LAU LI TAH

Company Secretary

18 June 2004

Singapore

NOTICE OF CLOSURE OF BOOKS

Notice is hereby given that the Transfer Books and the Register of Members of the Company will be closed from 22 July 2004 to 23 July 2004 (both dates inclusive) for the preparation of dividend warrants. The final dividend, if approved at the Fifth Annual General Meeting, will be paid on 3 August 2004 to members on the Register as at 21 July 2004. In respect of shares in securities accounts with The Central Depository (Pte) Limited (“CDP”), the said final dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice.

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 p.m. on 21 July 2004 will be registered to determine shareholders’ entitlements to the final dividend.

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 current scale of Directors' fees was adopted since FY2001. For FY2003, the Directors' fees paid by the Company and its subsidiaries was \$252,822. Following a review by the Remuneration Committee to consolidate the Directors' fees paid by the Company and its subsidiaries, and to promote a market competitive fee structure, the Directors have recommended a revision in the scale of Directors' fees (per annum) as set out below:

Board of Directors	
Chairman's Allowance	\$25,000
Basic Fee	\$20,000
Audit Committee/Executive Committee	
Chairman's Allowance	\$16,000
Member's Allowance	\$8,000
Remuneration Committee/Nominating Committee	
Chairman's Allowance	\$10,000
Member's Allowance	\$5,000

Resolution 4 Mr Daniel Ee Hock Huat and Mr Koh Kheng Siong will, upon re-election as Directors of the Company, continue to serve as Chairman and Member of Audit Committee respectively. Mr Ee and Mr Koh are considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED

Resolution 7.1 is to empower the Directors to issue shares in the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to an amount not exceeding in total fifty per cent (50%) of the issued share capital of the Company with a sub-limit of twenty per cent (20%) for issues other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued share capital will be calculated based on the issued share capital of the Company at the time that Resolution 7.1 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible at the time that Resolution 7.1 is passed, and any subsequent consolidation or subdivision of shares.

Resolution 7.2 is to authorise the Directors to offer and grant options in accordance with the SMRT Corporation Employee Share Option Plan ("SMRTC ESOP") 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 option under the SMRTC ESOP.

Resolution 8 is to renew the General Mandate to enable the Company, its subsidiaries and associated companies or any of them to enter into any of the mandated transactions with parties who are considered "Interested Person" (as defined in Chapter 9).

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.

LETTER TO SHAREHOLDERS

SMRT Corporation Ltd (Incorporated in the Republic of Singapore)

155

BOARD OF DIRECTORS:

Choo Chiau Beng (*Chairman*)
Saw Phaik Hwa (*President and Chief Executive Officer*)
Cheah Kean Huat
Daniel Ee Hock Huat
Koh Kheng Siong
Victor Loh Kwok Hoong
Margaret Lui-Chan Ann Soo
Ng Ser Miang
Niam Chiang Meng
Nithiah Nandan s/o Arumugam
Engelin Teh Guek Ngor

REGISTERED OFFICE:

251 North Bridge Road
Singapore 179102

18 June 2004

To: The Shareholders of SMRT Corporation Ltd
("Shareholders")

Dear Sir/Madam

RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

We refer to item 8 of the Notice of the 5th Annual General Meeting of the Company (the "5th AGM") which is an Ordinary Resolution ("Resolution 8") to be proposed at the 5th AGM for the renewal of the Company's general mandate for interested person transactions. The purpose of this letter is to provide Shareholders with information relating to Resolution 8.

1. BACKGROUND

At an Extraordinary General Meeting of the Company held on 17 July 2003 (the "EGM"), Shareholders approved a general mandate (the "General Mandate") for interested person transactions pursuant to Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited which enabled the Company, its subsidiaries and associated companies that are considered to be "entities at risk" within the meaning of Chapter 9 of the Listing Manual, to enter in the ordinary course of business into any of the mandated transactions with specified classes of the Company's interested persons, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such transactions.

General information on the listing rules relating to interested person transactions, including the meanings of terms such as "associate", "entity at risk", "interested person" and "interested person transaction" used in Chapter 9 of the Listing Manual is set out in Appendix A to this letter.

2. RENEWAL OF THE GENERAL MANDATE

Under Chapter 9 of the Listing Manual, a general mandate for transactions with interested persons is subject to annual renewal. The General Mandate approved at the EGM was expressed to continue in force until the next Annual General Meeting of the Company, being the 5th AGM, which is to be held on 15 July 2004. Accordingly, it is proposed that the General Mandate be renewed at the 5th AGM, to take effect until the conclusion of the 6th Annual General Meeting of the Company.

The nature of the interested person transactions and the classes of interested persons in respect of which the General Mandate is sought to be renewed remain unchanged. Particulars of the General Mandate, including the rationale for, the benefits to be derived by the Company, as well as the review procedures for determining transaction prices with the specified classes of interested persons, are set out in Appendix B to this letter.

3. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company confirms that:

- (a) the methods or procedures for determining the transaction prices under the General Mandate have not changed since the EGM; and
- (b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and substantial shareholders of the Company in the issued share capital of the Company as at 31 March 2004 and 26 May 2004 can be found on pages 84 to 87 and page 149 respectively.

Saw Phaik Hwa and Margaret Lui-Chan Ann Soo will abstain from voting their shareholdings in the Company, if any, on Resolution 8 relating to the renewal of the General Mandate at the forthcoming 5th AGM. Saw Phaik Hwa and Margaret Lui-Chan Ann Soo shall also decline to accept appointment as proxies for any Shareholder to vote on Resolution 8, unless the Shareholder concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolution 8.

Temasek Holdings (Private) Limited ("Temasek") and its associates, being interested persons in relation to the proposed renewal of the General Mandate, will abstain from voting their respective shareholdings (if any) in the Company on Resolution 8 relating to the renewal of the General Mandate at the forthcoming 5th AGM. Temasek and its associates shall also decline to accept appointment as proxies for any Shareholder to vote on Resolution 8, unless the Shareholder concerned shall have given instructions in his proxy form as to the manner in which his votes are to be cast in respect of Resolution 8.

5. RECOMMENDATION

The Directors of the Company who are considered independent for the purposes of the proposed renewal of the General Mandate are Messrs Choo Chiau Beng, Cheah Kean Huat, Daniel Ee Hock Huat, Koh Kheng Siong, Victor Loh Kwok Hoong, Ng Ser Miang, Niam Chiang Meng, Nithiah Nandan s/o Arumugam and Engelin Teh Guek Ngor. Having considered, inter alia, the terms, the rationale and the benefits of the General Mandate, they are of the opinion that the entry into the Interested Person Transactions (as described in paragraph 6 of Appendix B) between the SMRT Group (as described in paragraph 1 of Appendix B) and the Interested Persons (as described in paragraph 4 of Appendix B) in the ordinary course of its business will be in the best interests of the Company. For the reasons set out in paragraphs 1 and 3 of Appendix B, they recommend that Shareholders vote in favour of Resolution 8 relating to the renewal of the General Mandate at the forthcoming 5th AGM.

6. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given in this letter and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this letter are fair and accurate and that there are no material facts the omission of which would make any statement in this letter misleading.

7. SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made or the opinions expressed in this letter.

8. ADVICE TO SHAREHOLDERS

Shareholders who are in any doubt as to the action they should take, should consult their stockbrokers or other professional advisers immediately.

Yours faithfully

For an on behalf of the Board of Directors of
SMRT CORPORATION LTD



CHOO CHIAU BENG
Chairman

APPENDIX A

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

1. INTRODUCTION

Chapter 9 of the Listing Manual (“Chapter 9”) applies to transactions which a listed company or any of its subsidiaries or associated companies (other than a subsidiary or an associated company that is itself listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) or an approved stock exchange, or an associated company over which the listed company and/or its subsidiaries (the “listed group”), or the listed group and its interested persons(s), has no control) proposes to enter into with a counterparty who is an interested person of the listed company.

2. TERMS USED IN CHAPTER 9

Entity at Risk

The term “entity at risk” is defined to mean (a) the listed company, (b) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange, or (c) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.

Interested Person

The term “interested person” is defined to mean a director, chief executive officer or controlling shareholder of the listed company, or an associate of any such director, chief executive officer or controlling shareholder.

Interested Person Transaction

The term “interested person transaction” is defined to mean a transaction between an entity at risk and an interested person.

Associate

In relation to any director, chief executive officer, substantial or controlling shareholder (being an individual), an “associate” is defined to be (a) an immediate family member (that is, spouse, child, adopted child, step-child, sibling and parent); (b) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (c) any company in which the individual and his immediate family together (directly or indirectly) have an interest of 30% or more.

In relation to a substantial shareholder or controlling shareholder (being a company), an “associate” is defined to be any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

Associated Company

A listed company’s “associated company” is defined as a company in which at least 20% but not more than 50% of its shares are held by the listed company or group.

Controlling Shareholder

A “controlling shareholder” of a listed company is a person who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the listed company, or a person who in fact exercises control over the listed company.

2. TERMS USED IN CHAPTER 9 (CONT'D)***Approved Exchange***

An “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9.

Chief Executive Officer

“Chief executive officer” is defined in the Listing Manual to mean the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the listed company.

3. MATERIALITY THRESHOLDS, DISCLOSURE REQUIREMENTS AND SHAREHOLDERS' APPROVAL

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets (“NTA”)) are reached or exceeded.

Immediate Announcement

An immediate announcement is required where the interested person transaction is of a value equal to, or more than, 3% of the listed group's latest audited NTA.

Where the aggregate value of all the transactions entered into with the same interested person during the same financial year amounts to 3% or more of the listed group's latest audited NTA, the listed company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.

Shareholders' Approval

Shareholders' approval is required where the interested person transaction is of a value equal to or more than:

- (a) 5% of the listed group's latest audited NTA; or
- (b) 5% of the listed group's latest audited NTA, when aggregated with other transactions entered into with the same interested person during the same financial year.

Based on the latest audited consolidated accounts of SMRT Corporation Ltd (“SMRT” or the “Company”) and its subsidiaries (the “Group”) for the financial year ended 31 March 2004, the consolidated NTA of the Group was S\$417.3 million. In relation to the Company, for the purposes of Chapter 9, in the current financial year and until such time as the consolidated audited accounts of the Group for the financial year ending 31 March 2005 are published, 5% of the latest audited consolidated NTA of the Group would be S\$20.9 million.

However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.

The above requirements for immediate announcement and for shareholders' approval do not apply to any transaction below S\$100,000.

4. EXCEPTIONS

Rule 916 of the Listing Manual provides that the following transactions are not required to comply with Rule 906 of the Listing Manual (which requires a listed company to obtain shareholders' approval for certain interested person transactions):

- (1) The entering into, or renewal of a lease or tenancy of real property of not more than 3 years if the terms are supported by independent valuation.
- (2) Investment in a joint venture with an interested person if:
 - (a) the risks and rewards are in proportion to the equity of each joint venture partner;
 - (b) the listed company confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the listed company and its minority shareholders; and
 - (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.
- (3) The provision of a loan to a joint venture with an interested person if:
 - (a) the loan is extended by all joint venture partners in proportion to their equity and on the same terms;
 - (b) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture; and
 - (c) the listed company confirms by an announcement that its audit committee is of the view that:
 - (i) the provision of the loan is not prejudicial to the interests of the listed company and its minority shareholders; and
 - (ii) the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the listed company and its minority shareholders.
- (4) The award of a contract by way of public tender to an interested person if:
 - (a) the awardee entity at risk announces the following information:
 - (i) the prices of all bids submitted;
 - (ii) an explanation of the basis for selection of the winning bid; and
 - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awardee (or if the awardee is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

4. EXCEPTIONS (CONT'D)

- (5) The receipt of a contract which was awarded by way of public tender, by an interested person if:
- (a) the bidder entity at risk announces the prices of all bids submitted; and
 - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awardee (or if the awardee is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

5. SHAREHOLDERS' MANDATE

Rule 920(1) of the Listing Manual permits a listed company to seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

APPENDIX B

GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. INTRODUCTION AND RATIONALE FOR THE GENERAL MANDATE

It is envisaged that SMRT Corporation Ltd (“SMRT” or the “Company”), its subsidiaries and associated companies (other than (a) subsidiaries and associated companies which are themselves listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) or an approved stock exchange, or (b) associated companies over which the Company and its subsidiaries and/or its interested person(s) have no control) which are considered to be “entities at risk” within the meaning of Chapter 9 of the Listing Manual (“Chapter 9”) of the SGX-ST (the “SMRT Group”) will, in the ordinary course of their businesses, continue to enter into the categories of transactions (the “Interested Person Transactions”) set out in paragraph 5 below with the specified classes of the Company’s interested persons (the “Interested Persons”) set out in paragraph 4 below. Such transactions are likely to occur with some degree of frequency and could arise at any time.

Given that the Interested Person Transactions are expected to be recurrent transactions and may occur at any time, and to allow the SMRT Group to undertake such transactions in a more expeditious manner, the obtaining of a general mandate (the “General Mandate”) pursuant to Chapter 9 will enable the SMRT Group, or any of them, in the ordinary course of their businesses, to enter into the Interested Person Transactions with the Interested Persons, provided that such Interested Person Transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and the minority shareholders of the Company (the “Shareholders”).

2. SCOPE OF THE GENERAL MANDATE

- 2.1 The General Mandate will cover a wide range of transactions arising in the normal course of business operations of the SMRT Group, in particular, those relating to its principal activities of operating the Mass Rapid Transit (“MRT”) and the Bukit Panjang Light Rapid Transit (“LRT”) systems and of providing public bus and taxi services, and its ancillary activities which include providing chartered bus and car rental services and specialist engineering consultancy services.
- 2.2 It is anticipated that the SMRT Group may, from time to time, in the normal course of its business, enter into or participate in joint ventures and similar forms of mutual collaboration or participation, such as joint investments, co-operation arrangements and shareholders’ agreements (collectively, “joint ventures”) and related transactions with the Interested Persons to undertake substantive commitments, or for business efficacy, diversification of risk and mutual benefit, particularly in areas of activities that are complementary to, or offer synergy for, the SMRT Group and its joint venture partners. The General Mandate will not cover any such joint venture with Interested Person(s). Such joint venture with Interested Person(s) which complies with the provisions of Rule 916(2) of the Listing Manual (the details of which are described in Appendix A) is exempted from having Shareholders’ approval. In the event that such transaction does not comply with the provisions of Rule 916(2) of the Listing Manual, the Company will separately seek Shareholders’ approval prior to the entry thereof.
- 2.3 The General Mandate will not cover any transaction arising from (a) the award of a contract by way of public tender by any company in the SMRT Group to an Interested Person, or (b) the receipt of a contract by any company in the SMRT Group which was awarded by way of public tender by an Interested Person, if it complies with the provisions of Rule 916(4) or Rule 916(5) of the Listing Manual (details of which are described in Appendix A), whichever is applicable. Such transaction which complies with the provisions of Rule 916(4) or Rule 916(5), whichever is applicable, of the Listing Manual is exempted from having Shareholders’ approval.

2. SCOPE OF THE GENERAL MANDATE (CONT'D)

- 2.4 The General Mandate will not cover any transaction by a company in the SMRT Group with an Interested Person Transaction that is below S\$100,000 in value, as Chapter 9 provides that any such transaction is to be excluded.
- 2.5 Transactions by the SMRT Group with the Interested Person that do not fall within the ambit of the General Mandate will be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual.

3. BENEFIT TO SHAREHOLDERS

The General Mandate is intended to facilitate the specified categories of transactions in the normal course of business of the SMRT Group which are transacted, from time to time, with the Interested Persons, provided that they are carried out on the SMRT Group's normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

Where the Interested Person Transactions relate to the purchase of products and receipt of services from the Interested Persons, the SMRT Group will benefit from having access, where applicable, to competitive quotes from the Interested Persons, and may also derive savings in terms of cost efficiencies and greater economies of scale. The sale of products and provision of services to the Interested Persons widen the customer base and provide an additional source of revenue for the SMRT Group, provided that such products and services are provided on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

The General Mandate will eliminate the need for the Company to announce, or to convene separate general meetings, from time to time, to seek Shareholders' approval as and when the need to enter a specified category of transaction with the Interested Person arises, thereby substantially reducing the administrative time, inconvenience and expense in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the SMRT Group, and enabling companies within the SMRT Group to expeditiously conclude time-sensitive business arrangements with the Interested Persons.

4. CLASSES OF INTERESTED PERSONS

The General Mandate will apply to the Interested Person Transactions (as described in paragraph 5 below) with the following classes of Interested Persons, namely:-

- (a) Temasek Holdings (Private) Limited ("Temasek"); and
- (b) the associates of Temasek.

5. CATEGORIES OF INTERESTED PERSON TRANSACTIONS

The Interested Person Transactions entered into by the SMRT Group with the Interested Persons (as described in paragraph 4 above) which will be covered by the General Mandate (which will not include transactions in respect of the purchase or sale of assets, undertaking or businesses) are as follows:

- (a) the leasing or rental of premises within the MRT and LRT stations for commercial use;
- (b) the provision of car rental, chartered bus and taxi services;
- (c) the selling of advertisement space;
- (d) the provision or procurement of engineering, repair, servicing and technical services;
- (e) the obtaining, purchase, leasing or rental (as lessor and lessee) of electronic engineering equipment, parts, components, and computer maintenance, software and systems;
- (f) the obtaining or procurement of communications and all other forms of utility services and products; and
- (g) the procurement of insurance.

6. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

- 6.1 In general, the SMRT Group has internal control procedures to ensure that the Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms consistent with the SMRT Group's usual practices and policies, which (in relation to services or products to be provided to an Interested Person) are no more favourable to the Interested Person than those extended to unrelated third parties, or (in relation to services or products to be obtained from an Interested Person) are no less favourable than those extended to the SMRT Group by unrelated third parties.

In particular, the following review procedures will be undertaken:

(a) Provision of Services or Sale of Products

For transactions with Interested Persons which are not subject to Rule 916(5) of the Listing Manual, the review procedures are as follows:

- (i) all contracts entered into or transactions with Interested Persons are to be carried out at the prevailing market rates or prices of the service or product provider within the SMRT Group, on terms which are no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates/prices/ discounts accorded to a class of customers or for bulk purchases or long-term contracts where the giving of such preferential rates/prices/ discounts are commonly practiced within the applicable industry and may be extended to unrelated third parties), or otherwise in accordance with applicable industry norms; and
- (ii) where the prevailing market rates or prices are not available due to the nature of the service to be provided or the product to be sold, the SMRT Group's pricing for such services to be provided or products to be sold to the Interested Persons is determined in accordance with the SMRT Group's usual business practices and pricing policies, consistent with the usual margin to be obtained by the SMRT Group for the same or substantially similar type of contract or transaction with unrelated third parties. In determining the transaction price payable by Interested Persons for such services or products, the senior management of the relevant company of the SMRT Group (who has no interest, direct or indirect, in the transaction) will take into account factors such as, but not limited to, specifications, quantity, volume consumption, customer requirements, duration of contract, and strategic purposes of the transaction.

(b) Obtaining of Services or Purchasing of Products

In general, for the obtaining of services and purchasing of products, the SMRT Group has an internal policy of calling for tenders and awarding the contract to the lowest offer which meets tender specifications in full or very substantially.

For transactions with Interested Persons which are not subject to (i) Rule 916(4) of the Listing Manual and (ii) the SMRT Group's internal policy on tenders (for instance, when there are no unrelated third party vendors of similar products or services or if the product or service is proprietary), the senior management staff of the relevant company in the SMRT Group (who has no interest, direct or indirect, in the transaction) will determine whether the price and terms offered by the Interested Person are in accordance with industry norms, and are fair and reasonable. In determining whether the price and terms offered by the Interested Person are fair and reasonable, factors such as, but not limited to, specification compliance, track record, skill, experience, quality of service and sales support, delivery schedules, financial standing and where applicable, preferential rates, rebates or discounts accorded for bulk purchases, will be taken into account.

6. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS (CONT'D)**(b) Obtaining of Services or Purchasing of Products (cont'd)**

In addition to the review procedures, a threshold limit equivalent to 3% of the latest audited consolidated net tangible assets of the Company for transactions with Interested Persons ("IPT Limit") will be applied to supplement the internal procedures of the SMRT Group to ensure that transactions are undertaken with Interested Persons on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

Where the SMRT Group's individual transaction with an Interested Person exceeds the IPT Limit, such transaction must be approved by the Audit Committee prior to its entry. Where the SMRT Group's individual transaction is equal to or below the IPT Limit and in excess of or equal to S\$100,000, such transaction need not have the prior approval of the Audit Committee, but shall be reviewed on a quarterly basis by the Audit Committee.

- 6.2 A register will be maintained by the Company to record all Interested Person Transactions (and the basis on which they are entered into) which are entered into pursuant to the General Mandate.

The Company shall, on a quarterly basis, report to the Audit Committee on all Interested Person Transactions, and the basis of such transactions, entered into with Interested Persons during the preceding quarter. The Audit Committee shall review such Interested Person Transactions at its quarterly meeting except where such Interested Person Transactions are required under the review procedures to be approved by the Audit Committee prior to the entry thereof.

- 6.3 The Company's annual internal audit plan shall incorporate a review of all Interested Person Transactions, including the established review procedures for the monitoring of such Interested Person Transactions, entered into during the current financial year pursuant to the General Mandate.

The Audit Committee shall, in conjunction with its review of the Interested Person Transactions and the internal audit report, ascertain whether the established review procedures have been complied with. If, during its reviews, the Audit Committee is of the view that the review procedures as stated above are not sufficient or have become inappropriate, in view of changes to the nature of, or the manner in which, the business activities of the SMRT Group are conducted, it will take such actions as it deems appropriate and/or institute additional procedures as necessary to ensure that the Interested Person Transaction will be on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders, and the Company will revert to the Shareholders for a fresh mandate based on new review procedures for the Interested Person Transactions. In such a case, all Interested Person Transactions will be reviewed and approved by the Audit Committee prior to their entry while the fresh mandate is being sought from the Shareholders.

- 6.4 For purposes of the above review and approval process, any director of the Company who is not considered independent for purposes of the General Mandate and/or any Interested Person Transaction will abstain from voting in relation to any respective resolution, and/or abstain from participating in the Audit Committee's decision during its review procedures for the Interested Person Transactions or during its review or approval of any Interested Person Transaction.

7. EXPIRY AND RENEWAL OF THE GENERAL MANDATE

The General Mandate will take effect from the date of receipt of Shareholders' approval, and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the next annual general meeting of the Company ("AGM") and will apply to Interested Person Transactions entered into from the date of receipt of Shareholders' approval. Approval from Shareholders will be sought for the renewal of the General Mandate at each subsequent AGM, subject to review by the Audit Committee of its continued application to the Interested Person Transactions.

If the Audit Committee is of the view that the review procedures under the General Mandate are not sufficient to ensure that the Interested Person Transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh General Mandate from the Shareholders based on new review procedures for Interested Person Transactions.

8. DISCLOSURE

Pursuant to Chapter 9, the Company will disclose in its annual report the aggregate value of the Interested Person Transactions conducted under the General Mandate during the financial year, and in the annual reports for the subsequent financial years during which the General Mandate is in force. In addition, the Company will announce the aggregate value of the Interested Person Transactions conducted pursuant to the General Mandate for the financial periods which it is required to report on (in accordance with Rule 705 of the Listing Manual) within the time required for the announcement of such report. These disclosures will be in the form set out in Rule 705 of the Listing Manual.

PROXY FORM ANNUAL GENERAL MEETING

SMRT CORPORATION LTD (Incorporated in the Republic of Singapore)

Important:

1. For investors who have used their CPF monies to buy SMRT Corporation Ltd shares, the 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 No. _____ of

being a member/members of SMRT Corporation Ltd hereby appoint

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS (NUMBER OF SHARES)

and/or (delete as appropriate)

NAME	ADDRESS	NRIC/PASSPORT NO.	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 Fifth Annual General Meeting of the Company, to be held on Thursday, 15 July 2004 at 2.30 p.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the 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.

NO.	RESOLUTIONS	INDICATE YOUR VOTE FOR OR AGAINST WITH A TICK	
		FOR	AGAINST
ORDINARY BUSINESS			
1)	Adoption of Directors' Report, Audited Financial Statements and Auditors' Report		
2)	Declaration of Final Dividend		
3)	Approval of Directors' Fees		
4.1)	Re-election of Mr Daniel Ee Hock Huat as Director		
4.2)	Re-election of Mr Koh Kheng Siong as Director		
5)	Re-election of Mrs Margaret Lui-Chan Ann Soo as Director		
6)	Re-appointment of KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration		
SPECIAL BUSINESS			
7.1)	Authority to issue shares (Share Issue Mandate)		
7.2)	Authority to offer and grant options and issue shares pursuant to the SMRT Corporation Employee Share Option Plan		
8)	Renewal of General Mandate for Interested Person Transactions		
9)	Any Other Business		

Dated this _____ day of _____ 2004

Total Number of Shares Held: _____

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

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

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Please
Affix
Postage
Stamp

THE COMPANY SECRETARY
SMRT CORPORATION LTD
251 NORTH BRIDGE ROAD
SINGAPORE 179102

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NOTES TO PROXY FORM:

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.

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DIRECTORY OF SUBSIDIARIES AND ASSOCIATED COMPANIES

SMRT Trains Ltd

SMRT International Pte Ltd

SMRT Investments Pte Ltd

RFP Investments Pte Ltd

251 North Bridge Road
Singapore 179102
Telephone: 65 6331 1000
Facsimile: 65 6334 0247
www.smrt.com.sg

SMRT Engineering Pte Ltd

300 Bishan Road
Singapore 579828
Telephone: 65 6554 8000
Facsimile: 65 6453 7645
www.smrt.com.sg

SMRT Light Rail Pte Ltd

1 Woodlands Road
#03-01 Ten Mile Junction
Singapore 677899
Telephone: 65 6893 6456
Facsimile: 65 6762 6732
www.smrt.com.sg

SMRT Road Holdings Ltd

SMRT Buses Ltd

Singapore Shuttle Bus (Pte) Ltd

6 Ang Mo Kio Street 62
Singapore 569140
Telephone: 65 6482 3888
Facsimile: 65 6482 3842
www.smrtbuses.com.sg

SMRT Taxis Pte Ltd

60 Woodlands Industrial Park E4
Singapore 757705
Telephone: 65 6369 0111
Facsimile: 65 6369 3639
www.smrttaxi.com.sg

SMRT Automotive Services Pte Ltd

60 Woodlands Industrial Park E4
Singapore 757705
Telephone: 65 6365 4233
Facsimile: 65 6368 7421
www.smrtautomotive.com.sg

Bus-Plus Services Pte Ltd

6 Ang Mo Kio Street 62
Singapore 569140
Telephone: 65 6482 3888
Facsimile: 65 6482 3842
www.busplus.com.sg

Transit Link Pte Ltd

100 North Bouna Vista Road
#02-01 Bouna Vista MRT Station
Singapore 139345
Telephone: 65 6779 7600
Facsimile: 65 6777 7044
www.transitlink.com.sg

TranSys Pte Ltd

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