

Pushing the Boundaries



SMRT CORPORATION LTD

Annual Report 2005

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

CORE VALUES

- Excellence
- Respect, Responsibility and Recognition
- Commitment to the Public, Shareholders and Employees

| | | | | | |
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Singapore MRT Ltd was established in 1987 to offer Singaporeans an island-wide rail transit network as an alternative means of safe, affordable travel.

Since then, our fundamental mission of providing safe and efficient public transport services has not changed. What has changed is our reach and capacity to offer commuters an enhanced travel and lifestyle experience.

In 2000, SMRT Corporation Ltd (SMRT) was incorporated and listed on the Singapore Exchange (then Singapore Stock Exchange). In 2001, SMRT acquired TIBS Holdings, a key taxi and bus operator. Today, SMRT is Singapore's premier multi-modal transport operator. We remain the dominant player in our nation's rail network and our buses and taxis have a significant presence in Singapore's vibrant transport landscape.

Moving forward, we will push the boundaries in every aspect of our work to offer commuters a superior travel experience and to deliver on stakeholder trust.

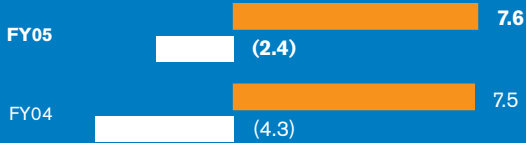
REVENUE (S\$MILLION)
OPERATING PROFITS (S\$MILLION)

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 FY2005 was 1,103,000 (FY2004: 1,070,000).
- ▶ Average fare per passenger in FY2005 was S\$0.909 (FY2004: S\$0.935).

LRT



- ▶ Operates Singapore's first fully-automated Bukit Panjang Light Rapid Transit system from 1999.
- ▶ Network comprises 7.8 kilometres along 14 stations.
- ▶ Average daily ridership in FY2005 was 37,800 (FY2004: 37,500).
- ▶ Average fare per passenger in FY2005 was S\$0.550 (FY2004: S\$0.549).

BUSES



- ▶ Operates a fleet of more than 800 buses from three leased depots and five interchanges.
- ▶ Provides 74 bus services concentrated in the Western and North-Western areas in Singapore.
- ▶ Average daily ridership in FY2005 was 734,000 (FY2004: 723,000).
- ▶ Average fare per passenger in FY2005 was S\$0.673 (FY2004: S\$0.684).

TAXIS



- ▶ Manages and leases a fleet of 3,003 taxis, including Mercedes and London cabs.
- ▶ Provides value-added services to taxi hirers and offers employee driver scheme.
- ▶ Average hired-out rate in FY2005 was 93.5% (FY2004: 91.4%).

RENTAL



- ▶ Leases approximately 23,800 square metres of commercial space at MRT and LRT stations.
- ▶ Average occupancy rate in FY2005 was 95.0% (FY2004: 96.0%).

ADVERTISING



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

ENGINEERING AND OTHER SERVICES



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

FY2005 REVIEW

FY2006

– STRATEGIC DIRECTION AND OUTLOOK

- ▶ Revenue was stable in FY2005 as ridership increase mitigated the impact of lower average fare due to the absorption of Goods & Services Tax (GST) and the expanding rail network.
- ▶ Operating profits increased 3.4% to S\$61.5 million due to improved employee productivity, and repairs and maintenance cost efficiency.

- ▶ Revenue is expected to improve with the fare increase effective in July 2005.

- ▶ Revenue was stable with marginal improvements in ridership and average fare.
- ▶ Operating losses were reduced to S\$2.4m due to lower repairs and maintenance costs.

- ▶ Ridership is expected to improve with developments in the neighbourhood.

- ▶ Revenue was flat compared to FY2004 as ridership growth was offset by the effect of lower average fare, which declined 1.6% as a result of GST absorption.
- ▶ Operating profits declined 22.3% or S\$3.1m to S\$10.8m due to higher diesel costs, which increased by S\$6.2m.

- ▶ Revenue is expected to improve with the fare increase effective in July 2005.

- ▶ Revenue grew by 21.8% or S\$12.6 million as a result of larger hired-out fleet.
- ▶ Operating earnings grew 55.2% to S\$4.5m on higher revenue.

- ▶ Expand taxi fleet beyond 3,003.
- ▶ Revenue and profits are expected to improve with larger taxi fleet.

- ▶ Revenue was unchanged in FY2005. The increase in revenue from the redevelopment of retail space at five MRT stations mitigated the shortfall in revenue due to the loss of shop space to Circle Line, lifts upgrade and renovation works.
- ▶ Operating earnings declined slightly as a result of higher costs arising from refurbishment of the five MRT stations.

- ▶ Revenue is expected to increase with additional revenue contribution from the five MRT stations.
- ▶ Continue to work with relevant authorities to further redevelop and create more shop space at other stations.

- ▶ Revenue was marginally lower due to reduction in advertising space caused by Circle Line construction.
- ▶ Operating profits remained stable.

- ▶ Roll out more creative and innovative forms of advertising media to grow revenue.

- ▶ Revenue showed a decline due to revision of service fee charged to EZ-Link.
- ▶ The change in service fee had no impact on profits as there was also a corresponding reduction of an equivalent amount in operating costs.
- ▶ Operating earnings rose 57.8% to S\$7.1m due to lower operating costs.

- ▶ Seek overseas projects in areas of core competence to enhance profitability.

FINANCIAL HIGHLIGHTS

pg 4

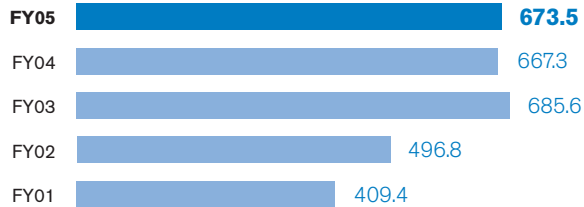
| | 2001 | 2002 | 2003 | 2004 | 2005 |
|--|--------------|--------------|--------------|--------------|--------------|
| Profit & Loss Statement for the year ended 31 March (\$million) | | | | | |
| Revenue | 409.4 | 496.8 | 685.6 | 667.3 | 673.5 |
| Other operating income | 11.8 | 14.0 | 19.9 | 28.8 | 26.4 |
| Staff and related costs | (144.4) | (184.0) | (261.9) | (256.4) | (247.5) |
| Repairs and maintenance costs | (31.6) | (37.9) | (59.0) | (63.3) | (56.9) |
| Electricity and diesel costs | (35.5) | (40.8) | (51.9) | (49.4) | (57.4) |
| Other operating expenses | (36.6) | (51.5) | (89.0) | (101.5) | (107.8) |
| Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) | 173.2 | 196.6 | 243.7 | 225.5 | 230.3 |
| Depreciation and impairment losses of property, plant and equipment | (122.2) | (149.7) | (186.2) | (154.2) | (141.3) |
| Amortisation of asset-related grant | 44.2 | 46.6 | 42.0 | 31.7 | 25.5 |
| Amortisation and impairment losses of goodwill | 0.0 | (1.2) | (3.6) | (3.6) | (21.4) |
| Earnings Before Interest and Tax (EBIT) | 95.2 | 92.3 | 96.0 | 99.3 | 93.0 |
| Finance costs | 0.0 | (6.3) | (20.3) | (15.8) | (14.0) |
| Interest and investment income/(expense) | 49.2 | 2.5 | (0.5) | 3.0 | 5.4 |
| Share of results of associates | (3.5) | (6.3) | (2.6) | (0.3) | (0.3) |
| Profit Before Tax | 140.9 | 82.3 | 72.7 | 86.2 | 84.1 |
| Profit after tax | 102.8 | 56.8 | 72.2 | 90.2 | 126.8 |
| Net Profit (After Minority Interests) Attributable To Shareholders | 102.8 | 56.8 | 72.1 | 89.5 | 126.9 |
| Net Dividends Declared | 52.4 | 32.2 | 36.0 | 53.6 | 78.1* |

* Upon approval of final dividend at the Sixth Annual General Meeting on 14 July 2005.

Summarised Balance Sheet as at 31 March (\$million)

| | | | | | |
|-------------------------|---------|---------|---------|---------|---------|
| Non-current assets | 1,138.7 | 1,466.1 | 1,419.3 | 1,242.1 | 1,203.0 |
| Current assets | 328.9 | 458.8 | 190.6 | 342.7 | 160.8 |
| Current liabilities | 368.0 | 547.4 | 244.6 | 456.0 | 163.7 |
| Net current liabilities | (39.0) | (88.6) | (54.0) | (113.3) | (2.9) |
| Non-current liabilities | 375.6 | 692.4 | 682.9 | 426.2 | 451.2 |
| Shareholders' funds | 381.4 | 387.8 | 427.2 | 480.7 | 553.1 |
| Deferred grant | 342.6 | 295.9 | 253.5 | 219.6 | 193.8 |

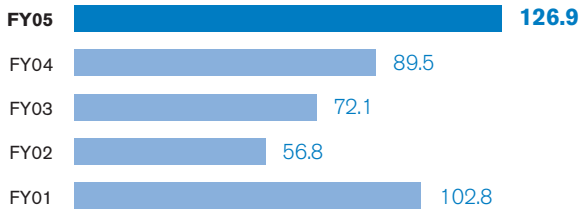
REVENUE (\$MILLION)



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



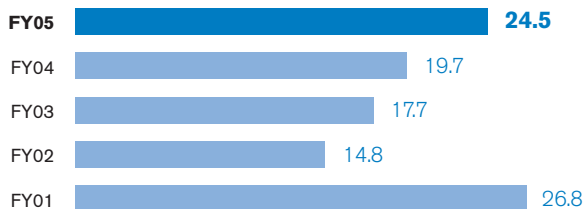
NET PROFIT (AFTER MINORITY INTERESTS) ATTRIBUTABLE TO SHAREHOLDERS (\$MILLION)



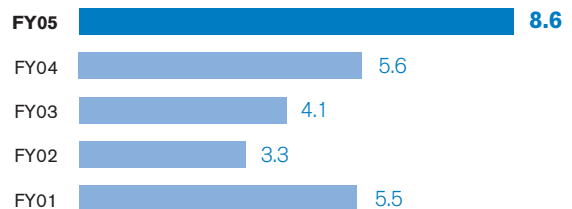
SHAREHOLDERS' FUNDS (\$MILLION)



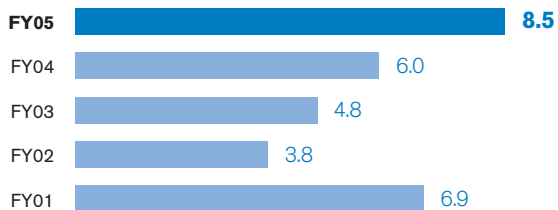
RETURN ON EQUITY (%)



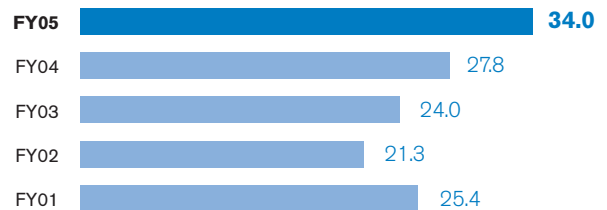
RETURN ON TOTAL ASSETS (%)



EARNINGS PER SHARE (CENTS)



NET TANGIBLE ASSET PER SHARE (CENTS)



| | FY2001 | FY2002 | FY2003 | FY2004 | FY2005 |
|--|------------|------------|-----------|-----------|-----------|
| Financial Indicators | | | | | |
| EBITDA margin (%) | 42.3 | 39.6 | 35.5 | 33.8 | 34.2 |
| EBIT margin (%) | 23.2 | 18.6 | 14.0 | 14.9 | 13.8 |
| Return on equity (%) | 26.8 | 14.8 | 17.7 | 19.7 | 24.5 |
| Return on total assets (%) | 5.5 | 3.3 | 4.1 | 5.6 | 8.6 |
| Net gearing | 0.00 | 0.70 | 0.95 | 0.49 | 0.41 |
| Interest cover (times) | 0.0 | 31.3 | 12.0 | 14.3 | 16.5 |
| Per Share | | | | | |
| Earnings per share (cents) | 6.9 | 3.8 | 4.8 | 6.0 | 8.5 |
| Net asset value per share (cents) | 25.4 | 25.9 | 28.5 | 32.0 | 36.8 |
| Net tangible asset per share (cents) | 25.4 | 21.3 | 24.0 | 27.8 | 34.0 |
| Gross dividend per share (cents) | | | | | |
| – including special dividend | 4.7 | 2.8 | 3.1 | 4.5 | 6.5 |
| Gross dividend per share (cents) | | | | | |
| – excluding special dividend | 3.0 | 2.8 | 3.1 | 4.5 | 6.5 |
| Productivity Data | | | | | |
| Staff strength | 2,987 | 6,102 | 6,194 | 5,975 | 5,775 |
| Employment costs per \$ of revenue (S\$) | 0.35 | 0.37 | 0.38 | 0.38 | 0.37 |
| Economic value-added (S\$million) | 24.1 | 4.7 | 3.4 | 24.6 | 42.2 |
| Economic value-added per employee (S\$) | 8,073.99 | 765.98 | 556.34 | 4,109.12 | 7,312.90 |
| Value-added (S\$million) | 374.4 | 386.1 | 508.9 | 493.0 | 497.0 |
| Value-added per employee (S\$) | 125,337.13 | 93,926.61* | 82,163.22 | 82,507.78 | 86,051.26 |
| Value-added per \$ of employment costs (S\$) | 2.59 | 2.10 | 1.94 | 1.92 | 2.01 |
| Value-added per \$ of gross fixed assets (S\$) | 0.25 | 0.21 | 0.25 | 0.25 | 0.24 |
| Value-added per \$ of revenue (S\$) | 0.91 | 0.78 | 0.74 | 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 2005

28 April 2004

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

15 July 2004

Fifth Annual General Meeting
Extraordinary General Meeting

22 – 23 July 2004

Books Closure Dates (both dates inclusive)

30 July 2004

Announcement of Financial Results for First Quarter Ended 30 June 2004
Media and Analysts Teleconference

3 August 2004

Payment of FY2004 Final Dividend

28 October 2004

Announcement of Financial Results for Second Quarter Ended 30 September 2004
Media and Analysts Briefing

17 – 18 November 2004

Books Closure Dates (both dates inclusive)

26 November 2004

Payment of FY2005 Interim Dividend

28 January 2005

Announcement of Financial Results for Third Quarter Ended 31 December 2004
Media and Analysts Teleconference

FINANCIAL YEAR ENDING 31 MARCH 2006

29 April 2005

Announcement of Audited Full Year Results for Financial Year Ended 31 March 2005
Webcast of Media and Analysts Briefing

14 July 2005

Sixth Annual General Meeting

21 – 22 July 2005

Books Closure Dates (both dates inclusive)

29 July 2005

Announcement of Financial Results for First Quarter Ending 30 June 2005

3 August 2005

Proposed Payment of FY2005 Final Dividend

28 October 2005

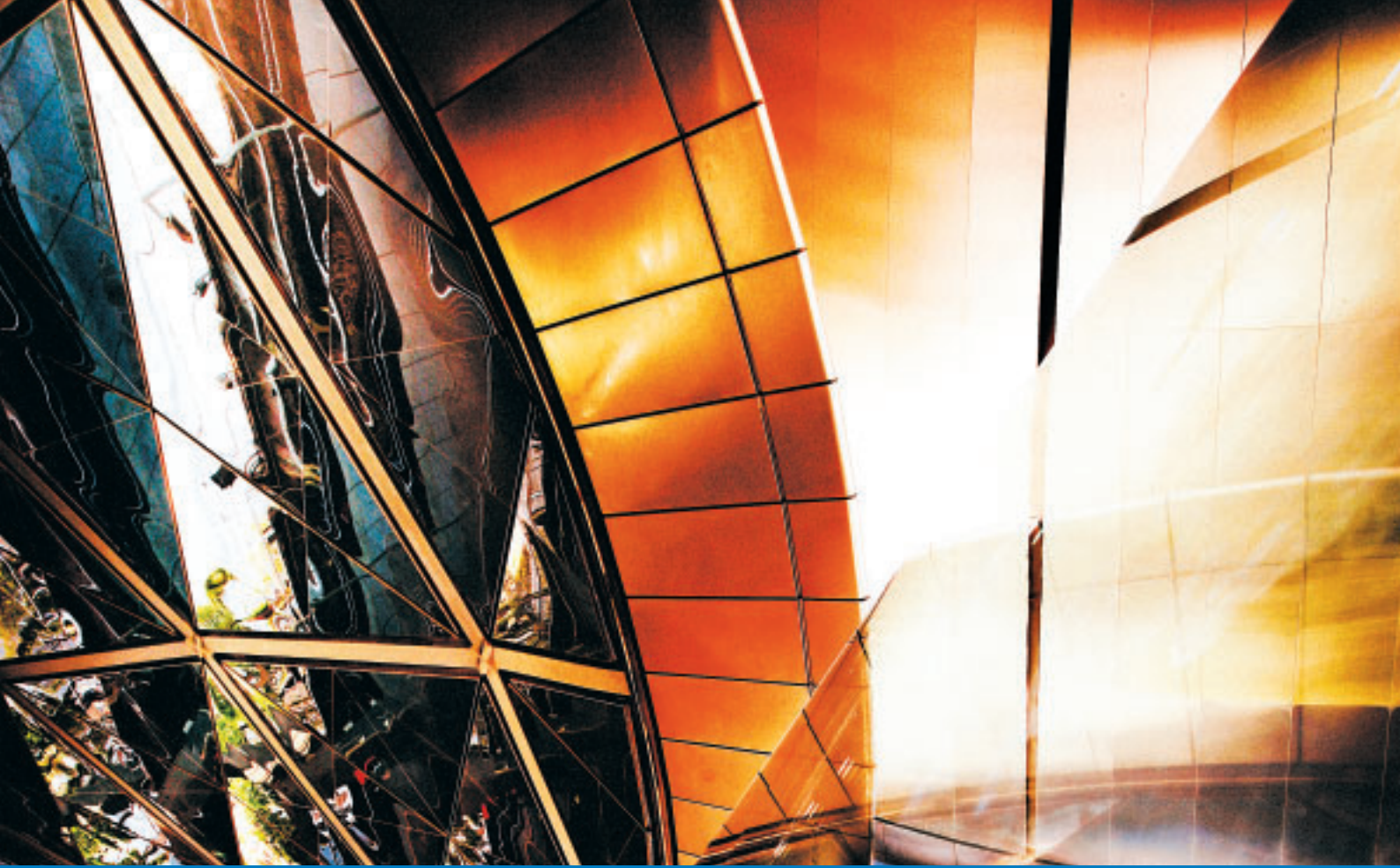
Announcement of Financial Results for Second Quarter Ending 30 September 2005

27 January 2006

Announcement of Financial Results for Third Quarter Ending 31 December 2005

Note:

*The dates after July 2005 are indicative and subject to change.
Please check for updates on the financial calendar at
http://www.smrt.com.sg/investor_relations.htm.*



Enhance



IMPROVING EFFICIENCIES,
POWERING PERFORMANCE

At SMRT, the principles of operational efficiency and technical excellence guide every aspect of our work. Our focus is on safety, reliability and efficiency as demonstrated in our investment in infrastructure, our contingency planning for security threats and disease outbreaks, and our exacting standards in engineering and maintenance. Through these efforts, we hope to enhance service excellence in our primary role as a public transport provider.

LEVERAGING SYNERGIES, DRIVING REVENUE

As Singapore's pioneer rail operator, SMRT has a wealth of experience that can be brought to bear to grow our business. The way ahead lies in growing fare revenue through innovative campaigns and fruitful partnerships that entice more commuters to use our network. By expanding our taxi fleet, maximising the potential of our commercial spaces and transforming our stations into lifestyle hubs, we aim to boost non-fare revenue on home ground. Beyond our shores, we leverage our strong track record in public transport to offer operations and maintenance, and consultancy services that establish a robust, new income stream.

A photograph of two women sitting at a table in a restaurant. The woman on the right, wearing a yellow top, is smiling and looking towards the woman on the left. The table has plates of food and glasses of orange juice. The background is a blurred restaurant interior with warm lighting and curved architectural elements.

Leverage



Brand



BUILDING STRENGTH,
STEERING GROWTH

One vision, one mission, one identity – the SMRT brand is a national symbol and the embodiment of the values we hold dear and the aspirations we strive towards. We have set a unified direction for our integrated organisation and nurtured the values of good governance and corporate responsibility. Through these efforts, SMRT has achieved the brand equity that is truly a source of pride to its stakeholders.



Choo Chiau Beng, CHAIRMAN

Last year, the SMRT Group achieved outstanding growth in all aspects of our operations in a challenging environment of increased business costs and competition. For the year ended 31 March 2005, the Group achieved a strong set of financial results with a 41.8 per cent growth in net profits over the previous year. Strong growth was experienced in our non-fare businesses, in particular our taxi operations. Within the Group, a truly integrated SMRT identity took shape as the vision, mission and core values introduced in the previous year were embraced across our organisation.

Financial Performance

Revenue grew 0.9 per cent in FY2005 to S\$673.5 million due mainly to higher revenue contribution from our expanded taxi fleet. Fare revenue from MRT, LRT and bus operations, which makes up more than 82.3 per cent of Group revenue, was stable although ridership numbers increased. This is because average fares declined as a result of the expanding rail network and SMRT's absorption of GST. However, we managed to rein in manpower costs and keep repair and maintenance expenses in check.

As some of our operating assets have been fully depreciated, charges for depreciation (net of amortisation of asset-related grant) were lower. Through our comprehensive repair and maintenance programme, we were able to extend the operating lifespan of these fully depreciated assets and thus enjoyed lower operating costs. Nonetheless, total operating costs rose 1.7 per cent or S\$10.1 million due to a one-off goodwill impairment loss of S\$21.4 million. This impairment loss was recorded in FY2005 as we decided to proceed

with the early adoption of the new Financial Reporting Standard FRS 103 on goodwill. Excluding the goodwill charges in both years for comparison purposes, total operating expenses would have declined by S\$7.8 million or 1.3 per cent.

I am pleased to report that by staying operationally lean while seizing every opportunity to grow our business, the SMRT Group reported a net profit of S\$126.9 million, a 41.8 per cent increase over the previous year's performance, and S\$24.1 million more than our previous record posted in FY2001 since the Company was listed.

Net profit for FY2005 included a tax write-back of S\$58.3 million, moderated by goodwill impairment losses of S\$21.4 million. FY2004 net profit also included a tax write-back of S\$22.4 million. Excluding the one-off items of goodwill charges and tax write-backs in both years, net profit in FY2005 would have increased by S\$19.3 million or 27.3 per cent.

The Board is recommending a final gross dividend of 5.0 cents per share. Total gross dividends for FY2005, including the interim dividend, amount to 6.5 cents per share or S\$78.1 million (net of tax), the equivalent of 61.6 per cent of Group net profit.

We are heartened that our good set of results gives us an opportunity to recommend higher dividends for our shareholders. These results were achieved through the hard work and commitment of our people during the year.

The Year in Review

SMRT's mission is to provide a safe, efficient and affordable multi-modal transportation system to the commuting public. SMRT has continued to invest in improving our infrastructure and operating assets to further improve safety, efficiency and reliability. We are spending over S\$142.0 million to carry out the mid-life upgrading of our first set of trains that came into operations more than 15 years ago. In view of potential security threats, SMRT has also been working with the authorities to enhance the security in our network.

Through the committed leadership in the organisation, we are able to reap the synergy from the integration of road and rail services and the optimising of SMRT's strengths, competencies and efficiencies. The culture of the organisation has been focused to be a customer-oriented, highly efficient and transparent organisation.

Beyond operational efficiencies, we sought to enhance the travel experience of commuters by making their journeys enjoyable in more ways than one.

For example, we launched Singapore's first nationwide "Ride-for-Free Countdown Promotion", a six-month long campaign to increase patronage and reward commuters for riding our trains and buses.

In February this year, we officially opened Raffles Xchange, the first of our planned series of retail and lifestyle hubs within our MRT network. The redevelopment of shop spaces at Raffles Xchange increased commercial space at the station by 50 per cent, and has improved our rental yields. Raffles Xchange is the first step in our effort to offer commuters a truly seamless travel experience centred on stations and interchanges that are destinations in their own right.

One of the key developments during the year was the expansion of our taxi fleet by 1,000 vehicles following the liberalisation of the industry. Our total fleet size of 3,003 taxis as at the end of FY2005, makes SMRT a stronger player in the market. To reward customers who travel with SMRT Taxis and to boost our drivers' income, we launched a weekly SMRT Taxis "Book & Win" lucky draw promotion between 1 March and 18 July 2005.

Corporate Governance

At SMRT, we seek to raise our standing as a socially responsible company committed to effective corporate governance. With this in mind, we developed a comprehensive ethics policy and communicated to staff during the year. The essence of this policy is captured in a written Code of Business Ethics and Conduct that serves as a moral compass for employees and management in their business decisions and conduct.

Board and Management Developments

Two members of our Board of Directors, Mr Cheah Kean Huat and Mr Victor Loh, will be stepping down at our Annual General Meeting on 14 July 2005. Both Mr Cheah and Mr Loh have served SMRT since April 2000. Mr Cheah sits on the Remuneration Committee while Mr Loh sits on the Audit Committee and the Nominating Committee. We would like to extend our heartfelt thanks to both Directors for their generous service and invaluable contribution over the years.

Prospects for FY2006

On 30 May 2005, the Public Transport Council approved trains and bus fares increases for 2005, which are in line with the new fare review framework that was accepted by the Government in March 2005. The approved fare increases, which take effect from 1 July 2005, are expected to have a positive impact on our MRT, LRT and bus revenue and profits in FY2006.

Moving forward, SMRT is looking to leverage on our considerable experience and expertise to grow revenue through traditional and non-traditional avenues.

In our MRT, LRT and bus operations, we will continue to mount innovative campaigns and promotions to drive up ridership and engage our commuters.

We will claim a larger market share of the taxi business by growing our taxi fleet beyond 3,000 vehicles. To attract more hirers to drive SMRT taxis, we will offer competitive benefits and incentives.

Our non-fare sectors currently contribute more than 30 per cent of our total operating profits. As we move into FY2006, our goal is to raise the profit contribution from the non-fare sectors and build greater value for our shareholders.

In FY2006, Raffles Xchange together with the four other renovated stations at Bukit Batok, Sembawang, Yew Tee and Marsiling are expected to contribute incremental revenue of S\$4.0 million.

Maintaining the momentum of our successful redevelopment of these five stations, we will press on with plans to redevelop more stations in our network. We recently received approval to revamp five more stations, namely Dhoby Ghaut, Pasir Ris, Tampines, Simei and Eunos. We will work with the authorities to further develop and create more space at other stations.

Plans are also in the pipeline to roll out more creative packaging and innovative platforms for advertising so as to grow our advertising revenue.

At the same time, we are always aggressively pursuing overseas projects in areas where our core transport engineering expertise is sought after. We are particularly well placed to participate in commuter transport development projects given our extensive operational and maintenance experience in both automatic and driverless railway systems.

Overall, excluding goodwill impairment losses, SMRT's operating profits are expected to be better than FY2005.

In Conclusion

Our performance in FY2005 has shown that by harnessing the tremendous amount of energy in our people, it is possible to grow our business and achieve a healthy profit within the limitations of our business environment. As a socially responsible organisation and dynamic multi-modal transport company, SMRT will continue to provide our travelling public with safe, reliable, comfortable and affordable transport services whilst delivering value to our shareholders.

I would like to take this opportunity to thank our distinguished Board of Directors for their invaluable contributions and wise counsel, and Phaik Hwa and her team for their commitment, dedication and hard work in achieving SMRT's vision.



Choo Chiau Beng
CHAIRMAN

June 2005



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1 Choo Chiau Beng

CHAIRMAN

Choo Chiau Beng, 57, is the Chairman of SMRT Corporation Ltd. He is also the Chairman and Chief Executive Officer of Keppel Offshore & Marine Ltd, Senior 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, 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 is Singapore's Non-Resident Ambassador to Brazil. Mr Choo was conferred the Public Service Star Award (BBM) in August 2004.

2 Saw Phaik Hwa

PRESIDENT & CHIEF EXECUTIVE OFFICER

Saw Phaik Hwa, 50, 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 group of companies saw her rising through management ranks to her final position.

Ms Saw is a Director of Singapore Tourism Board and Changi Airport Managers And Partners (Singapore) Pte Ltd. She is also a member of the Singapore Management University Board of Trustees. She graduated with an Honours degree in Biochemistry from the University of Singapore. She also attended an Advanced Management Program at the University of Hawaii.



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3 Cheah Kean Huat

Cheah Kean Huat, 52, 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 was 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, 52, is an independent director and chairs SMRT's Audit Committee. He has more than 14 years of experience in investment banking, 10 years in the public sector and was Chief Executive of Standard Chartered Merchant Bank Asia Ltd from 1996 to 1999. Mr Ee also serves on the Board of another listed company, Surface Mount Technology (Holdings) Limited, and is the Chairman of Gas Supply Pte Ltd and a Board Member of the Civil Aviation Authority of Singapore.

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

5 Koh Kheng Siong

Koh Kheng Siong, 57, 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, 66, serves on the Boards of Thakral Corporation Limited and Seksun Corporation 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, 45, is the Managing Director (Strategic Development) at Temasek Holdings (Private) Limited. She has an Accountancy degree from the National University of Singapore. She also sits on the Boards of PSA International Pte Ltd, Singapore Aircraft Leasing Enterprise Pte Ltd, Hazeltree Holdings Pte Ltd and Singapore Cruise Centre Pte Ltd.

8 Niam Chiang Meng

Niam Chiang Meng, 47, is the Permanent Secretary of the Ministry of Community Development, Youth and Sports (MCYS). Before taking up his appointment at MCYS in January 2005, he was the Chief Executive Officer of the Housing and Development Board and also 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.

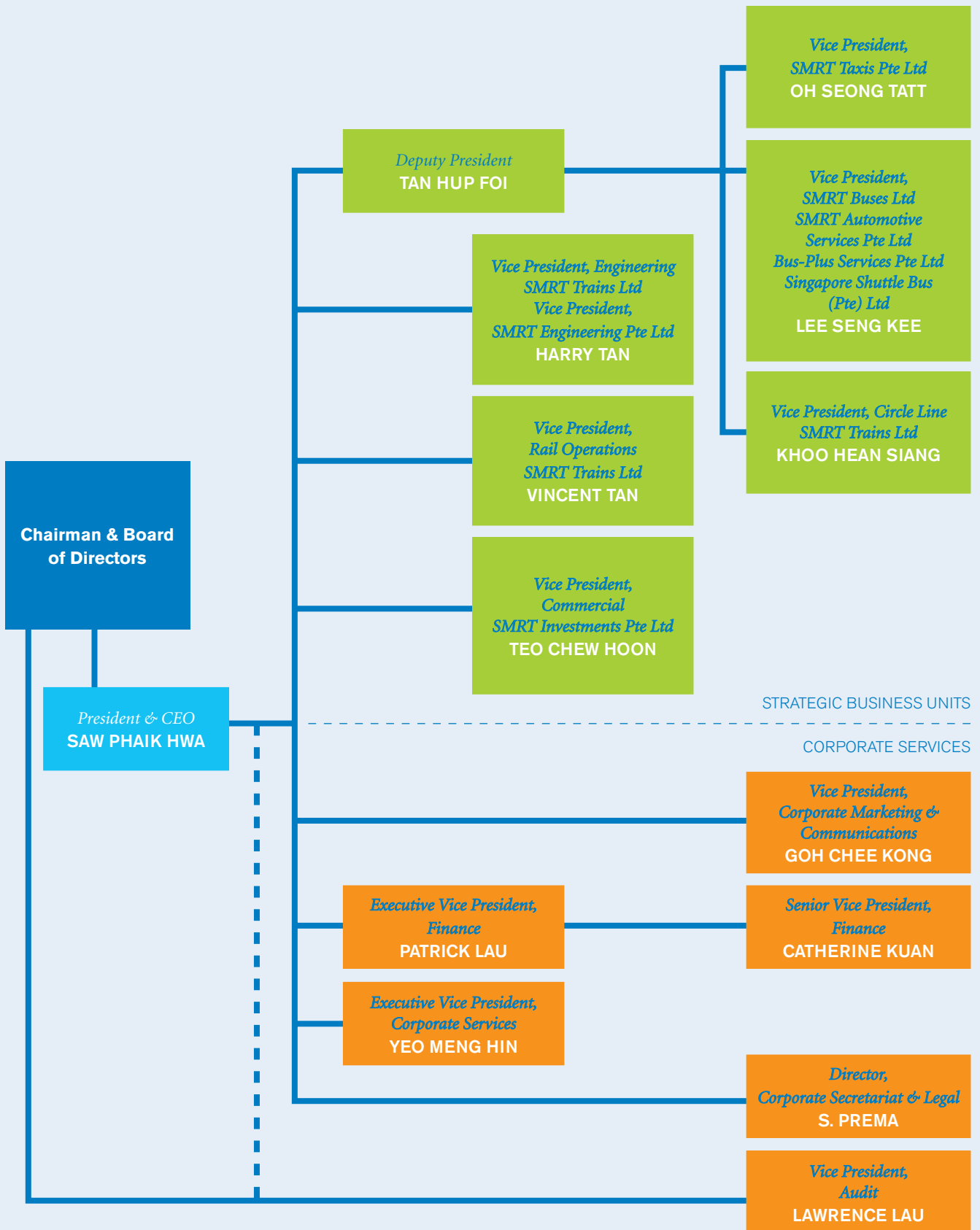
9 Nithiah Nandan s/o Arumugam

Nithiah Nandan, 55, 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 Co-operative and NTUC Media Co-operative and also a Member of the Government Feedback Panel. Mr Nithiah Nandan also served as a Nominated Member of Parliament. He holds a Diploma in Industrial Relations.

10 Engelin Teh Guek Ngor

Engelin Teh, 50, 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, International Women's Forum (Singapore) and the Inter-Pacific Bar Association. Ms Teh has an Honours degree in Law from the University of Singapore.

ORGANISATION STRUCTURE





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1 Saw Phaik Hwa

*PRESIDENT & CHIEF EXECUTIVE OFFICER
SMRT CORPORATION LTD*

Saw Phaik Hwa, 50, 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.

Phaik Hwa has a Bachelor of Science (Hons) in Biochemistry from the University of Singapore and has undergone an advanced management programme at the University of Hawaii.

She is also on the Board of Singapore Tourism Board, Singapore Management University Board of Trustees and a Resource Panel Member for the Government Parliamentary Committee (Transport).

2 Tan Hup Foi

*DEPUTY PRESIDENT
SMRT CORPORATION LTD*

Tan Hup Foi, 55, is the Deputy President of SMRT Corporation Ltd. Mr Tan has extensive knowledge of the Singapore transport industry having held various senior management positions in this industry since graduation some 30 years ago. He 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 UITP, Chairman of Ngee Ann Polytechnic Council, Board Member of the National Environment Agency, 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 University of Singapore. He was awarded a Public Service Medal, Pingkat Bakti Masyarakat, in 1996.



3 Yeo Meng Hin

*EXECUTIVE VICE PRESIDENT, CORPORATE SERVICES
SMRT CORPORATION LTD*

Yeo Meng Hin, 40, 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 Arts (Economics) from the National University of Singapore and a Graduate Diploma in Personnel Management. He is also a Certified Compensation Professional and a Global Remuneration Professional. He is currently the Chairman of the Land and Sea Transport Sector, Singapore National Employers' Federation (SNEF), and is also a Member of the SNEF Industrial Relations Panel.

4 Patrick Lau Li Tah

*EXECUTIVE VICE PRESIDENT, FINANCE
SMRT CORPORATION LTD*

Patrick Lau, 50, is the Executive Vice President of Finance at SMRT Corporation Ltd responsible for the company's financial management and supply chain management. 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.

He graduated with an accounting degree and a Master of Business Administration from the National University of Singapore. He is a Fellow of the Institute of Certified Public Accountants of Singapore, Fellow of CPA Australia, and Associate of the Singapore Association of the Institute of Chartered Secretaries and Administrators.

5 Catherine Kuan-Lee Yee Fong

SENIOR VICE PRESIDENT, FINANCE
SMRT CORPORATION LTD

Catherine Kuan, 53, 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 Fellow of the Institute of Certified Public Accountants of Singapore and a Fellow of CPA Australia.

6 Vincent Tan Peng Hock

VICE PRESIDENT, RAIL OPERATIONS
SMRT TRAINS LTD

Vincent Tan, 50, is the Vice President of Rail Operations at SMRT Trains Ltd. 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 Principle 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.

7 Harry Tan Chuan Huat

VICE PRESIDENT, ENGINEERING
SMRT TRAINS LTD
VICE PRESIDENT
SMRT ENGINEERING PTE LTD

Harry Tan, 54, is the Vice President of Engineering Services at SMRT Trains Ltd. He is also the Vice President of SMRT Engineering Pte Ltd managing the overseas business. Prior to 1996 when he joined SMRT, Mr Tan was with the Republic of Singapore Air Force for 22 years before joining Singapore Aerospace in 1994 as Aircraft Manager. He was awarded the Singapore Armed Forces Commendation Medal (Bronze) in 1982. He obtained a Bachelor of Science (Aeronautical Engineering) Honours degree from the Embry Riddle Aeronautical University in 1986.

8 Khoo Hean Siang

VICE PRESIDENT, CIRCLE LINE PROJECT
SMRT TRAINS LTD

Khoo Hean Siang, 56, is the Vice President of the Circle Line Project and a Director of SMRT Engineering Pte Ltd. 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 a Fellow of the Institute of Signalling Engineers in UK and a member of the Singapore Professional Engineer Board.

9 Oh Seong Tatt

VICE PRESIDENT
SMRT TAXIS PTE LTD

Oh Seong Tatt, 47, 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 taxis business after the merger of SMRT and TIBS in 2001.

Mr Oh graduated with an Honours degree majoring in Mechanical Engineering from the University of Melbourne and holds a Masters in Industrial Engineering from the National University of Singapore.

10 Lee Seng Kee

VICE PRESIDENT
SMRT BUSES LTD, SMRT AUTOMOTIVE SERVICES PTE LTD,
BUS-PLUS SERVICES PTE LTD & SINGAPORE
SHUTTLE BUS (PTE) LTD

Lee Seng Kee, 53, 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 and had served on the Standards Committee in SPRING Singapore (previously known as Productivity Standards Board) for 10 years.

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, 40, 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, 52, is the Vice President of Audit at SMRT Corporation Ltd. He joined the Mass Rapid Transit Corporation as a Manager of Internal Audit in 1984. Prior to that, he had worked in large public accounting firms, both locally and overseas. He was previously 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. He is a fellow Chartered Accountant and a fellow member of the Institute of Internal Auditors, Singapore.

13 Goh Chee Kong

*VICE PRESIDENT, CORPORATE MARKETING & COMMUNICATIONS
SMRT CORPORATION LTD*

Goh Chee Kong, 49, is Vice President, Corporate Marketing and 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.

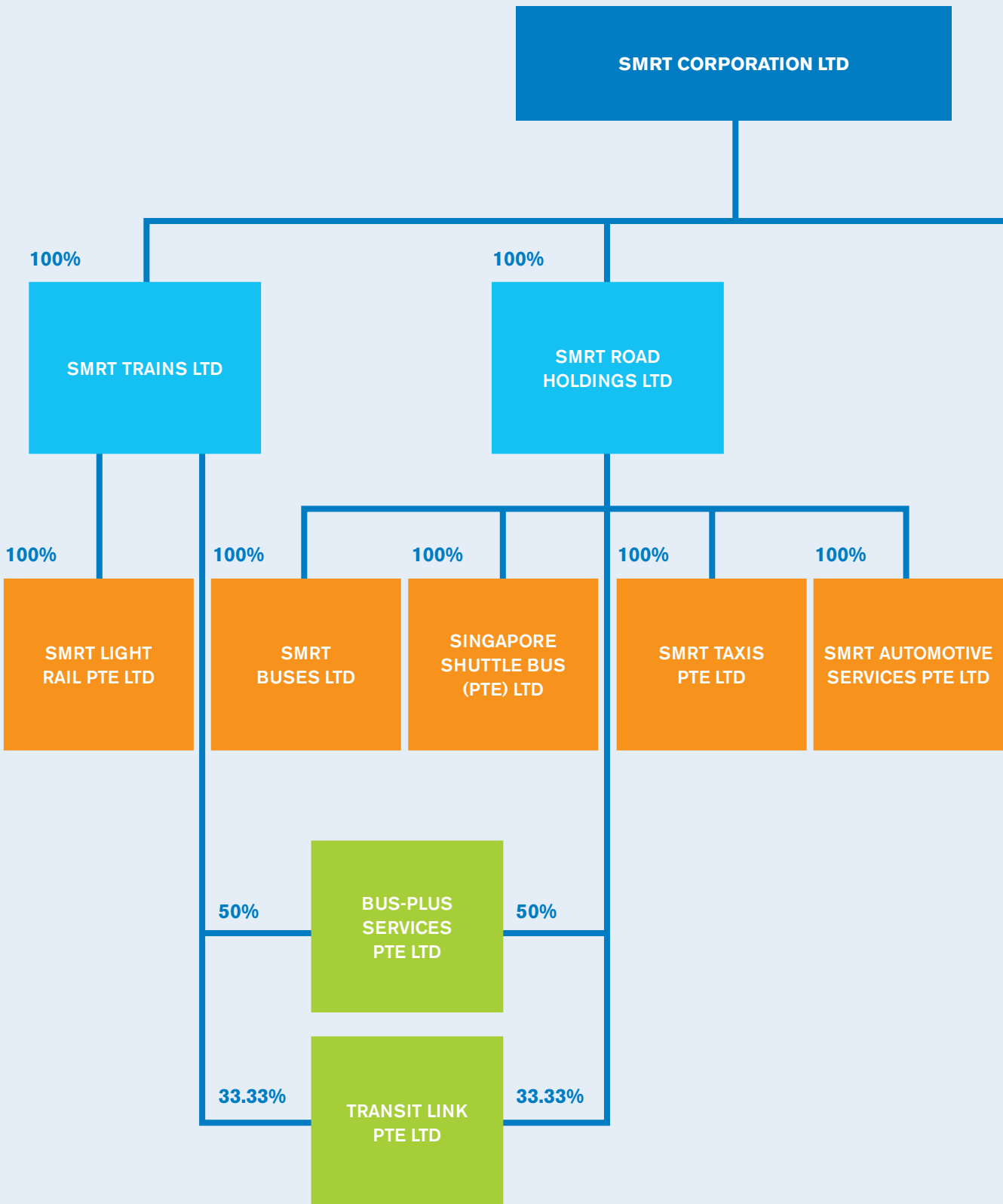
14 S. Prema

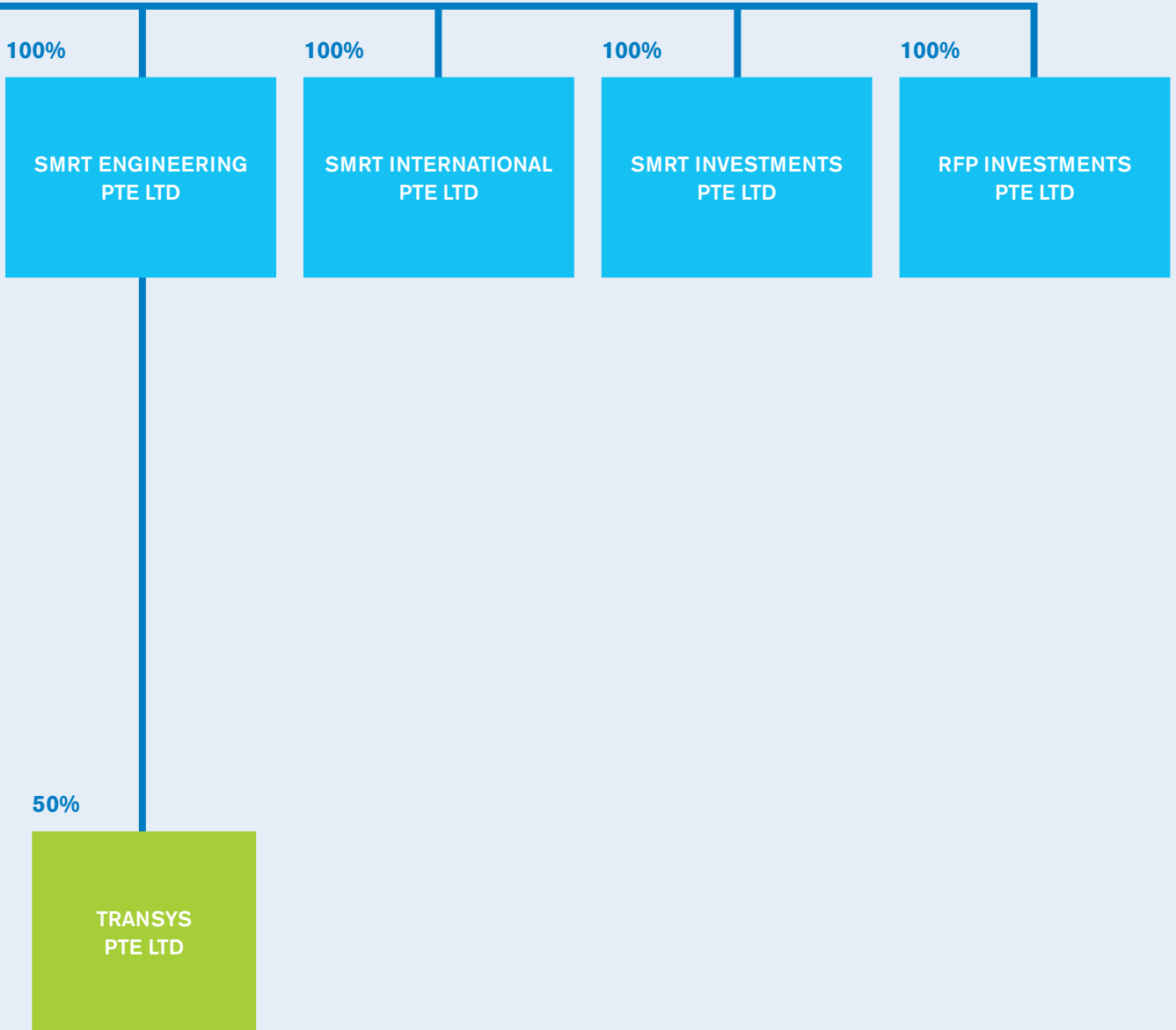
*DIRECTOR, CORPORATE SECRETARIAT & LEGAL
SMRT CORPORATION LTD*

S. Prema, 39, is Director, Corporate Secretariat and Legal of SMRT Corporation Ltd. She is also the Company Secretary for SMRT Corporation Ltd. Prior to this appointment, she was with Singapore Technologies (ST) Kinetics Ltd for 8 years.

Graduated from National University of Singapore with an Honours degree in Law and called to the Bar in 1991, Ms Prema has accumulated more than 13 years of experience in her legal career.

SMRT GROUP STRUCTURE





2004

April

- ▶ SMRT Taxis, the National Trades Union Congress and Singapore Taxi Academy jointly launched the Place & Train Scheme to help job seekers qualify as SMRT cabbies by sponsoring their training under the Skills Redevelopment Programme.
- ▶ SMRT Light Rail enhanced system reliability by completing the improvement works on Bukit Panjang Light Rail Transit's (LRT) Gealoc system.
- ▶ SMRT reported a full-year net profit of S\$89.5 million for FY2004. The Board of Directors recommended a final dividend of 3.2 cents per share. Total dividends, including paid interim dividend, amounted to 4.5 cents per share or S\$53.6 million net of tax.
- ▶ Bukit Panjang LRT welcomed its 60 millionth passenger with celebrations at the station.
- ▶ Some 25 SMRT staff members were awarded the National Trades Union Congress Model Workers Award 2004.

June

- ▶ SMRT deployed uniformed security personnel at its train stations and bus interchanges to strengthen the security of its transport system.
- ▶ "Heartland Alert", a joint rescue and evacuation exercise with the Singapore Civil Defence Force, Singapore Police Force and Singapore Armed Forces, was conducted in Pasir Ris to educate the public on emergency rescue and response.

July

- ▶ SMRT reported net profit of S\$20.1 million for the first quarter ended 30 June 2004.

August

- ▶ SMRT celebrated Singapore's 39th birthday by sending a 64-strong marching contingent to participate at the National Day Parade.

- ▶ SMRT Buses introduced the satellite-based Vehicle Location System for bus services 173, 180, 184, 189, 962 and 964. This system automates fare stage updating, enabling greater accuracy in fare collection.

September

- ▶ SMRT Buses launched Service 950, its first cross-border service between Woodlands Regional Interchange and Johor Bahru, Malaysia.
- ▶ SMRT Taxis introduced peer evaluation among cabbies as a road safety initiative.
- ▶ SMRT won a Singapore Corporate Governance Award 2004. This award recognised our commitment to the establishment of good corporate governance practices.
- ▶ SMRT won the National Arts Council Associate of the Arts Award for its sponsorship and support of performing arts, art carnivals and community art programmes.

October

- ▶ 83 SMRT staff members received awards for service excellence at the Transport Gold Award 2004 organised by the Singapore Kindness Movement.
- ▶ SMRT received the Silver Singapore H.E.A.L.T.H. (Helping Employees Achieve Life-Time Health) Award from the Health Promotion Board for creating a healthy work environment.
- ▶ The Community Chest Award was presented to SMRT for our contributions to the community.
- ▶ SMRT launched the "Ride-for-Free Countdown Promotion" to encourage and reward commuters travelling on SMRT trains and buses. Commuters had their ez-link card numbers automatically entered into 11 fortnightly mini-draws and a Grand Draw.
- ▶ SMRT Buses won the coveted Intelligent Enterprise Asia Award for its Interchange and Depot Dispatching System. This innovative system allows bus operations at interchanges and terminals to be remotely controlled.

2005

- ▶ SMRT posted a net profit of S\$61.2 million for the second quarter ended 30 September 2004. Excluding tax write-back and goodwill impairment, net profit grew 40.7 per cent to S\$30.5 million. The Board of Directors declared an interim gross dividend of 1.5 cents per share.

November

- ▶ Lim Gem Seng, a Senior Service Assistant with SMRT Buses, won the prestigious Superstar Award (Land Transport) at the National Excellent Service Award 2004. Some 560 SMRT employees won honours at the award ceremony.
- ▶ SMRT Taxis promoted safe and considerate driving among cabbies with the accident-free bonus scheme and the accident-free lucky draw scheme.

December

- ▶ Standard & Poor's affirmed SMRT's long-term corporate credit rating at "AAA". The rating reflects a very supportive regulatory and transport policy framework, SMRT's strategic position in Singapore's public transport sector and our robust financial profile.
- ▶ SMRT Taxis and the SMRT Taxi Operators' Association announced the launch of a special hirer diesel relief package to help them cope with the higher operating costs resulting from increasing diesel prices.

January

- ▶ SMRT announced a net profit growth of 25.2 per cent to S\$23.9 million for the third quarter ended 31 December 2004.
- ▶ To provide greater convenience for commuters during the Lunar New Year, SMRT launched its first-ever free shuttle service to the Chinatown area. And for the first time, train and bus services were extended for the four days prior to the eve of Chinese New Year. Nightrider services to Chinatown were also extended during this period.
- ▶ SMRT ranked among the top 200 largest companies in Singapore by turnover in the Singapore 1000 Rankings and Awards 2004/2005 by DP Information Network.
- ▶ SMRT helped raise S\$0.69 million for the Singapore Red Cross Society's Tidal Waves Asia Fund.
- ▶ A S\$500 million multi-currency Medium Term Note programme was established to provide funding for SMRT's capital expenditure in the next few years and for general corporate funding purposes.

February

- ▶ Raffles Xchange, the first of a series of retail and lifestyle hubs developed by SMRT was officially launched to offer commuters a shopping experience seamlessly integrated into the travel system.

March

- ▶ SMRT Taxis launched a five-month "Book and Win Promotion" to reward customers who book SMRT Taxis, and to help its hirers boost their income. Customers stand to win 20 Samsung P730C mobile phones worth S\$1,000 each.
- ▶ SMRT won the 2005 HRM Awards Singapore for Best Change Management in driving innovative company-wide changes to boost employee motivation and business performance.
- ▶ Braddell Station bagged the Best Station of the Year award at the Inter-Station Competition 2004.

The Year in Review

In FY2005, we reached beyond operational efficiency to delight commuters with a superior travel experience that ultimately leads to better shareholder value.

Our plans to maximise the commercial potential of our infrastructure network got off to a resounding start with the launch of the revamped commercial spaces at Raffles Place Station. Renamed Raffles Xchange, the station is now a lifestyle hub bustling with shops, food and beverage outlets, and convenience services.

In our rail operations, we did not waver from our mission of offering safe, reliable travel anchored in technical excellence. From new security measures to a comprehensive project to refurbish our first-generation trains, no effort was spared to maintain our operations at peak performance levels. Benchmarked against the world's best, our rail services continued to earn top honours.

In our taxi operations, we expanded our fleet and grew our market share. New services were added to our bus services even as others were rationalised to improve connectivity. Connectivity is also the buzzword in our work on the upcoming Circle Line. The new generation stations on the Circle Line feature improved design that makes for seamless travel and a vibrant retail mix for commuter convenience.

Moving forward, we strive to push the boundaries in every aspect of our work so as to drive greater growth and deliver on stakeholder trust.



SMRT Trains & SMRT Light Rail

SMRT Trains Ltd

AT SMRT Trains Ltd, we are committed to providing safe, reliable and affordable services to the travelling public every day of the year.

We operate the North South and the East West lines that traverse Singapore's prime financial, commercial, retail and residential corridors. These two rail arteries cover a combined distance of 89.4 kilometres served by 51 stations and serviced by 106 trains. Sound engineering, a strong work ethic and relentless quality control have allowed us to keep faith with our commitment to deliver the best rail services possible year after year.

Benchmarking Against the Best

In keeping with past practice, our operations surpassed the performance standards set by the regulatory authority, Singapore's Land Transport Authority (LTA) in FY2005.

In punctuality, the most basic of the performance indicators, 97.9 per cent of trains arrived within two minutes of schedule, improving last year's achievement of 97.6 per cent and falling well within the LTA's criteria of 94 per cent. Our trains departed within two minutes of schedule in 99.2 per cent of all occasions against the LTA's requirement of 96 per cent. With regard to the availability of train services, our performance pushed the limits to 99.95 per cent, exceeding the LTA's requirement of 98 per cent.

We made definite strides forward in the reliability of our General Ticketing Machines (GTM) and escalators during the year, paving the way for commuters to enjoy a truly seamless travel experience with us. GTM failures for the year stood at 6.8 incidences per 100,000 uses, down 26 per cent over the previous year. The downtime for escalators fell 41 per cent to 21.9 hours per 100,000 hours of use.



BENCHMARKING COMPARISON

SMRT Performance vs Best Performance



In delivering world-class service excellence, we paced ourselves with the best in our business. In the year under review, we benchmarked ourselves against two groups of the world's top metro operators, the Nova group and the CoMET group who represent major metros in key cities around the world such as Berlin, Hong Kong, London, Madrid, Mexico City, Motréal, Moscow, New York, Paris, Sao Paulo, Taipei and Tokyo. Through rigorous benchmarking, the groups hope to establish metro best practices and prioritise areas for improvement.

The results were gratifying, spurring us on to strive for greater things this year. We earned top honours amongst the best in the industry for our train service quality. We topped the entire ranking for punctuality, measured as arrivals within five minutes of schedule. As the best performer in the punctuality category, we were awarded the top score of 100 per cent; the results of other contenders were subsequently expressed as a percentage of our performance. In cost and manpower efficiencies, we powered our way to finish a close second at 96.4 and 95.5 per cent respectively. In safety performance, determined by the number of accident-related fatalities per billion passenger trips, we ranked third with a score of 97.9 per cent.

A culture of service excellence is palpable in our MRT stations and among our staff. Braddell Station was named the Best Station of the Year in our annual Inter-Station Competition for FY2005. Braddell's overall ratings, which were based on internal and external surveys as well as commuter compliments and complaints, improved 4.3 per cent over last year's winning score. Kembangan Station made its mark as the year's Most Improved Station.

Changi Airport Station clinched the Gold award while Aljunied, Bedok and Dhoby Ghaut stations took home Silver awards. Bronze awards were given out to Dover, Novena, Orchard, Sembawang, Yio Chu Kang and Yishun MRT stations.



Enjoying the Ride

Moving beyond providing safe, efficient transport services, SMRT is determined to delight commuters and where possible, inject an element of fun to the transit experience. In so doing, we have encouraged more travel on the MRT and ultimately increased fare revenue.

The operating hours of train and bus services to Chinatown were extended in the five days leading up to the Lunar New Year 2005. This allowed commuters to enjoy the ease of integrated travel during the busy festive period.

In October 2004, SMRT launched the "Ride-for-Free Countdown Promotion" to reward loyal commuters who choose to travel with SMRT. For every adult-fare trip made using ez-link cards, commuters on SMRT trains, Bukit Panjang light rail and SMRT buses qualified for a lucky draw. Prizes included 88 fortnightly prizes of free travel on SMRT trains and buses for 88 days, eight consolation prizes of free rides on SMRT trains and buses for one year and a brand-new Nissan March for the Grand Prize winner.

The promotion reached out to 4 million people through our trains and buses, enhancing SMRT's image as a vibrant brand and a strong national symbol.

Reinforcing Security

In recent years, acts of terror worldwide have reminded us that we cannot take our safety and security for granted here in Singapore. For public transport providers, the Madrid train bombings of March 2004 were a particular case in point.

In April 2004, the Ministry of Transport set up a high level Public Transport Security Committee to review the security of Singapore's public transport system. The Committee endorsed existing security features adopted by SMRT such as tightened access to vital installations and the use of Closed Circuit TV (CCTV) to monitor the MRT and LRT network.





Acknowledging the role of the community in the fight against terrorism, SMRT together with LTA launched a campaign in April 2004 to educate commuters on security issues in public transport. Posters urging commuters to report suspicious articles were placed in train stations and bus interchanges. We also started making hourly security announcements over the public address system at train stations and in the trains.

Public response has been encouraging. Vigilant commuters make an average of 20 reports a month about unattended articles or suspicious behaviour, compared to an average of one report a month in the past.

“Heartland Alert” a joint rescue and evacuation emergency exercise held at Pasir Ris Station further underlined the role of the community in homeland security. Held in June 2004, the exercise, jointly organised by the Singapore Civil Defence Force, the Singapore Police Force and the Singapore Armed Forces, saw 1,000 Pasir Ris residents taking part in the simulated terror attack on the trains and in the stations.

Deterrence is another building block for security. To this end, SMRT deployed uniformed personnel at MRT and LRT stations and bus interchanges with effect from June 2004. Easily identified by their “Transit Security” vests, these security personnel perform patrols and are empowered through the Rapid Transit System Regulations to conduct random bag and parcel checks. Above all, their presence serves as a visible deterrent against any possible terror attacks.

Commuter Safety

Commuter safety at the above ground MRT and LRT stations became the focus of public discussion during the year with a spate of incidents at MRT station platforms or on the train tracks.

Several measures were suggested by the public to address these incidents including educating commuters on personal safety and installing physical safety barriers. SMRT believes that commuter safety is a shared responsibility and accordingly, has stepped up public education programmes on personal safety. Regular announcements repeatedly exhort commuters to stay behind the yellow line until the train comes to a complete halt. Penalties for safety violations such as crossing the yellow line or going on to the tracks are strictly enforced.

However, SMRT has opted to refrain from adding physical safety barriers such as platform screen doors to above ground stations. To do so would strain public transport costs unnecessarily while not directly addressing the root of the problem. An analysis of past safety violations revealed that 87 per cent of some 220 incidents in the last 13 years were non-accidental acts such as suicides or commuters jumping on the tracks to retrieve personal items or to take short cuts, resulting in eight fatalities. Existing features to ensure commuter safety such as the emergency train stop plunger buttons are already in place. SMRT together with the LTA will continue to work to enhance commuter safety on its elevated platforms.

SMRT Light Rail Pte Ltd

SMRT Light Rail Pte Ltd operates the Bukit Panjang LRT System (BPLRT), Singapore's first fully automated light rail system. Linked to Choa Chu Kang MRT station, BPLRT serves the residents of Bukit Panjang and its surroundings through its network of 14 stations linking 7.8 kilometres of elevated guideways.

During the year, we focused our efforts on raising performance levels in operations and customer service so as to build better rapport with the communities we serve.

Two key projects essential to the smooth running of BPLRT were successfully completed in April 2004. Firstly, our operating units were fully integrated with those of SMRT Trains leading to greater efficiency and better problem solving capabilities. Secondly, improvements to the Gealoc system, which tracks and controls train movements, were fully implemented. These initiatives helped BPLRT achieve a level of service availability that averaged 99.88 per cent, improving on the 99.7 per cent requirement set by the LTA.

Four and a half years after the start of operations in November 1999, BPLRT marked the arrival of its 60 millionth passenger with a simple but meaningful celebration that engaged the whole community. The lucky commuter, Mr Maran, a resident of Jelapang on the LRT network, was surprised with gifts of limited edition ez-link cards, while young residents captured the LRT on canvas through an art competition based on the theme, "I love Bukit Panjang LRT".

In another development, we managed to revive an ailing service and inject new life into a regional centre through our close cooperation with other stakeholders in the Bukit Panjang area. After years of languishing in the doldrums, Ten Mile Junction, a shopping centre served by our network, secured a local supermarket as its new anchor tenant. BPLRT worked closely with the management of the supermarket to promote BPLRT's Service C as a convenient feeder service to the shopping centre. Posters and advertisements about the service were strategically placed at our stations and on the trains. Together with adjustments to the headway of Service C, these efforts led to robust growth in ridership.

Encouraged by our experience at Ten Mile Junction, we are committed to working with shopping centres and communities in Bukit Panjang and Choa Chu Kang to make BPLRT the feeder service of choice for residents.

Engineering Division

The smooth running of SMRT services is anchored in the strength of its engineering division. In FY2005, the engineering division introduced new and better features to the SMRT network and launched extensive upgrades of existing systems and hardware.

In a comprehensive mid-life refurbishment exercise, 66 trains by Kawasaki Heavy Industries will be given face-lifts and equipment upgrades as well as service, operational and safety improvements. These first generation trains have been in operation since 1987 and are mid-way through their life cycles. The overhaul, valued at S\$142 million, is expected to result in more comfortable, accessible and aesthetic interiors with customer-friendly features. Embarking on the overhaul of all 66 trains as a single project, yields cost savings of S\$54 million compared to carrying out the repairs separately and independently.





A five-year programme to upgrade the air conditioning in 15 underground stations was completed in December 2004. The new air conditioning systems, which have a larger capacity and better energy efficiencies, completely replace the original equipment installed when the SMRT network was first established in 1987. The new system also allows temperature to be set lower for the comfort of our commuters.

Pressing ahead with efforts to maintain the reliability of our hardware, a total of 31 escalators were thoroughly overhauled and successfully put back into operation in 2004. Staff from the Engineering Division will overhaul another 36 escalators in 2005.

Similarly, the CCTV system in all MRT and LRT stations, at our depots and the Operations Control Centre was upgraded during the financial year. The new equipment incorporates the latest digital video surveillance transmission standards with recording facilities. The upgraded CCTVs will help us investigate accidents and address security concerns at the stations.

To improve ambience and enhance security, new lights were added at strategic locations within MRT stations. At the same time, energy-efficient and brighter High-Shine lights were introduced, replacing the old lights.

A stable power source is vital to SMRT's operations. During the year, new uninterruptible power supply (UPS) units were introduced to support essential equipment in all MRT stations. Down at the tracks, on-going work to replace the slide plates on switch rails with Schwihag Integrated Roller Plates was completed in July 2004. These new plates reduce point failures and eliminate the need for manual greasing, leading to better productivity.

The year in review saw the completion of a two-year project to grind 205 sections of curve track to form new rail-head profiles. In the process, it was determined that 164 sections of curve track would require grinding at eight monthly intervals, as against six months previously, significantly easing the demand for grinding operations. Rail surface flaws have also been reduced, lowering the need for rail replacement by 20 per cent.

In the year ahead, we plan to replace major components of the pneumatic systems in 15 underground stations. These systems provide air supply to the Platform Screen Doors whose smooth functioning is critical to the swift movement of passengers on and off trains.

All these efforts are part of an approach to preventive maintenance centred on the cost-effective upkeep of operating assets that are safe, reliable and available for use at all times.

Moving Ahead with the Circle Line

Looking ahead, SMRT is poised to bring its considerable experience and depth of expertise to bear on the Circle Line, which is due for full completion in 2010.

The 33-km long Circle line, as its name implies, will be an orbital circuit linking all existing MRT lines to the city and allowing for shorter inter-suburban linkages. Since August 2001 when SMRT was awarded the licence to operate the Circle Line, we have been working closely with the LTA to ensure the system will be user-friendly and cost-efficient. To this end, we have incorporated the latest software and technology into the maintenance and operations of the line.

We have given the LTA valuable input on the design of the 26 stations within the Circle Line, highlighting the desirability of better connectivity and commuter-friendly facilities. These ideas have been crystallised in the design of the stations earmarked for commercial development such as Buona Vista, Holland, Convention Centre and Boulevard where the new National Stadium will be located.

These new generation stations will feature retail spaces designed for commuter convenience. They will also boast better connectivity through improved walkway design. All station spaces have also been constructed to be practical and easy to maintain so as not to increase long-term running costs.

Refining Our Product

In FY2005, the SMRT Circle Line Project team together with the LTA enabled over 100 operational improvements valued at S\$8.8 million to be incorporated into the original design for the Circle Line. These improvements were based on 8,400 Design Review Requests vetted by the team.

These varied improvements significantly enhance the system in ways that are not quantifiable by cost alone. One such example is the move to optimise the positioning of CCTVs inside trains to maximise security coverage for commuters.

A Project Quality Management System that was put in place over the past year provides the framework for these improvements to the proposed Circle Line. It also gives us the visibility and flexibility we need to respond to changes in project schedule.

Training the Trainers

In training, we successfully completed more than 700 training man-days during the year. Our focus is on technical training and the soft skills development of key staff identified as future trainers to subsequent batches of trainees and recruits.

In the next financial year, the Project Team is expected to move into the initial phase of overall system testing for the Circle Line. These activities will include the installation of various sub-systems within the local network in collaboration with the LTA and its contractors. Experienced staff will also verify the system performance as part of the Factory Acceptance Test conducted overseas.

While the Nicoll Highway incident has delayed progress in some parts of the network, the pace of progress on the rest of the Circle Line is uninterrupted. SMRT looks forward to running the Circle Line when it is completed by 2010.

MRT KEY OPERATING DATA

pg 38

The table below shows passenger and other selected operating data of the MRT System for the financial years ended 31 March:

| | YEAR ENDED 31 MARCH | | | | | |
|--|---------------------|---------|---------|---------|---------|---------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Route length at period end (kilometres) | 83.0 | 84.94 | 89.4 | 89.4 | 89.4 | 89.4 |
| Total number of passengers (millions) | 367.19 | 387.39 | 389.66 | 394.25 | 391.46 | 402.59 |
| Growth in passenger numbers (%) | 6.02 | 5.50 | 0.59 | 1.18 | (0.71) | 2.84 |
| Car kilometres operated (millions) | 74.1 | 75.3 | 81.38 | 89.62 | 77.39 | 75.11 |
| Growth in car kilometres operated (%) | 0.82 | 1.61 | 8.07 | 10.13 | (13.64) | (2.96) |
| Average number of weekday passengers (thousands) | 1,042.0 | 1,108.0 | 1,125.0 | 1,139.3 | 1,131.4 | 1,171.9 |
| Growth in weekday passenger (%) | 5.57 | 6.33 | 1.53 | 1.27 | (0.69) | 3.58 |
| Aggregate passenger distance travelled per year (million kilometres) | 4,687.0 | 4,935.0 | 4,963.0 | 4,988.9 | 4,861.3 | 4,928.3 |
| Growth in passenger distance (%) | 6.31 | 5.29 | 0.57 | 0.52 | (2.56) | 1.38 |
| Average operating car occupancy (persons) | 63.0 | 65.5 | 60.98 | 55.7 | 63.2 | 65.6 |
| Growth in operating car occupancy (%) | 5.00 | 3.97 | (6.90) | (8.66) | 13.46 | 3.79 |
| Selected operating ratios | S\$ | S\$ | S\$ | S\$ | S\$ | S\$ |
| Amounts per passenger carried | | | | | | |
| – Railway cash operating costs ^(a) | 0.55 | 0.58 | 0.59 | 0.64 | 0.61 | 0.60 |
| – Railway EBITDA ^(b) | 0.44 | 0.46 | 0.45 | 0.39 | 0.38 | 0.36 |
| Amounts per car km operated | | | | | | |
| – Railway cash operating costs ^(a) | 2.72 | 3.00 | 2.84 | 2.80 | 3.08 | 3.22 |
| – Railway EBITDA ^(b) | 2.19 | 2.37 | 2.17 | 1.73 | 1.90 | 1.95 |

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%



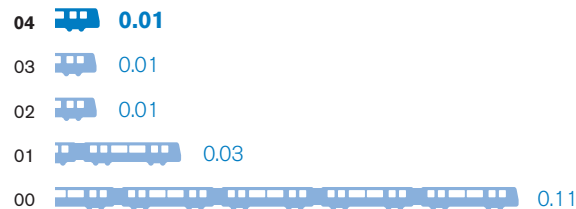
TRAIN SIGNALLING SYSTEM

No more than 1 failure per 1,500 station stops



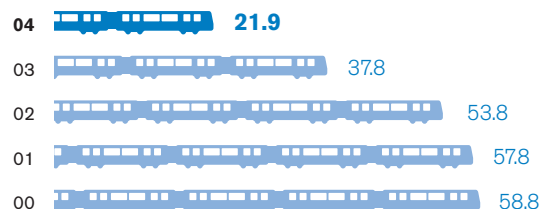
CUSTOMER INJURY RATE *

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



ESCALATORS

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



GENERAL TICKETING MACHINES **

No more than 10 failures per 100,000 uses



TICKET GATES

No more than 5 failures per 100,000 uses



* 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 rate for 2000 given above, has 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.

** The Ticket Vending Machines were replaced by General Ticketing Machines in October 2002.

SMRT RAIL NETWORK



FOLD AND JOIN THE MAP





As construction works for the Circle Line are on-going, the schematic line-profile and station names are subject to confirmation.



SMRT Buses

New Services, Better Routes

SMRT Buses play a vital role in Singapore's public transport landscape. We serve commuters from all walks of life through our fleet of more than 800 buses plying 74 routes including 47 trunk services, 19 feeder and intra-town services, seven night services and a City Shuttle Service.

During FY2005, we kept pace with developments in the communities we serve by introducing new bus services, revising and improving some services and phasing out others.

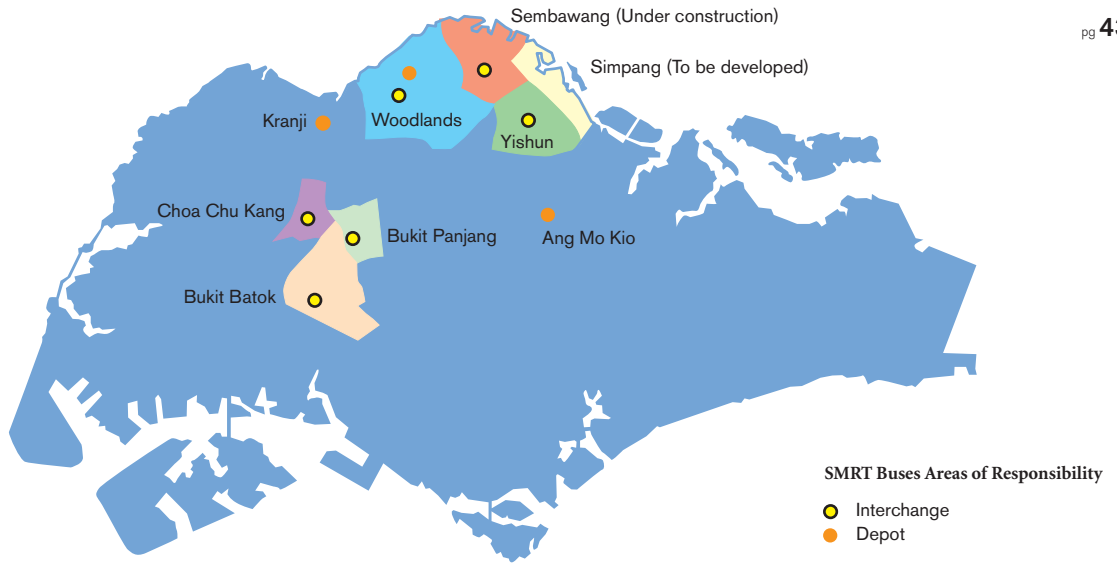
We broke new ground with the launch of our very first cross-border service, Service 950, between Woodlands Regional Interchange and Kotaraya II Terminal in Johor Bahru, Malaysia in September 2004. Accessible from Woodlands Regional Interchange and Marsiling Station, Service 950 ushers in a new era of seamless travel across the Causeway.

In our regional towns, we actively participated in the facilities coordination committees responsible for the development of Woodlands-Sembawang-Yishun and Choa Chu Kang-Bukit Panjang. Our involvement led to an on-going dialogue on transportation issues with grassroots and town council representatives.



Service 804 in the Yishun area was modified to run along the newly completed Yishun Street 41 in April 2004. This amended route makes a full-day bus service available to students from Northbrooks Secondary School.

During the year, we took the decision to curtail the weekday operations of NightRider Services NR1, NR5 and NR7 as demand between Sunday and Thursday has been persistently weak. This allowed us to effectively divert our resources towards our regular services.



Changes were also made to Service 175 which was renamed Service 975. The service now turns around at Bukit Panjang Interchange rather than at Upper Bukit Timah Road.

In the run-up to Lunar New Year 2005, SMRT Buses launched a free shuttle bus service to Chinatown for the very first time. Plying between Tanjong Pagar MRT Station, Raffles Place MRT Station and Chinatown, the hassle-free service allowed commuters to soak up the downtown festive spirit.



During the year, commuters continued to encourage us in our efforts to serve them better. Our commendation rate stood at 3.6 per million passenger rides while the complaint rate dipped by 25 per cent to 2.8 per million passenger rides.

This strong performance was largely due to the hard work of our award-winning crew. During the year, 30 of our bus operations staff and service captains received the Transport Gold Award for exemplary service. At the National Excellent Service Award 2004, 212 bus operations staff and service captains received Star, Gold and Silver awards. The highest honour was reserved for Senior Service Assistant Lim Gem Seng who took home the prestigious Superstar Award for Land Transport Service Industries.

Optimising Our Resources

During the year, we continued to improve our operations by introducing better technology and maximising the use of existing resources.

The Interchange and Depot Dispatching System was enhanced to allow bus operations at interchanges and terminals to be remotely controlled from a computer workstation at a separate location. This system, for which we clinched an Intelligent Enterprise Asia Award, harnesses information technology to improve business processes and optimise resource usage.

Our Integrated Bus Operating System (IBOS), a fleet management system, approached its final phase of development. Implementation is scheduled for the second half of 2005.

There has been no let-up in our efforts to better manage the fare system onboard our buses. During the year, we refined the fare updating function in the Enhanced Integrated Fare System used on our buses. Fare stages, which measure the distance a bus travels, are now automatically updated. Bus fares are now more accurately deducted while the fare administration duties of service captains are simplified.

Bus Key Operating Data

The table below shows passenger and other selected operating data of the basic bus services for the financial years ended 31 March:

| | YEAR ENDED 31 MARCH | | | | |
|---|---------------------|---------|---------|---------|---------|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| Route length at period end (kilometres) | 2189.8 | 2393.6 | 2503.1 | 2463.5 | 2479.8 |
| Total number of passengers (millions) | 272.26 | 290.85 | 278.16 | 264.70 | 268.93 |
| Growth in passenger numbers (%) | – | 6.83 | (4.37) | (4.84) | 1.60 |
| Bus kilometres operated (millions) | 63.6 | 77.2 | 79.9 | 79.3 | 78.4 |
| Growth in bus kilometres operated (%) | – | 21.33 | 3.49 | (0.68) | (1.16) |
| Aggregate passenger distance travelled per year (million kilometres) | 1,706.4 | 1,796.7 | 1,689.4 | 1,591.0 | 1,613.0 |
| Growth in passenger distance (%) | – | 5.29 | (5.97) | (5.83) | 1.38 |
| Load factor ^(a) (%) | 29.0 | 25.2 | 22.1 | 22.6 | 22.8 |
| Growth in load factor (%) | – | (12.82) | (12.30) | 2.02 | 1.16 |
| Selected operating ratios | S\$ | S\$ | S\$ | S\$ | S\$ |
| Amounts per passenger carried | | | | | |
| – Bus cash operating costs ^(b) | 0.43 | 0.45 | 0.51 | 0.53 | 0.53 |
| – Bus EBITDA ^(c) | 0.13 | 0.12 | 0.14 | 0.16 | 0.14 |
| Amounts per bus km operated | | | | | |
| – Bus cash operating costs ^(b) | 1.83 | 1.69 | 1.77 | 1.76 | 1.83 |
| – Bus EBITDA ^(c) | 0.54 | 0.45 | 0.48 | 0.53 | 0.47 |

Notes:

(a) As different vehicle types have different capacities, the average occupancy rate of the buses is expressed as load factors.

(b) Bus cash operating costs refer to operating costs of the buses excluding depreciation and amortisation.

(c) Bus EBITDA means earnings before interest, tax, depreciation and amortisation of the buses excluding interest and investment income.



SMRT Taxis

In FY2005, SMRT Taxis embarked on a multi-pronged approach to grow our business by expanding our fleet, stepping up recruitment and investing in training, welfare and technology.

We started the year by reaffirming our place as part of the SMRT family. Marking the start of a new chapter in our history, our taxis, which were formerly known as TIBS Taxis, were given a new identity with a brand new SMRT logo. This rebranding exercise was completed in April 2005.

Expanding Our Fleet

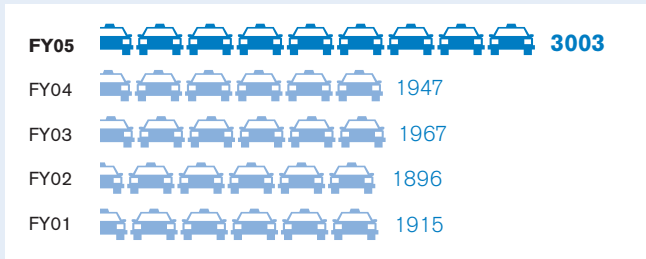
The liberalisation of the taxi industry in June 2004 set the stage for us to boldly expand our fleet size, thus strengthening our position in the marketplace. During the year, we enlarged our fleet size by 1,000 taxis. With a total fleet of 3,003 taxis, SMRT Taxis' market share of the taxi business in Singapore now stands at 14 per cent, up from 10 per cent previously. In FY2006, we will continue to grow our taxi fleet and offer competitive benefits and incentives to hirers.

As a people developer, we invested heavily in training and development during the year. In April 2004, SMRT Taxis partnered the National Trades Union Congress, Workforce Development Agency and Singapore Taxi Academy to launch the SMRT Taxis Place & Train Scheme. A first for a taxi company, the scheme provides for unemployed Singaporeans to be placed and trained as taxi drivers. This scheme ensures a supply of properly trained taxi drivers while offering the unemployed a second chance at a fulfilling career.

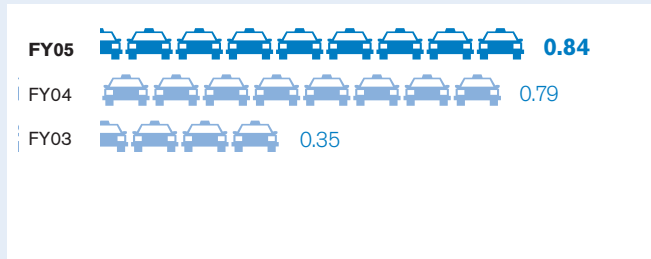
To bolster the ranks of our taxi drivers, we launched 10 recruitment road shows at various locations during the year. Enticing promotional packages were offered at the road shows and not surprisingly, the response was overwhelming.



TAXI FLEET



COMMENDATIONS PER 100,000 KM



CUSTOMER SATISFACTION

No more than 0.02 offence per 100,000 km



SAFETY: FIRST INSPECTION PASSING RATE

At least 95%



Ensuring Smooth Rides

Acknowledging the tough market conditions, SMRT Taxicab introduced several initiatives to help drivers defray costs. These initiatives included a free start-up kit for new drivers, free windscreen replacement and a diesel relief package. More benefits were also extended to drivers including free membership to SMRT Sports and Recreation Club.

During the year, we continued to invest in new technologies to raise the standard of our service. In August 2004, our taxis were fitted with a new taximeter that was designed to be user-friendly for both driver and passenger. As of March 2005, our new taxis featured touch-screen colour terminals that allow cabbies to accept taxi bookings with greater ease.

Supporting the move towards more environmentally-friendly vehicles, SMRT Taxicab introduced CDI Mercedes taxis that conform to the more stringent, new Euro IV standards in May 2005.

At SMRT Taxicab, we believe safety is a shared responsibility. Several safety incentive schemes were unveiled during the year to promote safe driving among our cabbies. In November 2004, we organised a Road Safety Carnival for taxi drivers and their families. In January 2005, we introduced an Accident-Free Bonus Scheme. This scheme rewards safe drivers by correlating a driver's contribution to repair costs to his accident-free record. Drivers who stay accident-free for three years, for example, are not required to contribute to repair costs. At the same time, those who have an interval of 12 months or less between accidents contribute more to repairs than those who are accident-free for a period of 12-24 months. An accident-free lucky draw was also launched, offering taxi drivers with a clean accident record the chance to win taxi rental rebates and diesel vouchers.

Much of the success of a taxi fleet rests on the service attitude of its people. Our taxi drivers did us proud by taking home 85 awards at the Excellent Service Award 2004, making us the best performing company in the taxi industry. Individuals from across our operations also distinguished themselves. Our taxi driver, Eric Chan was named one of the finalists for Tourism Host of the Year – Taxi 2004, our Call Centre Executive, Jeffrey Tan surged ahead of the competition to become the Call Centre Champion of the Year 2004 in the Annual Call Centre Council of Singapore Awards 2004 while his colleague, Eunice Lui received the runner-up award for the Call Centre Manager of the Year 2004.



SMRT Investments (Properties & Media)

SMRT Investments is one of the key contributors to the Group's non-fare revenue. Our operations cover the leasing of commercial property within our network of stations and the marketing of media space at our stations and within our multi-modal transport network.

Destination Stations

SMRT Investments' property division, SMRT Properties, is responsible for the leasing of 23,800 square metres of commercial space and over 117 ATMs and vending machines at MRT and LRT stations. In FY2005, occupancy of our commercial space averaged 95 per cent.

At SMRT Investments, we are committed to realising the full commercial potential of our infrastructure network and the assets that are a part of it. The year in review saw us forging ahead with plans to transform our stations into vibrant destinations in their own right, buzzing with life, people and business activity.

The project got underway with the upgrading and revamp of Raffles Place Station in the heart of Singapore's financial district. The bright and inviting commercial spaces that were unveiled following the renovations were renamed Raffles Xchange to better reflect the station's new role as a lifestyle hub with shops, cafes and conveniences seamlessly integrated into the mass rapid transit system.

The transformation, which was completed in December 2004 and officially opened in February 2005, demonstrated the potential for retail space development in SMRT stations. As a result of the upgrade, retail space available for lease was increased from 1,650 square metres or 35 shop units previously, to 2,600 square metres or 53 shop units. More significantly, food and beverage businesses have been approved within SMRT stations for the very first time.



At four other stations, namely Bukit Batok, Marsiling, Sembawang and Yew Tee, leasable space of up to 639 square metres was created, resulting in the establishment of 15 new shops. Annualised incremental rental revenue arising from the commercial development of these five stations is expected to be S\$4 million.

Spurred on by our success at these stations, we are working with the authorities to incorporate more commercial development into the North South and East West lines in FY2006. Plans are already underway to redevelop five more stations, namely Dhoby Ghaut, Eunos, Pasir Ris, Simei and Tampines.

We are also working with the LTA to incorporate shops and services into the stations on the Circle Line and Boon Lay Extension, which are currently in the pipeline.

One-Stop Media Buying

SMRT Media was officially formed on 1 April 2004 as a division of SMRT Investments to serve as the marketing agent for media spaces in MRT and LRT trains and stations, and onboard buses and taxis. At SMRT Media, our vision is to provide advertisers with a one-stop service for transport media buys.

In FY2005, we introduced several novel advertising schemes designed to grab the attention of commuters. These initiatives included sticker advertisements placed on platform screen glass walls, wall advertisements in underground link ways as well as eye-catching illuminated advertising messages. To generate revenue, the event spaces at the newly revamped Raffles Xchange are leased out for road shows and promotional activities.

In FY2006, new advertising platforms will be created for more creative campaigns and innovative messages.

By developing our station spaces for commercial purposes and tapping their advertising potential, SMRT Investments will draw more commuters to travel, shop and meet their lifestyle needs through the SMRT network. In the process, we realise our goal of increasing revenue and improving shareholder returns.





SMRT Engineering

SMRT's considerable expertise in land transport is leveraged through its subsidiary, SMRT Engineering, which offers a suite of consultancy services in engineering, project management and Operations and Maintenance (O&M). SMRT Engineering is one of the key vehicles of growth for SMRT as it looks to grow its revenue through non-traditional sources.

FY2005 was profitable and eventful for SMRT Engineering's operations here in Singapore and in the region.

Project Management

One of our key projects was to provide technical consultancy for the Sentosa People Mover System, a S\$140 million monorail system with connections to the MRT network on the Singapore mainland. Our role in this project, targeted for completion in September 2006, is to provide project management services and to advise the client on operations and maintenance-related matters. In addition, we also shortlist, evaluate and recommend system suppliers and review designs.

During the year, we secured a consultancy project with ST Electronics to develop the software for an integrated communication, command and control system for train operations. We are also providing consultancy advice to Siemens on communication system migration work.

The World Beckons

As in past years, FY2005 saw us setting our sights well beyond Singapore in our effort to expand our business overseas through strategic marketing. In response to the fast changing landscape across all business sectors, Management has taken steps to reorganise SMRT's Business Development Group to complement SMRT's long-term business strategies.

We have identified the Middle East and Asia Pacific regions as being our potential areas of growth with our specific target markets being Indonesia, Philippines, Thailand, Taiwan, China, Korea and India. As many promising transportation projects are in the planning and construction phases in these markets, we see encouraging growth potential in these countries.

During the year, we made in-roads into China with our first consultancy service project with the Shanghai Metro Company. We will be assisting Shanghai Metro in starting up its train operations using its Automatic Train Control Signalling System. This project marks a major turning point in our drive to penetrate China's vast public transportation market. In another development in China, we were awarded the contract to conduct management training for Nanjing Metro Company focusing on management of rail operations. This contract, our first with Nanjing Metro, will serve as a platform for us to develop closer business ties with them. Elsewhere in the region, we have been actively pursuing opportunities for consultancy work such as the Jakarta Monorail Project in Indonesia.

Our fibre-optics cable business contributed a steady income stream during the year. New clientele have been secured in our cable leasing business and we are now working with strategic partners to develop new business models and reap better returns.

Looking ahead, we plan to build on our extensive O&M expertise in automatic and driverless railway systems, and on the experience we have gained through our participation in the design and construction of the Circle Line. To fuel our continued growth and expansion, we will carve out a role for ourselves in transport development projects that yield sustainable profits.



As the nation's leading public transport provider, SMRT is very much in tune with the pulse of society. That is why it is so important for us to maintain healthy profit margins that allow us to make meaningful contributions to society. As a responsible corporate citizen, we are committed to all our stakeholders: the public whom we serve, our employees on whom our success is built and our shareholders and business partners who have put their faith in us.

As a company with diverse operations, we are aware that our operations have an impact on the environment. With green issues on the top of our agenda, we do all we can to control the generation of hazardous waste and pollutants into the environment. In fact, in equipping our stations and renewing our fleet, we have consciously opted to walk the environmentally-friendly route.

The new air conditioning systems in our stations are energy efficient as they use less electricity to create a cooling effect. On top of that, the chillers at the heart of the system use an environmentally-friendly refrigerant R134A as the cooling agent.

In the same way, the High-Shine lights in our stations are fitted with a highly efficient reflector that reduces the number of light tubes required, thus limiting energy consumption without compromising brightness.

In May 2005, we introduced an environmentally-friendly fleet of new Mercedes taxis that comply with Euro IV emission standards. This is well ahead of the National Environment Agency's requirement for taxis to meet Euro IV standards by October 2006.

At SMRT, environmental consciousness pervades our organisation and manifests itself in many aspects of our day-to-day operations. Our service captains have now adopted the practice of switching off the engines of our buses when they are berthed at bus interchanges and terminals. In the past, the engines used to be left running to keep the interior of the buses cool for their onward journeys. This new move, supported by our environmentally-conscious passengers, serves to reduce air and noise pollution and conserve fuel. Passenger comfort has not been compromised as the warmer interiors cool down quickly once the buses resume their journey. In the same way, our taxi hirers are encouraged to switch their engines off when waiting for more than five minutes. Many hirers have enthusiastically adopted this environmentally-friendly measure.

We are also actively looking to switch over to using environmentally-friendly products in the running of our fleet of vehicles. To this end, SMRT Automotive Services is conducting a joint trial with Germany's Konvekta AG, the world's leading bus air conditioning manufacturer, to use carbon dioxide as one of the refrigerants for our buses. Carbon dioxide is a safe and environmentally-friendly gas that causes no harmful effects if released into the environment.

The trial, the first in the Asian region, will run for a year from December 2004. The data is conveyed via GSM modem to Konvekta's headquarters in Germany for continuous monitoring. The trial tests the system's performance in the harsh tropical climate of Southeast Asia. Konvekta AG chose to work with SMRT because of the excellent condition of our buses and our strong infrastructure network.





Corporate Volunteerism

To spearhead a stronger community spirit within SMRT, we have adopted a corporate volunteerism programme focusing on three adopted institutions catering to children, senior citizens and the sick or injured.

Our work with Beyond Social Services (BSS), a charity under the auspices of Mainly I Love Kids (MILK), focused on fund raising and publicity using our available media space, logistics and manpower. We used our transport network to help organise activities like the Share-A-Meal donation drive to raise funds for disadvantaged and disabled children. We also pledged our support, organised the logistics and entered 135 runners, for the Streetwise Run on 4 July 2004. The run was part of BSS' nationwide campaign to deter juvenile delinquency and to promote awareness of youth issues in the community.



With our second charity, the Geylang East Home for the Aged, we wanted to make a meaningful difference to the lives of residents by organising activities and raising funds to defray operating costs. We rallied staff and commuters through various fund raising drives which were most intense during Senior Citizens Week. SMRT volunteers were also busy organising activities for residents throughout the year. These included a cruise to Kusu Island, Mid-Autumn celebrations and a Lunar New Year get together. Moving further afield into the community, SMRT volunteers befriended needy residents in the Aljunied area and helped them spring clean their homes.



In our work with the Singapore Red Cross, our mission was to help save lives by recruiting new blood donors especially for the period between October and February each year when blood supplies are traditionally low. Making full use of our transport network, we organised a series of blood donation drives targeting commuters and staff. Such was the enthusiasm of our volunteers that a novel blood donation drive was organised on board a train at Ang Mo Kio MRT station. All in, 930 units of blood were collected over a six-month period. Up to 255 first-time donors made use of the SMRT network to donate a "Gift of Life".

Looking ahead, we hope to work more closely with our beneficiaries to plan meaningful activities and set fund raising targets.

Community and Corporate Sponsorships

At SMRT, we strive to go beyond our role as a public transport operator by encouraging commuters to experience life in all its fullness through our support for a variety of causes ranging from public health to the disabled, the Scout Movement to grassroots organisations, national events to the performing arts.

During the year, SMRT stepped forward as a sponsor of the NTUC Income-Yeo's S. League football event. The sponsorship, which was valued at S\$396,000, proved to be a particularly apt endorsement of the nation's favourite sport by its most popular public transport provider.

In June 2004, SMRT and the Life Art Society launched an exhibition of community artworks at Tanjong Pagar Station as part of an on-going effort to make art accessible to all commuters. Tanjong Pagar Station was once again transformed into an art gallery in the lead-up to the Lunar New Year when 16 artists from the Life Art Society showcased their calligraphy skills there. The artists also gave out auspicious Chinese couplets to delighted commuters. The popular festive event was yet another example of how SMRT is engaging commuters by injecting colour and life into our stations.

The Singapore Arts Festival in July 2004 saw SMRT playing its part to bring fringe performances like busking acts from Japan and the United Kingdom to residents living near Woodlands and Yishun MRT stations. For our sponsorship and support of the performing arts, art carnivals and community art programmes, the National Arts Council honoured SMRT with an Associate of the Arts Award.

To do our part for the Green Movement, we joined hands with the National Environment Agency to organise an 'Amazing Race' on public transportation. This novel race, inspired by the thrilling TV series, saw 500 participants racing through the SMRT network of trains, light rail, taxis and buses to reach their destinations and claim their prizes. Through such events, we hope to encourage more people to play their part in preserving the environment by using public transport.

In other examples of our active involvement in community life, in FY2005, we once again leveraged our network to support the courtesy campaign and encourage graciousness among youths. Our people were also represented in the nation's largest annual event, the 39th National Day Parade. Our marching contingent comprising 64 staff from across SMRT's ranks did us proud at the National Stadium.

At SMRT, the spirit of giving something back to the community permeates through our ranks. As a long-time supporter of the Community Chest's SHARE programme, SMRT encourages staff to make monthly donations and matches every dollar contributed by staff. In good years and bad, members of our staff have always responded generously to the SHARE programme. In 2004, we once again received the SHARE Corporate Platinum Award for our record contributions.

Public Education

As a national symbol of our nation, SMRT is honoured to support the Ministry of Education's active learning scheme through the SMRT Learning Journeys programme established in 2001. This programme introduces Primary and Secondary school students to the SMRT system, its proper use and safety regulations through talks and field trips. We typically conduct our Learning Journeys programme more than 100 times a year, catering to some 5,000 Primary and Secondary school students. Our Customer Relations officers also conduct weekly safety talks that reach out to more than 70,000 students yearly.

For the fourth consecutive year, we worked with the National Library Board on the "Great Singapore Stories", a programme to encourage the young to cultivate the habit of reading while commuting on the SMRT network. In this way, we hope young commuters will develop a lifelong love of reading and use their travelling time more meaningfully. In December 2004, a similar story-telling event was organised by SMRT and Eduplus Language Centre. This time, we sought to ignite the interest of the young in Chinese culture and language through a story telling session held onboard the Bukit Panjang LRT trains.

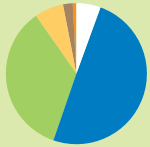
In FY2005, we once again demonstrated our support in the Community Safety and Security Programme initiated by the Singapore Police Force, Singapore Civil Defence Force and community leaders, to address issues of safety and security in local neighbourhoods.

International Relief

When the devastating tsunami of 26 December struck, SMRT acted swiftly to raise funds for victims through its extensive transport network. Commuters travelling on SMRT trains and taxis contributed about S\$580,000 while SMRT staff across its operations donated another S\$100,000 to the Singapore Red Cross Tidal Waves Asia Fund.



**HEADCOUNT BY
DIVISION/BUSINESS UNIT**



- Corporate Services
- Trains
- Buses
- Automotive Services
- Taxis
- Others

**STAFF PROFILE BY
COMPLETED YEARS
OF SERVICE**



- < 1
- 1 - 3
- 4 - 6
- 7 - 10
- 11 - 14
- ≥ 15

Our People

SMRT is truly a people business. In our operations, we are committed to enhancing the lives of the commuters we serve. Within our organisation, our people are prized as being the key to our future success. Developing our human capital will empower us to forge ahead with our business and deliver greater value to our shareholders.

A Learning Environment

In FY2005, we worked towards our goal of a high performance culture by creating a learning environment replete with training opportunities for all staff. These training programmes were based on set objectives and business imperatives. Our intent was to develop the mission-critical capabilities and cross-functional skills that would enable our people to truly excel in their jobs.

To encourage lifelong learning, we have extended our staff sponsorship programme to include all levels of continuing education up to post-graduate Masters programmes.

Leadership renewal is key to the continued viability of SMRT. During the year, we laid the groundwork for our future leaders by making executive education programmes available to our top performing, high potential staff and by exposing them to decision-making and leadership opportunities. Through these efforts, we nurture strategic leaders with the highest standards of integrity.

Embracing Our Vision

During the year, earlier efforts to foster a common SMRT identity and vision across all our business units started bearing fruit. Our unique corporate identity was clearly demonstrated through new, standardised uniforms for frontline staff across our rail, bus and taxi operations. We also embarked on various programmes to reinforce this new, unified identity. These initiatives included redesigning our staff passes and the rebranding of our buses and taxis.

The year in review saw us moving towards a customer service culture that flows through to every aspect of our organisation. We have been building up our staff capabilities to provide excellent service through the eyes of our customers.

We continued to be fair and equitable in appraising staff performance. Our annual performance review process has been streamlined. A stronger link between performance and rewards has also been established in our remuneration policies.

Our forward-looking approach to corporate-wide change management received a resounding endorsement at the HRM Awards Singapore 2005 when we received an award for Best Change Management Practices.

Looking After Our People

We are committed to helping our people achieve their professional aspirations through a fulfilling career with SMRT. To ensure that the organisation remains dynamic, we have ensured that qualified people are placed in the right roles throughout the organisation.

Effective communication with staff is a vital building block of people development. Group dialogue sessions with staff and management were conducted regularly to explain changes and gather feedback. In the coming year, we will focus on platforms for timely information dissemination, staff feedback and suggestions.

In the year under review, SMRT saluted its loyal and hardworking staff through award ceremonies that honoured 977 staff with Long Service Awards. Our people also proved to be role models in the wider labour market. A total of 560 staff members won Excellent Service Awards, out of which 29 won the Star Awards and one outstanding individual received the prestigious Superstar Award – the highest honour under the Excellent Service Award. In addition, 25 staff and taxi hirers earned the highly coveted NTUC Model Workers Award.

At SMRT, we are keenly aware that our people are the critical element in our service to the public. During the year, there was no let up in our efforts to promote employee well-being. The earlier success of our “Employment has its Privileges” programme led us to create customised promotions such as holiday packages and festive specials that became a hit with staff.

To create a harmonious work-life balance, SMRT has made available to its staff the facilities of its Sports and Recreation Club, organised events such as health talks and our Annual A.C.T.I.V.E Day. For our efforts in promoting employee well-being, SMRT won the Singapore Health Award (Silver) 2004. In FY2005, 3,000 staff and hirers lived it up at our annual Dinner & Dance based on the theme “Mission Possible.”

Leveraging IT And Building Bonds

At SMRT, we go all out to harness myriad possibilities of IT to improve our working lives. Our integration efforts have improved workflow through the centralisation of IT staff, the consolidation of our hardware and investments in the latest technology. These moves facilitate access to accurate, real-time information critical for business decisions.

Industrial relations are an essential building block of enlightened human resource management. To build a stronger bond between the management and the union, a series of manager-union retreats were organised. These retreats created many opportunities for interaction and mutual understanding across the ranks.

Our Commitment to Best Business Practices

To keep faith with our shareholders and business partners who have put their trust in us, we at SMRT strive to set the industry standard for business integrity, excellence and success.

Our commitment to the highest standards of ethical business practices is enshrined in our “Code of Business Ethics and Conduct”.

To provide employees with the legal and ethical guidance in situations where ethical decisions have to be made, we launched a structured ethics program. A written code of business ethics and conduct was developed to serve as a compass to guide employees and management in their business decisions and conduct. Briefing sessions were held to help employees understand and apply the Code. Effective communication channels were established, including an Ethics hotline direct to the President and CEO, and an Ethics intranet website. These channels allow employees to seek clarification on the Code and to report suspected cases of non-compliance or violations of the Code.

At SMRT, management and employees alike take pride in living out our core values and the Code of Business Ethics and Conduct to achieve our vision of “Moving People, Enhancing Lives”.

STAFF PROFILE BY QUALIFICATION



- Professional/ Degree & above
- Diploma
- GCE*
- Others

* Includes 'A', 'O', 'N' level & NITEC qualification

STAFF PROFILE BY AGE GROUP



- < 31
- 31 - 40
- 41 - 50
- ≥ 51



Registered Office

251 North Bridge Road
Singapore 179102
Telephone: 65 6331 1000
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
Niam Chiang Meng
Nithiah Nandan s/o Arumugam
Engelin Teh Guek Ngor

Company Secretaries

Patrick Lau Li Tah
S. Prema

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
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Audit Partner:
Yap Chee Meng

Principal Bankers

DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

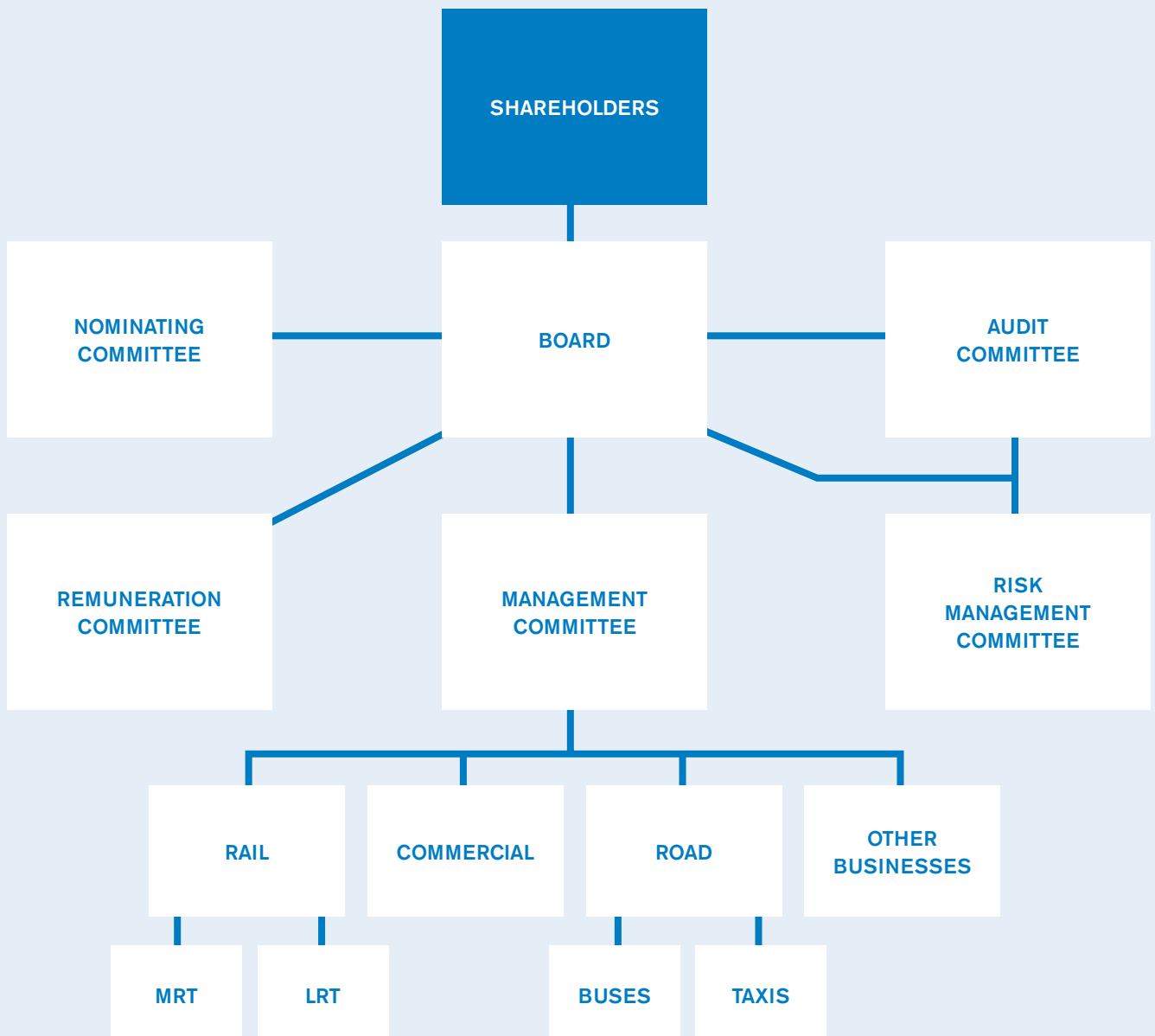
Share Registrar

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

The SMRT Group is fully committed to continually raising the standard of corporate governance and to building a respected, trusted and transparent organisation with sound policies, practices and internal controls.

Our efforts in pursuit of good corporate governance were recognised at the Securities Investors Association of Singapore's 2004 Investors' Choice Awards where we were awarded third place for Corporate Governance. The Group's business ethos is also reflected in the high levels of corporate transparency within our organisation and the quality of our shareholder communication. These attributes were recognised at the Business Times Corporate Transparency Index (BT-CTI) 2004 where SMRT Corporation Ltd (the "Company") was ranked seventh among 570 listed companies surveyed.

This report describes the corporate governance policies and practices of the SMRT Group and is structured along the same lines as the Principles of the Code of Corporate Governance ("Code"). The diagram below illustrates the Group's Corporate Governance Structure.



The Board's Conduct of Its Affairs (Principle 1)

The Board oversees the overall strategy and business direction of the SMRT Group and provides leadership and guidance to the Group. Apart from its statutory duties, the Board approves the Group's strategic directions, key operational initiatives, annual budget, major acquisitions and divestments, authority levels for expenditure, major funding and investments.

Board meetings are held on a quarterly basis. During the year in review, the Board held four scheduled meetings to coincide with the announcement of the Group's quarterly results. A two-day "off-site" meeting was also convened and this offered our Directors the opportunity to discuss the Group's 5-year strategy and plans together with Management. The Board also meets at least once a year without the presence of Management to discuss the performance of Management and the direction of the Company.

The Board is supported by Board Committees which have been delegated certain areas of responsibilities.

The Board members' attendance at Board meetings and Board Committee meetings are shown on page 68. The Company's Articles of Association allows Directors to participate in meetings of Directors by telephonic and video conference.

The Group has adopted internal guidelines setting forth matters that require Board approval. These guidelines are set out in the Group's Financial Procedures Manual which is reviewed regularly. Directors, Management and staff are informed and reminded of the Group's corporate governance policies such as black-out periods, Code of Business Ethics and Conduct and procedures for interested person transactions through memoranda, e-mails and via the intranet, periodically and as and when necessary.

Board Composition and Balance (Principle 2)

The Board comprises 10 Directors, of whom eight are independent and all are non-executive, except Saw Phaik Hwa who is the President & Chief Executive Officer, as shown on page 68.

The Nominating Committee ("NC") determines annually whether a Director is independent according to the definition set out in the Code.

The NC also examines the size and composition of the Board, the core competencies of its members and the skills that are helpful to the Board and the Board Committees. In this regard, the NC takes into account factors such as the scope and nature of the Group's operations, the balance of skills and experience of Directors, and the balance of executive and non-executive Directors.

The Board also considers the extent to which its size and composition are appropriate for effective decision-making. Within the current Board, the Directors provide core competencies in areas such as business, accounting, finance, management and law. In addition, the vast work experience of the Directors spans the areas of business management, strategic planning and customer relations. The Directors' academic and professional qualifications are shown on page 69.

Chairman and Chief Executive Officer (Principle 3)

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

Every year, the Board will evaluate the CEO for the purpose of providing feedback on her performance. The Chairman will then compile the results of the evaluation and conduct an open assessment with the CEO.

Chairman and Chief Executive Officer (cont'd)

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 information flow between Management and Board.

Board Membership (Principle 4)

Board Performance (Principle 5)

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 of the NC are independent Directors. The primary function of the NC is to assist the Board in determining a formal and transparent process for the appointment of new directors to the Board. The NC also ensures that there is a formal assessment of the effectiveness of the Board as a whole and of the contributions made by each Director to the effectiveness of the Board.

The NC Charter defines, amongst other things, its terms of reference, authority, composition, conduct of meetings and responsibilities. The NC met once during the year in review.

The NC sets objective performance criteria for individual Directors for the purpose of evaluation by the Board Chairman and for the President & CEO for the purpose of evaluation by the Board.

Each Director is required to annually assess the Board's effectiveness as a whole by completing a Board Evaluation Questionnaire. Directors are also required to assess themselves once a year. The Director's Self-Assessment Form which is used in 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 Board Chairman also assesses the Board's effectiveness by evaluating the performance of each Director every year. The criteria taken into consideration in this evaluation include the degree of preparedness, the value of contribution to the development of strategy and risk management and the Director's knowledge and experience.

The NC assesses the independence of Directors yearly and each Director is required to complete a checklist, which is drawn up based on the guidelines contained in the Code. However, independence is often only meaningful in the context of each particular relationship considering the business environment, shareholding, organisational structure and operating constraints. Our Directors are therefore additionally asked whether they would consider themselves independent, taking into account any relationships which could affect their independent judgement. The NC determined that save for Margaret Lui-Chan Ann Soo and Saw Phaik Hwa, all the other eight Directors on the Board are independent.

Internal guidelines have been drawn up to address the issue of competing time commitments that are faced when Directors serve on multiple boards. In accordance with these guidelines, the NC is of the view that although some Directors hold several directorships in other companies, all Directors have contributed sufficient time to meet the expectations of their role as Directors as can be seen from their excellent attendance record set out on page 68. The NC has also determined that the Directors have allocated adequate time to fulfil their duties as Board and Board Committee members.

Board Membership (Principle 4)**Board Performance (Principle 5) (cont'd)**

Pursuant to the Company's Articles of Association, one-third of the Board of Directors are required to retire and are 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. The NC reviews and considers the retirement and re-election of Directors and makes the relevant recommendations for shareholder approval at the AGM.

Key information regarding Directors such as their academic and professional qualifications and directorships are set out on page 69.

The Group has in place a structured 5-day orientation program for new Directors to give them a better understanding of the Group's strategies and principal business activities to enable them to make informed and effective business decisions. From time to time, the Company arranges for the Directors to attend conferences and seminars on relevant laws and corporate governance issues. For the year under review, Management organised an in-house Annual Accounting Update Seminar, which was conducted by KPMG for members of the Audit Committee. Directors were also encouraged to attend talks on topics such as Fraud Awareness, Prevention & Detection; Financial Reporting: Risks, Roles & Responsibilities and Expectation of Work of Auditors conducted by external institutions.

Access To Information (Principle 6)

To assist the Board in discharging its duties, Management provides the Board with timely, balanced and understandable key operational and financial reports of the Group's performance and prospects on a monthly basis. Directors receive Board and Board Committee meeting agenda and papers several days in advance of meetings and have separate and independent access to the President & CEO, the Company's Senior Management, the Company Secretary and the Group's Internal and External Auditors. The Company Secretary attends all Board, Audit and Nominating Committee meetings and her role has been 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 (Principle 7)

The Remuneration Committee ("RC") assists the Board in developing the Group's remuneration, compensation and benefits policies. The members of the RC are Choo Chiau Beng (Chairman), Cheah Kean Huat, Koh Kheng Siong and Nithiah Nandan s/o Arumugam. All the members of the RC are non-executive and independent Directors. The RC met once during the year in review.

Level And Mix Of Remuneration (Principle 8)

Non-executive directors are paid Directors' fees comprising a basic fee and additional fees for appointments in other Board Committees. As an executive Director, the President & CEO does not receive Directors' fees.

The RC has access to professional advice from appropriate external advisors as and when it deems necessary. Last year, Carrots Consulting Pte Ltd ("Carrots") was appointed to carry out a review of Directors' fees for the purpose of ensuring that the level of remuneration is appropriate in encouraging enhanced performance. The review took into account the practice of equivalent-sized listed companies (in terms of revenue, market capitalization and total assets) in Singapore. Carrots recommended a Directors' fee structure that is competitive by market standards. Shareholders approved this recommendation at the last Annual General Meeting.

Level And Mix Of Remuneration (Principle 8) (cont'd)

The review by Carrots also assessed the total compensation structure and examined the share-based compensation for all employees. As recommended by Carrots, the award of new share grants under the SMRT Corporation Employee Share Option Plan ("SMRT ESOP") was suspended for the time being whilst we examine more effective motivational tools for our employees. However, earlier grants are not affected. To increase the Group's flexibility and effectiveness in rewarding, retaining and motivating the top performers among its management staff, Carrots recommended the adoption of the performance-based Restricted Share Plan ("RSP") and Performance Share Plan ("PSP"). Shareholders approved these recommendations at the Annual General Meeting last year.

Disclosure On Remuneration (Principle 9)

The report on Directors' remuneration and the remuneration of the top five executives are shown on page 149. There is no employee whose remuneration exceeded \$150,000 during the financial year ended 31st March 2005 who is an immediate family member of a Director or the President & CEO.

Details of the SMRT ESOP can be found on pages 92 and 93 of the Annual Report.

Accountability (Principle 10)

The Board is accountable to the shareholders while Management is accountable to the Board. The Board reviews and approves the Group's quarterly results and its full year audited results before it is released to shareholders. The quarterly and full year results are a balanced and understandable assessment of the Group's performance.

Audit Committee (Principle 11)

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. Daniel Ee and Koh Kheng Siong have accounting and related financial management expertise; Victor Loh has experience in business processes, risk management and economic overviews, whilst Engelin Teh has experience in legal and business issues.

The AC met five times during the year in review. The President & CEO, Deputy President, Executive Vice-President (Finance), Vice President (Audit), Company Secretary and the Group's external auditors usually attend the meetings. A separate meeting each was held for the AC to meet with the internal auditors and the external auditors without the presence of Management. These meetings enabled the auditors to raise issues encountered in the course of their work directly to the AC.

The AC Charter provides guidance for the effective operation of the AC by setting out, amongst other things, the AC's terms of reference, authority, composition, conduct of meetings and responsibilities.

The AC reviewed and recommended to the Board the release of the quarterly and full year financial statements. It also considered and approved the Audit Strategy and Planning Memorandum prepared by the external auditors and the Internal Audit Plan prepared by the Internal Audit Division. The AC reviews the scope and results of both internal and external audits, the adequacy of the internal audit functions and the risk management processes within the Group. The AC also reviews the independence and objectivity of the external auditors, and the nature and extent of non-audit services provided by them.

Audit Committee (Principle 11) (cont'd)

Prior to the re-appointment of the external auditors, the AC conducts an annual review of 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.

During the year in review, the AC reviewed and recommended to the Board for approval, the revised AC Charter and its terms of reference for compliance with statutory and Singapore Exchange Securities Trading Limited ("SGX-ST") requirements which were subsequently approved by the Board.

The AC has full authority and mandate to conduct or authorise any investigations into any matters within its terms of reference and with the full cooperation of Management.

Internal Controls (Principle 12)

The Board believes that the Group's framework and system of internal controls and procedures 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 provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group manage the risk of failure to achieve business objectives, rather than to eliminate it. During the year, Management placed emphasis on enhancing and better defining its risk management processes and procedures. A certain level of judgement is applied when assessing certain risks, prioritising risks according to its probability and impact and managing the risks.

At the beginning of each financial year, the Internal Audit Division prepares an Audit Plan to review the adequacy and effectiveness of the Group's system of internal controls and compliance. After each review, the Internal Audit Division 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, for information.

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.

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.

Internal Controls (Principle 12) (cont'd)

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.

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 to discuss or propose strategic objectives, key policies and operational matters for the Group.

Policies, Procedures and Practices

Controls are detailed in formal procedures, instructions and manuals and compliance is verified by the Company’s internal auditors and ISO9001 auditors.

On 31 March 2005, the Group launched a structured ethics program to provide legal and ethical guidance in situations where ethical decisions have to be made. The Group’s business practices are articulated in a Code of Business Ethics and Conduct (“Ethics Code”), which ensures that the Group’s Directors, Management, officers and employees maintain complete credibility by carrying out their responsibilities in accordance with the highest legal and ethical standards. The expected values under the Ethics Code are summarised in the following diagram:-



Briefing sessions are held to help employees understand and apply the Ethics Code. Effective communication channels, including an Ethics intranet website and an Ethics Hotline direct to the President & CEO (for reporting of suspected cases of non-compliance or violations) have been established.

Financial Reporting

The Board approves the annual budget under a planning and budgeting system that 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 Controls (Principle 12) (cont'd)

Financial Management

Management reviews the performance of each strategic business unit and corporate function on a monthly basis to instill financial and operational discipline at all levels of the organisation.

To achieve greater efficiency and synergy in the management of its financial resources, the Group centralised its Treasury function. All banking facilities and activities are consolidated at the Group level to leverage on the Company's financial strength.

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 President & CEO, the AC and the Chairman of the Board.

Our external auditors from KPMG provide an independent perspective on certain aspects of the internal financial control system arising from their work and annually report their findings to the AC. For the year under review, KPMG, amongst other things, conducted a review of the general information technology ("IT") controls, focussing on access controls and established procedures and policies to ascertain confidentiality, integrity and availability of the Group's critical information assets and IT resources.

Risk Management

The Risk Management Committee ("RMC"), which is not a Board Committee, is chaired by the President & CEO, and comprises the head of key functional units and the Vice President (Audit).

The Group has developed a framework for the identification, assessment and mitigation of risks. The risk management philosophy is embedded in standard operating procedures, processes and systems.

Within this framework, the RMC annually reviews strategic, business and operational risks to determine and manage any changes to the Group's risk profile. The RMC also submits an annual report proposing risk-mitigating action plans to the AC. These plans are reviewed on a quarterly basis to ensure that appropriate actions have been taken.

Workshop, training and discussion sessions are conducted to raise risk management awareness in the Group and to facilitate the identification, evaluation and mitigation of risks.

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 which is 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 (Principle 13)

The Internal Audit Division comprises 12 staff and reports functionally to the Chairman of the Audit Committee, and administratively to the President & CEO.

The division carries out its audit in accordance with the International Standards for the Professional Practice of Internal Auditing provided by the Institute of Internal Auditors (IIA). In line with the IIA's requirements, the Internal Audit Division has developed a quality assurance program comprising internal and external quality assessments that add value to the Group's operations while giving an assurance of compliance with the standards required. The external review is conducted at least once every 5 years as required. In the last review conducted by PricewaterhouseCoopers in 2003, the Internal Audit Division was found to be in conformity with the IIA standards. A programme for internal quality assessment of the division has also been put in place.

To ensure its appropriate standing within the Group, the Internal Audit Division's purpose and authority are clearly laid out in a charter which has been approved by the Board. With effect from FY05, a formal process was established for the Audit Committee to review annually, the adequacy of the audit function. Essentially, this review is to evaluate and ensure that the audit function fulfills its role in assisting the Group in the areas of risk management, governance and control.

Communication With Shareholders (Principles 14 and 15)

The Group engages in open, regular and comprehensive communication with shareholders and the investing public so as to present a true and fair account of the state of the Group. In communicating with shareholders and investors, the Group is guided by principles, policies and practices, which adhere to the Code of Corporate Governance and 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 constantly improve its communication with shareholders and investors.

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 about the Group is made available to all shareholders and investors on a timely and non-selective basis. Such material information is disseminated through a media release or announcement via SGXNET, which is accessible from www.sgx.com, the media and newswires. Furthermore, it is uploaded onto the corporate website at www.smrt.com.sg as soon as possible to ensure that all other stakeholders have equal access to the information. 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

The Group releases its quarterly results within one month of the close of its financial quarter and its full year audited results within one month from its financial year end on 31 March. The financial results are released via SGXNET onto the SGX-ST website after trading hours.

Media and analysts conferences are held for the Group's release of its half year and full year results. As for the release of its first and third quarter results, the Group holds teleconference with the media and analysts.

Communication With Shareholders (Principles 14 and 15) (cont'd)

Release of financial results (cont'd)

For the release of its half year and full year results, a combined media and analysts conference is held with Senior Management, comprising the President & CEO, Deputy President and the Executive Vice President (Finance). For the release of its first and third quarter results, teleconferences are organised to brief the media and analysts. Feedback from analysts has indicated that the frequency of disclosure forums is currently adequate for their reporting and research purposes.

As a further step towards enhancing corporate transparency, the media and analysts conference held on 29 April 2005 for the announcement of the Group's full year financial results was webcast so that shareholders and the investor public could access the discussions at the conference.

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 Group's developments, address their concerns and to obtain feedback. The Group also participates in investor conferences and road shows organised by institutional brokers.

These initiatives allow shareholders and investors to gain a better understanding of the Group's businesses, strategies, outlook and prospects through their interaction with Senior Management. These meetings also help in building mutual understanding between Management and the investment community. The issues raised by shareholders and investors are conveyed to the Board of Directors on a monthly basis.

The Group remains committed to sharing information with all individuals and groups in a fair and equitable manner. 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.

As the internet is fast becoming more prevalent and accessible, the Group has been harnessing the web via electronic means to communicate more effectively with shareholders and investors. Shareholders and investors can contact the Group for more information by accessing its corporate website, www.smrt.com.sg. On the Investor Relations page on the website, they can not only view the Group's key operating data, significant events and Annual Reports, they can also request to be put on the mailing list for such publications.

Encouraging Shareholder Participation at Annual General Meetings

The Group regards the Annual General Meeting (AGM) as an opportunity to communicate directly with shareholders. To encourage more shareholders to participate in the AGM, the meeting is held at a central location that is easily accessible by MRT, buses or both.

The Chairman, President & CEO, Chairman of each Board Committee, the Chief Financial Officer and members of the Senior Management 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.

Communication With Shareholders (Principles 14 and 15) (cont'd)

Encouraging Shareholder Participation at Annual General Meetings (cont'd)

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.

In response to shareholders' requests at the last AGM, the Group has disclosed its comparative numbers for claims and warranties, and audit fees in this Annual Report although such disclosures are not a statutory requirement.

Voting in absentia by mail or electronic means require careful study and is only feasible if there is no compromise to either the integrity of the information and or the true identity of the shareholder. Legislative changes should also be made to recognise electronic voting.

Dealings in Securities

The Group has an internal code of conduct for Directors and employees on securities transactions when they are in possession of unpublished price-sensitive information relating to 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 Group's financial results (i.e. the quarterly and full year results) and ending on the date of the 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 01/04/04 To 31/03/05

Each Director attended the following Board meetings and Board Committee meetings during the year while a member of the Board:

| | BOARD | | AUDIT | | BOARD COMMITTEES | | NOMINATING | |
|-----------------------------|-------|---|-------|---|-------------------|---|------------|---|
| | A | B | A | B | REMUNERATION A | B | A | B |
| Choo Chiau Beng | 4 | 4 | | | 1 | 1 | 1 | 1 |
| Saw Phaik Hwa | 4 | 4 | | | | | | |
| Cheah Kean Huat | 4 | 4 | | | 1 | 1 | | |
| Daniel Ee Hock Huat | 4 | 4 | 5 | 5 | | | | |
| Koh Kheng Siong | 4 | 3 | 5 | 5 | 1 | 1 | | |
| Victor Loh Kwok Hoong | 4 | 4 | 5 | 5 | | | 1 | 1 |
| Margaret Lui-Chan Ann Soo | 4 | 4 | | | | | 1 | 1 |
| Niam Chiang Meng | 4 | 3 | | | | | 1 | 1 |
| Nithiah Nandan s/o Arumugam | 4 | 4 | | | 1 | 1 | | |
| Engelin Teh Guek Ngor | 4 | 4 | 5 | 4 | | | 1 | 1 |

Column A: number of meetings held while a member.

Column B: number of meetings attended.

Board of Directors & Composition of Board Committees

| NAME OF DIRECTOR | BOARD APPOINTMENTS -EXECUTIVE OR NON-EXECUTIVE DIRECTOR -INDEPENDENT OR NON-INDEPENDENT DIRECTOR | BOARD COMMITTEES AS CHAIRMAN OR MEMBER | | |
|------------------------------------|--|---|------------|--------------|
| | | AUDIT | NOMINATING | REMUNERATION |
| Choo Chiau Beng (CHAIRMAN) | Non-Executive / Independent | | 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 | |
| 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 | |

Particulars of Directors

| NAME OF DIRECTOR / AGE | ACADEMIC & PROFESSIONAL QUALIFICATIONS | DIRECTORSHIP: DATE FIRST APPOINTED DATE LAST RE-ELECTED | DIRECTORSHIPS OR CHAIRMANSHIPS IN OTHER LISTED COMPANIES & OTHER MAJOR APPOINTMENTS, BOTH PRESENT AND HELD OVER THE PRECEDING 3 YEARS | |
|---------------------------|---|--|---|--|
| Choo Chiau Beng 57 yrs | <ul style="list-style-type: none"> - Bachelor of Science (Naval Architecture) 1st Class Hons, University of Newcastle Upon Tyne, United Kingdom (Colombo Plan Scholar) - Master of Science (Naval Architecture), University of Newcastle Upon Tyne, United Kingdom - Completed Programme for Management Development, Harvard Business School - Member of Wharton Society of Fellows | 01.05.2003 17.07.2003 | Ambassador | Brazil |
| | | | (Non-Resident) | |
| | | | Chairman & Chief Executive Officer | Keppel Offshore & Marine Ltd |
| | | | Chairman | Keppel FELS Limited |
| | | | Chairman | Singapore Petroleum Company Limited |
| | | | Chairman | Singapore Refining Company Pte Ltd |
| | | | Senior Executive Director | Keppel Corporation Limited |
| | | | Director | Keppel Land Limited |
| | | | Director | k1 Ventures Limited |
| | | | Director | EDB Investments Pte Ltd |
| Board Member | Maritime & Port Authority of Singapore | | | |
| Director | Singapore Maritime Foundation Limited | | | |
| Saw Phaik Hwa 50 yrs | <ul style="list-style-type: none"> - Bachelor of Science (Biochemistry) Hons, University of Singapore | 20.03.2003 17.07.2003 | Director | Singapore Tourism Board |
| | | | Director | Changi Airport Managers And Partners (Singapore) Pte Ltd |
| | | | Member | Board of Trustees, Singapore Management University |
| | | | Regional President | DFS Venture Singapore (Pte) Ltd (1985 to 2002) |
| Cheah Kean Huat 52 yrs | <ul style="list-style-type: none"> - Bachelor of Science (Economics & Electrical Engineering), Yale University - Master of Business Administration, Stanford University | 20.04.2000 17.07.2003 | Chief Executive Officer | WyWy Office Solutions Group Pte Ltd |
| | | | Member | Board of Trustees, Singapore Management University |
| | | | Vice President & General Manager | Asia Pacific Hewlett-Packard Services Pte Ltd (2001 to 2003) |

Particulars of Directors (cont'd)

| NAME OF DIRECTOR / AGE | ACADEMIC & PROFESSIONAL QUALIFICATIONS | DIRECTORSHIP: DATE FIRST APPOINTED / DATE LAST RE-ELECTED | DIRECTORSHIPS OR CHAIRMANSHIPS IN OTHER LISTED COMPANIES & OTHER MAJOR APPOINTMENTS, BOTH PRESENT AND HELD OVER THE PRECEDING 3 YEARS | |
|---------------------------------|--|---|---|---|
| Daniel Ee Hock Huat 52 yrs | – Bachelor of Science (Systems Engineering) 1st Class Hons, University of Bath (Colombo Plan Scholar) | 17.04.2000 15.07.2004 | Director | Surface Mount Technology (Holdings) Limited |
| | | | Chairman | Gas Supply Pte Ltd |
| | – Master of Science (Industrial Engineering), National University of Singapore | | Director | Changi Airport Managers And Partners (Singapore) Pte Ltd |
| | | | Board Member | Civil Aviation Authority of Singapore |
| | | | Director | Kyosha Holdings (Singapore) Limited (from 14 February 2000 to 1 April 2004) |
| | | | Director | Darco Water Technologies Limited (from 20 June 2002 to 30 April 2005) |
| Koh Kheng Siong 57 yrs | – Bachelor of Science (Economics) Hons, University of London | 07.03.2000 15.07.2004 | Financial Controller | ExxonMobil Asia Pacific Pte Ltd |
| | – Master of Business Administration (Finance), University of Chicago Graduate School of Business | | | |
| Victor Loh Kwok Hoong 66 yrs | – 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 |
| | | | Director | Thakral Corporation Limited |
| | – Fellow of British Institute of Management | | Director | Seksun Corporation Limited |
| | | | Director | First Engineering Limited (from September 2002 to June 2004) |

Particulars of Directors (cont'd)

| NAME OF DIRECTOR / AGE | ACADEMIC & PROFESSIONAL QUALIFICATIONS | DIRECTORSHIP: DATE FIRST APPOINTED DATE LAST RE-ELECTED | DIRECTORSHIPS OR CHAIRMANSHIPS IN OTHER LISTED COMPANIES & OTHER MAJOR APPOINTMENTS, BOTH PRESENT AND HELD OVER THE PRECEDING 3 YEARS | |
|--|---|--|---|--|
| Margaret Lui-Chan Ann Soo 45 yrs | – Bachelor of Accountancy, National University of Singapore | 17.07.2003 15.07.2004 | Managing Director, Strategic Development | Temasek Holdings (Private) Limited |
| | | | Director | Singapore Cruise Centre Pte Ltd |
| | | | Director | PSA International Pte Ltd |
| | | | Director | Singapore Aircraft Leasing Enterprise Pte Ltd |
| | | | Director | Hazeltree Holdings Pte Ltd |
| | | | Director | CIAS International Pte Ltd (March 2003 to October 2004) |
| Niam Chiang Meng 47 yrs | – Bachelor of Social Science, Hons, 2nd Class Upper, Economics, National University of Singapore – Master in Public Administration, Harvard University | 20.03.2003 17.07.2003 | Permanent Secretary | Ministry of Community Development, Youth and Sports |
| | | | Director | Keppel Land Limited |
| | | | Chairman and Director (ex-officio) | Singapore Sports School Ltd |
| | | | Chairman | Board of Trustees for the Community Assistance Fund |
| | | | Member (ex-officio) | Singapore Totalisator Board |
| | | | Member | Bioethics Advisory Committee |
| | | | Member | Council on Governance of Institutions of Public Character (IPCs) |
| | | | Chairperson | Board of Trustees for the Sporting Singapore Fund |
| | | | Member | ComCare Fund Supervisory Committee |
| | | | Chief Executive Officer | Housing & Development Board (January 2002 to December 2004) |

Particulars of Directors (cont'd)

| NAME OF DIRECTOR / AGE | ACADEMIC & PROFESSIONAL QUALIFICATIONS | DIRECTORSHIP: DATE FIRST APPOINTED DATE LAST RE-ELECTED | DIRECTORSHIPS OR CHAIRMANSHIPS IN OTHER LISTED COMPANIES & OTHER MAJOR APPOINTMENTS, BOTH PRESENT AND HELD OVER THE PRECEDING 3 YEARS | |
|--|---|--|---|---|
| Nithiah Nandan s/o Arumugam 55 yrs | – Diploma in Industrial Relations | 20.03.2003 | Vice President | NTUC Central Committee |
| | | 17.07.2003 | Executive Secretary | Union of Power and Gas Employees |
| | | | Director | NTUC Media Co-operative |
| | | | Director | NTUC Childcare Co-operative |
| | | | Member | Government Feedback Panel |
| | | | Nominated Member | Parliament (July 2002 to December 2004) |
| | | | Director | SPRING Singapore (April 2002 to March 2004) |
| | | | Director | NTUC Income Board (June 1991 to May 2003) |
| Engelin Teh Guek Ngor 50 yrs | – LLB (Hons), University of Singapore – Fellowship of the Singapore Institute of Arbitrators – Senior Counsel | 01.08.2001 | Director | Singapore Power Limited |
| | | 17.07.2002 | Director | SP PowerAssets Limited |
| | | | Managing Director | Engelin Teh Practice LLC |
| | | | | |

FINANCIAL REPORT

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The following should be read in conjunction with the audited financial statements and notes thereto for the financial years ended 31 March 2004 and 2005.

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 SMRT Trains Ltd and SMRT Light Rail Pte Ltd, which operate the North South and East West Lines ("MRT System") of Singapore's Mass Rapid Transit System and the Light Rapid Transit System in Bukit Panjang ("LRT System") respectively.

In December 2001, the Company acquired SMRT Road Holdings Ltd ("SRH", formerly known as TIBS Holdings Ltd) for S\$198.6 million. SRH's core businesses of bus (SMRT Buses Ltd) and taxi rental services (SMRT Taxis Pte Ltd) became part of the SMRT Group's multi-modal land transport system. Staff strength of the Group grew from 3,115 to 5,775 as of 31 March 2005. Goodwill arising from the acquisition amounted to S\$71.7 million. The Group recorded its first full-year consolidation of SRH's earnings in FY2003.

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 approximately 23,800 square metres of commercial spaces at MRT and LRT stations as of 31 March 2005. SMRT Media is the advertising arm of the Group that promotes advertising across trains, stations, buses and taxis.

Engineering and other services are undertaken through wholly owned subsidiaries SMRT Engineering Pte Ltd ("SMRTE") and SMRT Automotive Services Pte Ltd ("SMRT Automotive"). SMRTE provides engineering consultancy, project management, maintenance services and fibre-optic cable leasing while SMRT Automotive provides fleet maintenance services and diesel sales.

In FY2005, about 82.3 per cent of Group revenue was made up of fare revenue from its MRT, LRT and bus operations. The remaining 17.7 per cent of Group revenue was non-fare revenue from taxi rentals, commercial space rentals, advertising revenue, engineering and other services.

Licence and Operating Agreements and TOL Conditions

SMRT Trains

SMRT Trains' first licence to operate the MRT System was granted by Singapore's Land Transport Authority ("LTA") in August 1987 for a period of 10 years and was later extended to 31 March 1998. SMRT Trains' current licence to operate the MRT System for a further period of 30 years came into force on 1 April 1998. The salient terms and conditions of this Licence and Operating Agreement ("LOA") entered into by SMRT Trains and LTA on 1 April 1998 are stated in the Notes to the Financial Statements on page 106.

SMRT Trains purchased the MRT System's operating assets on 1 April 1998 for approximately S\$1.2 billion. To assist SMRT Trains in its purchase of these assets, LTA provided SMRT Trains an asset-related grant of S\$480.0 million, which SMRT Trains amortises by recognising it as deferred income over the life of the related assets. SMRT Trains had fully paid for the operating assets in five equal annual instalments by April 2002.

While SMRT Trains now owns the operating assets, the infrastructure of the MRT System remains the property of the LTA and is leased to SMRT Trains at a nominal annual fee. SMRT Trains is required to repair and maintain the infrastructure as stipulated in the Lease and Maintenance Agreement.

On 8 August 2001, SMRT Trains was awarded a contract by the LTA to operate the new Circle Line for an initial period of 10 years from the date of its opening and for an additional 30 years at the discretion of the LTA.

SMRT Light Rail

SMRT Light Rail has been granted a similar LOA by the LTA to operate the LRT System commencing 6 November 1999 until 31 March 2028. The LTA currently owns all the operating assets and infrastructure required to operate the LRT System. The salient terms and conditions of the LOA for the LRT System are found on pages 106 to 107.

SMRT Buses

SMRT Buses operates a fleet of more than 800 modern city buses plying 74 routes, including 48 trunk services, 19 feeder and intra-town services and seven night services. Its primary areas of operations include Yishun, Sembawang, Woodlands, Bukit Panjang, Choa Chu Kang, Bukit Batok and Simpang (to be developed).

Trunk services generally provide inter-town or town-to-city connections. These are usually longer in distance than the feeder services, which bring people from the different parts of a housing estate to the town centre where an interchange, MRT station and/or LRT station is sited. A variant of the feeder service is the intra-town service, which provides connection between different neighbourhoods so that people can travel from one neighbourhood to another without having to transfer to another feeder service.

SMRT Buses applies for licences from the Public Transport Council ("PTC"), an independent statutory authority, to operate each of its bus routes. An annual fee of S\$50 per route is payable to the PTC. The licences are renewable on a yearly basis. The PTC's approval is required for any change, amendment or introduction of new routes or services. In addition for any route amendment, a one-time fee of S\$10 per route is also payable to the PTC.

SMRT Buses regularly monitors and makes adjustments to its bus routes and operating hours of its bus services to best meet the needs of its commuters and increase operational efficiency.

SMRT Buses operates from three leased depots at Ang Mo Kio, Kranji and Woodlands. Out of 21 existing bus interchanges in Singapore, SMRT Buses maintains five of them, which are located in Yishun, Woodlands, Bukit Panjang, Choa Chu Kang and Bukit Batok.

SMRT Taxis

In June 2003, the government introduced a new licensing framework for taxi operators and a revised Vocational Licence Points System for taxi drivers. These changes were introduced to allow greater competition within the taxi industry and to improve taxi services for the benefit of commuters. With these changes, three new taxi operators have entered the market. With effect from 1 June 2004, the taxi industry has been fully liberalised through a removal of a limit on taxi fleet size. Taxi operators are now free to decide on the size of their taxi fleet to meet demand for their services.

Under the new taxi licensing framework, interested parties who wish to operate a taxi business will have to apply for a Taxi Operator Licence ("TOL") from the LTA. Applicants are assessed based on a comprehensive set of criteria, which includes their financial resources and the necessary infrastructure to provide quality service to commuters. The TOL is a term licence valid for a period of 10 years and may be extended for an additional 10 years at the discretion of LTA.

The licence will, amongst other things, include conditions to comply with a set of Quality of Service ("QoS") standards, codes of practices and audit directions. The QoS standards specify the level of performance operators have to meet in three areas, namely, the availability of taxis through radiophone bookings, safety and customer satisfaction. Penalties such as suspension or cancellation of the licence and financial penalties of up to S\$100,000 may be imposed for any breach of licence conditions.

The TOL from LTA under which SMRT Taxis is licensed to operate a taxi business in Singapore came into effect on 1 June 2003. Prior to the expiry of the TOL, SMRT Taxis may request the LTA to extend the TOL for a further period of 10 years (or such other period and upon such terms and conditions as the LTA may impose as it deems fit). The licence fee payable is 1.0 per cent of the gross revenue payable on a yearly basis.

Fare Adjustment Formula

Fares charged by SMRT Trains, SMRT Light Rail and SMRT Buses are subject to approval by the PTC.

From 1998 until recently, fares had been reviewed annually and adjustments, if any, were being capped by the formula $CPI + X$, where CPI was the change in the Consumer Price Index over the previous year and X accounted for the net effect of wage changes after deducting productivity gains. X was set at 1.5 per cent for five years from January 2001 to December 2005.

Between 1998 and 2004, there had been two MRT/LRT fare increases – 2.4 per cent in 2000 and 2.5 per cent in 2002. For buses, fares increased 1.5, 1.3 and 2.2 per cent in 2000, 2001 and 2002 respectively.

Fare Adjustment Formula (cont'd)

In March 2004, the Minister for Transport appointed a Government Parliamentary Committee to review the public transport fare review mechanism. In March 2005, the Minister for Transport approved the Committee's recommended changes to the existing fare adjustment formula. The new fare adjustment formula is such that the maximum fare adjustment will be as follows:

$$\text{Maximum Fare Adjustment} = \text{Price Index} - 0.3\%$$

where Price Index = $0.5\text{CPI} + 0.5\text{WI}$, and 0.3 per cent is the productivity extraction to be used for the next three years. CPI refers to the change in Consumer Price Index over the preceding year and WI refers to the change in Average Monthly Earnings (Annual National Average) over the preceding year, adjusted to account for any change in the employer's CPF contribution rate. The productivity extraction is half of the public transport operators' average productivity gains achieved for the period from 1997 to 2002, which was 0.6 per cent per annum.

The relative weightage of CPI and WI will be reviewed every three years and recalibrated as necessary to reflect changes in the cost structure of the public transport operators.

While the new formula will determine the supportable fare adjustment quantum in a given year, the PTC retains the flexibility to vary the adjustment or not approve any fare increase should there be significant deterioration in the overall affordability of public transport fares. If the formula yields a negative value, the PTC may consider a downward adjustment, which could be in a form of a fare rebate or fare reduction.

The new formula takes effect in 2005. The usual process for annual fare review continues with applications for fare adjustments submitted to the PTC by the end of April. The PTC will deliberate and announce their decision in May or June. Any changes to the fares will take place in July.

Fare Structure and Regulation

On 30 May 2005, the PTC approved the trains and bus fares increases for 2005, which are in line with the new fare review framework. The fare structure for SMRT Trains, SMRT Light Rail and SMRT Buses and their revised fares with effect from 1 July 2005 are described in the following paragraphs.

SMRT Trains

SMRT Trains' fare structure is based on the distance travelled by commuters. Currently, the single trip fare for the MRT System ranges from S\$0.80 to S\$1.80, with lower fare scale if stored-value Ez-Link Cards are used. Concessionary fares are available to students, senior citizens and full-time national servicemen.

Passengers using the Ez-Link Cards 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 journeys.

With the fare adjustment from 1 July 2005, the single trip fare will now range from S\$0.90 to S\$1.90.

SMRT Light Rail

The fare structure of the LRT System is similar to that of the MRT System, based on distance travelled. Currently, the single trip fare for the LRT System ranges from S\$0.80 to S\$1.00, with a lower fare scale if Ez-Link Cards are used. The concessionary fares and transfer rebate structure are also similar to those of the MRT System. With the fare adjustment from 1 July 2005, the single trip fare will now range from S\$0.90 to S\$1.10.

SMRT Buses

The fare structure of SMRT Buses is also based on distance travelled. The single trip fare of SMRT Buses ranges from S\$0.80 to S\$1.70, with a lower fare scale if Ez-Link Cards are used. The concessionary fares and transfer rebate structure for travel on buses using Ez-Link Cards are similar to that of the MRT System. With the fare adjustment from 1 July 2005, the single trip fare will now range from S\$0.80 to S\$1.80.

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.

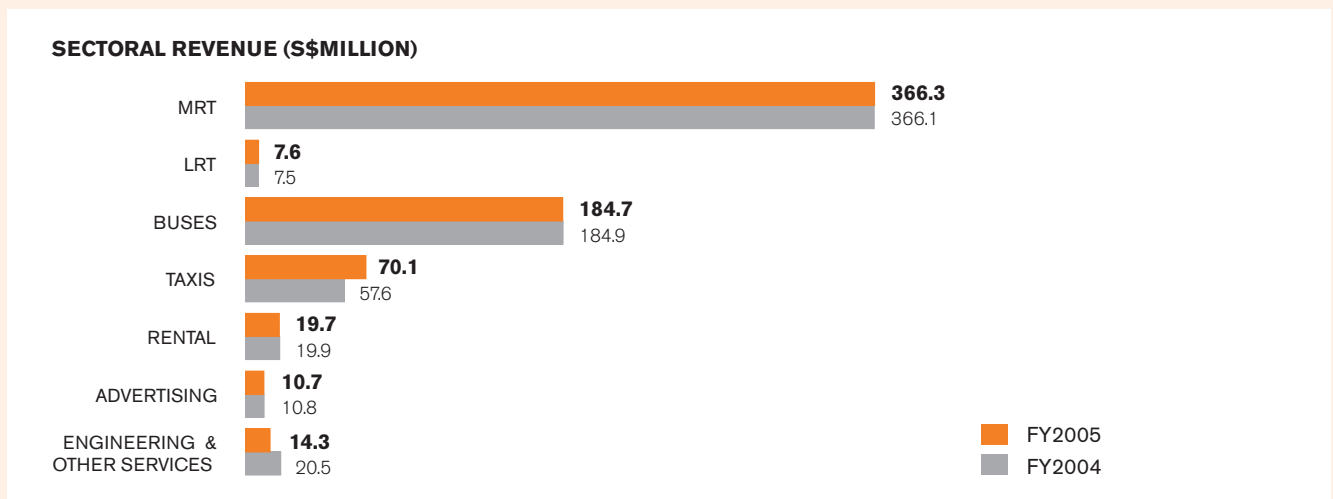
Review of Performance for Financial Year Ended 31 March 2005

| | QTR 1 | QTR 2 | QTR 3 | QTR 4 | TOTAL |
|--|-------|-------|-------|-------|-------|
| Revenue (S\$million) | | | | | |
| FY2005 | 165.6 | 172.4 | 170.2 | 165.3 | 673.5 |
| FY2004 | 158.3 | 174.6 | 168.5 | 165.9 | 667.3 |
| Other Operating Income (S\$million) | | | | | |
| FY2005 | 5.0 | 5.8 | 6.1 | 9.5 | 26.4 |
| FY2004 | 4.3 | 9.1 | 6.4 | 9.1 | 28.8 |
| Earnings Before Interest, Tax, Depreciation and Amortisation (S\$million) | | | | | |
| FY2005 | 56.3 | 62.7 | 59.8 | 51.5 | 230.3 |
| FY2004 | 48.9 | 64.8 | 61.1 | 50.7 | 225.5 |
| Earnings Before Interest and Tax (S\$million) | | | | | |
| FY2005 | 26.8 | 11.4 | 31.5 | 23.3 | 93.0 |
| FY2004 | 13.6 | 31.6 | 28.6 | 25.5 | 99.3 |
| Profit Before Tax (S\$million) | | | | | |
| FY2005 | 23.3 | 11.5 | 28.5 | 20.8 | 84.1 |
| FY2004 | 10.1 | 28.6 | 25.3 | 22.2 | 86.2 |
| Net Profit (After Minority Interests) Attributable to Shareholders (S\$million) | | | | | |
| FY2005 | 20.1 | 61.2 | 23.9 | 21.7 | 126.9 |
| FY2004 | 7.3 | 21.7 | 19.1 | 41.4 | 89.5 |
| Earnings Per Share (cents) | | | | | |
| FY2005 | 1.3 | 4.1 | 1.6 | 1.5 | 8.5 |
| FY2004 | 0.5 | 1.4 | 1.3 | 2.8 | 6.0 |
| Net Tangible Asset Per Share (cents) | | | | | |
| FY2005 | 29.2 | 32.1 | 32.5 | 34.0 | 34.0 |
| FY2004 | 24.6 | 24.7 | 25.0 | 27.8 | 27.8 |
| Net Gearing | | | | | |
| FY2005 | 0.55 | 0.55 | 0.48 | 0.41 | 0.41 |
| FY2004 | 0.88 | 0.77 | 0.66 | 0.49 | 0.49 |

Revenue

Group revenue for FY2005 grew 0.9 per cent from S\$667.3 million in FY2004 to S\$673.5 million. (Revenue is stated net of Goods & Services Tax or GST). The increase in revenue came mainly from a larger taxi fleet which grew by 54.2 per cent to 3,003 taxis as of end FY2005.

Review of Sectoral Revenue



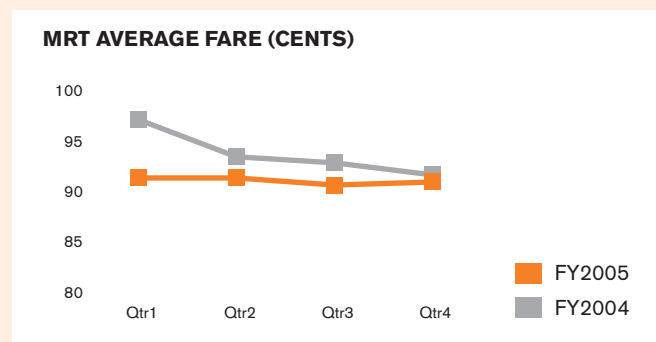
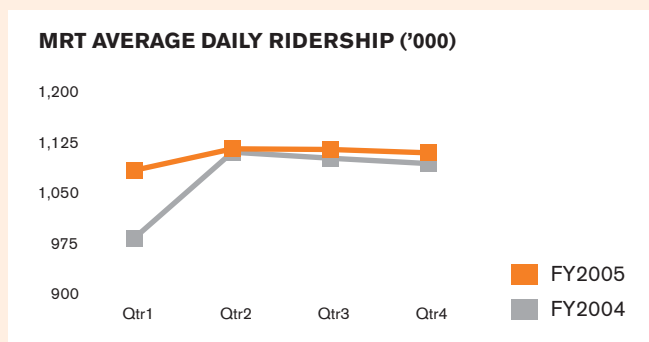
Review of Sectoral Revenue (cont'd)
(S\$million)

| | QTR 1 | QTR 2 | QTR 3 | QTR 4 | TOTAL |
|---|-------|-------|-------|-------|-------|
| MRT | | | | | |
| FY2005 | 89.9 | 93.4 | 92.6 | 90.4 | 366.3 |
| FY2004 | 86.5 | 95.1 | 93.7 | 90.8 | 366.1 |
| LRT | | | | | |
| FY2005 | 1.8 | 1.9 | 1.8 | 2.0 | 7.6 |
| FY2004 | 1.8 | 2.0 | 1.9 | 1.9 | 7.5 |
| Buses | | | | | |
| FY2005 | 46.1 | 47.2 | 45.4 | 46.0 | 184.7 |
| FY2004 | 44.7 | 46.8 | 46.2 | 47.2 | 184.9 |
| Taxis | | | | | |
| FY2005 | 15.8 | 17.3 | 18.3 | 18.8 | 70.1 |
| FY2004 | 13.4 | 14.4 | 15.1 | 14.7 | 57.6 |
| Rental | | | | | |
| FY2005 | 4.9 | 4.6 | 4.5 | 5.8 | 19.7 |
| FY2004 | 4.9 | 4.9 | 5.1 | 5.0 | 19.9 |
| Advertising | | | | | |
| FY2005 | 2.5 | 2.8 | 2.8 | 2.6 | 10.7 |
| FY2004 | 2.4 | 2.7 | 3.0 | 2.8 | 10.8 |
| Engineering & Other Services | | | | | |
| FY2005 | 4.6 | 5.2 | 4.8 | (0.3) | 14.3 |
| FY2004 | 4.8 | 8.0 | 4.2 | 3.6 | 20.5 |

MRT Operations

MRT revenue in FY2005 was comparable to the previous financial year as the ridership increase of 2.8 per cent in FY2005 mitigated the impact of lower average fare due to the absorption of GST increase and the expanding rail network. The MRT average fare fell from 97.0 cents in first quarter FY2004 to 90.8 cents by the end of FY2005.

| | QTR 1 | QTR 2 | QTR 3 | QTR 4 | TOTAL |
|---|--------|---------|---------|--------|---------|
| MRT Ridership ('000) | | | | | |
| FY2005 | 98,336 | 102,356 | 102,309 | 99,588 | 402,589 |
| FY2004 | 89,174 | 101,925 | 101,095 | 99,264 | 391,458 |
| % Change | 10.3 | 0.4 | 1.2 | 0.3 | 2.8 |
| MRT Average Daily Ridership ('000) | | | | | |
| FY2005 | 1,081 | 1,113 | 1,112 | 1,107 | 1,103 |
| FY2004 | 980 | 1,108 | 1,099 | 1,091 | 1,070 |
| % Change | 10.3 | 0.4 | 1.2 | 1.5 | 3.1 |
| MRT Average Fare (cents) | | | | | |
| FY2005 | 91.2 | 91.2 | 90.5 | 90.8 | 90.9 |
| FY2004 | 97.0 | 93.3 | 92.7 | 91.5 | 93.5 |
| % Change | (6.0) | (2.3) | (2.4) | (0.8) | (2.8) |



Revenue (cont'd)

LRT Operations

LRT revenue in FY2005 was stable with marginal improvement in ridership and average fare.

| | QTR 1 | QTR 2 | QTR 3 | QTR 4 | TOTAL |
|---|-------|-------|-------|-------|--------|
| LRT Ridership ('000) | | | | | |
| FY2005 | 3,380 | 3,540 | 3,293 | 3,568 | 13,780 |
| FY2004 | 3,224 | 3,603 | 3,380 | 3,517 | 13,724 |
| % Change | 4.8 | (1.7) | (2.6) | 1.5 | 0.4 |
| LRT Average Daily Ridership ('000) | | | | | |
| FY2005 | 37.1 | 38.5 | 35.8 | 39.6 | 37.8 |
| FY2004 | 35.4 | 39.2 | 36.7 | 38.7 | 37.5 |
| % Change | 4.8 | (1.7) | (2.5) | 2.3 | 0.8 |
| LRT Average Fare (cents) | | | | | |
| FY2005 | 54.6 | 54.3 | 55.2 | 54.8 | 55.0 |
| FY2004 | 54.8 | 55.1 | 55.5 | 54.3 | 54.9 |
| % Change | (0.4) | (1.5) | (0.5) | 0.9 | 0.2 |

Bus Operations

Bus revenue in FY2005 was flat compared to FY2004. The growth in ridership was offset by the effect of a lower average fare, which declined 1.6 per cent as a result of the absorption of the GST increase.

| | QTR 1 | QTR 2 | QTR 3 | QTR 4 | TOTAL |
|---|--------|--------|--------|--------|---------|
| Bus Ridership ('000) | | | | | |
| FY2005 | 66,349 | 69,560 | 65,913 | 66,088 | 267,910 |
| FY2004 | 62,244 | 68,601 | 65,230 | 67,820 | 263,895 |
| % Change | 6.6 | 1.4 | 1.0 | (2.7) | 1.5 |
| Bus Average Daily Ridership ('000) | | | | | |
| FY2005 | 729 | 756 | 716 | 733 | 734 |
| FY2004 | 684 | 746 | 709 | 754 | 723 |
| % Change | 6.6 | 1.4 | 1.0 | (2.7) | 1.5 |
| Bus Average Fare (cents) | | | | | |
| FY2005 | 66.6 | 64.4 | 68.1 | 68.0 | 67.3 |
| FY2004 | 68.1 | 65.4 | 68.2 | 66.1 | 68.4 |
| % Change | (2.2) | (1.5) | (0.1) | 2.9 | (1.6) |

Taxi Operations

Taxi revenue in FY2005 was 21.8 per cent or S\$12.6 million higher than FY2004 as taxi fleet grew by more than 1,000 taxis during the year.

| | QTR 1 | QTR 2 | QTR 3 | QTR 4 | TOTAL |
|---|-------|-------|-------|-------|-------|
| Holding Fleet (as of period end) | | | | | |
| FY2005 | 2,064 | 2,359 | 2,447 | 3,003 | 3,003 |
| FY2004 | 1,930 | 1,854 | 1,889 | 1,947 | 1,947 |
| % Change | 6.4 | 27.2 | 0.3 | 54.2 | 54.2 |
| Average Hired-out Rate | | | | | |
| FY2005 | 96.2 | 96.8 | 92.3 | 90.1 | 93.5 |
| FY2004 | 86.8 | 90.5 | 93.9 | 94.5 | 91.4 |
| % Change | 10.8 | 7.0 | (1.7) | (4.7) | 2.3 |
| Average Rental Rate (S\$) * | | | | | |
| FY2005 | 87.9 | 87.7 | 86.9 | 87.5 | 87.6 |
| FY2004 | 85.9 | 90.6 | 86.4 | 86.9 | 86.3 |
| % Change | 2.3 | (3.2) | 0.6 | 0.7 | 1.5 |

* per cab per day

Revenue (cont'd)

Rental

Revenue from the rental of shop spaces at MRT and LRT stations remained relatively unchanged.

The redevelopment of commercial spaces at five MRT stations – Sembawang, Yew Tee, Marsiling, Bukit Batok and Raffles Place – was completed between December and January 2005. The redevelopment collectively contributed an incremental 1,589 square metres of space. It contributed higher revenue from fourth quarter FY2005 and mitigated the shortfall in revenue in the preceding three quarters, which resulted due to the loss of shop space to Circle Line, lifts upgrade at stations and renovation works.

The total lettable space stood at 23,800 square metres as of 31 March 2005 compared to 22,500 square metres at end FY2004.

Advertising

Revenue from advertising was marginally lower due to the reduction in advertising space caused by the Circle Line construction.

Engineering and Other Services

Engineering and other services showed a decline in revenue of 30.4 per cent to S\$14.3 million as revenue in the fourth quarter FY2005 was reduced due to the revision of service fee charged to EZ-Link Pte Ltd ("EZ-Link").

Revenue in the fourth quarter FY2005 would have been S\$4.4 million if not for the revision of service fee from 0.6 to 0.2 per cent of fare card revenue. The revision was applied retrospectively from February 2004 and accounted for S\$4.7 million reduction in revenue. The change in service fee had no impact on net profit as there was also a corresponding reduction of an equivalent amount in operating fees charged by EZ-Link.

Other Operating Income

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

Other operating income in FY2005 was lower compared to FY2004 as the latter had higher grant released from assets written off and recovery of operating expenses from other transport operators.

Operating Expenditure

In spite of the reduction in staff and related costs, depreciation (net of amortisation of asset-related grant) and repairs and maintenance expenses, total operating expenditure in FY2005 increased 1.7 per cent or S\$10.1 million to S\$606.8 million as a result of the impairment losses of goodwill amounting to S\$21.4 million.

Excluding goodwill charges in both years for comparison purposes, total operating expenditure would have been lower by 1.3 per cent or S\$7.8 million.

Operating Expenses

| | FY2005 S\$MILLION | FY2004 S\$MILLION | INCREASE/(DECREASE) | |
|---|----------------------|----------------------|---------------------|--------|
| | | | S\$MILLION | % |
| Staff and Related Costs | 247.5 | 256.4 | (8.9) | (3.5) |
| Depreciation and Impairment Losses of Property, Plant and Equipment | 141.3 | 154.2 | (12.9) | (8.4) |
| Amortisation of Asset-related Grant | (25.5) | (31.7) | 6.2 | 19.6 |
| Repairs and Maintenance Costs | 56.9 | 63.3 | (6.4) | (10.1) |
| Electricity and Diesel Costs | 57.4 | 49.4 | 8.0 | 16.3 |
| Amortisation and Impairment Losses of Goodwill | 21.4 | 3.6 | 17.8 | 497.7 |
| Other Operating Expenses | 107.8 | 101.5 | 6.3 | 6.2 |
| | 606.8 | 596.8 | 10.0 | 1.7 |

Operating Expenditure (cont'd)

Staff and Related Costs

Staff and related costs consist of staff salaries, allowances, welfare and training. Staff and related costs were the largest single component of our total operating expenses, accounting for approximately 42.3 per cent of total operating expenses in FY2005, excluding goodwill impairment.

In FY2005, staff and related costs fell 3.5 per cent or S\$8.9 million to S\$247.5 million due to cost efficiency, lower headcount and employers' CPF contribution rate, and write-back of provisions.

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, the Group has owned a substantial amount of fixed assets, the value of which it depreciates over the estimated useful lives of these assets, on a straight line basis, in the financial statements.

The amortisation of the asset-related grant in a quarter or financial year generally moves in tandem with depreciation charges since the bulk of the latter charges largely relates to depreciation of MRT's operating assets.

In FY2005, depreciation charge declined 8.4 per cent or S\$12.9 million to S\$141.3 million largely due to continued usage of fully depreciated operating assets. Accordingly, amortisation of asset-related grant fell 19.6 per cent to S\$25.5 million.

Repairs and Maintenance Costs

In FY2005, repairs and maintenance costs were lower at S\$56.9 million as major overhaul programmes took place in the previous financial year.

The maintenance operations that typically contribute to such expenses are described in the following paragraphs.

MRT

SMRT Trains has a scheduled programme of regular repairs and maintenance of its train network to ensure safe and efficient customer service and reliability of operations. SMRT Trains' personnel regularly inspect and repair rolling stock and carry out inspections of the tracks both visually and with modern ultrasonic equipment. Sections of tracks detected to be subject to significant wear and tear are replaced in accordance with a pre-determined programme, and both rails and railcar wheels are periodically re-profiled to ensure a consistent wheel-to-rail fit. SMRT Trains also engages a registered professional engineer to carry out structural inspections regularly to check the integrity of the infrastructure of the MRT System.

SMRT Trains conducts a planned light overhaul of its rolling stock approximately every four years or after 500,000 kilometres and a planned heavy overhaul about once every eight years.

The level of maintenance in a given year therefore depends largely on the overall maintenance programme for the MRT system.

SMRT Trains periodically upgrades various equipment when they have reached obsolescence and equipment manufacturers no longer offer support. The upgrading and improvement works carried out in FY2005 are described in the section "The Year In Review" on pages 35 to 36. The improvements made to raise service quality and to meet passenger expectations and for train and station operations to function effectively entails an increase in repairs and maintenance costs.

LRT

Since June 2003, the maintenance operations of the LRT System have been integrated with that of SMRT Trains to facilitate pooling of resources and sharing of expertise.

Buses

Bus maintenance work is carried out by SMRT Automotive. It has three workshops within the three bus depots located at Ang Mo Kio, Woodlands and Kranji, servicing a fleet of more than 800 buses. A comprehensive range of maintenance parts is stored to prepare for contingencies and to minimise disruptions 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 reliability of operations. Corrective maintenance is required in the event of accident or breakdown. Overhauls of engines, transmission systems and other parts are carried out on a regular basis to maintain the operating performance of the buses. 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

The taxi fleet is maintained by SMRT Automotive. The monthly preventive maintenance on taxis is compulsory to ensure the safety of taxi drivers 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 the vehicles.

Electricity and Diesel Costs

The deregulation of the power market for large consumers provided opportunities for the Group to source for lower electricity tariffs and enter into contracts with the electricity retail companies to assure lower prices over a period of time. In September 2004, SMRT Trains entered into a contract with Senoko Energy Supply Pte Ltd for a two-year supply of electricity at a fixed rate with an option to renew for another year's supply at the same rate.

Diesel is purchased directly from a wholesaler and pricing is based on monthly average rate.

In FY2005, total electricity and diesel costs increased 16.3 per cent to S\$57.4 million as a result of higher diesel prices.

| | FY2005 S\$MILLION | FY2004 S\$MILLION | INCREASE/(DECREASE) S\$MILLION | % |
|-------------------|----------------------|----------------------|-----------------------------------|------|
| Electricity Costs | 33.2 | 31.4 | 1.8 | 5.7 |
| Diesel Costs | 24.2 | 18.0 | 6.2 | 34.4 |
| | 57.4 | 49.4 | 8.0 | 16.3 |

Fuel Equalisation Account

The purpose of the Fuel Equalisation Account ("FEA") is described on page 113.

The actual electricity tariff was below its reference rate, which was raised during the year. As a result, about S\$1.6 million was contributed to the FEA and a corresponding charge to the profit and loss account was included in the electricity costs.

Actual diesel price was above the reference diesel price. However, there was no release of the FEA to the profit and loss account as the outstanding balance in the FEA was below the cap of one year's diesel consumption based on the current year's consumption level.

As at 31 March 2005, the electricity and diesel amounts standing in the credit of the FEA were approximately S\$10.3 million and S\$8.4 million respectively.

Amortisation and Impairment Losses of Goodwill

The new Financial Reporting Standard (FRS) 103 on accounting treatment for business combinations is effective for annual periods beginning on or after 1 July 2004. The Group has adopted the new FRS 103 from 1 April 2004 ahead of its effective date. Consequently, the Group has also adopted the revised FRS 36 Impairment of Assets and revised FRS 38 Intangible Assets.

FRS 103 prohibits amortisation of goodwill and requires instead that goodwill be tested for impairment annually. As a result of the early adoption of FRS 103, an impairment loss of \$21.4 million relating to goodwill was recorded during the year in accordance to the revised FRS 36.

Operating Expenditure (cont'd)

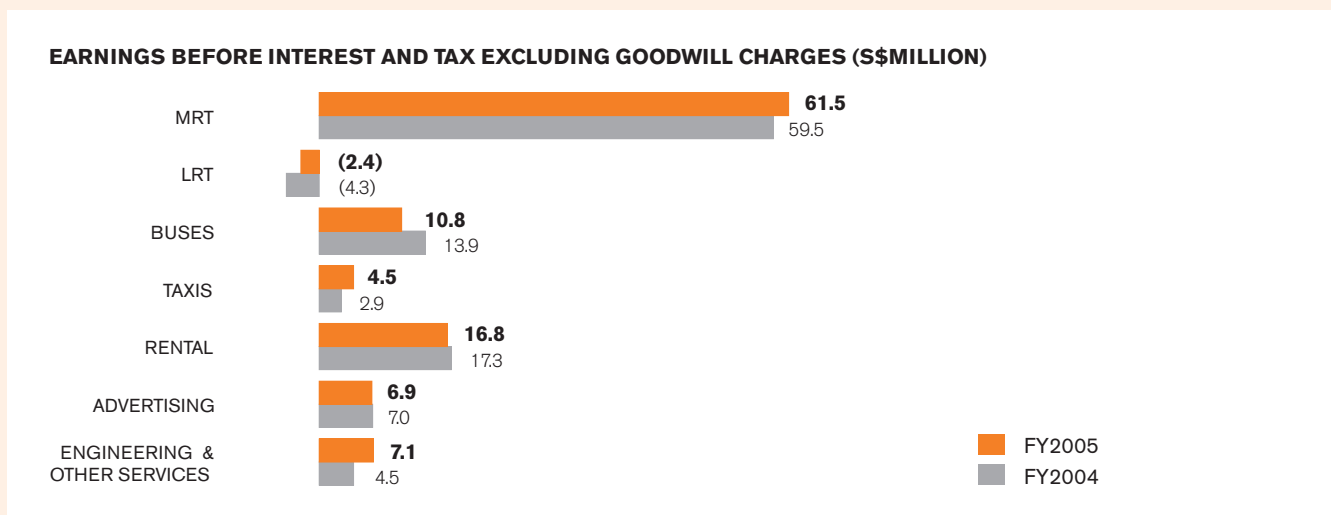
Other Operating Expenses

Other operating expenses comprise property and road taxes, ERP charges, LTA licence fees set at 1.0 per cent of annual fare revenue, insurance costs, operating fees paid to EZ-Link for the use of the EZ-Link Card system, write-offs of fixed assets, legal and professional fees, utilities, office rental and office equipment maintenance.

Other operating expenses in FY2005 increased 6.2 per cent to S\$107.8 million mainly because of a larger taxi fleet, associated tariffs and cessation of property tax rebate in January 2004.

Earnings Before Interest and Tax ("EBIT")

EBIT or profit from operations in FY2005 declined 6.4 per cent to S\$93.0 million mainly due to the one-off goodwill impairment. Without the goodwill impairment in FY2005 and goodwill charges in FY2004, EBIT would have improved 11.2 per cent to S\$114.4 million. The breakdown of EBIT (excluding goodwill charges) by business segment is as follows:



EBIT contribution from MRT operations increased 3.5 per cent to S\$61.5 million mainly due to lower depreciation (net of amortisation of asset-related grant).

Operating losses from LRT operations were reduced by almost half to S\$2.4 million as major overhaul programs were carried out in FY2004.

Buses' operating profits were affected by higher diesel costs, with EBIT declining 22.2 per cent to S\$10.8 million.

Operating profits from taxis grew 54.6 per cent to S\$4.5 million on higher revenue.

EBIT contribution from commercial space rental declined slightly as a result of higher operating costs arising from the refurbishment of five MRT stations.

Operating profits from advertising remained stable compared to FY2004.

Operating profits from engineering and other services were higher by 57.8 per cent at S\$7.1 million due to lower operating costs.

Finance Costs

Interest expenses in FY2005 was lower as the outstanding borrowings of the Group were significantly reduced with the redemption of the S\$250.0 million bonds in December 2004.

Interest and Investment Income

Interest and investment income in FY2005 increased mainly due to the S\$3.5 million proceeds from the Group's divestment of its entire 14.6 per cent interest in MediaCorp Press Ltd in August 2004.

Income Tax

The tax charge for FY2005 included a one-time write-back of current and deferred tax provisions amounting to S\$58.3 million, of which S\$52.1 million arose mainly from capital allowances relating to operating assets funded by the LTA grant upon finalisation of income tax for the Year of Assessment 2000 of SMRT Trains during the year.

Net Profit Attributable to Shareholders

Net profit in FY2005 amounted to S\$126.9 million. Excluding the write-back of taxation and goodwill charges, net profit for the year would have increased 27.3 per cent or S\$19.3 million to S\$90.0 million.

Review of Half-yearly Results

Revenue for the first half of FY2005 was 1.7 per cent or S\$5.7 million higher than the previous corresponding period mainly due to ridership improvement and higher taxi revenue. The first-half net profit in FY2005 jumped by a significant S\$51.8 million to S\$81.4 million largely aided by the S\$54.1 million tax write-back recorded during the period, which offset the goodwill impairment of S\$21.4 million. Without the tax adjustment and goodwill impairment, net profit for the first half of FY2005 would have been S\$48.6 million. This would mean an improvement of 64.7 per cent or S\$19.1 million compared to the first-half net profit in FY2004 due to higher revenue, lower staff costs and depreciation (net of amortisation of asset-related grant).

Revenue for the second half last year was comparable with the same period in FY2004. The growth in taxi revenue from the expansion of fleet was offset by lower bus revenue due to rationalisation of unprofitable routes in the fourth quarter, and reduction in service fees billed to EZ Link. Second-half net profit was lower by S\$15.2 million or 25.1 per cent as there was a tax write-back of S\$22.8 million in the second half of FY2004. Excluding tax adjustments in both periods, net profit would have improved by 8.7 per cent or S\$3.3 million to S\$41.1 million mainly due to the reduction in interest costs.

| FIRST HALF AGAINST SECOND HALF REVENUE AND NET PROFIT | FY2005 (\$MILLION) | FY2004 (\$MILLION) | INCREASE/(DECREASE) (\$MILLION) | % |
|--|-----------------------|-----------------------|------------------------------------|--------|
| Revenue Reported in First Half | 338.0 | 332.2 | 5.7 | 1.7 |
| Net Profit After Tax Before Minority Interests Reported in First Half | 81.4 | 29.6 | 51.8 | 175.0 |
| Revenue Reported in Second Half | 335.5 | 335.1 | 0.4 | 0.1 |
| Net Profit After Tax Before Minority Interests Reported in Second Half | 45.4 | 60.6 | (15.2) | (25.1) |

Liquidity and Capital Resources

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. The Group's capital expenditure and working capital requirements are currently financed by cash generated from operations and borrowings.

On 13 January 2005, the Company put in place a S\$500.0 Million Multi-Currency Medium Term Note Programme (the "MTN Programme"). Under the MTN Programme, the Company may issue notes from time to time in Singapore dollars or in other currencies, in various amounts and tenors, and may bear fixed, floating or variable rates of interest. Hybrid notes or zero coupon notes may also be issued under the MTN Programme. The proceeds from the issue of notes under the MTN Programme will be used for the purpose of financing the general corporate funding requirements.

On 20 January 2005, the Group issued S\$50.0 million floating rate notes due 2010 where payment of interest will be made on 20 January and 20 July of each year during the term of the notes. The notes are listed and quoted on the Singapore Exchange since 24 January 2005.

Liquidity and Capital Resources (cont'd)

As of 31 March 2005, the Group's consolidated cash and cash equivalents stood at S\$72.0 million compared to S\$263.0 million as of end-FY2004. This was mainly due to the redemption of the S\$250.0 million unsecured bonds in December 2004.

The following table sets forth the condensed summary of the Group's consolidated statement of cash flows for the financial years ended 31 March 2005 and 2004:

| | FY2005 (S\$MILLION) | FY2004 (S\$MILLION) |
|--|------------------------|------------------------|
| Cash Flow From/(Used In) | | |
| Operating Activities | 154.6 | 188.5 |
| Investing Activities | (147.5) | (17.3) |
| Financing Activities | (198.1) | (4.5) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (191.0) | 166.7 |
| Cash and Cash Equivalents at 31 March | 72.0 | 263.0 |

The detailed consolidated statement of cash flows can be found on pages 103 to 104.

Net Cash from Operating Activities

Cash flow from operating activities in FY2005 was lower than FY2004 as a result of higher dividends paid and lower working capital employed.

Net Cash used in Investing Activities

Cash outflow from investing activities amounted to S\$147.5 million due to higher capital expenditure mainly arising from the purchase of new taxis and payment to LTA for EIFS.

Net Cash used in Financing Activities

The redemption of the S\$250.0 million bonds was the main reason behind the higher cash outflow from financing activities.

Free Cash Flow

Free cash flow, which is cash flow from operating activities less capital expenditure outflow, was a negative S\$3.5 million compared to S\$154.0 million in FY2004.

The net cash outflow in FY2005 was S\$191.0 million as against an inflow of S\$166.7 million in FY2004 mainly due to the redemption of S\$250.0 million bonds, payment to LTA for EIFS and higher capital expenditure.

Capital Expenditure

Total capital expenditure for FY2005 amounted to S\$138.6 million, of which the main items were the purchase of taxis, renovation works for redevelopment of commercial space and maintenance capital expenditure for the MRT System and buses operating assets and equipment, including CCTV system and upgrading of air-conditioning system.

Contingent Liabilities and Contractual Commitments

The Group's contingent liabilities pertain to corporate guarantee in relation to performance bonds of an associate, Transys Pte Ltd.

Contractual commitments relate to the upgrading of air-conditioning system in the MRT stations, installation of a CCTV 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 of 31 March 2005, capital expenditure contracted but not provided for in the financial statements was S\$178.7 million.

Risk Management

The responsibility of the implementation of the risk management programme in the Group rests with the Risk Management Committee ("RMC"). The RMC reviews the Group's business risks to determine, mitigate and manage the changes to the Group's risk profile. The RMC, chaired by the Group President & CEO and which reports to the Audit Committee, consists of members who are heads of the business units and the various corporate functions in the Group.

Risk Management (cont'd)

The Group has recently taken significant steps to improve its risk management process by embracing and implementing the Enterprise Risk Management framework, which encompasses a disciplined process of managing all components of risks affecting the Group. This process is discussed in detail on page 64.

Managing Operational Risks

SMRT Trains and SMRT Light Rail are required under the LOA to meet certain operating performance standards, which are the mandatory minimum operating standards relating to various aspects of service quality, safety and key equipment performance.

To ensure that these minimum MRT and LRT operating performance standards are met, SMRT Trains and SMRT Light Rail carry out a rigorous operating asset maintenance, upgrading and service improvement programme every year based on economic considerations, user requirements and benefits to passengers. The details of the year's programme are described on pages 35 to 36.

The two subsidiaries also mitigate the risks of non-compliance by constantly assessing their level of service and benchmarking their key performance indicators against the top metro operators in the world (see pages 31 to 32). They also monitor the performance of their operating equipment to ensure that they are reliable, efficient and robust enough for a smooth functioning of the MRT and LRT systems.

SMRT Buses operates in a regulated environment in which its bus services have to meet service standards specified by the authorities. There are also stringent regulatory requirements imposed on bus specifications and features as well as on vehicle maintenance, roadworthiness and service provision. SMRT Buses mitigates non-compliance risks by carrying out a stringent maintenance and service improvement regime each year.

SMRT Taxis mitigates non-compliance risks by promoting service availability, safety and customer satisfaction through investment in new technologies, safety incentive schemes to reduce accident rates and service excellence programmes. The description of these activities is found on page 46.

The Group mitigates other operational risks, such as those relating to safety and security of trains and buses, by promoting safety and installing additional measures to augment the security system. The Group's safety programme is audited by the American Public Transport Association to benchmark the programme against global standards. It continuously reviews its security measures to bring them in line with worldwide standards.

Managing Cost Risks

The Group is exposed to cost risks that are outside its control, such as fluctuations in oil prices, which affect its energy costs. The Group mitigates rising electricity cost by entering into electricity contracts for at least one year or longer at a fixed rate. Diesel is purchased in foreign currencies and forward exchange contracts are used to hedge foreign currency risk exposure.

Managing Investment Risk

The Group's 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

Management of credit, liquidity, interest rate and currency rate risks are discussed in the Notes to the Financial Statements on pages 144 to 145.

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.

Sensitivity Analysis (cont'd)

Bus Ridership

Every one percentage point change in annual bus ridership will lead to a S\$1.8 million change in gross operating profit.

Electricity and Diesel Costs

Every one percentage point change in the rate of electricity and diesel will lead to a S\$0.3 million change in gross operating profit per annum. This assumes that the electricity and diesel usage is maintained at FY2005 levels.

Cost of Borrowing

Every 100 basis points change in interest rate of the \$50.0 million Floating Rate Notes outstanding at the end of FY2005 will result in a change in interest expense by S\$0.5 million per annum.

Prospects For FY2006

Following PTC's approval of the increase in trains and bus fares with effect from 1 July 2005, the average fare for the MRT System and buses is expected to increase by approximately 2.35 per cent while the average fare for the LRT System is expected to increase by approximately 1.5 per cent. The trains and bus fares increase is therefore expected to have a positive impact on the revenue and profits from MRT, LRT and bus operations.

The Group will intensify its efforts on growing revenues in non-fare sectors.

SMRT Taxis will strengthen its presence in the taxi industry by growing its fleet beyond 3,003 taxis and offering competitive benefits and incentives to draw hirers.

On commercial space leasing, the five stations, which were completed between December and January 2005 are expected to contribute additional revenue of S\$4.0 million annually from FY2006 onwards. Recently, the authorities approved the redevelopment plans for five more stations – Pasir Ris, Tampines, Simei, Eunos and Dhoby Ghaut. The Group will continue to work with the authorities to further redevelop and create more shop space at other stations.

The Group will also roll out more creative and innovative forms of advertising media to grow advertising revenue and seek overseas projects in areas where it has core competence.

Operating costs in FY2006 are expected to increase as a result of higher oil prices and anticipated rise in security requirements in the public transport system. To mitigate these uncontrollable cost pressures, the Group will continue to improve its efficiency and productivity levels.

Excluding goodwill impairment losses, Group operating profit is expected to be better than FY2005.

Future Capital Expenditure

Given the Group's continued focus to grow non-fare sectors, capital expenditure in FY2006 is expected to include the purchase of new taxis and redevelopment works at MRT stations.

In addition, SMRT Trains appointed Rotem Company, a unit of Hyundai, to undertake the mid-life upgrade of its 66 C151 (KHI) trains for approximately S\$142.7 million. This is expected to be spread over an estimated period of four financial years starting from FY2006 so as not to disrupt the frequency and level of its MRT service daily. The upgrading works are expected to be completed in April 2008.

The Group is generally required to replace or upgrade other station and train operating assets as well as those in buses and taxis to maintain or improve their service levels. Maintenance and replacement capital expenditure is therefore expected to continue into FY2006. The extent of such capital expenditure may fluctuate from year to year depending on the conditions of the assets and their maintenance and replacement schedule.

In any given year, if cash generated from operations is not sufficient to meet all the capital expenditure required for that year, the Group may rely on cash resources accumulated from prior years' operations or tap the capital markets for funds via the MTN Programme.

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 2005.

Directors

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

Choo Chiau Beng *CHAIRMAN*
Saw Phaik Hwa
Cheah Kean Huat
Daniel Ee Hock Huat
Koh Kheng Siong
Victor Loh Kwok Hoong
Margaret Lui-Chan Ann Soo
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 (the "Act"), 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 | AT END OF THE YEAR |
| Choo Chiau Beng | | |
| SMRT Corporation Ltd | | |
| – ordinary shares of \$0.10 each | 100,000 | 100,000 |
| Neptune Orient Lines Ltd | | |
| – ordinary shares of \$1.00 each fully paid | – | 150,000 |
| 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 | 20,000 |
| Singapore Technologies Engineering Ltd | | |
| – ordinary shares of \$0.10 each | 20,000 | – |
| Singapore Telecommunications Limited | | |
| – ordinary shares of \$0.15 each fully paid | 1,880 | 1,746 |
| 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 | 160,000 |
| Cheah Kean Huat | | |
| SMRT Corporation Ltd | | |
| – ordinary shares of \$0.10 each | 30,000 | 30,000 |

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 | AT END OF THE YEAR |
| Daniel Ee Hock Huat | | |
| SMRT Corporation Ltd | | |
| – ordinary shares of \$0.10 each | 55,000 | 55,000 |
| CapitaMall Trust Management Limited | | |
| – units in CapitalMall Trust | 22,000 | 24,000 |
| 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 Technologies Engineering Ltd | | |
| – ordinary shares of \$0.10 each | 20,000 | 10,000 |
| Singapore Telecommunications Limited | | |
| – ordinary shares of \$0.15 each | 3,760 | 3,500 |
| Koh Kheng Siong | | |
| CapitaCommercial Trust Management Limited | | |
| – units in CapitaCommercial Trust | – | 5,000 |
| 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 | 14,090 |
| STATS ChiPAC Ltd | | |
| – ordinary shares of \$0.25 each | 1,000 | * |

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 | AT END OF THE YEAR |
| 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 Airlines Limited | | |
| – ordinary shares of \$0.50 each | 111,000 | 111,000 |
| Singapore Technologies Engineering Ltd | | |
| – ordinary shares of \$0.10 each | 92,000 | – |
| Singapore Telecommunications Limited | | |
| – ordinary shares of \$0.15 each | 9,480 | 8,810 |
| 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 | 3,310 |
| Tiger Airways Pte Ltd | | |
| – ordinary shares of \$1.00 each | 1** | – |
| Niam Chiang Meng | | |
| CapitaMall Trust Management Limited | | |
| – units in CapitaMall Trust | – | 150,000 |
| CapitaLand Limited | | |
| – ordinary shares of \$1.00 each | 10,000 | 10,000 |
| SembCorp Logistics Ltd | | |
| – ordinary shares of \$1.00 each | – | 30,000 |
| Singapore Telecommunications Limited | | |
| – ordinary shares of \$0.15 each | 15,200 | 12,080 |
| Nithiah Nandan s/o Arumugam | | |
| Singapore Telecommunications Limited | | |
| – ordinary shares of \$0.15 each | 1,540 | 1,430 |

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 | AT END OF THE YEAR |
| Engelin Teh Guek Ngor | | |
| SMRT Corporation Ltd | | |
| – ordinary shares of \$0.10 each | – | 150,000 |
| SembCorp Logistics Ltd | | |
| – ordinary shares of \$1.00 each | – | 25,000 |
| Singapore Airlines Limited | | |
| – ordinary shares of \$0.50 each | 5,000 | 5,000 |
| Singapore Telecommunications Limited | | |
| – ordinary shares of \$0.15 each | 1,540 | 31,430 |
| STATS ChiPAC Ltd | | |
| – ordinary shares of \$0.25 each | 50,000 | * |

* *STATS ChiPAC Ltd ceased to be a related corporation of SMRT Corporation Ltd during the financial year following the merger between ST Assembly Test Services Ltd and ChiPAC Inc on 5 August 2004.*

** *Held in trust for Fullerton Management Pte Ltd.*

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures or share options of the Company or of related corporations either at the beginning 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 2005.

Except as disclosed under the “Share Options and Share Plans” 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 and Share Plans

The SMRT Corporation Employee Share Option Plan ("SMRT ESOP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2000. The SMRT 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.

The SMRT Corporation Restricted Share Plan ("SMRT RSP") and the SMRT Corporation Performance Share Plan ("SMRT PSP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2004.

The SMRT ESOP, SMRT RSP and SMRT PSP are administered by the Remuneration Committee (the "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.

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 SMRT ESOP, SMRT RSP and SMRT PSP as it thinks fit.

The salient features of the SMRT ESOP, SMRT RSP and SMRT PSP are as follows:

SMRT ESOP

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 SMRT ESOP.

ii) Maximum allowable allotment

The total number of shares which may be issued under the SMRT ESOP ("ESOP Shares") when added to the number of shares which may be issued pursuant to awards granted under the SMRT RSP and SMRT PSP 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.

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.

Share Options and Share Plans (cont'd)

At the end of the financial year, details of the options granted under the SMRT 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 1/4/2004 | OPTIONS GRANTED | OPTIONS EXERCISED | OPTIONS CANCELLED | OPTIONS OUTSTANDING AT 31/3/2005 | NUMBER OF OPTION HOLDERS AT 31/3/2005 | EXERCISE PERIOD |
|--------------------------|--------------------------|---------------------------------|-----------------|-------------------|-------------------|----------------------------------|---------------------------------------|------------------------|
| 16/7/2001 | \$0.816 | 7,078,500 | – | 986,500 | 176,000 | 5,916,000 | 2,159 | 16/7/2002 to 15/7/2011 |
| 22/7/2002 | \$0.676 | 6,059,200 | – | 1,430,500 | 221,500 | 4,407,200 | 2,833 | 22/7/2003 to 21/7/2012 |
| 22/7/2003 | \$0.623 | 6,140,400 | – | 144,600 | 314,300 | 5,681,500 | 2,979 | 22/7/2004 to 21/7/2013 |
| | | 19,278,100 | – | 2,561,600 | 711,800 | 16,004,700 | | |

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 SMRT ESOP are as follows:

| NAME OF DIRECTOR | OPTIONS GRANTED FOR FINANCIAL YEAR ENDED 31 MARCH 2005 | AGGREGATE OPTIONS GRANTED SINCE COMMENCEMENT OF SCHEME TO 31 MARCH 2005 | AGGREGATE OPTIONS EXERCISED SINCE COMMENCEMENT OF SCHEME TO 31 MARCH 2005 | AGGREGATE OPTIONS OUTSTANDING AS AT 31 MARCH 2005 |
|------------------|--|---|---|---|
| Saw Phaik Hwa | – | 160,000 | – | 160,000 |

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

Since the commencement of the SMRT ESOP, no options have been granted to the employees of the holding company or its related corporations under the SMRT 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.

During the financial year, no options have been granted.

SMRT RSP and SMRT PSP (collectively “the Plans”)

The SMRT RSP is intended to enhance the Group's overall compensation packages and strengthen the Group's ability to attract and retain high performing talent.

Share Options and Share Plans (cont'd)

The SMRT PSP is targeted at senior management in key positions who are able to drive the growth of the Company through innovation, creativity and superior performance.

i) *Eligible participants*

- Group employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time; and
- Associated company employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The selection of employees and the number of shares which are the subject of each award to be granted to employees in accordance with the Plans shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, contribution to the success and development of the Group and the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

ii) *Awards*

Awards represent the right of an employee to receive fully paid shares, their equivalent cash value or combination thereof, free of charge, provided that certain prescribed performance targets are met and upon expiry of the prescribed vesting period.

It is the intention of SMRT to award performance-based restricted awards to ensure that the earnings of shares under the SMRT RSP is aligned with pay-for-performance principle.

Awards granted under the SMRT PSP are performance-based and the targets set under the plan are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth.

An individual employee who is a key management staff may be granted an award under the SMRT PSP, as well as the SMRT RSP although differing performance targets are likely to be set for each award.

Non-executive directors of the Group, the holding company and associated companies will not be eligible to participate in the Plans.

iii) *Size and Duration*

The total number of new shares which may be issued pursuant to awards granted under the Plans, when added to the number of options granted under SMRT ESOP shall not exceed fifteen percent of the issued share capital of the Company on the day preceding the relevant date of award.

The number of existing shares purchased from the market which may be delivered pursuant to awards under the Plans, and the amount of cash which may be paid upon the release of such awards in lieu of shares, will not be subject to any limit as such methods will not involve the issuance of any new shares.

The Plans shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing from 15 July 2004, provided always that the Plans may continue beyond the 10-year period with the approval of the shareholders in general meeting and of any relevant authorities which may then be required. Notwithstanding the expiry or termination of the Plans, any awards made to employees prior to such expiry or termination will continue to remain valid.

Share Options and Share Plans (cont'd)

iv) Events Prior to Vesting

Special provisions for vesting and lapsing of awards apply such as the termination of the employment, misconduct, retirement and any other events approved by the Committee. Upon occurrence of any of the events, the Committee will consider, at its discretion, whether or not to release any award, and will take into account circumstances on a case-by-case basis, including (but not limited to) the contributions made by the employee.

During the financial year, the Company did not issue any shares under the Plans.

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 Act, the SGX-ST Listing Manual ("Listing Manual") 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 Act 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 five 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 reviewed the independence of the external auditors and determined that the external auditors were independent in carrying out their audit of the financial statements.

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.

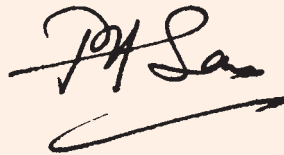
Auditors

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
29 April 2005

In our opinion:

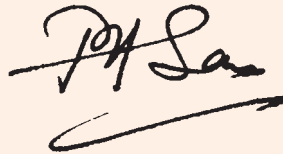
- a) the financial statements set out on pages 99 to 147 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2005 and of the results, changes in equity and cash flows of the Group for the year ended on that date; and
- b) at the date 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
29 April 2005

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 2005 as set out on pages 99 to 147. 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 2005 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 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
29 April 2005

BALANCE SHEETS

as at 31 March 2005

pg 99

| | NOTE | THE GROUP | | THE COMPANY | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 4 | 1,156,865 | 1,174,254 | 4,259 | 237 |
| Intangible asset | 5 | 41,932 | 63,373 | – | – |
| Investments in subsidiaries | 6 | – | – | 333,191 | 351,332 |
| Interests in an associate | 7 | 485 | 741 | – | – |
| Financial assets | 8 | 3,753 | 3,753 | – | – |
| | | 1,203,035 | 1,242,121 | 337,450 | 351,569 |
| Current assets | | | | | |
| Inventories | 9 | 41,061 | 41,522 | – | – |
| Trade and other receivables | 10 | 38,789 | 36,415 | 325,523 | 553,274 |
| Tax recoverable | 11 | 8,977 | 1,809 | 6,183 | 1,809 |
| Fixed deposits with banks and financial institutions | | 36,022 | 227,722 | – | – |
| Cash at banks and in hand | | 35,948 | 35,268 | 2,133 | 511 |
| | | 160,797 | 342,736 | 333,839 | 555,594 |
| Current liabilities | | | | | |
| Trade and other payables | 12 | 146,848 | 181,877 | 81,528 | 54,311 |
| Interest-bearing borrowings | 13 | – | 250,000 | – | 250,000 |
| Provisions | 14 | 15,999 | 16,161 | 247 | 219 |
| Current tax payable | | 815 | 8,505 | – | – |
| | | 163,662 | 456,543 | 81,775 | 304,530 |
| Net current (liabilities)/assets | | (2,865) | (113,807) | 252,064 | 251,064 |
| Balance carried forward | | 1,200,170 | 1,128,314 | 589,514 | 602,633 |

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

| | NOTE | THE GROUP | | THE COMPANY | |
|--------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| Balance brought forward | | 1,200,170 | 1,128,314 | 589,514 | 602,633 |
| Non-current liabilities | | | | | |
| Interest-bearing borrowings | 13 | 300,000 | 250,000 | 300,000 | 250,000 |
| Provisions | 14 | 3,222 | 3,745 | 634 | 543 |
| Deferred tax liabilities | 15 | 129,225 | 154,029 | 744 | – |
| Fuel equalisation account | 16 | 18,711 | 17,961 | – | – |
| | | 451,158 | 425,735 | 301,378 | 250,543 |
| Minority interests | | 2,178 | 2,281 | – | – |
| | | 746,834 | 700,298 | 288,136 | 352,090 |
| Share capital | 17 | 150,256 | 150,000 | 150,256 | 150,000 |
| Share premium | 18 | 1,606 | – | 1,606 | – |
| Accumulated profits | | 401,198 | 330,709 | 136,274 | 202,090 |
| Shareholders' equity | | 553,060 | 480,709 | 288,136 | 352,090 |
| Deferred grant | 19 | 193,774 | 219,589 | – | – |
| | | 746,834 | 700,298 | 288,136 | 352,090 |

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2005

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| | NOTE | 2005 \$'000 | 2004 \$'000 |
|---|-------|----------------|----------------|
| Revenue | 20 | 673,466 | 667,344 |
| Other operating income | 21(a) | 26,376 | 28,771 |
| Staff and related costs | 21(b) | (247,478) | (256,424) |
| Depreciation and impairment losses of property, plant and equipment | 4 | (141,274) | (154,221) |
| Amortisation of asset-related grant | 19 | 25,463 | 31,655 |
| Repairs and maintenance costs | | (56,878) | (63,299) |
| Electricity and diesel costs | | (57,427) | (49,383) |
| Amortisation and impairment losses of goodwill | 5 | (21,441) | (3,587) |
| Other operating expenses | | (107,808) | (101,521) |
| Profit from operations | | 92,999 | 99,335 |
| Finance costs | 21(d) | (13,974) | (15,779) |
| Interest and investment income | 21(e) | 5,350 | 2,989 |
| Share of results of associates | | (256) | (312) |
| Profit from ordinary activities before taxation | 21 | 84,119 | 86,233 |
| Income tax credit | 22 | 42,669 | 3,962 |
| Profit from ordinary activities after taxation | | 126,788 | 90,195 |
| Minority interests | | 103 | (699) |
| Net profit for the year | | 126,891 | 89,496 |
| Earnings per share (in cents) | | | |
| Basic | 23 | 8.46 | 5.97 |
| Diluted | 23 | 8.45 | 5.97 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2005

pg 102

| | SHARE CAPITAL \$'000 | SHARE PREMIUM \$'000 | ACCUMULATED PROFITS \$'000 | TOTAL \$'000 |
|--|----------------------------|----------------------------|----------------------------------|-----------------|
| The Group | | | | |
| At 1 April 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 |
| Net profit for the year | – | – | 126,891 | 126,891 |
| Issue of shares under the share option plan | 256 | 1,606 | – | 1,862 |
| Final dividend paid of 3.20 cents per share less tax at 20% in respect of year 2004 | – | – | (38,401) | (38,401) |
| Interim dividend paid of 1.50 cents per share less tax at 20% in respect of year 2005 | – | – | (18,001) | (18,001) |
| At 31 March 2005 | 150,256 | 1,606 | 401,198 | 553,060 |

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

CONSOLIDATED
STATEMENT OF
CASH FLOWS

for the year ended 31 March 2005

pg 103

| | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| Operating activities | | |
| Profit from operating activities before taxation | 84,119 | 86,233 |
| Adjustments for items not involving outlay of funds: | | |
| Amortisation of asset-related grant | (25,463) | (31,655) |
| Amortisation and impairment losses of goodwill | 21,441 | 3,587 |
| Depreciation and impairment losses of property, plant and equipment | 141,274 | 154,221 |
| Dividend income | (189) | – |
| Grant released upon disposal/write-off of property, plant and equipment | (352) | (2,273) |
| Interest expense | 13,974 | 15,779 |
| Interest income | (1,543) | (905) |
| Diminution in value of long-term investments | – | 297 |
| (Gain)/loss on disposals of: | | |
| – investments | (3,618) | (2,208) |
| – property, plant and equipment | (1,029) | (201) |
| – investment in a subsidiary | – | 329 |
| – investment in an associate | – | (205) |
| Property, plant and equipment written off | 1,213 | 7,391 |
| Provisions made during the year | 8,632 | 5,350 |
| Share of results of associates | 256 | 312 |
| Waiver of loan by a minority shareholder of a subsidiary | – | (472) |
| Operating profit before working capital changes | 238,715 | 235,580 |
| Changes in working capital: | | |
| Inventories | 461 | 3,924 |
| Finance lease receivables | – | 270 |
| Trade and other receivables | (1,947) | 8,067 |
| Amounts due from an associate | 654 | (379) |
| Trade and other payables and provisions | (14,055) | (13,619) |
| Cash flows from operations | 223,828 | 233,843 |
| Income taxes refunded | 3,007 | 6,504 |
| Dividends paid | (56,402) | (36,036) |
| Interest paid | (15,818) | (15,746) |
| Cash flows from operating activities | 154,615 | 188,565 |
| Balance carried forward | 154,615 | 188,565 |

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

| | NOTE | 2005 \$'000 | 2004 \$'000 |
|---|------|----------------|----------------|
| Balance brought forward | | 154,615 | 188,565 |
| Investing activities | | | |
| Dividends received | | 189 | – |
| Interest received | | 1,793 | 668 |
| Purchase of property, plant and equipment | | (158,150) | (34,546) |
| Purchase of investments | | (80,000) | – |
| Proceeds from disposals of: | | | |
| – investments | | 83,618 | 2,608 |
| – property, plant and equipment | | 5,053 | 2,331 |
| – investment in an associate | | – | 367 |
| Net cash inflow from disposal of investment in a subsidiary | 26 | – | 11,227 |
| Cash flows used in investing activities | | (147,497) | (17,345) |
| Financing activities | | | |
| Redemption of unsecured quoted bonds | | (250,000) | – |
| Repayment of bank loans | | (60,000) | (4,500) |
| Proceeds from bank loans | | 60,000 | – |
| Proceeds from issue of unsecured quoted floating rate notes | | 50,000 | – |
| Issue of shares under share option plan | | 1,862 | – |
| Cash flows used in financing activities | | (198,138) | (4,500) |
| Net (decrease)/increase in cash and cash equivalents | | (191,020) | 166,720 |
| Cash and cash equivalents at beginning of year | | 262,990 | 96,270 |
| Cash and cash equivalents at end of year | | 71,970 | 262,990 |
| Cash and cash equivalents at end of the year comprise: | | | |
| | | 2005 \$'000 | 2004 \$'000 |
| Fixed deposits with banks and financial institutions | | 36,022 | 227,722 |
| Cash at banks and in hand | | 35,948 | 35,268 |
| | | 71,970 | 262,990 |

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Directors on 29 April 2005.

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 space at the MRT and LRT stations as well as in trains, and on buses and taxis.

vi) Engineering and Other Services

The business provides consultancy, project management services, leasing of fibre optic cables, repair and maintenance services and sales of diesel to taxi hirers.

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) SMRT Trains Ltd (formerly known as 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 2003 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) SMRT Light Rail Pte Ltd (formerly known as 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.
- 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.

2 Licence and Operating Agreements (cont'd)

b) SMRT Light Rail Pte Ltd (formerly known as Singapore LRT Pte Ltd) ("LRT") (cont'd)

- 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 ("CCDG"). In July 2004, CCDG issued FRS 103 Business Combinations, revised FRS 36 Impairment of Assets and revised FRS 38 Intangible Assets to be effective for annual financial periods beginning on or after 1 July 2004. The Group has adopted these standards for the current year beginning 1 April 2004, ahead of the latest required date of adoption.

In accordance with the transitional provisions set out in the respective standards, the above accounting standards are applied prospectively from the effective date of 1 April 2004. The effect of adopting the standards resulted in changes in the Group's accounting policies for goodwill.

Goodwill is now stated at cost less any accumulated impairment losses and are no longer amortised. Instead, impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired.

Had there not been a change in accounting policy, the net profit attributable to shareholders for the financial year ended 31 March 2005 would decrease by \$3,587,000 of goodwill amortisation which would be charged to the profit and loss account.

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

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.

3 Summary of Significant Accounting Policies (cont'd)

3.2 Consolidation (cont'd)

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.

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.

3.3 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.

3 Summary of Significant Accounting Policies (cont'd)

3.4 Property, Plant and Equipment (cont'd)

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.

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 impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

With the adoption of FRS 103 from 1 April 2004, goodwill is tested for impairment on an annual basis in accordance with note 3.11.

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 which are 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 Trade and Other Receivables

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. Goodwill is tested for impairment annually and as and when indicators of impairment are identified.

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 assets' 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, except for impairment loss recognised for goodwill, 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.

3.12 Liabilities and Interest-Bearing Borrowings

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

3.13 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".

Employee Benefits

a) Defined Contribution Plans

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

3 Summary of Significant Accounting Policies (cont'd)

3.13 Provisions (cont'd)

Employee Benefits (cont'd)

b) 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.

c) Short-Term Accumulating Compensated Absences

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

d) Equity and Equity Related Compensated Benefits

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

The SMRT Corporation Restricted Share Plan ("SMRT RSP") and the SMRT Corporation Performance Share Plan ("SMRT PSP") allow the Group to award employees fully paid shares, their equivalent cash value or combination thereof, free of charge, provided that certain prescribed performance targets are met and, in the case of awards under the SMRT RSP, upon expiry of the prescribed vesting period. For shares granted pursuant to awards under these plans, and the amount of cash which may be paid upon the release of such awards, the share expenses is charged to the profit and loss account as incurred and equity is increased, where applicable.

3 Summary of Significant Accounting Policies (cont'd)

3.14 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 substantively 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 substantively 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.

3.15 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 fuel equalisation account 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 fuel equalisation account 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 Summary of Significant Accounting Policies (cont'd)

3.16 Dividends

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

3.17 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.

3.18 Revenue Recognition

Passenger Revenue

Passenger revenue from the MRT and LRT Systems 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 over the terms of the contract.

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

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.

3.19 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 Summary of Significant Accounting Policies (cont'd)

3.20 Finance Costs

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

3.21 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 disposal of investment is accounted for in the profit and loss account as they arise.

3.22 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 LAND AND PROPERTIES \$'000 | FURNITURE AND FITTINGS, OFFICE EQUIPMENT AND COMPUTERS \$'000 | MOTOR VEHICLES \$'000 | ROLLING STOCK \$'000 | POWER SUPPLY EQUIPMENT \$'000 |
|---|---|---|-----------------------------|----------------------------|--|
| Cost | | | | | |
| At 1 April | 47,689 | 53,413 | 4,167 | 823,121 | 137,569 |
| Additions | 1,792 | 3,634 | 427 | 135 | 825 |
| Disposals/write offs | (2,024) | (12,505) | (740) | (996) | (105) |
| Transfers/reclassifications | 14,947 | (2,187) | – | (1,343) | – |
| * Cost adjustments | (313) | – | – | (4) | – |
| At 31 March | 62,091 | 42,355 | 3,854 | 820,913 | 138,289 |
| Accumulated depreciation and impairment losses | | | | | |
| At 1 April | 8,289 | 30,579 | 3,265 | 346,144 | 49,323 |
| * Depreciation charge for the year | 2,177 | 6,235 | 434 | 45,540 | 8,257 |
| Disposals/write offs | (1,826) | (9,929) | (626) | (335) | (54) |
| Transfers/reclassifications | – | 174 | – | (1,343) | – |
| At 31 March | 8,640 | 27,059 | 3,073 | 390,006 | 57,526 |
| Depreciation charge and impairment losses for 2004 | 2,056 | 6,866 | 631 | 56,398 | 8,251 |
| Carrying amount | | | | | |
| 31 March 2005 | 53,451 | 15,296 | 781 | 430,907 | 80,763 |
| 31 March 2004 | 39,400 | 22,834 | 902 | 476,977 | 88,246 |

* Cost adjustments relate to price revisions on leasehold buildings improvements, rolling stocks and communication systems during the year. The associated reduction in depreciation amounting to \$1,314,000 has been accounted for in the current year.

| SIGNALLING, COMMUNICATION AND AUTOMATIC FARE COLLECTION SYSTEMS \$'000 | BUSES \$'000 | TAXIS AND VEHICLES FOR RENTAL \$'000 | PLANT AND MACHINERY \$'000 | OTHER OPERATION EQUIPMENT \$'000 | ASSETS UNDER CONSTRUCTION \$'000 | TOTAL \$'000 |
|---|-----------------|--|-------------------------------------|---|---|-----------------|
| 271,148 | 182,697 | 127,281 | 23,553 | 281,304 | 24,561 | 1,976,503 |
| 252 | 256 | 53,400 | 24 | 2,026 | 75,820 | 138,591 |
| (1,164) | (877) | (13,847) | (963) | (1,013) | – | (34,234) |
| (1,677) | (77) | 19,004 | (279) | 7,606 | (50,429) | (14,435) |
| (5,889) | – | – | – | – | (3,263) | (9,469) |
| 262,670 | 181,999 | 185,838 | 22,335 | 289,923 | 46,689 | 2,056,956 |
| 106,056 | 46,041 | 42,323 | 18,330 | 151,899 | – | 802,249 |
| 20,208 | 19,365 | 20,307 | 1,212 | 17,539 | – | 141,274 |
| (978) | (484) | (12,946) | (948) | (871) | – | (28,997) |
| (13,092) | – | – | (174) | – | – | (14,435) |
| 112,194 | 64,922 | 49,684 | 18,420 | 168,567 | – | 900,091 |
| 20,149 | 19,365 | 19,660 | 1,903 | 18,942 | – | 154,221 |
| 150,476 | 117,077 | 136,154 | 3,915 | 121,356 | 46,689 | 1,156,865 |
| 165,092 | 136,656 | 84,958 | 5,223 | 129,405 | 24,561 | 1,174,254 |

4 Property, Plant and Equipment (cont'd)

| THE COMPANY | FURNITURE AND FITTINGS, OFFICE EQUIPMENT AND COMPUTERS \$'000 | COMMUNICATION SYSTEMS \$'000 | MOTOR VEHICLES \$'000 | OTHER OPERATING EQUIPMENT \$'000 | ASSETS UNDER CONSTRUCTION \$'000 | TOTAL \$'000 |
|---|--|------------------------------------|-----------------------------|--|--|-----------------|
| Cost | | | | | | |
| At 1 April | 341 | – | – | – | 116 | 457 |
| Additions | 3,049 | 959 | 48 | 1,244 | 968 | 6,268 |
| Disposals | (64) | – | – | (1,237) | – | (1,301) |
| At 31 March | 3,326 | 959 | 48 | 7 | 1,084 | 5,424 |
| Accumulated depreciation and impairment losses | | | | | | |
| At 1 April | 220 | – | – | – | – | 220 |
| Depreciation charge for the year | 701 | 266 | 10 | 395 | – | 1,372 |
| Disposals | (33) | – | – | (394) | – | (427) |
| At 31 March | 888 | 266 | 10 | 1 | – | 1,165 |
| Depreciation charge for 2004 | 65 | – | – | – | – | 65 |
| Carrying amount | | | | | | |
| 31 March 2005 | 2,438 | 693 | 38 | 6 | 1,084 | 4,259 |
| 31 March 2004 | 121 | – | – | – | 116 | 237 |

5 Intangible Asset – The Group

| | GOODWILL \$'000 |
|--|--------------------|
| Cost | |
| At 1 April 2004, as previously reported | 71,700 |
| Effects of adopting FRS 103 (Note 3.1) | (8,327) |
| At 1 April 2004, restated and at 31 March 2005 | 63,373 |
| Impairment losses | |
| At 1 April 2004 | – |
| Impairment loss for the year | 21,441 |
| At 31 March 2005 | 21,441 |
| Accumulated amortisation | |
| At 1 April 2004, as previously reported | 8,327 |
| Effects of adopting FRS 103 (Note 3.1) | (8,327) |
| At 1 April 2004, restated | – |
| Amortisation charge for the year | – |
| At 31 March 2005 | – |
| Amortisation charge for 2004 | 3,587 |

5 Intangible Asset – The Group (cont'd)

| | GOODWILL \$'000 |
|------------------------|--------------------|
| Carrying amount | |
| 31 March 2005 | 41,932 |
| 31 March 2004 | 63,373 |

Impairment tests for business units containing goodwill

Goodwill is allocated to the Group's business units:

| | 2005 \$'000 | 2004 \$'000 |
|-----------------|----------------|----------------|
| Bus operations | 28,318 | 39,274 |
| Taxi operations | 13,614 | 24,099 |
| | 41,932 | 63,373 |

The recoverable amount of a business unit is determined based on value-in-use calculations. The calculations use cash flow projections based on an approved five-year plan. The key assumptions for the cash flow projections are stated below. The terminal value at the end of the five-year period is computed using the capitalised earnings method which converts a single period of expected earnings into an indication of value based on a capitalisation rate or earnings multiple. In this instance, Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) less replacement capital expenditure is the multiplicand and the pre-tax Weighted Average Cost of Capital (WACC) is the multiplier.

The key assumptions used for the analysis of each business unit are:

- a) The size of taxis and bus fleets were those existing at the time of acquisition.
- b) There are no significant changes expected in bus ridership, bus fare and taxi rental rates as compared to current levels.
- c) The discount rate used is based on the pre-tax WACC of the Group.

The impairment charge arose in the bus operations segment as a result of slower ridership growth and lower average fare per passenger as compared to the forecast passenger fare at the time of acquisition and higher diesel costs in view of the current oil prices.

The impairment charge arose in the taxi operations segment as a result of lower rental rate arising from competition in the taxi industry as compared to the forecast rental rate at the time of the acquisition.

Accordingly, an impairment loss of \$21,441,000 was recorded for the Company's investment in SMRT Road Holdings Ltd. (refer note 6).

6 Investments in Subsidiaries – The Company

| | 2005 \$'000 | 2004 \$'000 |
|---------------------------------|----------------|----------------|
| Unquoted equity shares, at cost | 362,808 | 362,808 |
| Less: | | |
| Impairment losses | 29,617 | 11,476 |
| | 333,191 | 351,332 |

Impairment Losses

| | | |
|------------------------------|---------|--------|
| At 1 April | 11,476 | 11,476 |
| Impairment loss for the year | 21,441 | – |
| Reversed during the year | (3,300) | – |
| At 31 March | 29,617 | 11,476 |

Details of the subsidiaries are as follows:-

| | NAME OF SUBSIDIARY | PLACE OF INCORPORATION | EFFECTIVE EQUITY INTEREST HELD BY THE GROUP | |
|---|--|---------------------------|---|-----------|
| | | | 2005 % | 2004 % |
| 1 | SMRT Trains Ltd. and its subsidiary: (formerly known as Singapore MRT Ltd.) | Singapore | 100 | 100 |
| 1 | SMRT Light Rail Pte. Ltd. (formerly known as 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 | Fin Holdings Limited | Republic of Ireland | 100 | 100 |
| 1 | SMRT Road Holdings Ltd. and its subsidiaries: (formerly known as TIBS Holdings Ltd) | Singapore | 100 | 100 |
| 1 | SMRT Buses Ltd. (formerly known as Trans-Island Bus Services Ltd.) | Singapore | 100 | 100 |
| 1 | Singapore Shuttle Bus (Pte.) Ltd. | Singapore | 100 | 100 |
| 1 | SMRT Taxis Pte. Ltd. (formerly known as TIBS Taxis Pte. Ltd.) | Singapore | 100 | 100 |
| 1 | SMRT Automotive Services Pte. Ltd. (formerly known as TIBS Motors Pte. Ltd.) | Singapore | 100 | 100 |
| 3 | TIBS China Motor Investment Pte Ltd | Singapore | – | 100 |

6 Investments in Subsidiaries – The Company (cont'd)

| NAME OF SUBSIDIARY | PLACE OF INCORPORATION | EFFECTIVE EQUITY INTEREST HELD BY THE GROUP | |
|---|------------------------|---|--------|
| | | 2005 % | 2004 % |
| 3 TIBS Investment Pte Ltd and its subsidiaries: | Singapore | – | 100 |
| 4 TIBS (Hong Kong) Investments Limited | Hong Kong | – | 100 |
| 1 Bus-Plus Services Pte Ltd | Singapore | 100 | 100 |
| 5 Transit Link Pte Ltd | Singapore | 66.67 | 66.67 |
| 6 EZCard Pte Ltd | Singapore | 55 | 55 |

1 Audited by KPMG, Singapore.

2 Not audited as the company is in the process of being struck off from the Registrar of Companies of the Republic of Ireland.

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

4 Deregistered under Section 291AA of the Hong Kong Companies Ordinance.

5 Audited by PricewaterhouseCoopers, Singapore.

6 Not audited as the company is under members' voluntary liquidation.

7 Interests in an Associate – The Group

| | 2005 \$'000 | 2004 \$'000 |
|-----------------------------------|-------------|-------------|
| Unquoted equity shares, at cost | 1,500 | 1,500 |
| Share of post-acquisition results | (1,015) | (759) |
| | 485 | 741 |

Details of the associate are as follows:

| NAME OF ASSOCIATE | PLACE OF INCORPORATION | EFFECTIVE EQUITY INTEREST HELD BY THE GROUP | |
|---|------------------------|---|--------|
| | | 2005 % | 2004 % |
| Held by SMRT Engineering Pte Ltd | | | |
| TranSys Pte Ltd | Singapore | 50.0 | 50.0 |

This is a related corporation by virtue of Section 6 of the Companies Act, Chapter 50 and is audited by KPMG, Singapore.

8 Financial Assets – The Group

| | NOTE | 2005 \$'000 | 2004 \$'000 |
|--|------|----------------|----------------|
| Long-term investments | | | |
| Quoted investments, at cost: | | | |
| Equity securities | | 3,129 | 3,129 |
| Unquoted investments, at cost: | | | |
| Equity securities | | 573 | 12,049 |
| Other investments | | 438 | 438 |
| | | 1,011 | 12,487 |
| | | 4,140 | 15,616 |
| Less: | | | |
| Allowance for diminution in value of investments | | 387 | 11,863 |
| Net carrying value | | 3,753 | 3,753 |
| Market value of quoted equity investments | 28 | 4,331 | 3,195 |

9 Inventories – The Group

| | 2005 \$'000 | 2004 \$'000 |
|--|----------------|----------------|
| Spare parts, diesel, tyres and consumable stores | 46,143 | 45,882 |
| Less: | | |
| Allowance for obsolete inventories | 5,082 | 4,360 |
| | 41,061 | 41,522 |

10 Trade and Other Receivables

| | NOTE | THE GROUP | | THE COMPANY | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| Trade receivables | 10(a) | 14,869 | 9,898 | – | – |
| Other receivables, deposits and prepayments | 10(b) | 23,380 | 25,323 | 461 | 329 |
| Amounts due from: | | | | | |
| – subsidiaries | 10(c) | – | – | 325,062 | 552,931 |
| – associates | | | | | |
| – trade | | 540 | 1,180 | – | – |
| – non-trade | | – | 14 | – | 14 |
| | | 38,789 | 36,415 | 325,523 | 553,274 |

The non-trade amounts due from associates are unsecured, interest-free and is repayable on demand.

10(a) Trade Receivables – The Group

| | 2005 \$'000 | 2004 \$'000 |
|------------------------------------|----------------|----------------|
| Trade receivables | 15,942 | 10,655 |
| Less: | | |
| Allowance for doubtful receivables | 1,073 | 757 |
| | 14,869 | 9,898 |

Trade receivables of the Group include amounts of \$165,880 (2004: \$287,273) due from related corporations.

10(b) Other Receivables, Deposits and Prepayments

| | THE GROUP | | THE COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| Deposits | 355 | 360 | 1 | 1 |
| Prepayments | 6,946 | 7,161 | 50 | 26 |
| Recoverable expenses | 298 | 3,291 | – | – |
| Staff loans and advances | 975 | 742 | 361 | 279 |
| Interest receivable | 5 | 255 | – | – |
| Certificates of entitlement | 185 | 1,663 | – | – |
| Recoverable in respect of accident claims | 5,047 | 4,389 | – | – |
| Accrued income (trade) | 3,368 | 6,206 | – | – |
| Advance to suppliers | 5,108 | 34 | – | – |
| Other receivables | 1,093 | 1,222 | 49 | 23 |
| | 23,380 | 25,323 | 461 | 329 |

10(c) Amounts due from Subsidiaries – The Company

| | 2005 \$'000 | 2004 \$'000 |
|--|----------------|----------------|
| Current account | 4,564 | 17,518 |
| Non-interest bearing loans | 174,106 | 180,960 |
| Interest bearing loans | 146,517 | 355,339 |
| | 325,187 | 553,817 |
| Less: | | |
| Allowance for doubtful receivables from subsidiaries | 125 | 886 |
| | 325,062 | 552,931 |

The interest-bearing loans to subsidiaries are unsecured, bear interest at rates ranging from 0.62% to 3.41% (2004: 0.55% to 3.41%) per annum and is repayable on demand.

The remaining balances are unsecured, interest-free and is repayable on demand.

11 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 liabilities of the Group and the Company.

12 Trade and Other Payables

| | NOTE | THE GROUP | | THE COMPANY | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| Trade payables and accrued operating expenses | 12(a) | 76,910 | 83,081 | 9,201 | 4,551 |
| Other payables and refundable deposits | 12(b) | 69,938 | 98,796 | 2,595 | 4,377 |
| Amounts due to subsidiaries | 12(c) | – | – | 69,732 | 45,383 |
| | | 146,848 | 181,877 | 81,528 | 54,311 |

12(a) Trade Payables and Accrued Operating Expenses – The Group

Trade payables and accrued operating expenses of the Group include amounts of \$5,355,444 (2004: \$5,935,876) due to related corporations.

12(b) Other Payables and Refundable Deposits

| | THE GROUP | | THE COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| Customers deposits | 4,087 | 3,358 | 30 | – |
| Unearned revenue received | 484 | 580 | – | – |
| Unused portion of farecards | 9,799 | 10,057 | – | – |
| Farecard refundable deposits | 10,071 | 10,106 | – | – |
| Rental deposits | 5,445 | 4,154 | – | – |
| Interest payable | 2,533 | 4,377 | 2,533 | 4,376 |
| Purchase of property, plant and equipment | 29,964 | 58,992 | – | – |
| Retention monies | 5,620 | 6,603 | – | – |
| Other payables | 1,935 | 569 | 32 | 1 |
| | 69,938 | 98,796 | 2,595 | 4,377 |

12(c) Amounts due to Subsidiaries – The Company

| | 2005 \$'000 | 2004 \$'000 |
|------------------------|----------------|----------------|
| Current account | 4,660 | 2,050 |
| Interest-bearing loans | 65,072 | 43,333 |
| | 69,732 | 45,383 |

The interest-bearing loans from subsidiaries are unsecured, bear interest at rates ranging from 0.62% to 1.77% (2004: 0.55% to 0.83%) per annum and is repayable on demand.

13 Interest-Bearing Borrowings – The Group and The Company

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 28.

| | 2005 \$'000 | 2004 \$'000 |
|--------------------------------------|----------------|----------------|
| Non-current liabilities | | |
| Unsecured quoted bonds | 250,000 | 250,000 |
| Unsecured quoted floating rate notes | 50,000 | – |
| | 300,000 | 250,000 |
| Current liabilities | | |
| Unsecured quoted bonds | – | 250,000 |

| | TOTAL \$'000 | REPAYABLE WITHIN 1 YEAR \$'000 | AFTER 1 YEAR BUT WITHIN 5 YEARS \$'000 |
|---|-----------------|---|---|
| 2005 | | | |
| Unsecured quoted bonds: | | | |
| – S\$ fixed at 3.41% per annum due 2006 | 250,000 | – | 250,000 |
| Unsecured quoted floating rate notes | | | |
| – S\$ variable interest due 2010 | 50,000 | – | 50,000 |
| | 300,000 | – | 300,000 |
| 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 |

On 13 January 2005, the Company put in place a S\$500 Million Multi-Currency Medium Term Note Programme (the "MTN Programme") pursuant to which the Company may issue notes from time to time to finance the general corporate funding requirements of the Group. Under the MTN Programme, the Company may issue notes from time to time in Singapore dollars or in other currencies, in various amounts and tenors, and may bear fixed, floating or variable rates of interest. Hybrid notes and zero coupon notes may also be issued under the MTN programme. Pursuant to this, the Company issued S\$50 million unsecured floating rate notes due 2010. Interest payable is based on the six months money market rate and payable semi-annually in arrears. The floating rate notes are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

During the year, the Company redeemed its outstanding S\$250 million bonds due 2004. The remaining S\$250 million bonds due 2006 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 SGX-ST.

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 2006 shall be redeemed in whole at par on 21 December 2006.

14 Provisions

| | THE GROUP | | THE COMPANY | |
|--|----------------|----------------|----------------|----------------|
| | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| Liability for defined benefit plan | 3,245 | 5,247 | 634 | 543 |
| Liability for short-term accumulating compensated absences | 1,287 | 1,972 | 247 | 219 |
| Accident claims and warranties | 14,689 | 12,687 | – | – |
| | 19,221 | 19,906 | 881 | 762 |
| Current | 15,999 | 16,161 | 247 | 219 |
| Non-current | 3,222 | 3,745 | 634 | 543 |
| | 19,221 | 19,906 | 881 | 762 |

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 for the eligible management staff and executives is calculated based on their monthly basic salary as at 31 March 2004 multiplied by each completed year of service over the number of years of service to sixty-two years. The amount of future benefit for the remaining eligible employees, other than management staff and executives, 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 | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| At 1 April | | 5,247 | 6,081 | 543 | – |
| Expenses (reversed)/recognised during the year | 21(b) | (1,461) | (789) | 91 | – |
| Payments made | | (541) | (45) | – | – |
| Transferred from a subsidiary | | – | – | – | 543 |
| | | 3,245 | 5,247 | 634 | 543 |

Recognised in the profit and loss account

| | THE GROUP | | THE COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| Current service costs | 317 | 237 | 44 | – |
| Interest on obligations | 72 | 68 | 5 | – |
| Overprovision in respect of prior years | (1,482) | – | – | – |
| Actuarial (gain)/loss | (368) | (1,094) | 42 | – |
| | (1,461) | (789) | 91 | – |

14 Provisions (cont'd)

a) Liability for defined benefit plan (cont'd)

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 SMRT Corporation Employee Share Option Plan ("SMRT ESOP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2000. The SMRT 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.

The SMRT Corporation Restricted Share Plan ("SMRT RSP") and the SMRT Corporation Performance Share Plan ("SMRT PSP") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 15 July 2004.

The SMRT ESOP, SMRT RSP and SMRT PSP are administered by the Remuneration Committee (the "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.

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 SMRT ESOP, SMRT RSP and SMRT PSP as it thinks fit.

The salient features of the SMRT ESOP, SMRT RSP and SMRT PSP are as follows:

14 Provisions (cont'd)

c) Equity compensation benefits (cont'd)

SMRT ESOP

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 SMRT ESOP.

ii) Maximum allowable allotment

The total number of shares which may be issued under the SMRT ESOP ("ESOP Shares") when added to the number of shares which may be issued pursuant to awards granted under the SMRT RSP and SMRT PSP 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 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 SMRT 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 1/4/2004 | OPTIONS GRANTED | OPTIONS EXERCISED | OPTIONS CANCELLED |
|--------------------------|--------------------------|---------------------------------|-----------------|-------------------|-------------------|
| 16/7/2001 | \$0.816 | 7,078,500 | – | 986,500 | 176,000 |
| 22/7/2002 | \$0.676 | 6,059,200 | – | 1,430,500 | 221,500 |
| 22/7/2003 | \$0.623 | 6,140,400 | – | 144,600 | 314,300 |
| | | 19,278,100 | – | 2,561,600 | 711,800 |

During the financial year, no options have been granted.

| OPTIONS OUTSTANDING AT 31/3/2005 | OPTIONS EXERCISABLE AT 1/4/2004 | OPTIONS EXERCISABLE AT 31/3/2005 | 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 | | |
| 5,916,000 | 6,942,600 | 5,916,000 | 99 | 706 | \$0.922 | 16/7/2002 to 15/7/2011 |
| 4,407,200 | 472,000 | 4,101,600 | 143 | 824 | \$0.887 | 22/7/2003 to 21/7/2012 |
| 5,681,500 | 22,100 | 386,500 | 14 | 76 | \$0.875 | 22/7/2004 to 21/7/2013 |
| 16,004,700 | 7,436,700 | 10,404,100 | 256 | 1,606 | | |

14 Provisions (cont'd)

c) Equity compensation benefits (cont'd)

SMRT RSP and SMRT PSP (collectively "the Plans")

The SMRT RSP is intended to enhance the Group's overall compensation packages and strengthen the Group's ability to attract and retain high performing talent.

The SMRT PSP is targeted at senior management in key positions who are able to drive the growth of the Company through innovation, creativity and superior performance.

i) Eligible participants

- Group employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time; and
- Associated company employees who have attained the age of 21 years and hold such rank as may be designated by the Committee from time to time and who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The selection of employees and the number of shares which are the subject of each award to be granted to employees in accordance with the Plans shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, contribution to the success and development of the Group and the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

ii) Awards

Awards represent the right of an employee to receive fully paid shares, their equivalent cash value or combination thereof, free of charge, provided that certain prescribed performance targets are met and upon expiry of the prescribed vesting period.

It is the intention of SMRT to award performance-based restricted awards to ensure that the earning of shares under the SMRT RSP is aligned with pay-for-performance principle.

Awards granted under the SMRT PSP are performance-based and the targets set under the plan are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth.

An individual employee who is a key management staff may be granted an award under the SMRT PSP, as well as the SMRT RSP although differing performance targets are likely to be set for each award.

Non-executive directors of the Group, the holding company and associated companies will not be eligible to participate in the Plans.

iii) Size and Duration

The total number of new shares which may be issued pursuant to awards granted under the Plans, when added to the number of options granted under SMRT ESOP shall not exceed fifteen percent of the issued share capital of the Company on the day preceding the relevant date of award.

The number of existing shares purchased from the market which may be delivered pursuant to awards under the Plans, and the amount of cash which may be paid upon the release of such awards in lieu of shares, will not be subject to any limit as such methods will not involve the issuance of any new shares.

14 Provisions (cont'd)

c) Equity compensation benefits (cont'd)

SMRT RSP and SMRT PSP (collectively "the Plans")

iii) Size and Duration (cont'd)

The Plans shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing from 15 July 2004, provided always that the Plans may continue beyond the 10-year period with the approval of the shareholders in general meeting and of any relevant authorities which may then be required. Notwithstanding the expiry or termination of the Plans, any awards made to employees prior to such expiry or termination will continue to remain valid.

iv) Events Prior to Vesting

Special provisions for vesting and lapsing of awards apply such as the termination of the employment, misconduct, retirement and any other events approved by the Committee. Upon occurrence of any of the events, the Committee will consider, at its discretion, whether or not to release any award, and will take into account circumstances on a case-by-case basis, including (but not limited to) the contributions made by the employee.

During the financial year, the Company did not issue any shares under the Plans.

d) Accident claims and warranties

Provisions relate to provisions for accidents claims and warranties and are accounted for in accordance with accounting policies set out in note 3.13. The Group expects to incur the liability over the next 12 months.

Movements in the net liability recognised in the balance sheet

| | NOTE | ACCIDENT CLAIMS \$'000 | WARRANTIES \$'000 | TOTAL \$'000 |
|-------------------------------------|-------|------------------------------|----------------------|-----------------|
| 2005 | | | | |
| At 1 April 2004 | | 12,687 | – | 12,687 |
| Provisions made during the year | 21(c) | 12,203 | – | 12,203 |
| Provisions used during the year | | (9,354) | – | (9,354) |
| Provisions reversed during the year | 21(c) | (847) | – | (847) |
| At 31 March 2005 | | 14,689 | – | 14,689 |
| 2004 | | | | |
| At 1 April 2003 | | 10,973 | 7 | 10,980 |
| Provisions made during the year | 21(c) | 10,634 | – | 10,634 |
| Provisions used during the year | | (8,643) | – | (8,643) |
| Provisions reversed during the year | 21(c) | (277) | – | (277) |
| Disposal of subsidiary | 26 | – | (7) | (7) |
| At 31 March 2004 | | 12,687 | – | 12,687 |

15 Deferred Taxation

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

| | THE GROUP | | |
|--|--|--|---|
| | LIABILITY/ (ASSET) AT 1/4/2004 \$'000 | RECOGNISED IN INCOME (NOTE 22) \$'000 | LIABILITY/ (ASSET) AT 31/3/2005 \$'000 |
| Excess of net book value over tax written down value of property, plant and equipment | 159,345 | (16,572) | 142,773 |
| Unutilised wear and tear allowances | (83) | (5,578) | (5,661) |
| Unutilised tax losses | (17) | 17 | – |
| Other temporary differences | (5,216) | (2,671) | (7,887) |
| | 154,029 | (24,804) | 129,225 |
| | THE COMPANY | | |
| | LIABILITY/ (ASSET) AT 1/4/2004 \$'000 | RECOGNISED IN INCOME \$'000 | LIABILITY/ (ASSET) AT 31/3/2005 \$'000 |
| Excess of net book value over tax written down value of property, plant and equipment | – | 812 | 812 |
| Other temporary differences | – | (68) | (68) |
| | – | 744 | 744 |

16 Fuel Equalisation Account (“FEA”) – The Group

| | 2005 \$'000 | 2004 \$'000 |
|---------------------------------|----------------|----------------|
| At 1 April | 17,961 | 17,961 |
| Provisions made during the year | 1,575 | – |
| Reversed during the year | (825) | – |
| At 31 March | 18,711 | 17,961 |

The FEA is accounted for in accordance to the policy set out in note 3.15.

During the year, a provision was made as the actual electricity tariff was below the reference electricity tariff. The corresponding charge to the profit and loss account has been included in electricity costs.

During the year, the actual diesel price was above the reference 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 diesel consumption.

The reversal arose from the cessation of business of a subsidiary, Singapore Shuttle Bus (Pte.) Ltd.

17 Share Capital – The Company

| | 2005 | | 2004 | |
|---|----------------------------|---------|----------------------------|---------|
| | 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: | | | | |
| At 1 April | 1,500,000 | 150,000 | 1,500,000 | 150,000 |
| Issue of shares under share option plan | 2,561 | 256 | – | – |
| At 31 March | 1,502,561 | 150,256 | 1,500,000 | 150,000 |

During the financial year, pursuant to the SMRT Corporation Employee Share Option Plan, the Company issued 986,500, 1,430,500 and 144,600 fully paid ordinary shares of \$0.10 each for cash at a premium of \$0.716, \$0.576 and \$0.523 per share respectively.

18 Share Premium – The Company

The application of the share premium account is governed by Section 69 of the Companies Act, Chapter 50.

19 Deferred Grant – The Group

| | NOTE | 2005 \$'000 | 2004 \$'000 |
|---|-------|----------------|----------------|
| Grant received | | 480,000 | 480,000 |
| Accumulated amortisation | | | |
| At 1 April | | (260,411) | (226,483) |
| Amortisation during the year | | (25,463) | (31,655) |
| Released on assets disposed/written-off | 21(a) | (352) | (2,273) |
| At 31 March | | (286,226) | (260,411) |
| | | 193,774 | 219,589 |

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

20 Revenue – The Group

| | 2005 \$'000 | 2004 \$'000 |
|--------------------------------|----------------|----------------|
| Passenger revenue | 558,608 | 558,531 |
| Taxis rental | 70,133 | 57,565 |
| Rental revenue | 19,743 | 19,873 |
| Advertising revenue | 10,693 | 10,833 |
| Engineering and other services | 6,253 | 13,520 |
| Sales of goods | 7,660 | 3,571 |
| Others | 376 | 3,451 |
| | 673,466 | 667,344 |

21 Profit from Ordinary Activities before Taxation – The Group

Profit from ordinary activities before taxation includes the following:

| | NOTE | 2005 \$'000 | 2004 \$'000 |
|---|-------|----------------|----------------|
| a) Other operating income | | | |
| Commission and distribution fee | | 690 | 547 |
| Gain on disposal of property, plant and equipment | | 1,029 | 201 |
| Unutilised tickets | | 9,290 | 9,795 |
| Maintenance income | | 1,418 | 1,054 |
| Miscellaneous rental income | | 599 | 958 |
| Grant released upon disposal/write-off of property, plant and equipment | 19 | 352 | 2,273 |
| Operating expense recharged to other transport operators | | 9,847 | 12,866 |
| Others | | 3,151 | 1,077 |
| | | 26,376 | 28,771 |
| b) Staff and related costs | | | |
| Wages and salaries | | 216,687 | 224,520 |
| Contributions to defined contribution plans | | 24,427 | 27,258 |
| Decrease in liability for defined benefit plan | 14(a) | (1,461) | (789) |
| Decrease in liability for short-term accumulating compensated absences | | (682) | (1,994) |
| Other staff-related expenses and benefits-in-kind | | 8,507 | 7,429 |
| | | 247,478 | 256,424 |
| Included in staff and related costs are as follows: | | | |
| Directors of the Company | | | |
| – fees | | 398 | 317 |
| – remuneration | | 862 | 702 |
| Key management personnel of the Group | | | |
| – remuneration | | 4,192 | 3,560 |
| | | 5,452 | 4,579 |
| | | 2005 | 2004 |
| Number of employees at 31 March | | 5,775 | 5,975 |
| | NOTE | 2005 \$'000 | 2004 \$'000 |
| c) Other expenses | | | |
| Audit fees paid to | | | |
| – auditors of the Company | | 221 | 221 |
| – other auditors | | 57 | 45 |
| Non-audit fees paid to auditors of the Company | | | |
| – current year | | 158 | 187 |
| – underprovision in respect of prior years | | – | 12 |
| Licence fees paid to LTA | | 3,844 | 3,862 |
| Operating lease expenses | | 4,323 | 4,309 |
| Property, plant and equipment written off | | 1,213 | 7,391 |
| Provisions made during the year, net of reimbursement of \$1,331,000 (2004: \$2,224,000) | 14 | 10,872 | 8,410 |
| Provisions reversed | 14 | (847) | (277) |

21 Profit from Ordinary Activities before Taxation – The Group (cont'd)

| | NOTE | 2005 \$'000 | 2004 \$'000 |
|--|------|----------------|----------------|
| d) Finance costs | | | |
| Interest paid and payable on: | | | |
| – unsecured quoted bonds | | 13,723 | 15,732 |
| – unsecured quoted floating rate notes | | 176 | – |
| – bank loans | | 75 | 47 |
| | | 13,974 | 15,779 |
| e) Interest and investment income | | | |
| Dividends received from: | | | |
| – quoted equity investments | | 89 | – |
| – unquoted equity investments | | 100 | – |
| Interest income from: | | | |
| – bank deposits and balances | | 1,255 | 880 |
| – others | | 288 | 25 |
| Gain/(Loss) on disposal of: | | | |
| – unquoted equity investments | | 3,500 | – |
| – other unquoted investments | | 118 | 2,208 |
| – investment in a subsidiary | 26 | – | (329) |
| – investment in an associate | | – | 205 |
| | | 5,350 | 2,989 |

22 Income Taxes – The Group

| | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| Current tax (credit)/expense | | |
| Current year | (3,296) | 8,378 |
| Overprovision in respect of prior years | (14,569) | (7,990) |
| | (17,865) | 388 |
| Deferred tax credit | | |
| Movement in temporary differences | 18,976 | 10,040 |
| Reduction in tax rate | – | (14,445) |
| (Over)/Underprovision in respect of prior years | (43,780) | 55 |
| | (24,804) | (4,350) |
| | (42,669) | (3,962) |

22 Income Taxes – The Group (cont'd)

Reconciliation of effective tax rate

| | 2005 | | 2004 | |
|--|--------|----------|--------|----------|
| | % | \$'000 | % | \$'000 |
| Profit before tax | | 84,119 | | 86,233 |
| Income tax using the Singapore tax rate | 20.0 | 16,824 | 20.0 | 17,247 |
| Effect of reduction in tax rate on deferred tax liabilities | – | – | (16.8) | (14,445) |
| Expenses not deductible for tax purposes | 6.0 | 5,098 | 1.8 | 1,570 |
| Income not subject to tax | (7.0) | (5,890) | (0.5) | (469) |
| Tax exempt revenue | – | – | (0.0) | (32) |
| Current year deferred tax assets not recognised | 0.1 | 49 | 0.1 | 70 |
| Utilisation of tax losses previously not recognised | (0.5) | (467) | (0.3) | (239) |
| Tax losses not allowed to be setoff against future taxable profits | 0.1 | 66 | 0.3 | 271 |
| Overprovision in respect of prior years | (69.4) | (58,349) | (9.2) | (7,935) |
| | (50.7) | (42,669) | (4.6) | (3,962) |

The write-back of tax provision arose mainly from taking into account the capital allowances relating to operating assets funded by the LTA grant (refer note 19) upon finalisation of the income tax for year of assessment 2000 of a subsidiary during the year.

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

| | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| Excess of tax written down value over net book value of property, plant and equipment | 2,802 | 1,238 |
| Unutilised tax losses | 3,766 | 4,116 |
| Unabsorbed wear and tear allowances | 2,399 | 3,225 |
| Deductible temporary differences | 183 | 2,664 |
| | 9,150 | 11,243 |

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.

23 Earnings Per Share – The Group

a) Basic earnings per share

Basic earnings per share is based on:

| | 2005 \$'000 | 2004 \$'000 |
|--|---------------------------------|---------------------------------|
| i) Net profit for the year | 126,891 | 89,496 |
| | 2005 NO. OF SHARES ('000) | 2004 NO. OF SHARES ('000) |
| ii) Weighted average number of shares in issue during the year | 1,500,315 | 1,500,000 |

23 Earnings Per Share – The Group (cont'd)

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).

| | 2005 NO. OF SHARES (‘000) | 2004 NO. OF SHARES (‘000) |
|---|---------------------------------|---------------------------------|
| Weighted average number of shares in issue, used in the calculation of basic earnings per share | 1,500,315 | 1,500,000 |
| Dilutive effect of share options | 1,489 | – |
| Weighted average number of ordinary shares (diluted) | 1,501,804 | 1,500,000 |

24 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 space 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, repair and maintenance services and sales of diesel to taxi hirers. |
| Investment holding: | Provision of management services to Group companies and investments in associates. |

24 Segment Reporting (cont'd)

| | MRT OPERATIONS \$'000 | RAIL LRT OPERATIONS \$'000 | BUS OPERATIONS \$'000 | TAXI OPERATIONS \$'000 |
|--|-----------------------------|-------------------------------------|-----------------------------|------------------------------|
| a) Revenue and expenses | | | | |
| 2005 | | | | |
| Revenue | | | | |
| – External customers | 366,316 | 7,572 | 184,720 | 70,133 |
| – Inter-segment | – | – | 417 | 150 |
| Operating expenses | (239,570) | (9,820) | (147,959) | (45,054) |
| Depreciation, impairment and amortisation | (65,199) | (106) | (26,391) | (20,686) |
| Operating profit/(loss) | 61,547 | (2,354) | 10,787 | 4,543 |
| Impairment losses of goodwill | | | | |
| Finance costs | | | | |
| Interest and investment income | | | | |
| Share of results of associates | | | | |
| Income tax credit | | | | |
| Minority interests | | | | |
| Net profit for the year | | | | |
| 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 | | | | |
| Share of results of associates | | | | |
| Income tax credit | | | | |
| Minority interests | | | | |
| Net profit for the year | | | | |

| RENTAL \$'000 | ADVERTISING \$'000 | ENGINEERING AND OTHER SERVICES \$'000 | INVESTMENT HOLDING \$'000 | ELIMINATION \$'000 | TOTAL \$'000 |
|------------------|-----------------------|--|---------------------------------|-----------------------|-----------------|
| 19,743 | 10,693 | 14,230 | 59 | – | 673,466 |
| 731 | – | 42,971 | 44,966 | (89,235) | – |
| (3,379) | (3,508) | (48,642) | (48,061) | 102,778 | (443,215) |
| (295) | (331) | (1,430) | (1,373) | – | (115,811) |
| 16,800 | 6,854 | 7,129 | (4,409) | 13,543 | 114,440 |
| | | | | | (21,441) |
| | | | | | (13,974) |
| | | | | | 5,350 |
| | | | | | (256) |
| | | | | | 42,669 |
| | | | | | 103 |
| | | | | | 126,891 |
| 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 |

24 Segment Reporting (cont'd)

| | MRT OPERATIONS \$'000 | RAIL LRT OPERATIONS \$'000 | BUS OPERATIONS \$'000 | TAXI OPERATIONS \$'000 |
|---|-----------------------------|-------------------------------------|-----------------------------|------------------------------|
| b) Assets and liabilities | | | | |
| As at 31 March 2005 | | | | |
| Operating assets | 840,439 | 6,239 | 164,159 | 149,345 |
| Assets under construction | 10,230 | 91 | 7,689 | 27,073 |
| | 850,669 | 6,330 | 171,848 | 176,418 |
| Intangible asset | | | | |
| Interests in an associate | | | | |
| Investments and cash equivalents | | | | |
| Tax recoverable | | | | |
| Unallocated assets | | | | |
| Total assets | | | | |
| Segment liabilities | 416,821 | 18,585 | 120,593 | 134,175 |
| Current tax payable | | | | |
| Interest-bearing borrowings | | | | |
| Deferred tax liabilities | | | | |
| Total 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 | | | | |
| Interests in an associate | | | | |
| Investments and cash equivalents | | | | |
| Tax recoverable | | | | |
| Unallocated assets | | | | |
| Total assets | | | | |
| Segment liabilities | 764,651 | 16,796 | 161,536 | 58,226 |
| Current tax payable | | | | |
| Interest-bearing borrowings | | | | |
| Deferred tax liabilities | | | | |
| Total liabilities | | | | |
| c) Other segment information | | | | |
| 2005 | | | | |
| Capital expenditure | 15,274 | 93 | 4,914 | 99,468 |
| Non-cash expenses other than depreciation, impairment losses and amortisation | 2,034 | (17) | 910 | 8,620 |
| 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 |

| RENTAL \$'000 | ADVERTISING \$'000 | ENGINEERING AND OTHER SERVICES \$'000 | INVESTMENT HOLDING \$'000 | ELIMINATION \$'000 | TOTAL \$'000 |
|------------------|-----------------------|--|---------------------------------|-----------------------|-----------------|
| 18,496 | 4,318 | 52,469 | 729,022 | (774,466) | 1,190,021 |
| 389 | 105 | 29 | 1,083 | – | 46,689 |
| 18,885 | 4,423 | 52,498 | 730,105 | (774,466) | 1,236,710 |
| | | | | | 41,932 |
| | | | | | 485 |
| | | | | | 75,723 |
| | | | | | 8,977 |
| | | | | | 5 |
| | | | | | 1,363,832 |
| 5,615 | 4,102 | 40,966 | 82,462 | (444,765) | 378,554 |
| | | | | | 815 |
| | | | | | 300,000 |
| | | | | | 129,225 |
| | | | | | 808,594 |
| 5,463 | 5,549 | 46,143 | 969,402 | (1,016,463) | 1,227,375 |
| 1,182 | – | – | 116 | – | 24,561 |
| 6,645 | 5,549 | 46,143 | 969,518 | (1,016,463) | 1,251,936 |
| | | | | | 63,373 |
| | | | | | 741 |
| | | | | | 266,743 |
| | | | | | 1,809 |
| | | | | | 255 |
| | | | | | 1,584,857 |
| 4,223 | 160 | 42,391 | 59,285 | (667,935) | 439,333 |
| | | | | | 8,505 |
| | | | | | 500,000 |
| | | | | | 154,029 |
| | | | | | 1,101,867 |
| 13,194 | 571 | 1,641 | 3,436 | – | 138,591 |
| 20 | 19 | 279 | (1,371) | – | 10,494 |
| 3,183 | – | 1,330 | 186 | – | 33,381 |
| – | – | (232) | (247) | – | 10,765 |

25 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:

| | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| Rental income received/receivable | 1,177 | 2,431 |
| Maintenance income received/receivable | 909 | 917 |
| Charter hire income received/receivable | 653 | 508 |
| Commission and distribution fee received/receivable | 822 | 869 |
| Purchases of goods and services | 42,263 | 41,490 |

26 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 | 14 | (7) |
| Net identifiable assets and liabilities | | 13,869 |
| Loss on disposal | 21(e) | (329) |
| Cash consideration received | | 13,540 |
| Cash disposed of | | (2,313) |
| Net cash inflow | | 11,227 |

27 Commitments

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

| | NOTE | THE GROUP | | THE COMPANY | |
|---------------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| a) Forward foreign exchange contracts | 28 | 1,311 | – | – | – |

b) Capital expenditure commitments

| | THE GROUP | | THE COMPANY | |
|---|----------------|----------------|----------------|----------------|
| | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| i) Contracted but not provided for with respect to purchase of property, plant and equipment | 178,749 | 21,794 | 856 | 384 |
| ii) Approved but not contracted for with respect to purchase of property, plant and equipment | 184,737 | 322,471 | – | – |
| 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:

| | THE GROUP | | THE COMPANY | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| i) Within 1 year | 1,966 | 2,003 | – | – |
| ii) After 1 year but within 5 years | 5,768 | 5,063 | – | – |
| iii) After 5 years | 4,814 | 4,158 | – | – |
| | 12,548 | 11,224 | – | – |

The Group lease terminals and office facilities 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:

| | THE GROUP | | THE COMPANY | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| i) Within 1 year | 19,069 | 19,635 | – | – |
| ii) After 1 year but within 5 years | 24,432 | 16,182 | – | – |
| iii) After 5 years | 2,049 | 3,185 | – | – |
| | 45,550 | 39,002 | – | – |

28 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.

| | NOTE | EFFECTIVE INTEREST RATE % | TOTAL \$'000 | WITHIN 1 YEAR \$'000 | 1 TO 5 YEARS \$'000 |
|--|------|------------------------------------|-----------------|----------------------------|---------------------------|
| The Group | | | | | |
| 2005 | | | | | |
| Financial assets | | | | | |
| Fixed deposits with banks and financial institutions | | 1.75% | 36,022 | 36,022 | – |
| Financial liabilities | | | | | |
| Unsecured quoted bonds due 2006 | 13 | 3.41% | (250,000) | – | (250,000) |
| Unsecured quoted floating rate notes due 2010 | 13 | 1.81% | (50,000) | (50,000) | – |
| | | | (300,000) | (50,000) | (250,000) |
| 2004 | | | | | |
| Financial assets | | | | | |
| Fixed deposits with banks and financial institutions | | 0.63% | 227,722 | 227,722 | – |
| Financial liabilities | | | | | |
| Unsecured quoted bonds: | | | | | |
| – due 2004 | 13 | 2.87% | (250,000) | (250,000) | – |
| – due 2006 | 13 | 3.41% | (250,000) | – | (250,000) |
| | | | (500,000) | (250,000) | (250,000) |

28 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 | | | | | |
| 2005 | | | | | |
| Financial asset | | | | | |
| Amounts due from subsidiaries | 10(c) | 2.33% | 146,517 | 146,517 | – |
| Financial liabilities | | | | | |
| Amounts due to subsidiaries | 12(c) | 1.77% | (65,072) | (65,072) | – |
| Unsecured quoted bonds due 2006 | 13 | 3.41% | (250,000) | – | (250,000) |
| Unsecured quoted floating rate notes due 2010 | 13 | 1.81% | (50,000) | (50,000) | – |
| | | | (365,072) | (115,072) | (250,000) |
| 2004 | | | | | |
| Financial asset | | | | | |
| Amounts due from subsidiaries | 10(c) | 2.61% | 355,339 | 355,339 | – |
| Financial liabilities | | | | | |
| Amounts due to subsidiaries | 12(c) | 0.69% | (43,333) | (43,333) | – |
| Unsecured quoted bonds: | | | | | |
| – due 2004 | 13 | 2.87% | (250,000) | (250,000) | – |
| – due 2006 | 13 | 3.41% | (250,000) | – | (250,000) |
| | | | (543,333) | (293,333) | (250,000) |

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.

28 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 2005 are represented in the following table:

| | NOTE | 2005 CARRYING AMOUNT \$'000 | 2005 FAIR VALUE \$'000 | 2004 CARRYING AMOUNT \$'000 | 2004 FAIR VALUE \$'000 |
|--------------------------------------|------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| The Group | | | | | |
| Financial assets | | | | | |
| Long-term quoted investments | 8 | 2,988 | 4,331 | 2,988 | 3,195 |
| Financial liabilities | | | | | |
| Unsecured quoted bonds | 13 | (250,000) | (254,000) | (500,000) | (514,895) |
| Unsecured quoted floating rate notes | 13 | (50,000) | (50,000) | – | – |
| Total | | (297,012) | (299,669) | (497,012) | (511,700) |
| Unrecognised loss | | | (2,657) | | (14,688) |
| The Company | | | | | |
| Financial liabilities | | | | | |
| Unsecured quoted bonds | 13 | (250,000) | (254,000) | (500,000) | (514,895) |
| Unsecured quoted floating rate notes | 13 | (50,000) | (50,000) | – | – |
| Total | | (300,000) | (304,000) | (500,000) | (514,895) |
| Unrecognised loss | | | (4,000) | | (14,895) |

The fair values of quoted investments and quoted bonds and notes are the market values which are equivalent to the quoted market price 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.

28 Financial Instruments (cont'd)

Fair values (cont'd)

In addition to the above, financial assets of the Group and the Company also comprise trade and other receivables, cash and cash equivalents and other interest bearing loans. 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.

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:

| | 2005 NOTIONAL AMOUNT \$'000 | 2005 FAIR VALUE \$'000 | 2004 NOTIONAL AMOUNT \$'000 | 2004 FAIR VALUE \$'000 |
|------------------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| The Group | | | | |
| Forward foreign exchange contracts | 1,311 | 1,318 | - | - |

29 Contingent Liabilities

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

| | THE GROUP | | THE COMPANY | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2005 \$'000 | 2004 \$'000 | 2005 \$'000 | 2004 \$'000 |
| Performance bonds | 426 | 953 | 426 | 953 |

30 Dividends

After the balance sheet date, the directors proposed a final dividend of 5.0 cents (2004: 3.2 cents) per share less tax at 20% (2004: 20%) amounting to a net dividend of \$60,102,464 (2004: \$38,400,000). The dividends have not been provided for.

31 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

(A) Directors' Remuneration

Directors of the Company receiving remuneration from the Group for the year ended 31 March 2005.

| NAME OF DIRECTOR | DIRECTORS' FEE % | BASIC SALARY % | VARIABLE OR PERFORMANCE RELATED INCOME/ BONUSES % | BENEFITS-IN-KIND, STOCK OPTIONS GRANTED & OTHER LONG-TERM INCENTIVES % | TOTAL % |
|---------------------------------|------------------|----------------|---|--|---------|
| \$500,000 to \$1,000,000 | | | | | |
| Saw Phaik Hwa | – | 64 | 29 | 7 | 100 |
| BELOW \$250,000 | | | | | |
| Choo Chiau Beng | 100 | – | – | – | 100 |
| Cheah Kean Huat | 100 | – | – | – | 100 |
| Daniel Ee Hock Huat | 100 | – | – | – | 100 |
| Koh Kheng Siong | 100 | – | – | – | 100 |
| Victor Loh Kwok Hoong | 100 | – | – | – | 100 |
| Margaret Liu-Chan Ann Soo | 100 | – | – | – | 100 |
| 1 Ng Ser Miang | 100 | – | – | – | 100 |
| Niam Chiang Meng | 100 | – | – | – | 100 |
| Nithiah Nandan s/o Arumugam | 100 | – | – | – | 100 |
| Engelin Teh Guek Ngor | 100 | – | – | – | 100 |
| 1 Retired on 15 July 2004 | | | | | |

Number of directors of the Company receiving remuneration from the Group during the year:

| | 2005 | 2004 |
|------------------------|------|------|
| Remuneration Bands | | |
| \$500,000 and above | 1 | 1 |
| \$250,000 to \$499,999 | – | – |
| Below \$250,000 | 10 | 11 |
| Total | 11 | 12 |

(B) Remuneration of Top Five Paying Key Executives

| REMUNERATION BAND & NAME OF TOP FIVE PAYING KEY EXECUTIVE | BASIC SALARY % | VARIABLE OR PERFORMANCE RELATED INCOME/ BONUSES % | BENEFITS % | OTHERS % |
|---|----------------|---|------------|----------|
| \$500,000 to \$750,000 | | | | |
| Tan Hup Foi | 69 | 26 | 5 | – |
| \$250,000 to \$499,999 | | | | |
| (in alphabetical order) | | | | |
| Catherine Kuan-Lee Yee Fong | 63 | 28 | 9 | – |
| Patrick Lau Li Tah | 74 | 17 | 9 | – |
| Oh Seong Tatt | 70 | 26 | 4 | – |
| Yeo Meng Hin | 67 | 25 | 8 | – |

(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 | 16.6 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 | 7.7 years |
| 60 Woodlands Industrial Park E | A bus depot comprising garaging with 3-storey workshops facilities and 2-storey ancillary office. | Leasehold | 22.3 years |
| 209 Kranji Road | A single-storey bus depot with office-cum-canteen, workshop, washing shed and other ancillary facilities. | Leasehold | 9.8 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 | | |
| NCS Communications Engineering Pte Ltd | – | 323 |
| Nex Wave Solutions Pte Ltd | – | 1,222 |
| Senoko Energy Supply Pte Ltd | – | 70,513 |
| Singapore Telecommunications Limited | – | 1,060 |
| Sales of good and services | | |
| DBS Bank Ltd | – | 670 |
| John Hopkins – NUH International Medical Centre Pte Ltd | – | 118 |
| MediaCorp Press Ltd | – | 270 |
| MediaCorp Pte Ltd | – | 2,502 |
| National University Hospital Pte Ltd | – | 648 |
| PowerGas Ltd | – | 122 |
| Singapore Technologies Electronics Ltd | – | 100 |
| Singapore Telecommunications Limited | – | 2,463 |
| SP PowerAssets Ltd | – | 1,004 |

| | 2005 \$'000 | 2004 \$'000 |
|--|----------------|----------------|
| Profit from ordinary activities before taxation | 84,119 | 86,233 |
| Adjust for: | | |
| Interest expense | 13,974 | 15,779 |
| Others | 23,404 | 10,978 |
| Adjusted profit before interest and taxation | 121,497 | 112,990 |
| Cash operating taxes (Note 1) | (25,630) | (31,128) |
| Net operating profit after taxation (NOPAT) | 95,867 | 81,862 |
| Average capital employed (Note 2) | 893,922 | 955,160 |
| Weighted average cost of capital (Note 3) | 6% | 6% |
| Capital charge (CC) | 53,635 | 57,310 |
| Economic Value Added (EVA) (NOPAT-CC) | 42,232 | 24,552 |

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

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

| Major capital components | FY2005 \$'000 |
|---------------------------------|--------------------------|
| Long-term debt | 400,000 |
| Equity | 493,923 |
| | 893,922 |

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 3.2% (FY2004: 3.1%) 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 3.8% (FY2004: 4.1%) based on Pre-tax Risk-free rate plus credit spread.

VALUE ADDED STATEMENTS

for the year ended 31 March 2005

pg 152

| | 2005 \$'000 | 2004 \$'000 |
|---|----------------|----------------|
| Revenue | 673,466 | 667,344 |
| Less: | | |
| Cost of bought-in goods and services | 182,643 | 177,238 |
| Gross value added | 490,823 | 490,106 |
| Share of results of associates | (256) | (312) |
| Investment income | 3,807 | 2,084 |
| Interest income | 1,543 | 905 |
| Gain on sale of property, plant and equipment | 1,029 | 201 |
| | 496,946 | 492,984 |
| Applied as follows: | | |
| To Employees – staff and related costs | 247,478 | 256,424 |
| To Government – income and other taxes | (28,546) | 8,020 |
| To Providers of capital: | | |
| Interest on borrowings | 13,974 | 15,779 |
| Dividends to shareholders | 56,402 | 36,036 |
| Balance reinvested in business: | | |
| Depreciation of property, plant and equipment | 141,274 | 154,189 |
| Minority interests | (103) | 699 |
| Profit retained by the Group | 70,489 | 53,460 |
| Others | (4,022) | (31,623) |
| | 496,946 | 492,984 |

Statistics Of Shareholders

as at 26 May 2005

| | |
|--------------------------------|--------------------------------|
| Authorised share capital: | \$500,000,000 |
| Issued and fully paid capital: | \$150,338,873 |
| Class of share: | ordinary shares of \$0.10 each |
| Voting rights: | one vote per share |

Distribution Of Shareholders

| SIZE OF HOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---------------------|---------------------|--------|---------------|--------|
| 1 – 999 | 25 | 0.05 | 10,048 | 0.00 |
| 1,000 – 10,000 | 43,824 | 93.77 | 102,275,827 | 6.80 |
| 10,001 – 1,000,000 | 2,868 | 6.14 | 137,765,840 | 9.17 |
| 1,000,001 and above | 18 | 0.04 | 1,263,337,015 | 84.03 |
| Total | 46,735 | 100.00 | 1,503,388,730 | 100.00 |

Twenty Largest Shareholders

| NO. | NAME | NO. OF SHARES | % |
|-----|--|---------------|-------|
| 1 | Temasek Holdings (Private) Limited | 934,400,030 | 62.15 |
| 2 | Raffles Nominees Pte Ltd | 147,942,233 | 9.84 |
| 3 | DBS Nominees Pte Ltd | 69,406,116 | 4.62 |
| 4 | Citibank Nominees Singapore Pte Ltd | 41,724,150 | 2.78 |
| 5 | HSBC (Singapore) Nominees Pte Ltd | 26,244,009 | 1.75 |
| 6 | United Overseas Bank Nominees Pte Ltd | 10,529,099 | 0.70 |
| 7 | Lee Pineapple Company Pte Ltd | 5,000,000 | 0.33 |
| 8 | DB Nominees (S) Pte Ltd | 4,506,000 | 0.30 |
| 9 | OCBC Nominees Singapore Pte Ltd | 4,444,000 | 0.30 |
| 10 | Chong Kah Yung | 3,500,000 | 0.23 |
| 11 | Quah Wee Lai | 3,000,000 | 0.20 |
| 12 | Oversea-Chinese Bank Nominees Pte Ltd | 2,915,000 | 0.19 |
| 13 | Merrill Lynch (Singapore) Pte Ltd | 2,283,878 | 0.15 |
| 14 | Chen Siong Seng | 2,010,000 | 0.13 |
| 15 | Phillip Securities Pte Ltd | 1,670,500 | 0.11 |
| 16 | The Asia Life Assurance Society Ltd – Par Fund | 1,345,000 | 0.09 |
| 17 | Hong Leong Finance Nominees Pte Ltd | 1,226,000 | 0.08 |
| 18 | Kim Eng Securities Pte Ltd | 1,191,000 | 0.08 |
| 19 | Chong Yean Fong | 1,000,000 | 0.07 |
| 20 | NTUC Fairprice Co-Operative Ltd | 1,000,000 | 0.07 |
| | Total | 1,265,337,015 | 84.17 |

Substantial Shareholder

| NAME OF SHAREHOLDER | DIRECT INTEREST NO. OF SHARES | % | DEEMED INTEREST NO. OF SHARES | % |
|------------------------------------|----------------------------------|-------|----------------------------------|------|
| Temasek Holdings (Private) Limited | 934,400,030 | 62.15 | 3,240,000 | 0.22 |

Note: Temasek Holdings (Private) Limited is deemed to be interested in the 3,240,000 shares held by DBS Group Holdings Limited group of companies.

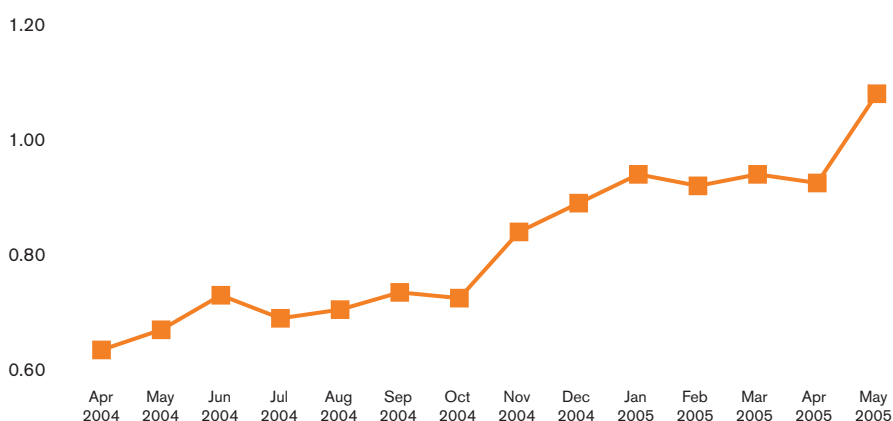
Shareholding Held In Hands Of Public

Based on information available to the Company as at 26 May 2005, approximately 37.57% 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.

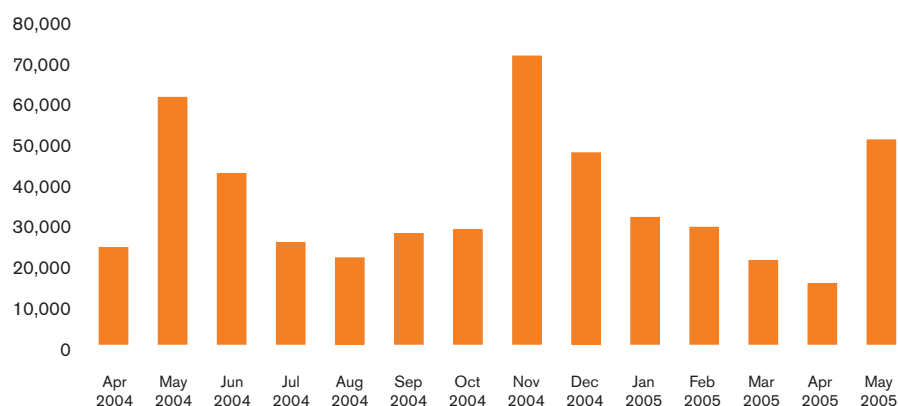
Share Prices And Traded Volumes

| DATE | CLOSING PRICE (S\$) | TRADED VOLUME ('000) |
|----------------|------------------------|-------------------------|
| April 2004 | 0.625 | 23,687 |
| May 2004 | 0.660 | 60,602 |
| June 2004 | 0.720 | 41,827 |
| July 2004 | 0.680 | 24,879 |
| August 2004 | 0.695 | 21,163 |
| September 2004 | 0.725 | 27,076 |
| October 2004 | 0.715 | 28,115 |
| November 2004 | 0.830 | 70,761 |
| December 2004 | 0.880 | 46,982 |
| January 2005 | 0.930 | 31,094 |
| February 2005 | 0.910 | 28,668 |
| March 2005 | 0.930 | 20,522 |
| April 2005 | 0.915 | 14,790 |
| May 2005 | 1.070 | 50,148 |

MONTHLY SHARE PRICE PERFORMANCE (S\$)



MONTHLY TRADED VOLUME ('000)



To: All Shareholders

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of the Company will be held at Raffles City Convention Centre, Collyer Room, Level 4, 2 Stamford Road, Singapore 178882, on Thursday, 14 July 2005 at 2.30 p.m. to transact the following business:

As Ordinary Business:

- 1) To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 March 2005 together with the Auditors' Report thereon.
- 2) To declare a Final Dividend of 5.0 cents per share, less income tax at 20 per cent, for the financial year ended 31 March 2005.
- 3) To approve the sum of \$398,800 as Director's Fees for the financial year ended 31 March 2005 (FY 2004: \$317,000).
- 4) (a) To re-elect Ms Engelin Teh Guek Ngor who is retiring in accordance with Article 94 of the Company's Articles of Association.

(b) To note the retirement of the following Directors who are retiring in accordance with Article 94 of the Company's Articles of Association:
 - (i) Mr Cheah Kean Huat; and
 - (ii) Mr Victor Loh Kwok Hoong.
- 5) To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.

As Special Business:

- 6) To consider, and if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:
 - 6.1) That authority be and is hereby given to the Directors to:
 - (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

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

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
 - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

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);

As Special Business (cont'd)

- (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.

6.2) That authority be and is hereby given to the Directors to:

- (a) offer and grant options in accordance with the provisions of the SMRT Corporation Employee Share Option Plan ("SMRT ESOP") and/or grant awards in accordance with the provisions of the SMRT Corporation Restricted Share Plan ("SMRT RSP") and/or the SMRT Corporation Performance Share Plan ("SMRT PSP") (the SMRT ESOP, SMRT RSP and SMRT PSP, together the "Share Plans"); and
- (b) allot and issue from time to time such number of ordinary shares of S\$0.10 each in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the SMRT ESOP and/or such number of fully paid ordinary shares as may be required to be issued pursuant to the vesting of awards under the SMRT RSP and/or SMRT PSP,

provided always that the aggregate number of ordinary shares to be issued pursuant to the Share Plans shall not exceed 15 per cent of the issued share capital of the Company from time to time.

7) 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 24 June 2005, 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

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

By Order of the Board

PATRICK LAU LI TAH/S. PREMA (Ms)

COMPANY SECRETARIES

Singapore

24 June 2005

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 21 July 2005 to 22 July 2005 (both dates inclusive) for the preparation of dividend warrants. The final dividend, if approved at the Sixth Annual General Meeting, will be paid on 3 August 2005 to members on the Register as at 20 July 2005. 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 20 July 2005 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.

To promote a market competitive fee structure, the Directors have recommended a revision in the Basic Fee. The proposed scale of Directors' fees (per annum) is set out below:-

Board of Directors

| | |
|----------------------|----------|
| Chairman's Allowance | \$25,000 |
| Basic Fee | \$30,000 |

Audit 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 Ms Engelin Teh Guek Ngor will, upon re-election as a Director of the Company, continue to serve as a Member of the Audit Committee. Ms Engelin Teh is 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 6.1 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 6.1 is passed, after adjusting for 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 that Resolution 6.1 is passed, and any subsequent consolidation or subdivision of shares.
- Resolution 6.2 Is to authorise the Directors to:
- (a) offer and grant options in accordance with the SMRT Corporation Employee Share Option Plan ("SMRT ESOP") which was approved at the Extraordinary General Meeting of the Company held on 15 July 2000;
 - (b) grant awards in accordance with the SMRT Corporation Restricted Share Plan ("SMRT RSP") and/or the SMRT Corporation Performance Share Plan ("SMRT PSP") both of which were approved at the Extraordinary General Meeting held on 15 July 2004; and
 - (c) 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 SMRT ESOP and/or such number of shares to be issued pursuant to the vesting of awards under the SMRT RSP and/or the SMRT PSP.
- Resolution 7 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 not more than two proxies 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 Sixth Annual General Meeting.

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
Niam Chiang Meng
Nithiah Nandan s/o Arumugam
Engelin Teh Guek Ngor

Registered Office:

251 North Bridge Road
Singapore 179102

24 June 2005

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

Dear Sir/Madam

RENEWAL OF THE GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

We refer to item 7 of the Notice of the 6th Annual General Meeting of SMRT Corporation Ltd (the "Company") (the "6th AGM") which is an Ordinary Resolution ("Resolution 7") to be proposed at the 6th 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 7.

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 (the "Listing Manual") 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 was renewed at the 5th Annual General Meeting of the Company (the "5th AGM") held on 15 July 2004 and will continue to be in force until the 6th AGM. Accordingly, it is proposed that the General Mandate be renewed at the 6th AGM, to take effect until the conclusion of the 7th 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 5th AGM; 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 of the Company in the issued share capital of the Company as at 31 March 2005 can be found on pages 88 to 91.

The interests of the substantial Shareholder of the Company in the issued share capital of the Company as at 26 May 2005 can be found on page 153.

Saw Phaik Hwa and Margaret Lui-Chan Ann Soo will abstain from voting their shareholdings in the Company, if any, on Resolution 7 relating to the renewal of the General Mandate at the forthcoming 6th 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 7, 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 7.

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 7 relating to the renewal of the General Mandate at the forthcoming 6th AGM. Temasek and its associates shall also decline to accept appointment as proxies for any Shareholder to vote on Resolution 7, 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 7.

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, 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 5 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 7 relating to the renewal of the General Mandate at the forthcoming 6th 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

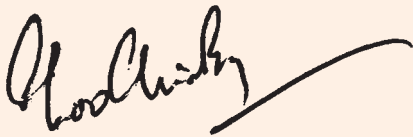
The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made or the opinions expressed in this letter.

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 and on behalf of the Board of Directors of
SMRT CORPORATION LTD

A handwritten signature in black ink, appearing to read 'Choo Chiau Beng', with a long, sweeping horizontal stroke extending to the right.

Choo Chiau Beng
CHAIRMAN

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 2005, the consolidated NTA of the Group was S\$511.1 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 2006 are published, 5% of the latest audited consolidated NTA of the Group would be S\$25.6 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 awarder 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 awarder (or if the awarder 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.

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 requiring 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 requiring Shareholders’ approval.
- 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 from the relevant provisions of Chapter 9.

2. Scope of the General Mandate (cont'd)

- 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 into 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;

5. Categories of Interested Person Transactions (cont'd)

- (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.

6. Review Procedures for Interested Person Transactions (cont'd)

(b) Obtaining of Services or Purchasing of Products (cont'd)

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.

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. Review Procedures for Interested Person Transactions (cont'd)

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 conclusion of 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 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)

(Company Registration Number : 200001855H)

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 ("the Company") 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 Sixth Annual General Meeting of the Company, to be held at Raffles City Convention Centre, Collyer Room, Level 4, 2 Stamford Road, Singapore 178882, on Thursday, 14 July 2005 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) | Re-election of Ms Engelin Teh Guek Ngor as Director | | |
| 5) | Re-appointment of KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| | SPECIAL BUSINESS | | |
| 6.1) | Authority for Directors to issue shares | | |
| 6.2) | Authority for Directors to offer and grant options and/or grant awards and allot shares, pursuant to the SMRT Corporation Employee Share Option Plan, SMRT Corporation Restricted Share Plan and SMRT Corporation Performance Share Plan | | |
| 7) | Renewal of General Mandate for Interested Person Transactions | | |
| 8) | ANY OTHER BUSINESS | | |

Dated this _____ day of _____ 2005

Total Number of Shares Held: _____

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

IMPORTANT: PLEASE READ NOTES ON THE REVERSE





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 of the Company is entitled to appoint one or two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member appoints two proxies, 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 a 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 Sixth Annual General 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 Sixth Annual General 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 Investments Pte Ltd
SMRT International Pte Ltd
RFP Investments Pte Ltd
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Facsimile: 65 6334 0247
www.smrt.com.sg

SMRT Engineering Pte Ltd
300 Bishan Road
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Telephone: 65 6554 8535
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.smrt.com.sg

SMRT Taxis Pte Ltd
60 Woodlands Industrial Park E4
Singapore 757705
Telephone: 65 6369 0111
Facsimile: 65 6369 3639
www.smrt.com.sg

SMRT Automotive Services Pte Ltd
60 Woodlands Industrial Park E4
Singapore 757705
Telephone: 65 6365 4233
Facsimile: 65 6368 7421
www.smrt.com.sg

Bus-Plus Services Pte Ltd
6 Ang Mo Kio Street 62
Singapore 569140
Telephone: 65 6481 0166
Facsimile: 65 6484 0129
www.smrt.com.sg

Transit Link Pte Ltd
9 Maxwell Road #03-02 Annexe A
MND Complex
Singapore 069112
Telephone: 65 6236 6666
Facsimile: 65 6222 0220
www.transitlink.com.sg

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