

ANNUAL REVIEW

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2001

FORWARD



SMRT

Singapore is renowned globally for the strength of its economy, its efficiency, its excellent living standards and infrastructure. Internationally, it is ranked highly as a well regulated, excellently positioned, regional financial and business centre. SMRT has played a crucial role in contributing to and maintaining this reputation.

As a leading transport service provider in Singapore, SMRT operates the Mass Rapid Transit (MRT) System, linking major public housing developments with business and commercial districts, shopping and tourist areas and industrial estates.

Our core aim is to continue to successfully operate the MRT and to bid for and secure the operating contracts of new rail lines built by the Land Transport Authority (LTA). We also intend to capitalise on our engineering and maintenance expertise, to use the MRT network as a conduit to develop new businesses and use our operational strength to grow locally and internationally. Yet, we recognise that these strategies for growth must always be combined with careful assessment, prudent financial management and reputable corporate citizenship.

Registered Office

251 North Bridge Road Singapore 179102
Telephone 65 3394500
www.smrtcorp.com.sg

Place of Incorporation

Singapore

Company Secretary

Kuan-Lee Yee Fong, Catherine, CPA

Auditors

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

Principal Bankers

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

Share Registrar

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

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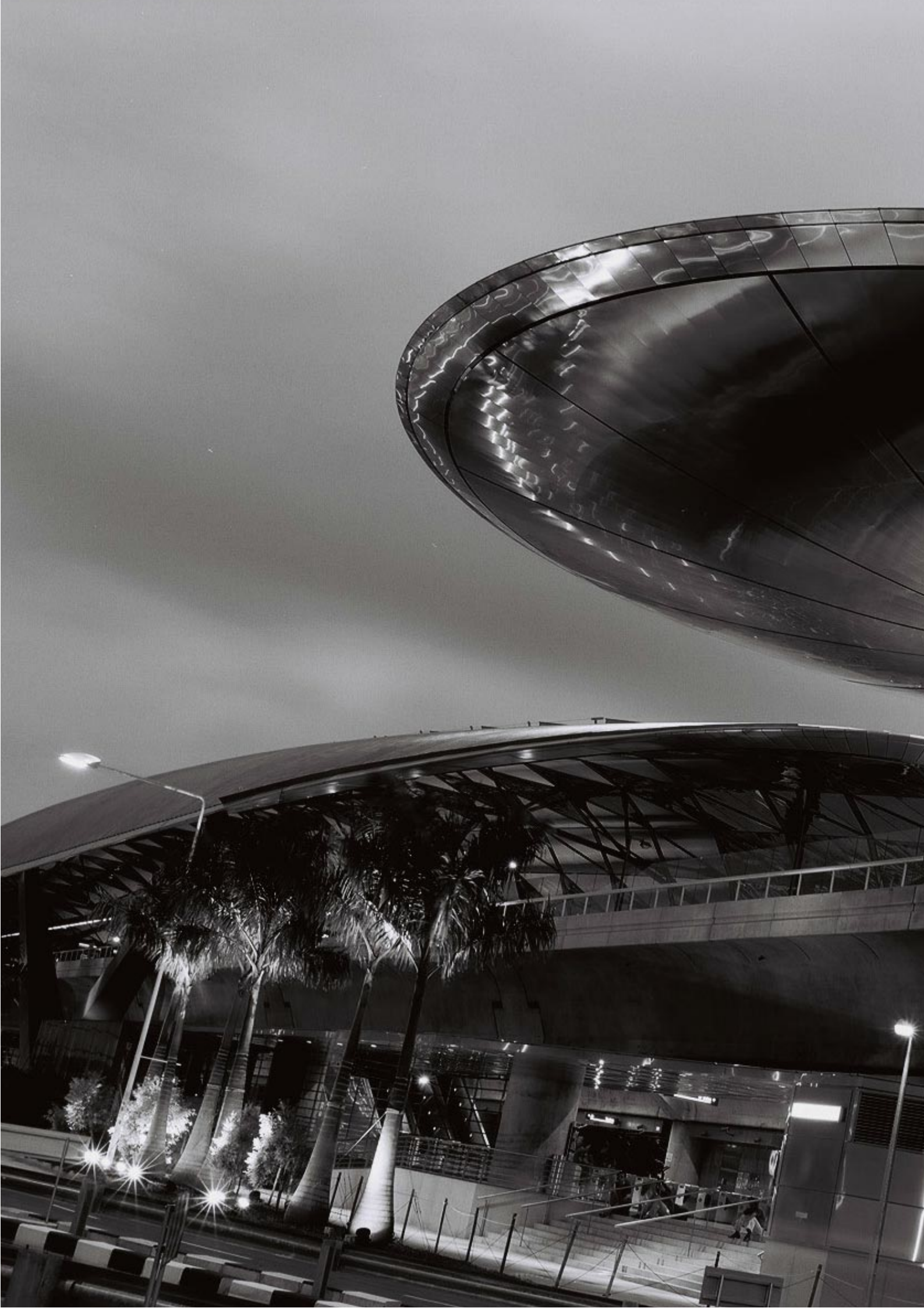
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VISION

Forward. It's a word that says a great deal about who we are today and what we aim to achieve in the future. It reflects how more than a million journeys are taken on the MRT every day. It encapsulates SMRT Corporation's dynamism and foresight – technically, attitudinally and commercially. It expresses our commitment to evolution and innovation, whether by building on our 13-year track record of operating experience or exploring new strategies for substantial growth. It reflects our intent to provide an outstanding investment opportunity.



CHAIRMAN'S

STAT

E M M E N T

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

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

In the last financial year, the year-on-year increase of 11.4% in profit at the operating level before interest, taxation, depreciation and amortisation did not match that of 12.2% in revenue. This was because staff costs rose 15.8% and electricity costs went up a hefty 54.8%.

The former included the lifting of the preceding year's wage restraints and the partial restoration of the employer's contribution rate to the Central Provident Fund, in line with industry, whereas the latter was faced universally by all consumers of energy.

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

CHAIRMAN'S STATEMENT

Designed by renowned British architectural firm, Foster and Partners, the futuristic style of Singapore Expo station is designed to accommodate large passenger volumes. It acts as a dramatic gateway to the Singapore Expo complex.

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

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

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

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

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

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

Chew Choon Seng
Chairman





BOARD OF DIRECTORS

STRENGTH

Chew Choon Seng Chairman since the incorporation of SMRT Corporation Ltd. Chairman of Singapore MRT Ltd since February 2000. Director of Singapore MRT Ltd since May 1997. Chew Choon Seng has worked for Singapore Airlines Limited for 29 years, holding senior management positions in Tokyo, Rome, Sydney, Los Angeles and London, and at corporate headquarters where he headed the Marketing and Planning Divisions. Currently, he is the Senior Executive Vice-President for Administration of Singapore Airlines Limited, responsible for Finance, Treasury, Human Resources and Secretariat functions. He is also the Chairman of SilkAir (Singapore) Pte Ltd, and International Development and Consultancy Corporation (Private) Limited. He received a Master of Science degree in Operations Research and Management Studies from Imperial College, London in 1970. He graduated in Mechanical Engineering from the University of Singapore in 1969.

Kwek Siew Jin President since the incorporation of SMRT Corporation Ltd. Managing Director of Singapore MRT Ltd since July 1996. Kwek Siew Jin is a member of the Public Transport Council and the Policy Board of the International Union of Public Transport (UITP), Belgium. He was Vice Chairman of the Asia Pacific Division of the UITP from 1997 to 2001. A Singapore Armed Forces local scholar, Kwek Siew Jin started his career as a Naval Officer with the Republic of Singapore Navy in 1969. He held various senior operations, logistics and manpower appointments during his 27-year Navy career. He was a recipient of the Singapore Armed Forces Long Service Medal (25 years), and the Commendation Medal (Gold)(Military) in 1981, the Public Administration Medal (Silver) (Military) in 1989 and the Public Administration Medal (Gold) (Military) in 1995. In 1992, he was appointed Chief of Navy and retired with rank of Rear Admiral (2-Star) in 1996. He graduated from the University of Singapore with a Bachelor of Engineering (Electrical) in 1975.

Ho Tian Yee Director since the incorporation of SMRT Corporation Ltd. Director of Singapore MRT Ltd since September 1995. Ho Tian Yee is the Managing Director of Pacific Asset Management (S) Pte Ltd. He serves on the Boards of Fraser and Neave Ltd, Singapore Exchange Ltd, Times Publishing Ltd, Tuan Sing Holdings Ltd, SPP Ltd and the Great Eastern Holdings Ltd. Previously he was General Manager and Director of Bankers Trust Company Singapore. In 1976, he graduated with a Bachelor of Arts (Honours) Degree from Portsmouth University.

Tan Yong Soon Director since the incorporation of SMRT Corporation Ltd. Director of Singapore MRT Ltd since September 1996. Tan Yong Soon is the Deputy Secretary (Policy) in the Ministry of Finance. He was with the Singapore Armed Forces and subsequently the Ministry of Defence for over 20 years and was awarded the Public Administration Medal (Gold) (Military) in 1994. He graduated from the University of Cambridge with a Bachelor of Arts (Honours) degree in Engineering in 1977, obtained a Master of Business Administration from the National University of Singapore in 1987 and a Master in Public Administration from Harvard University in 1988. He is a Director of the National Healthcare Group Pte Ltd and SilkAir (Singapore) Pte Ltd.

Lye Fei Director since the incorporation of SMRT Corporation Ltd. Director of Singapore MRT Ltd since September 1995. Lye Fei is Chairman of SemHotel Management Pte Ltd and President of SembCorp Parks Holdings Ltd. He is also Chairman of the Business Administration Advisory Committee of Singapore Polytechnic. He joined the Singapore Technologies Group in August 1985 and was appointed General Manager, Singapore Automotive Engineering Pte Ltd in 1987. He was appointed President, Chartered Industries of Singapore between October 1993 and October 1996. He joined the Ministry of Defence in 1971 and remained until 1975. Lye Fei graduated from the University of Singapore with a Bachelor of Engineering in 1971.



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Our Board of Directors plays a crucial role in shaping the Group's strategy and planning the way forward. Their expertise, experience, ambition and vision remain fundamental to SMRT Corporation's continued success.

Koh Kheng Siong

Director since the incorporation of SMRT Corporation Ltd. Director of Singapore MRT Ltd from November 1999 to April 2000. Koh Kheng Siong holds the position of Controller, Exxon-Mobil Singapore. During the last ten years at Esso, he held senior positions in Planning and Finance in Singapore and Exxon Company International, USA. He joined Esso Singapore in 1972 and was appointed Treasurer in 1984. He graduated from the University of London with a Bachelor of Science (Economics) (Honours) in 1970 and gained a Masters in Business Administration (Finance) at the University of Chicago Graduate School of Business in 1971.

Daniel Cuthbert Ee Hock Huat

Director of SMRT Corporation Ltd since April 2000. Daniel Ee is the Managing Director and a consultant of Meridian Capital Pte Ltd. He serves on the Boards of Kyosha Holdings (Singapore) Limited, Aussino.com Group Ltd and Surface Mount Technology (Holdings) Limited. He has been a member of the Civil Aviation Authority of Singapore since September 1995. From 1989 until 1999, he worked with Standard Chartered Merchant Bank Asia Limited and in 1996, was appointed Chief Executive. He served in various government organisations in Singapore from 1975 to 1985 and thereafter, was with the Corporate Finance department of Baring Brothers and Co. Limited until 1989. He graduated from the University of Bath, UK with a Bachelor of Science degree (Systems Engineering – Honours) in 1975 and gained a Master of Science degree in Industrial Engineering from the National University of Singapore in 1981.

Cheah Kean Huat

Director of SMRT Corporation Ltd since April 2000. Cheah Kean Huat is the Vice-President and General Manager of Asia Pacific Hewlett Packard Services. He has been the Managing Director, South Asia, of Hewlett-Packard Far East Pte Ltd since 1995. Currently, he is Chairman of the Data Storage Institute. He is also a Member of the Board of Trustees, Singapore Management University. He graduated from Yale University in 1978 with a Bachelor of Science (Economics and Electrical Engineering) degree. He received a Masters of Business Administration from Stanford University in 1982.

Loh Kwok Hoong, Victor

Director of SMRT Corporation Ltd and Singapore MRT Ltd since April 2000. In January 2000, Loh Kwok Hoong, Victor was appointed Singapore's Ambassador (non-resident) to Poland. He is the President and CEO of V&L Associates Pte Ltd and serves on the Boards of Directors of several public listed companies. He is a member of 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, England. He is a Fellow of the British Institute of Management. He joined Philips Singapore in 1974, and between 1991 and 1999, he was Chairman and President/CEO and/or Director of the Philips Group of Companies, its affiliates, subsidiaries and joint ventures in China, Hong Kong, Macau, Singapore and Indonesia (Batam). He was a member of the National Science and Technology Board from 1992 to 1999, a Board Member of the Port of Singapore Authority from 1993 to 1997 and a member of the Council of the National University of Singapore from 1994 to 2000. In 1997, he received the Singapore Business Award for Outstanding Chief Executive of the Year.

Jimmy Phoon Siew Heng

Director of SMRT Corporation Ltd since May 2001. Jimmy Phoon Siew Heng is the Head of the Corporate Stewardship Division of Temasek Holdings (Private) Limited. He serves on the Boards of PWD Corporation Pte Ltd and PowerGrid Limited. Prior to joining Temasek Holdings, he was with Standard Chartered Merchant Bank Asia Limited (SCMBA), the investment banking arm of Standard Chartered Bank. In his eight years with SCMBA, he managed several initial public offers, public takeovers, mergers and acquisitions and corporate restructuring. He was a Deputy Director of the Ministry of Finance from 1988 to 1992 before joining SCMBA. He graduated from Monash University, Australia with a Bachelor of Economics (Honours) in 1986.



SENIOR MANAGEMENT

TEAMMW

Fong Seck Kong

Deputy Managing Director, Singapore MRT Ltd since 1995. Executive Vice President, SMRT Corporation Ltd. Fong Seck Kong was appointed General Manager (Operations) in 1988 and was promoted to Deputy Managing Director of Singapore MRT Ltd in 1995. He worked in the Civil Service for 20 years holding senior appointments in Finance, Home Affairs, Environment and Labour ministries, before being seconded in 1987 to the Mass Rapid Transit Corporation as General Manager (Special Duties).

Low Ah Tee

Senior Vice President (Corporate Services), SMRT Corporation Ltd. General Manager (Human Resources and Administration), Singapore MRT Ltd. Low Ah Tee joined Mass Rapid Transit Corporation in 1985 as Manager (Personnel & Administration) and was appointed General Manager (Finance & Administration) in 1988. He was awarded the Public Administration Medal (Silver) in 1984. Previously, he worked with the Civil Service for 18 years, holding senior appointments in the Prime Minister's Office, Defence, Finance and National Development ministries.

Kuan-Lee Yee Fong, Catherine

Senior Vice President (Finance), SMRT Corporation Ltd. Company Secretary, SMRT Corporation Ltd. General Manager (Finance), Singapore MRT Ltd. Catherine Kuan-Lee Yee Fong joined Mass Rapid Transit Corporation Ltd in 1986 and was promoted to General Manager (Finance) in 1995. Previously, she spent a decade working with Intraco Ltd, where she was appointed Financial Controller/Company Secretary. She was awarded the Public Administration Medal (Bronze) in 1994.

Lau Kai Kum, Lawrence

Director (Internal Audit), SMRT Corporation Ltd. Lawrence Lau Kai Kum joined Mass Rapid Transit Corporation in 1984 as Manager (Internal Audit). He is a Fellow Chartered Accountant and a Fellow member of the Institute of Internal Auditors. Prior to joining Mass Rapid Transit Corporation he was Group Internal Audit Manager of Union Carbide, Singapore. He was awarded the Public Administration Medal (Bronze) in 1993.

Khoo Hean Siang

Director (Engineering), SMRT Corporation Ltd. Khoo Hean Siang joined the Mass Rapid Transit Corporation in 1986. In 1987, he joined SMRT Ltd and was promoted to his present position in 1999. He is a Professional Engineer registered with the Professional Engineers Board, Singapore and a Chartered Electrical Engineer with the Institute of Electrical Engineers, United Kingdom. He is also a Fellow of the Institute of Signalling Engineers, United Kingdom.



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Tan Peng Hock, Vincent
 Director (Traffic), Singapore MRT Ltd. Tan Peng Hock, Vincent joined the Mass Rapid Transit Corporation in 1985 as an Operations Officer. He was promoted to his present position in 1998. Previously, he was the Principal Mechanical Engineer with the Port of Singapore Authority. He received a Master of Science degree from the University of Stirling in 1981.

Tan Chuan Huat, Harry
 Director (Maintenance), Singapore MRT Ltd. Tan Chuan Huat, Harry was in the Singapore Air Force for 22 years before joining Singapore Aerospace in 1994 as Aircraft Manager. He was awarded the SAF Commendation Medal (Bronze) in 1982. He obtained his Bachelor of Science (Aeronautical Engineering) Honours degree from the Embry Riddle Aeronautical University in 1986 under the sponsorship of the SAF. He joined Singapore MRT Ltd in 1996.

Leong Yim Sing
 Director (SLRT), Singapore LRT Pte Ltd. Leong Yim Sing joined the Mass Rapid Transit Corporation in 1985 as a Maintenance Engineer. He was promoted to his present position in 1999. Prior to joining Mass Rapid Transit Corporation, he was a ship repair manager with Keppel Shipyard Ltd. He is a Chartered Engineer with the Engineering Council of the United Kingdom, and a Professional Engineer registered with the Professional Engineers Board, Singapore.

Raymond John Turnell
 Senior Vice President (Corporate Planning & Strategic Development), SMRT Corporation Ltd. Raymond Turnell is a chartered member of the Institute of Engineers, Australia. He also has a Diploma in Law and is a member of the New South Wales Bar Association. For the past two and a half years, he worked in the United Kingdom as Managing Director of Mowlem Railways.

Goh Chee Kong
 Director (Corporate Communications), Singapore MRT Ltd. Goh Chee Kong's career with the Singapore Armed Forces spanned 26 years. He has held senior command and staff appointments in the SAF and the Ministry of Defence. His last appointment was Director, Public Affairs, whereby he managed the image of SAF and Mindef. He was awarded the Public Administration Medal (Bronze) (Military) in 1998.

Our Board of Directors is supported by a senior management team combining exceptional experience with a diverse and finely tuned skill base.

STR

SMRT CORPORATION LTD

SINGAPORE MRT LTD

100%

SMRT INTERNATIONAL PTE LTD

100%

SMRT ENGINEERING PTE LTD

100%

SMRT INVESTMENTS PTE LTD

100%

RFP INVESTMENTS PTE LTD

100%

TPG INVESTMENTS PTE LTD

100%

TRANSYS PTE LTD

50%

CONVENIENCE SHOPPER PTE LTD

49%

MEDIACORP PRESS LTD

30.2%

SINGAPORE LRT PTE LTD

100%

BUS-PLUS SERVICES PTE LTD

50%

EZCARD PTE LTD

40%

TRANSIT LINK PTE LTD

33.33%

This year, 16 new trains were added to the MRT service, increasing train frequency and providing greater passenger comfort.

CORPORATE PROFILE

STRUCTURE

SMRT Corporation Ltd is the Group holding company for six wholly-owned subsidiaries.

Singapore MRT Ltd (SMRT) provides Mass Rapid Transit (MRT) services along major high density travel corridors in Singapore in order to satisfy the needs of the travelling public for safe, reliable, user-friendly public transportation.

SMRT wholly-owns Singapore LRT Pte Ltd (SLRT), the operator of the Bukit Panjang Light Rapid Transit System. SMRT and TIBS Holdings (TIBS) equally own Bus-Plus Services Pte Ltd, an executive bus service. SMRT also has a 33.33% stake in Transit Link Pte Ltd, together with Singapore Bus Service Limited (SBS) and TIBS. Transit Link is a provider of common stored value farecards which are used for public transport services. SMRT joined with SBS and TIBS to form EZCard Pte Ltd which provides multi-purpose stored value smart cards for public transport.

SMRT Engineering Pte Ltd (SMRTE) is a subsidiary engaged in specialised engineering services and other transport related businesses. SMRTE, together with Singapore Technologies Electronics Ltd, formed TranSys Pte Ltd, which provides a number of niche railway related products for local and regional markets.

SMRT Investments Pte Ltd (SMRT Inv) is a company formed for the purpose of investing in local ventures that utilise the Group's core strengths. It has a joint venture agreement with Cheers Holdings, a subsidiary of NTUC Fairprice, to set up Convenience Shopper Pte Ltd to operate a chain of convenience stores at various strategic MRT stations. Convenience Shopper commenced operations in May 2001.

SMRT Corporation has a 100% stake in **RFP Investments Pte Ltd (RFPI)**. RFPI has entered into a joint venture with Media Corporation of Singapore Pte Ltd and SingTel Yellow Pages Pte Ltd to form MediaCorp Press Pte Ltd, which undertakes the publishing and distribution of TODAY, a Singapore-based news daily. TODAY is mainly distributed through the MRT stations and bus interchanges.

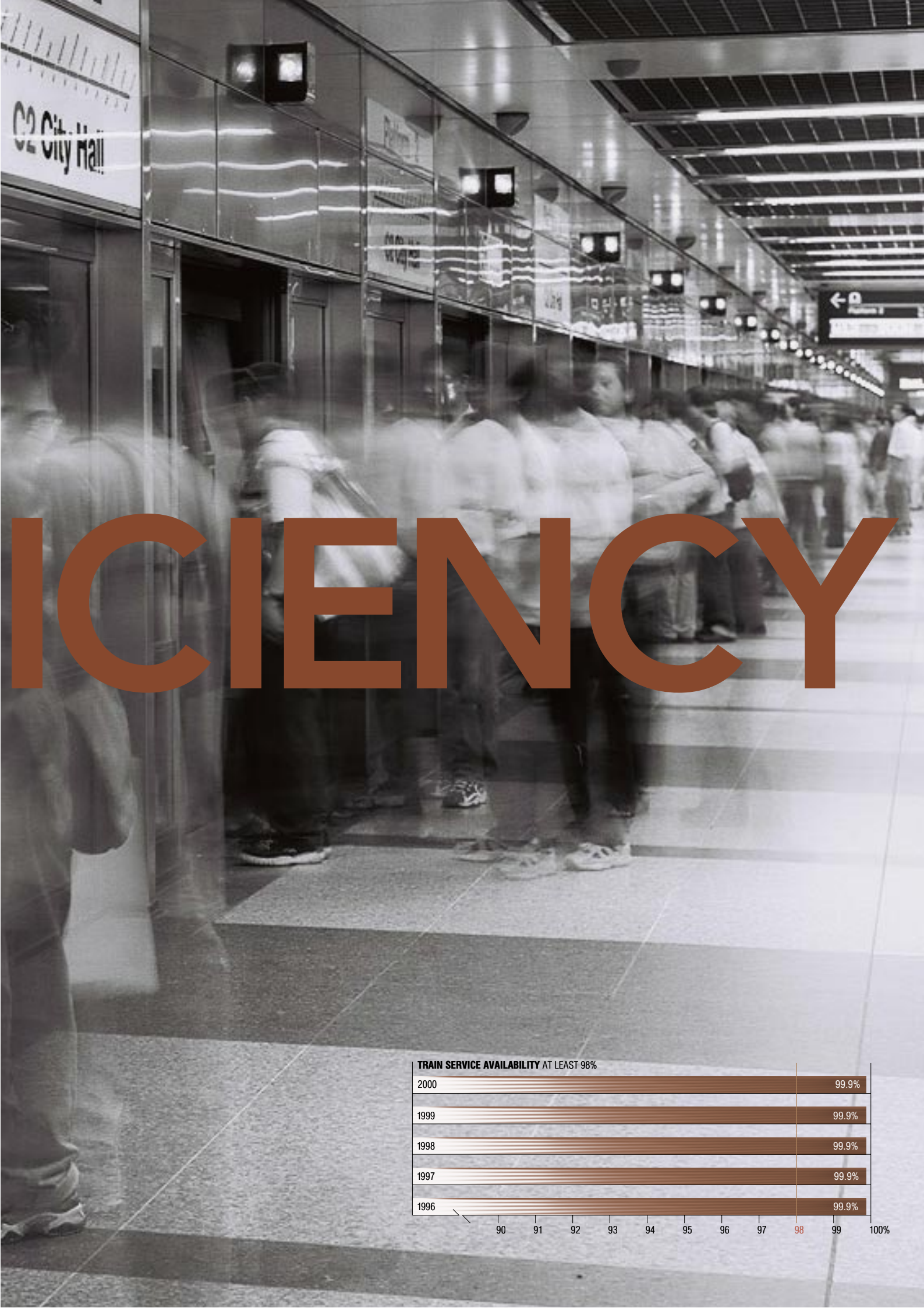
SMRT International Pte Ltd (SMRTI) is established to explore local and international investment opportunities. SMRTI is the vehicle to undertake telecommunication services under the ambit of a Facility Based Operator licence from the Infocomm Development Authority of Singapore.

TPG Investments Pte Ltd (TPGI) is an investment holding company, which is currently dormant.



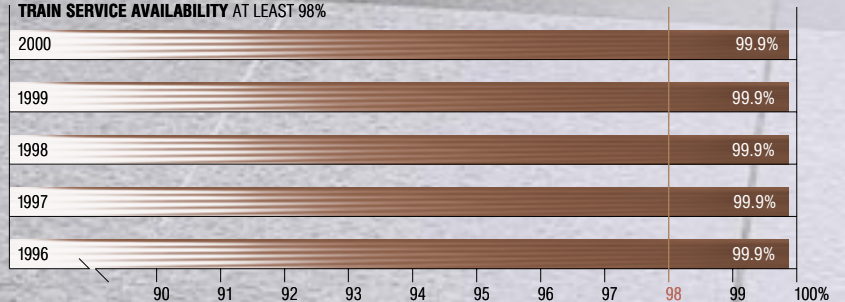
EFF

Trains run every 2 to 4 minutes at peak periods.



EFFICIENCY

TRAIN SERVICE AVAILABILITY AT LEAST 98%





PROFIT

We have a successful track record in managing and operating a complex urban rail network.

Results for FY 2001 reflect another period of steady revenue growth. The Group achieved growth of 12.2% in turnover. A gross dividend of 4.65 cents per share was declared for FY 2001. This gives a yield of 6.1%, based on the share price as at 31 March 2001.

FINANCIAL REVIEW

ABILITY

Turnover for the Group

Increased to S\$413 million, 12.2% increase over previous year

Fare Revenue

Increased to S\$380.1 million, 12.2% increase over previous year, 92% of total turnover consistent with previous year

Non-fare Revenue

Increased to S\$32.9 million, 12.2% increase over previous year, 8% of total revenue turnover

Operating Costs

Increased to S\$326.8 million, 12.3% increase over previous year

Interest and Investment Income

Decreased to S\$49.2 million, 8.9% decrease over previous year

Key Indicators

Return on Equity (ROE) 33.5%, Return on Assets (ROA) 5.6%

The Group's steady revenue growth has been a result of continued increases in ridership and fares, supplemented by an expansion of non-fare based revenue streams. Effective cost control has also helped maintain operating margins, despite pressures from increased electricity tariffs and staff costs.

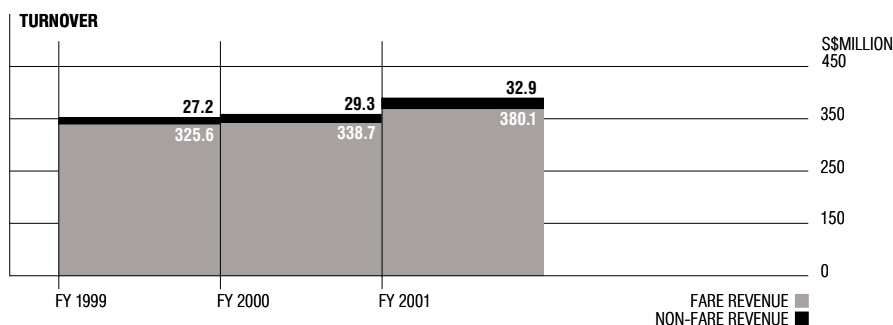
Group turnover increased 12.2% or S\$45 million to S\$413 million in FY 2001.

Fare revenue

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

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

PROFITABILITY



Non-fare revenue

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

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

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

Operating costs

Staff and related costs

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

Electricity costs

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

Repair and maintenance costs

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

Other operating expenses

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

Depreciation and amortisation

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

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

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

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

Steps to manage operational costs include:

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

Interest and investment income

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

Share of results of associated companies

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

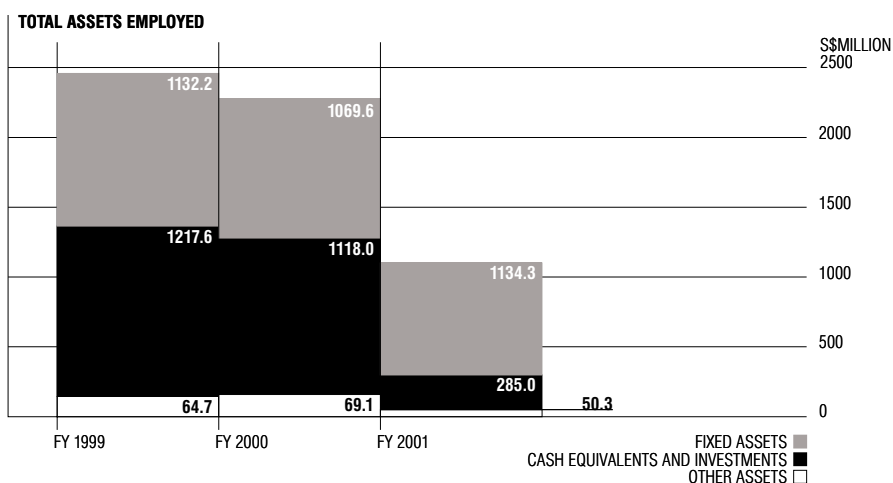
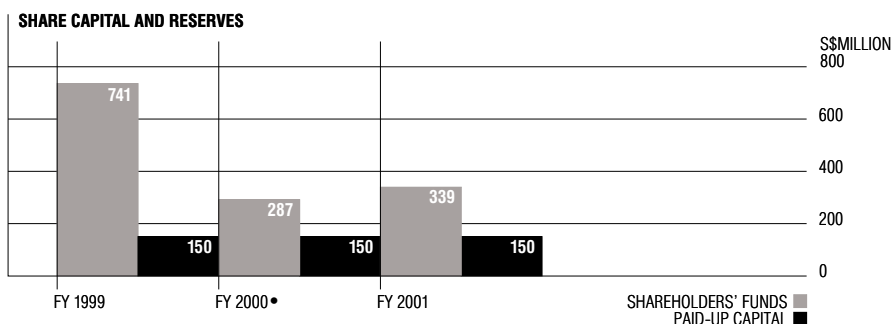
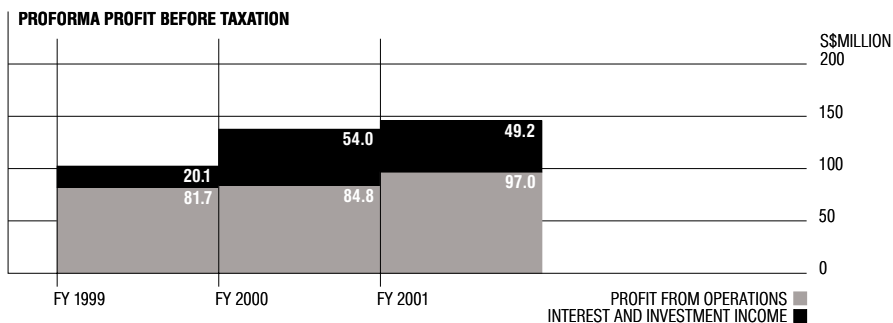
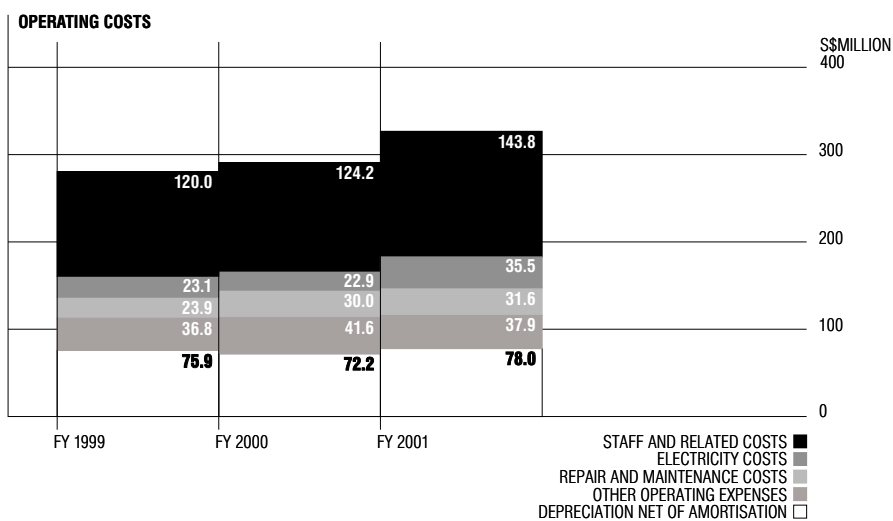
Profit after taxation

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

Dividends

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

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



Financial Calendar

Financial year ended 31 March 2001

25 May 2001

Announcement of full year results

18 July 2001

Annual General Meeting

25 to 26 July 2001 (Both dates inclusive)

Book closure dates

6 August 2001

Payment of final and special dividends

Financial year ending 31 March 2002

October/November 2001

Proposed announcement of half year results

May 2002

Proposed announcement of full year results

- In FY 2000, we declared special dividends amounting to S\$540 million to our shareholder, Temasek Holdings (Private) Limited.



PERFOR

WH101

Our outstanding safety record is largely the result of our operations and maintenance programmes. We aim to build on this with new system upgrades that provide better monitoring and reporting, enabling maintenance and operations staff to respond more efficiently.

HIGHLIGHTS

MANANCE

- SMRT Corporation was listed on the Singapore Stock Exchange on 26 July 2000. We received an excellent response as the 32.8% of the company's shares offered were over subscribed by five times. Priced at S\$0.61 at offering, the share is performing well at the end of this financial year at a high of S\$0.76, a 25% premium to the listing price.
- SMRT received ISO 9002 certification from the Productivity and Standards Board of Singapore for all our main divisions, including maintenance, traffic operations and corporate support services. We received recertification since the first award in 1994.
- Results for the FY 2001 reflect a period of steady revenue growth. The good performance is due to continued increases in ridership, supplemented by an expansion of non-fare based revenue opportunities.
- Annual ridership grew from 367.2 million in FY 2000 to an all time high of 387.4 million in FY 2001, an increase of 5.5% over the previous year.
- In response to SMRT's growing ridership, 16 new trains were added to the service. With the completion of the Changi Airport Line in 2002, another five trains will be introduced.
- The launch of SMRT's NightBus services in July 2000 saw the commencement of a 24-hour service even after the train operations ceased. The Night-Bus provides passengers with the opportunity to travel on comfortable, air-conditioned buses, seven nights a week. The NightBus service reflects a step towards the Corporation's goal to become a multi-modal public transport operator.
- This year marked the opening of Expo station – the latest addition to the growing MRT network. Designed by renowned British architectural firm, Foster and Partners, the station's futuristic style acts as a dramatic gateway to the Singapore Expo complex. It is the first station to offer a glass lift between the concourse and the platform, providing easy access for the elderly and disabled. The station also offers 17 fare gates for quicker, more efficient passenger flow.
- In November 2000, SMRT joined with the Media Corporation of Singapore Pte Ltd and SingTel Yellow Pages Pte Ltd to form MediaCorp Press. This company publishes and distributes a free newspaper to the commuting public, entitled TODAY. The distribution network of this paper includes MRT stations and bus interchanges.
- SMRT Investments Pte Ltd (SMRT Inv), and Cheers Holdings, wholly-owned by Singapore's leading supermarket retailer, NTUC FairPrice, signed a joint venture agreement to operate a chain of convenience stores at various strategic MRT stations. They aim to sell a range of groceries and convenience foods, as well as provide services such as postal transactions and the sale of cash and phone cards.
- To further develop and market the contactless smart card for transport and non-transport applications, SMRT joined with Singapore Bus Service and Trans-Island Bus Services Ltd to form EZCard Pte Ltd in October 2000. EZCard Pte Ltd will provide multi-purpose stored value smart cards for use on public transport and for additional applications. Following pilot tests by the Land Transport Authority in 2000 and 2001, it will be due for launch in 2002.

Awards and recognition

- SMRT was ranked as one of Asia's leading companies in the Far Eastern Economic Review 2000 annual survey on corporate leadership
- 2nd for best newly listed company – Asiamoney (December 2000/January 2001)
- 3rd on Business Times Corporate Transparency Index (4 November 2000)

ACHIEV



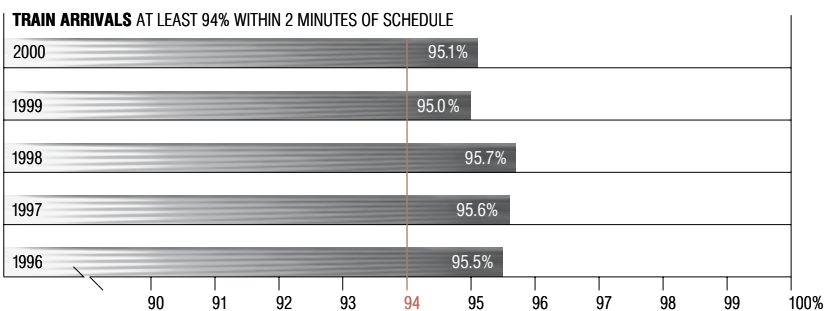
Our passengers enjoy the benefits of seamless integration with other forms of public transport.

THE YEAR IN REVIEW

EMENT

Over one million passenger trips are made on the MRT every day. SMRT's commitment to delivering safe, reliable, efficient and user-friendly transport services to these customers is reflected clearly in the operating performance achieved this year.

ACHIEVEMENT



Exceeding performance standards

Our ability to surpass the stringent operating performance standards set by the Land Transport Authority (LTA) is a testimony to our continued efforts to ensure our passengers enjoy a level of service comparable to the best in the world. In terms of service punctuality, 95.1% of trains arrived on time while 98.6% departed on time, both of which exceeded LTA's standards. The high level of train service availability, which is a measure of reliability, was maintained at 99.9%. Reliability of the automatic fare collection gates and train signalling system remained as high as the previous year. There were also further improvements in the reliability of ticket vending machines and escalators.

Exceeding safety standards

The Safety Services Department generates awareness and understanding of safety issues at SMRT for all staff. A holistic approach to safety ensures staff have passengers' best interests foremost in their minds as well as being equally sensitive to their personal health and safety in the workplace.

For the year, our employee injury rate was 0.92 injuries per one million man-hours – well within the expected standard of 3.3 injuries per million man-hours.

The passenger injury rate proves the safety of travelling with SMRT. For the total year, the passenger injury rate was 0.16 per one million passenger trips. Again, this figure was well within the performance standard of 0.4 per one million passenger trips, as set by the LTA.

Yet SMRT never takes safety for granted. Several initiatives have been implemented to ensure it remains one of the safest MRT operators in the world. During March 2001, the American Public Transport Association audited SMRT's Safety Management System. And in November 2000, SMRT organised a Safety Management Workshop under the auspices of the European International Association of Public Transport, Asia Pacific Division.

Growing patronage

Annual ridership grew from 367.2 million in FY 2000 to an all time high of 387.4 million in FY 2001, an increase of 5.5%.

The highest ridership recorded for a single day this financial year was 1.2 million passengers on Christmas Eve 2000.

Our patronage growth is due to factors including:

- Growth in population and tourist arrivals
- Steady economic performance
- Completion of new residential areas in the Sembawang and Jurong West areas
- New commercial and institutional developments around stations such as Novena Square above Novena station, CityLink Mall which links to City Hall station, the Ministry of Education headquarters near Buona Vista station and the relocation of the Singapore Turf Club to Kranji
- Continued growth in patronage of the Bukit Panjang Light Rapid Transit
- The newly opened Expo station

Meeting ridership demands

In response to SMRT's growing ridership, 16 new trains have been added to the service. With the introduction of more trains, patrons enjoy the benefits of greater train frequency and added comfort.

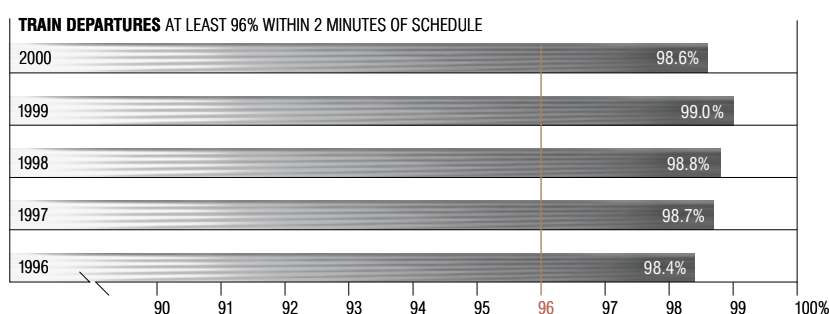
The delivery of these new trains allows SMRT to operate more trains during the morning and evening peaks. In August 2000, intervals between trains during the morning peak hours of the southbound service from Yishun station to Marina Bay station was reduced from 2.3 minutes to 2.2 minutes. Meanwhile, the eastbound service from Jurong East station to Pasir Ris station was reduced from 3.3 minutes to 2.8 minutes. The introduction of a loop service between Jurong East station and Choa Chu Kang station in the evening peak improved the northbound frequency from 5.4 minutes to 3.7 minutes and the southbound frequency from 6 minutes to 3.7 minutes.

To cater for busy periods during special occasions, SMRT operated and extended higher train service frequencies on the eves of major public holidays and during special events. We will continue to improve these services as ridership grows.

Improving customer service

Improving frontline customer service has always been a principal goal of SMRT. This year, station managers and officers attended customer service refresher courses. More station officers were deployed to the concourses and platforms to assist passengers – a move that prompted positive feedback.

In line with SMRT's Courtesy Campaign 2000, public announcements encouraged boarding passengers to give way to alighting passengers. This campaign successfully increased awareness of treating other passengers with courtesy and helping to make everyone's journey as enjoyable as possible. In addition, playing of light music was introduced at all stations to help make each journey more relaxing and comfortable.



Responding to passenger feedback

In 2000, Raffles Place station won Station of the Year in the SMRT Interstation Competition. This award, launched in 1997, is presented to the winning station based on a set of criteria ranging from hygiene to operational factors. Passenger feedback forms part of the evaluation process and SMRT approaches passengers for their views on the performance of specific stations and staff.

Listening to our passengers is a fundamental part of our ongoing programme of service improvements. The Customer Relations Section (CRS) was established this year to systematically gather feedback, investigate customer complaints and monitor customer satisfaction. The CRS aims to strengthen the relationship between passengers and SMRT and improve passengers' travel experience with the aim to develop stronger customer loyalty.

Enhancing service

Our patronage is growing steadily and ridership patterns are changing constantly. In response, SMRT has invested substantially in reviewing and improving our operations to provide a range of service enhancements. Each of these enhancement programmes is carefully assessed. The process requires a thorough comparison of costs to benefits accrued and once approved, proper and timely implementation is ensured.

- SMRT invested S\$33.7 million in a new digital radio communications system in a tender in December 1998. Installation work started in 1999 and in FY 2001, there was steady progress. The new system will improve radio coverage and enable the Operations Control Centre (OCC) to monitor train operating status at all times and to communicate directly with passengers in the train. The new system will be operational in 2002.

- In 1999, SMRT initiated a multi-year programme to upgrade the Automatic Train Supervisory System (ATSS). This project is scheduled for completion by 2002 at a cost of S\$33 million.
- The second phase of air-conditioning upgrades of all underground stations at a cost of about S\$15.5 million started at Toa Payoh and Somerset stations in February 2001. Air-conditioning upgrades on a further twelve stations is to be completed by 2003.
- With the increasing traffic at Bugis station, especially on weekends, the gate fare line was relocated to increase gate capacity and create a larger holding area in the concourse. The project was completed in July 2000.
- Due to space constraints in the payment areas near the escalator landing at Boon Lay station, a second fare line with nine reversible aisles was introduced. This new fare line offers passengers a shorter route to the bus interchange. A new station exit was also created to provide direct access to the bus interchange, including a covered walkway linking the new exit to the interchange. This project was completed at a cost of S\$238,000.
- As part of our overall service reliability upgrade, all 26 swing nose crossings were replaced with fixed-nose crossings to help minimise disruption of services. Completed in December 2000, the cost of this upgrade was S\$1.5 million. There is also an ongoing programme to replace BR clamp locks with MJ80 point machines. In the first phase, 25 MJ80 were installed. An additional four will be fitted by June 2001. Over the next two years, the remaining 73 clamp locks will be replaced with MJ80 machines.

Fine-tuning Bukit Panjang LRT

Bukit Panjang LRT is a fully automated passenger feeder service to the MRT system at Choa Chu Kang station. The LRT serves primarily the residents of the Bukit Panjang and Choa Chu Kang areas.

Teething problems experienced during the initial months of operation have been successfully rectified. Service availability improved from 95% in November 1999 to 99% in 2000. SLRT staff have gained valuable experience in the operation of the first driverless system in Singapore.

The average daily ridership on the LRT grew from 39,000 at the end of 2000 to 43,000 in the first three months of 2001. This growth in ridership is attributable to increasing developments in the Bukit Panjang areas.

Opening of Expo station

Mr Yeo Cheow Tong, Minister for Communications and Information Technology, officially opened Expo station on 10 January 2001. Expo station is well equipped to cater for the large number of visitors expected at the Singapore Expo Centre.

The station is at present served by a shuttle train service from Tanah Merah station. This service will be extended to operate between Boon Lay station and Changi Airport station when the latter commences operation in 2002.



PRUDEN

In the year under review, SMRT registered an annual ridership growth of approximately 5.5%. The Corporation's profile and performance are classically defensive – conservative, prudent and committed to efficiency and sustainable growth.



CE



The new station at Dover will better serve academic institutions and residential developments in the vicinity.

SELECTED OPERATING DATA

ROWTH

This table shows passenger growth and other selected operating data of the SMRT System for the financial years ended 31 March 1998, 1999, 2000 and 2001.

	1998	1999	2000	2001
Route length at period end (kilometres)	83.0	83.0	83.0	84.94
Total number of passengers (millions)	336.98	346.35	367.19	387.39
Growth in passenger numbers	5.79%	2.78%	6.02%	5.50%
Car kilometres operated (millions)	73.5	73.5	74.1	75.3
Growth in car kilometres operated	1.52%	0%	0.82%	1.61%
Average number of weekday passengers (thousands)	955.0	987.0	1,042.0	1,108.0
Growth in weekday passenger	6.35%	3.35%	5.57%	6.33%
Aggregate passenger distance travelled per year (million kilometres)	4,245.8	4,408.7	4,687.0	4,935.0
Growth in passenger distance	5.88%	3.84%	6.31%	5.29%
Average operating car occupancy (persons)	58.0	60.0	63.0	65.5
Growth in operating car occupancy	5.45%	3.45%	5.00%	3.97%
Total employees at period end (persons)	2,694	2,805	2,830	2,871
Growth in employees	0.07%	4.12%	0.89%	1.45%
Selected operating ratios	S\$	S\$	S\$	S\$
Amounts per passenger carried				
Fare revenue	0.97	0.94	0.92	0.96
Railway cash operating costs •	0.60	0.56	0.55	0.58
Railway EBITDA ••	0.45	0.46	0.44	0.46
Amounts per car km operated				
Fare revenue	4.44	4.43	4.54	4.94
Railway cash operating costs •	2.77	2.65	2.72	3.00
Railway EBITDA ••	2.06	2.14	2.19	2.36

• Railway cash operating costs refer to operating costs of the MRT System excluding depreciation and amortisation.

•• Railway EBITDA means earnings before interest, tax, depreciation and amortisation of the MRT System excluding interest and investment income.



PRODU

SMRT is renowned for its knowledge and application of sophisticated railway technology and effective maintenance strategies.

SMRT Corporation has built a strong corporate culture based on core values of safety, care for our passengers and staff, pride in our work and quality of our service. Our conduct is governed by the principles of integrity, trust, mutual respect and our commitment to continual improvement through teamwork, innovation and learning.

PEOPLE AND CAPABILITIES

CTIVITY

The skills, experience and motivation of our workforce are pivotal to the success of our operations. Over 50% of our staff have remained with us for more than eight years – enabling us to develop a committed and experienced workforce. Many staff members have developed specialised expertise in their field, due in part to the new technologies we have acquired and our commitment to maximise the benefits of these technologies by participating in training. Indeed, as a learning organisation, SMRT places strong emphasis on extensive training, equipping staff to meet the challenges of privatisation and competition.

Investing in training

During the year, SMRT staff received an average of 9.29 training man-days, which compared favourably with the national target of five. The training expenditure for FY 2001 totalled S\$3.4 million, an increase of 17% over the previous year. Apart from in-house programmes, SMRT sponsored staff to attend courses, seminars and workshops on information technology, human relations, communications, productivity and numerous other technical subjects.

Fostering positive industrial relations

SMRT and the SMRT staff union continued to enjoy another year of harmonious labour and management relations. Our efforts in maintaining dialogue with the staff union, sharing information and maintaining transparency in relation to critical staff issues have led to the Corporation being recommended for a commendation award by the National Trade Union Congress.

Rewarding loyalty and hard work

In recognition of their dedication, 304 staff members received SMRT Long Service Awards, of which 39 staff members were for 15-year service and 265 members for 10-year service. A total of 41 staff each received an 'Employee of the Year' award for their exemplary work performance and positive work attitude.

Improving productivity

Our Quality Circles Movement allows more productivity and quality improvement initiatives to permeate the Corporation. During the year, 17 chief facilitators were appointed to champion the Movement in their respective departments and divisions. 526 activists were trained in QC principles and techniques – an increase of 180% on the previous year. Another 420 activists took part in 14 Team Work programmes – an increase of 65% on the year before. The number of Team Work programmes doubled compared to the previous year. A new Creative Thinking programme was also launched to provide QC activists with new thinking skills.

In FY 2001, there were 198 circles involving 2,044 staff – about 69% of the total workforce. Seventeen projects were showcased at the 11th Corporate QC Convention in January 2001, of which nine were slated to represent SMRT at the National QC Convention in May and July 2001.

The Staff Suggestion Scheme launched in 1996 continued to receive a strong response from staff, with more than 7,000 suggestions offered – an impressive leap of 43% on the previous year. Of this number, 5,879 were accepted for consideration. As a further improvement, the process of administering the Staff Suggestion Scheme is being computerised.



INVOLV

The SMRT system serves the heaviest transit corridors with over one million daily passenger trips.

The MRT system is a community asset and service and we must balance commercial considerations with social needs. For this reason, the Group supports a number of community and educational projects.

COMMUNITY CONNECTIONS

EMENT

Supporting worthy causes

- Our annual contribution to the Community Chest's Social Help and Assistance Raised by Employees (SHARE) Programme has exceeded S\$190,000 in FY 2001. On 4 November 2000, SMRT was presented with the SHARE Programme Distinguished Gold Award by the National Council of Social Service.
- SMRT raised S\$50,000 for the Students Care Service (SCS) to assist students with learning disabilities. This fund-raising campaign took place between 4 December 2000 and 31 January 2001, when collection boxes were placed at all stations. SMRT has adopted the Students Care Service as a charity organisation under the Corporate Community Involvement Programme.
- SMRT continues to sponsor the Celebes Hornbills at the Jurong Bird Park and five Cotton-top Tamarins in the Singapore Zoological Gardens at an annual cost of S\$29,000.

Supporting national events

SMRT has been a keen supporter of National Day Parade since 1997. In FY 2001, SMRT's total sponsorship in cash and kind to the event amounted to S\$444,900.

SMRT sponsored the Nouvel Ensemble Moderne's performance, 'Musique Defile', during the Festival of Arts 2000. This performance was an outstanding fashion show to commemorate the end of the century.

Supporting education

SMRT continues to support the Ministry of Education's work experience programme. It is an invaluable programme that helps familiarise students with a variety of actual work situations. Pupils are attached to a specific workplace where they learn about the world of work through direct participation and observation.

Twelve students from St Patrick's, nine students from St Margaret's and four students from Raffles Girls School were attached to various SMRT departments including: operations, planning and corporate services.

We are working with the Ministry of Education of Singapore on a national education initiative targeting primary and secondary school students. The project, called 'Learning Journeys', aims to create awareness about SMRT. As part of the programme, students will attend tours of the MRT stations, trains and the depot where they will experience the complexity of running a world-class transportation system, in addition to introducing them to SMRT's unique technological innovations.



PR

With the completion of the Changi Airport Line in early 2002, passengers flying in and out of Singapore will enjoy the benefits of an efficient and reliable mode of transport between Changi International Airport and the city.

GROWTH STRATEGIES

OGGRESS

The Singapore Government's programme to privatise the companies under its fold will continue to gain momentum. As a result, this will create greater competition and the need for companies to acquire a broader, more regional outlook. In parallel with our core business of the provision of safe, reliable, efficient and convenient transportation, we intend to proactively leverage on our operational strengths to seek other opportunities, both locally and globally, for increasing returns.

'Big picture' opportunities

As the operator of Singapore's principal urban transport system, SMRT is poised to be a prime beneficiary of regulatory changes in the land transport sector, including a six times increase in rail kilometres over the next 30 years and decentralisation of business, residential and leisure centres.

The Singapore Government intends to integrate urban development with transport planning, so that the highest building densities are concentrated around key MRT stations. This should ensure maximum commuter accessibility and it is part of the authorities' programme to alleviate road congestion on major arteries, thereby reducing the need for road expansion. Roads already account for 12% of the island-state's land area and further increases may not only be economically unfeasible but could also impact other social developments.

The Government's policy for land transportation favouring rail expansion over road construction will see a modality switch of passengers from buses and cars to rail. As a result, significant new opportunities are emerging for the Corporation to participate in the government's plans to expand the rail network, tripling it from the existing 90km to 270km by 2010 and to 540km by 2030.

Currently, our immediate growth opportunities are Changi Airport Line and Dover station. However, plans are underway to expand current operations by bidding for new lines as they arise, such as the upcoming Marina Line.

The recognition that SMRT Corporation manages and operates a highly successful urban rail network has resulted in the emergence of several international opportunities. These include invitations to bid for rail operating franchises overseas, investment in public transport companies, forming alliances, joint ventures and opportunities for acquisitions. In evaluating such ventures, we will remain focussed on assessing their profitability and ensuring that each venture meets with our internal investment targets and criteria.

Growing ridership

FY 2001 results reflect annual ridership growth of 5.5%. Daily average ridership growth was 5.9%.

This year, ridership levels benefited from the commencement of Bukit Panjang LRT operations, the increased throughput at Kranji station, located adjacent to the new Singapore Turf Club and the completion of new residential and commercial projects near Woodlands, Sembawang, Novena and Boon Lay stations.

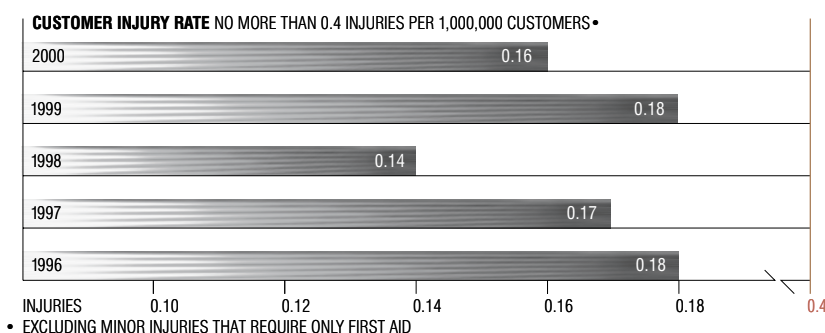
From 2002, the shift in travel mode from bus and car to rail should accelerate with the opening of the Changi Airport Line. Currently, the only modes of transport available to and from the airport are private car, taxi and a limited number of bus services. A total of 27 million passengers flew in and out of Singapore in year 2000. Based on the number of arrivals and departures at Changi Airport, SMRT expects the Changi Airport Line to contribute to ridership growth once it is completed.

The completion of the North-East Line in 2002, servicing one of the most densely populated residential areas of Singapore, will also add to patronage numbers. Although another rail operator will operate this new line, SMRT should still benefit from the increased size of network interconnectivity.

Raising advertising revenue

Advertising panels at MRT stations are in the process of being converted from static to scrolling versions. The scrolling panels can accommodate three different advertisements compared to one at present, thereby enhancing scope for increased advertising revenue. We are also implementing large advertising formats at selected stations. This includes 24-sheet scrolling and bulkhead panels, offering strong visual impact for any advertising message.

Further advertising opportunities will be created with the installation of a Visual Passenger Information System (VPIS) in 16 new trains by the end of 2001 and subsequently in the remaining 85 trains. Likewise, the Rail Travel Information System (RATIS) at station concourses and platforms also offers a new advertising medium. These marketing initiatives are expected to boost advertising revenue in FY 2002.



Developing new business opportunities

We recognise the scope for passenger ridership growth at non-peak hours. Approximately one million passengers pass through MRT stations daily. We aim to capitalise on this by offering ancillary services that provide greater passenger convenience, thereby attracting higher ridership.

This year, SMRT entered into a joint venture with the Media Corporation of Singapore Pte Ltd, and SingTel Yellow Pages Pte Ltd to form MediaCorp Press to publish and distribute TODAY, a free newspaper to the commuting public. The launch of TODAY was swift, with premiere editions of the newspaper distributed to MRT stations and bus interchanges on 10 November 2000, just five months after signing of the Memorandum of Understanding in June 2000.

SMRT Investments Pte Ltd (SMRT Inv) and Cheers Holdings signed a joint venture agreement to operate a chain of convenience stores in various strategic stations. They will oversee the management of five stores initially, located at the Ang Mo Kio, Tampines, Aljunied, Lakeside and Kallang stations. A range of groceries and convenience foods will be sold and services such as postal transactions and the sale of cash and phone cards will also be provided. The new stores at Ang Mo Kio and Tampines will officially open in mid-2001. Convenience Shopper Pte Ltd, the name of this joint venture company, is expected to be profitable from year one, with an initial capital outlay of S\$1.5 million.

SMRT Engineering Pte Ltd (SMRTE) provides one-stop consulting services for the operation and maintenance of railway systems as well as project management of railway related projects. Clients benefit from our expertise and application of sophisticated railway technology and cost-effective asset management strategies.

SMRTE and Singapore Technologies Electronics Ltd (ST Electronics) consolidated a well-established association by signing a joint venture agreement in November 2000 for the incorporation of TranSys Pte Ltd, an equally owned joint venture company. TranSys Pte Ltd was established on 14 December 2000 to develop and market niche rail-related products and services for the export market.

- Other proposed developments by TranSys include:
- an Automatic Fare Collection System
 - a wider fare gate for the convenience of handi-capped people and passengers carrying baggage
 - a Train Health Monitoring System to remotely monitor the operations of all on-board train systems.

Leasing fibre optics cables

In 1998, SMRT installed 96 pairs of fibre optic cables (128km) along its network. Only 24 pairs of cables are required for internal communication purposes and the excess capacity can therefore be leased out for other commercial purposes. Leasing of the cable network is intended to provide incremental income for the Corporation. Contributions should commence from FY 2002. The Corporation has obtained a Facility Based Operator (FBO) license from the Infocomm Development Authority of Singapore and is in the process of negotiating with FBOs who are keen to use the SMRT network to roll out their telecommunication services.

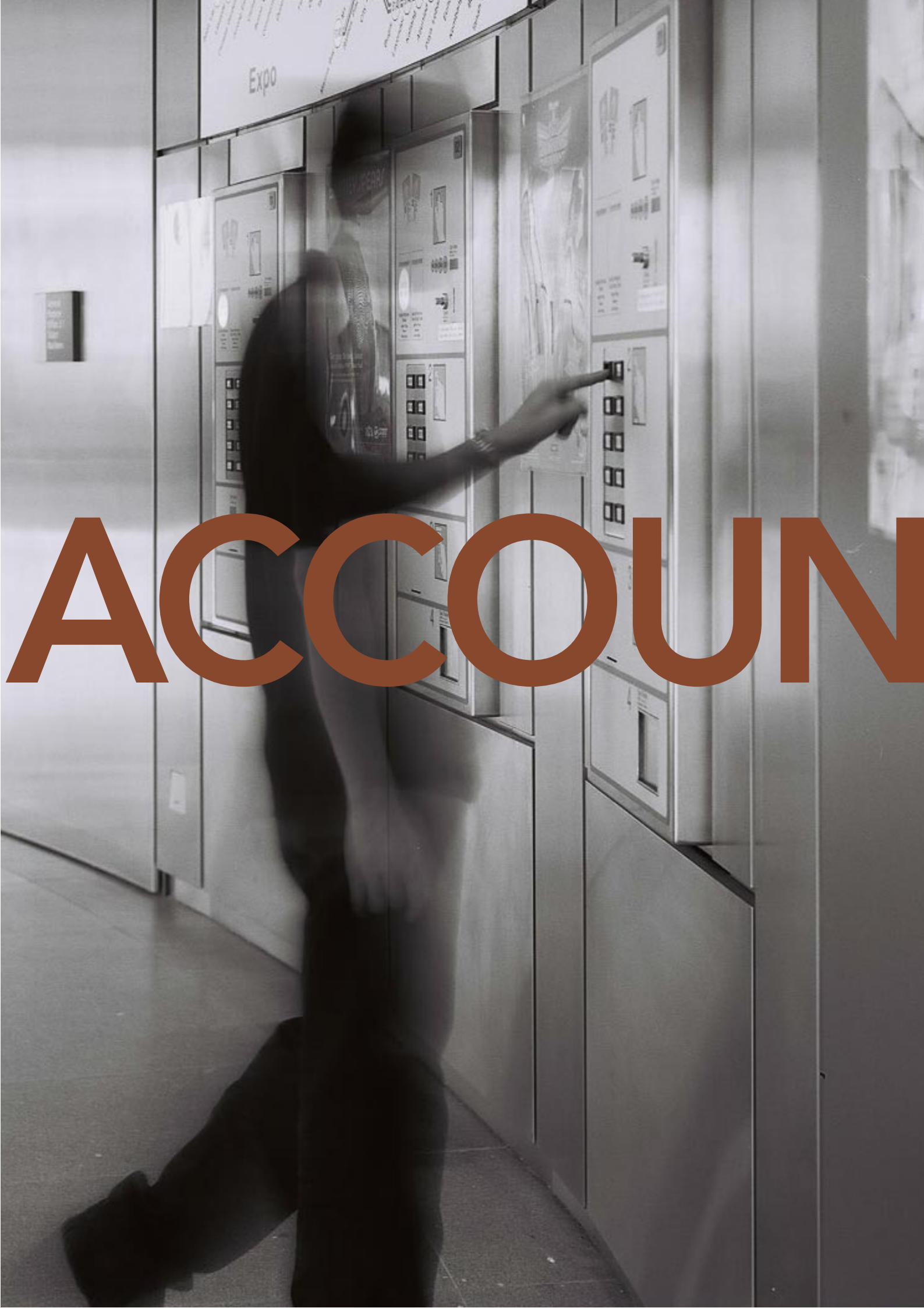
EZCard moves closer to launch

Since 1990, Singapore's public transport operators have operated the Integrated Ticketing System (ITS) through their joint service company, Transit Link Pte Ltd. Under the ITS, a stored value magnetic farecard is used to pay for journeys on MRT, LRT and buses.

To update and streamline this existing system, the Land Transport Authority (LTA) is developing an Enhanced Integrated Farecard System. It will be based on a contactless smart card (CSC). The CSC can also be used for non-transport payment transactions.

To further develop and market the CSC for transport and non-transport applications, SMRT joined with Singapore Bus Service and Trans-Island Bus Services Ltd to form EZCard Pte Ltd in October 2000. EZCard shareholdings are: SMRT 40%, SBS 45% and TIBS 15%.

EZCard Pte Ltd will provide multi-purpose stored value smart cards for use on public transport. It also aims to offer an alternative mode of payment and to promote the use of multi-purpose stored value smart cards in Singapore. Following pilot tests by the LTA in 2000 and 2001, it will be launched in 2002.



ACCOUN

In October 2000, SMRT joined with Singapore Bus Service and Trans-Island Bus Services Ltd to form EZCard Pte Ltd. EZCard Pte Ltd will provide stored value smart cards for use on public transport and for additional applications.

CORPORATE GOVERNANCE

TABILITY

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

ACCOUNTABILITY

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

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

Board of Directors

The Board of Directors of SMRT Corporation comprises:

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

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

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

Audit Committee

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

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

The main terms of reference of the Audit Committee are:

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

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

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

Remuneration Committee

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

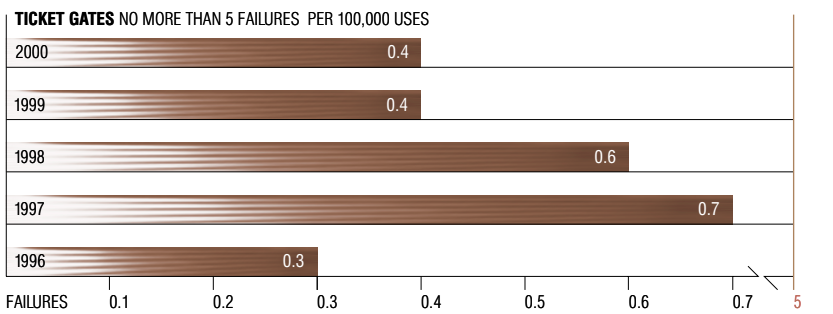
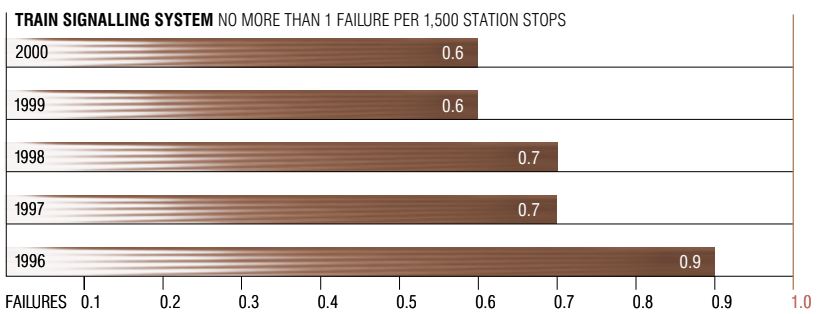
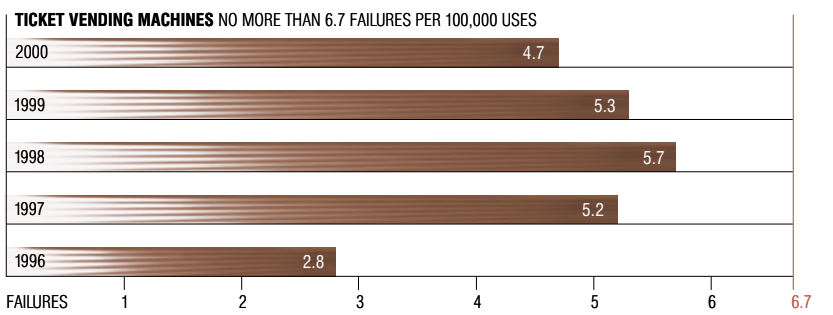
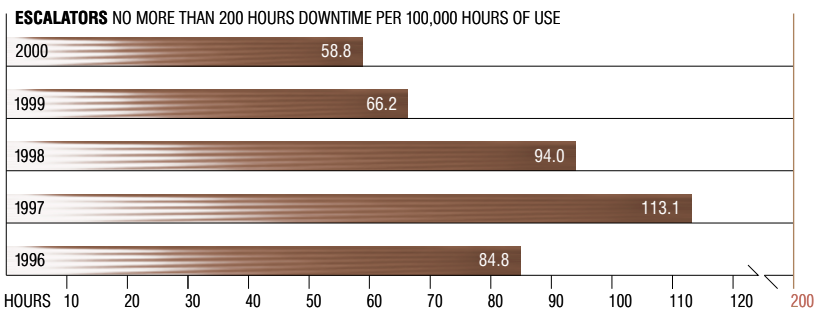
- Evaluates the President's performance
- Sets the President's goals based on strategic plans
- Administers the SMRT Corporation Employee Share Option Plan
- Develops performance evaluation criteria
- Recommends executive compensation
- Evaluates Board performance

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

Dealings in Securities

The Group has clear policies on trading of its shares by the Directors and employees.

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





For a better understanding of the financial position and results of the operations of the Group, the summary financial information should be read in conjunction with the Financial Report.

A copy of the Financial Report which comprises the Directors' and Auditors' Reports and the Audited Financial Statements for the year ended 31 March 2001 is available and will be sent on request without charge by contacting us on (65) 339 4500 or at investors_r@smrt.com.sg or by writing to SMRT Corporation Ltd.

SUMMARY FINANCIAL INFORMATION

DATA

This year, the Group has experienced steady revenue growth. Through rigorous financial planning and monitoring, the Corporation's financial strength has been consolidated and it is now more strategically positioned to proactively seek other opportunities, both locally and globally, for increasing returns.

PROFORMA CONSOLIDATED PROFIT AND LOSS ACCOUNTS

Summary financial information

Financial year ended 31 March

	1999	2000	2001
	S\$'000	S\$'000	S\$'000
Turnover	352,788	367,960	412,974
Other Income	8,707	7,741	10,854
Staff and related costs	(120,052)	(124,206)	(143,811)
Repairs and maintenance costs	(23,882)	(29,951)	(31,609)
Electricity costs	(23,135)	(22,938)	(35,516)
Other operating expenses	(36,772)	(41,568)	(37,893)
Operating profit before interest, taxation, depreciation and amortisation	157,654	157,038	174,999
Depreciation of property, plant and equipment	(123,254)	(117,187)	(122,217)
Amortisation of assets-related grant	47,340	44,963	44,236
Operating profit before interest and taxation	81,740	84,814	97,018
Interest and investment income	20,108	54,015	49,184
Profit before taxation	101,848	138,829	146,202
Share of results of associated companies	(114)	(43)	(3,450)
	101,734	138,786	142,752
Taxation	(28,434)	(39,282)	(38,111)
Profit after taxation	73,300	99,504	104,641

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

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

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

Financial year ended 31 March

	1999	2000
	S\$'000	S\$'000
Interest and investment income per audited consolidated profit and loss accounts	48,524	75,172
Proforma Adjustments arising from the special dividends of S\$540 million	(28,416)	(21,157)
Interest and investment income after Proforma Adjustments	20,108	54,015
Taxation per audited consolidated profit and loss accounts	35,490	44,501
Tax effect on the Proforma Adjustments	(7,056)	(5,219)
Taxation after Proforma Adjustments	28,434	39,282

AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNTS

Summary financial information

Financial year ended 31 March

	1999	2000	2001
	S\$'000	S\$'000	S\$'000
Turnover	352,788	367,960	412,974
Other Income	8,707	7,741	10,854
Staff and related costs	(120,052)	(124,206)	(143,811)
Repairs and maintenance costs	(23,882)	(29,951)	(31,609)
Electricity costs	(23,135)	(22,938)	(35,516)
Other operating expenses	(36,772)	(41,568)	(37,893)
Operating profit before interest, taxation, depreciation and amortisation	157,654	157,038	174,999
Depreciation of property, plant and equipment	(123,254)	(117,187)	(122,217)
Amortisation of assets-related grant	47,340	44,963	44,236
Operating profit before interest and taxation	81,740	84,814	97,018
Interest and investment income	48,524	75,172	49,184
Profit before taxation	130,264	159,986	146,202
Share of results of associated companies	(114)	(43)	(3,450)
	130,150	159,943	142,752
Taxation	(35,490)	(44,501)	(38,111)
Profit after taxation	94,660	115,442	104,641

SUMMARISED AUDITED CONSOLIDATED BALANCE SHEETS

Summary financial information

As at 31 March

	1999	2000	2001
	S\$'000	S\$'000	S\$'000
Fixed assets	1,132,150	1,069,593	1,134,250
Long-term investments	421,344	–	–
Interests in associated companies	2,877	2,781	4,404
Deferred expenditure	2,965	3,258	1,996
Current assets	855,164	1,181,090	328,905
Current liabilities	(443,107)	(984,052)	(412,541)
Net current assets/(liabilities)	412,057	197,038	(83,636)
	1,971,393	1,272,670	1,057,014
Non-current liabilities	(790,524)	(590,539)	(366,915)
	1,180,869	682,131	690,099
Share capital	150,000	150,000	150,000
Retained profits	591,196	136,638	188,842
Share capital and reserves	741,196	286,638	338,842
Deferred grant	432,660	386,805	342,569
Fuel equalisation account	7,013	8,688	8,688
	1,180,869	682,131	690,099

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Summary financial information

	Share Capital S\$'000	Retained Profits S\$'000	Total S\$'000
As at 1 April 1998	150,000	508,536	658,536
Net profit for FY 1999	–	94,660	94,660
Dividend – ordinary	–	(12,000)	(12,000)
As at 31 March 1999	150,000	591,196	741,196
Net profit for FY 2000	–	115,442	115,442
Dividend – ordinary	–	(30,000)	(30,000)
Dividend – special	–	(540,000)	(540,000)
As at 31 March 2000	150,000	136,638	286,638
Net profit for FY 2001	–	104,641	104,641
Dividend – ordinary	–	(33,751)	(33,751)
Dividend – special	–	(18,686)	(18,686)
As at 31 March 2001	150,000	188,842	338,842

SUMMARISED AUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

Summary financial information

Financial year ended 31 March

	1999 S\$'000	2000 S\$'000	2001 S\$'000
Cash Flows from Operating Activities			
Profit before taxation and extraordinary item	130,150	159,943	142,752
Adjustments for:			
Share of results of associated companies	114	43	3,450
Depreciation of fixed assets	123,254	117,187	122,217
Amortisation of assets related grant	(47,340)	(44,963)	(44,236)
Amortisation of deferred expenditure	–	530	1,262
Loss/ (Gain) from disposals of fixed assets	(6)	–	(20)
Provision for:			
– fuel equalisation account	1,221	1,675	–
– diminution in value of investments	1,500	–	–
– stock obsolescence	–	410	705
Write back of provision for diminution in value of investments	(14,520)	–	–
Deferred expenditure written off	–	1,667	–
Fixed assets written off	1,123	1,510	910
Interest, dividend and gains on disposal of investments	(35,504)	(75,172)	(49,184)
Operating profit before working capital changes	159,992	162,830	177,856
Changes in working capital	(6,103)	(36,556)	(20,103)
Income tax paid	(17,692)	(12,244)	(12,362)
Dividend paid	(12,000)	(12,000)	(586,763)
Net cash generated from/(utilised in) operating activities	124,197	102,030	(441,372)
Cash Flows from Investing Activities			
Dividend received	2,838	2,805	838
Interest income received	53,578	37,252	22,340
Deferred expenditure incurred	(2,834)	(2,460)	–
Investments in associated companies	–	–	(5,125)
Purchase of investments	(2,204,113)	(1,644,806)	(132,052)
Purchase of fixed assets	(22,670)	(57,075)	(188,668)
Proceeds from disposals of:			
– investments	2,222,693	2,128,605	467,278
– fixed assets	140	13	118
Net cash generated from investing activities	49,632	464,334	164,729
Cash Flows from Financing Activities			
Decrease in non-trade balances due to LTA	(215,725)	(219,295)	(256,694)
Net cash utilised in financing activities	(215,725)	(219,295)	(256,694)
Net increase/(decrease) in cash and cash equivalents	(41,896)	347,069	(533,337)
Cash and cash equivalents at beginning of year	471,462	429,566	776,635
Cash and cash equivalents at end of year	429,566	776,635	243,298

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