

forging
forward



SBS TRANSIT LTD annual report 2003

forward

We steer. We connect. We foster. To forge forward in today's business, we will cross boundaries, bringing more value to our customers as we connect better with them.

SBS Transit

SBS Transit

Youth Flying Club SBS Transit

7	105
123	174

174M

13021



SBS Transit



Connecting people to their destinations through bus and rail, we strive to offer customers the vital link in their journey of life.

we connect

ENTRANCE

- Target return: 20%
- 10% fixed return in the first year
- Performance in different market conditions
- Potential to get back your capital as early as 2 years
- 100% capital protection at maturity

Target 120 Protected Fund lets you have



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Chairman's Statement

INTRODUCTION

2003 was a significant, challenging and eventful year. It was significant as our parent company, DelGro Corporation Limited, was successfully merged with Comfort Group Ltd to form ComfortDelGro Corporation Limited, to become one of the largest listed land transport companies in the world. It was challenging as we experienced not only a continuation of the difficult economic conditions but also the unexpected appearance of the Severe Acute Respiratory Syndrome (SARS). It was eventful, as we became a bi-modal public transport operator with the launch of the Sengkang Light Rapid Transit (LRT) and the North East MRT Line (NEL).

Our overriding aim was to continue to keep public transport fares affordable. We kept running costs low, rationalised bus routes and restructured our organisation. Throughout these changes, we kept our commitment to give excellent service to commuters.



Chairman's Statement (cont'd)

FINANCIAL RESULTS

For the year under review, total turnover of the Group decreased marginally to \$538.2 million from \$544.0 million the year before. Bus fare revenue, which contributed the bulk of our revenue, fell 4.0% to \$495.2 million.

Sengkang LRT, which started passenger service on 18 January 2003, contributed \$2.2 million in fare revenue while the NEL's contribution was \$22.8 million for its first six months of operations.

We absorbed the full 3% Goods and Services Tax (GST) when it was first introduced in 1994. Last year, when the GST increased to 4%, we also absorbed the additional 1%. In 2004, we will continue to absorb the final 1% making a total GST of 5%. Our decision to absorb the GST effectively meant that we had to forgo the benefits of the minor fare adjustments that we had in 2001 and 2002.

The weak economy and keener competition dragged advertising revenue down. The contribution of \$17.1 million from our advertisement business was about 27.5% below the previous year's level of \$23.6 million.

Despite strenuous efforts to trim cost, total operating cost increased by 12.4% to \$570.7 million from \$507.8 million the year before. The increase was due to the introduction of our new rail business.

Wages form a large component of our cost. Over the years, we have been working to trim this cost. For the year under review, our manpower cost was 46.8% of the total operating cost compared to 53.8% just a year ago.

In 2003, fuel cost represented about 9.6% of our operating cost. This is a sharp increase of 40.7%, to \$54.6 million compared to \$38.8 million a year ago. This is due in part to our new rail business and also the increase in fuel prices.

Profit before tax decreased by \$17.7 million or 40.8% from \$43.4 million to \$25.7 million. Our transport operations contributed 28.5% of the profit while advertisements contributed 51.5%. This is in contrast to the previous year's figures of 47.8% and 44.6% respectively. Profit after tax was \$19.0 million, a drop of 45.1% compared to the previous year's figure of \$34.6 million.

For the year under review, earnings per share were 6 cents, half of the previous year's 12 cents. Net assets per share stood at 82 cents, a 1.2% increase from the previous year's figure of 81 cents. Shareholders' funds as at 31 December 2003 amounted to \$244.8 million or 2.1% higher than that a year ago. The return on shareholders' funds was 7.8% which was lower than the previous year's figure of 14.4%.

BUSINESS REVIEW

Rail

The year under review saw SBS Transit's foray into the rail business. On 18 January 2003, Sengkang LRT commenced passenger service. This was followed six months later by the much-awaited 20-kilometres NEL on 20 June 2003.

These events marked the transition of SBS Transit into a bi-modal public transport operator offering both bus and rail services. We designed a smart new lime green uniform to project this new image and to enhance the visibility of the bus and rail frontline staff.

The Land Transport Authority (LTA) handed the NEL system to SBS Transit on 16 December 2002 to start our trial. The complexity of the system with its cutting-edge technology meant that both parties had to collaborate closely during the testing and trial running phase. The high level of operating performance of the NEL after it started service is testimony to the excellent collaboration between us.



Chairman's Statement (cont'd)

In preparing for revenue service for the NEL, we conducted many reliability demonstration tests to ensure that the system performance was smooth. Our rail operation staff were tested for their timely and correct responses to the various scenarios that could occur during operations.

We also conducted a series of simulated emergency exercises with the relevant authorities and members of the public. The crucial element in this preparation was the active involvement of grassroots organisations, schools and special interest groups, such as the disabled and the elderly. In all, 4,500 people were treated to the preview of the NEL.

To date, the system has performed extremely well. The last four years of preparatory work and intensive training of staff at all levels are paying off. We have put in place a comprehensive and stringent programme to ensure the safe and smooth operations of one of the world's first fully automated heavy rail systems. This may be our first year running trains, but we fully intend to run them as well as we have for our buses.

To assist us in the development of our rail business, the LTA offered us a payment of \$47.3 million for assistance in commissioning the system. This payment has been recognised as an exceptional item in our accounts for 2003.

With the start of the NEL operations, a decision was taken not to open the Woodleigh and the Buangkok Stations out of 16 stations along this route. This was not a preferred choice but one that was realistic under the circumstances.

We were guided not only by the low demand and the paucity of housing developments near the stations but also by the fact that there was available alternative public transport. We are monitoring the situation closely. If developments around these two stations can be speeded up so that more people can move in, it would allow us to open them earlier.

As the NEL is a fully underground line, its stations cost more to maintain. Given this, the Public Transport Council (PTC) approved a premium fare for the line. However, this is offset by the lower than projected daily ridership on the line. As in any new business, we do not expect the rail business to turn in an immediate profit in its initial years of operations. Nevertheless, it is pleasing to note that the ridership has been increasing steadily since the start of operations.

In October 2003, the Minister for Transport announced that his Ministry would not object to the two rail operations being merged, as an enlarged operation would have considerable benefits.

With this rethinking in policy on competition, our Board will study the options opened to us. While we expect losses in the initial phase of our rail operation, it is increasingly clear that these losses are of manageable proportions. We will ensure that any decision we might take on this matter will be in the best interest of our customers, our staff and our shareholders.

Bus Rationalisation

With the heavy investment made by the government in the NEL, the existing bus services along the north-east corridor were rationalised to reduce unnecessary duplication in coverage and to optimise the use of the train.

To ensure a seamless service, nine bus services were amended to bring our passengers closer to the NEL stations. In addition, another eight services were amended and six services withdrawn after the commencement of the NEL passenger service to reduce duplication with the line. The number of changes pales in comparison to the extensive bus rationalisation for the North-South and East-West Lines, operated by SMRT, when the MRT system was first introduced in Singapore. During that time, 37 of our bus services were withdrawn and 82 were amended.

In considering the bus service changes, we took into account feedback from grassroots leaders and our commuters. To minimise the impact on our passengers, some of the changes had to be further fine-tuned. These included the introduction of a new service to improve local connections between Sengkang and Hougang and an increase in the capacity of the alternative services feeding into the NEL stations.



Chairman's Statement (cont'd)

Bus Interchanges

Two new bus interchanges began operations in 2003. Sengkang Bus Interchange, our second air-conditioned bus interchange after Toa Payoh, commenced operations on 18 January 2003 just as the Sengkang LRT started revenue service. This provided Sengkang residents an integrated and seamless access to the NEL, LRT and bus services, all under one roof.

On 30 November 2003, the Punggol Bus Interchange started its operations, providing Punggol residents with an integrated and seamless connection between the NEL and bus services.

Service To Commuters

As our rail operations started, the existing customer service hotline for buses was converted into an integrated one, offering commuters one-stop integrated bus and rail travel solutions.

Some 60 Goodwill Ambassadors were appointed to assist commuters in their travels on the NEL. This was in addition to the station staff and the Customer Service Officers already deployed on each train. They comprised backroom staff from both our rail and bus businesses who have volunteered to be in this familiarisation programme for commuters. This added a personal touch for commuters who are using the NEL for the first time.

During the year, we also introduced the Customer Service Standards Handbook for Bus Captains to enhance our service standards. The handbook covered various areas of customer service crucial in delivering good customer service.

PUBLIC SURVEY

Our regulators, the LTA, commissioned an independent Public Opinion Survey in 2003 to gauge public perception of the land transport system in Singapore. It is encouraging to note that a very high proportion of the respondents agreed that Singapore had a transport system with adequate choices, was well integrated and effective. Moreover, the general public also felt that the system was meeting their expectations and their future transport needs.

To cap it all, the foreigners who also took part in the survey concluded that Singapore had an efficient network of comfortable, clean, safe and reliable public transport service. These are ringing endorsements of the high standards of public transport we have in Singapore that we can all be proud of.

BUS AUDIT

I am also pleased to mention that the PTC, in its 2003 audit on basic bus services, reported that SBS Transit had generally complied with all the mandatory standards, 19 out of 20 and a majority of the discretionary standards, 11 out of 13. These standards include 'headways', 'bus loading', 'directness of journey', 'accessibility', 'route length' and 'route information'.

COMMUTERS' WELFARE

To help ease the travel costs for Singaporeans during these difficult times, we implemented the approved premium fare for the NEL in two phases. For the first three months of operations, the fare differential for the NEL ez-link adult fares was lowered by ten cents.

We also decided not to apply for a bus fare increase in 2003. This is despite the pressure on operating costs and the drop in bus ridership of 7.8% during the year. In addition, we also absorbed the 1% increase in the GST amounting to \$4.6 million.



Chairman's Statement (cont'd)

As a responsible public transport operator, we will continue to keep the travel costs reasonable. To do this, we will increase operational efficiency and reduce operating costs.

COMMUNITY CONTRIBUTIONS

For the second year running, we organised the unique Heart Bus in support of the President's Challenge. In 2003, we deployed 41 Heart Buses on the roads and raised more than \$700,000. This was about 40% higher than that collected in 2002.

To help needy families cope with transport costs, we contributed \$1 million towards the Transport Voucher Scheme initiated by the National Trades Union Congress and the Community Development Councils.

With the launch of the Sengkang LRT, we wanted to play a strong role as part of the Sengkang community. We donated the fare collected from the first week's LRT operations, \$25,000, to the Sengkang Town Centre Community Club Building Fund.

We also donated our first Sunday's fare collections on the NEL to the 24 Citizens' Consultative Committees (CCC) along the North East Line. A sum of \$165,000 was given to these CCCs to help them fund their community events for the residents living along the north-east corridor.

DIVIDEND PROPOSAL

Your directors have proposed a final dividend of 11% or 2.75 cents per share for the approval of the shareholders. This, together with the interim dividend of 4% or 1.0 cent per share, will bring the total dividend paid to 15% or 3.75 cents per share for 2003. This is lower than the 25% paid in 2002.

If shareholders approve the final dividend, the amount payout of \$8.7 million will represent 46% of the profit after tax in 2003. In 2002, the total dividend amount was \$14.5 million representing 42% of the net profit. As we have indicated earlier, we will continue to work towards our target of paying out about 50% of our consolidated net profit as dividends.

THE YEAR AHEAD

With the anticipated upturn of our economy, our performance in 2004 is expected to improve. Revenue will be broadly flat, but on the positive side, our operations will benefit from the various cost cutting measures that have been put in place. The exercise last year to streamline operations will result in greater efficiency. We also hope that the contribution from advertisement revenue will return to its previous levels.

The focus of 2004 will be on the quality of our service, the profitability of our operations and the capability of our people.

APPRECIATION

On behalf of our Board of Directors, I would like to thank our customers for their continued patronage and support. I would also like to thank all our staff for their hard work and commitment during what had been a challenging year. I wish to congratulate our rail team under the leadership of its Chief Operating Officer, Mr Simon Lane, for their tremendous efforts in putting the Sengkang LRT and the NEL into smooth operation. To Mr Ong Boon Leong, the SBS Transit's Chief Operating Officer, it has been a mammoth task integrating the bus and rail operations, ensuring that our new rail business has a good start, seeing through the bus rationalisation and rightsizing the organisation. He has done well. I congratulate him on his fine performance.



Chairman's Statement (cont'd)

I wish to place on record our deepest appreciation to the National Transport Workers' Union for their understanding, support and co-operation as we restructured our operations and rightsized the organisation.

I also want to thank the various government organisations, especially the Ministry of Transport and the LTA for their support and confidence in us to operate the new \$4.5 billion fully automated underground rail system. The advisors and grassroots leaders have also given us much of their valuable time as we rolled out in phases the bus service changes as we opened the NEL. I wish to thank them whole-heartedly.

To my fellow directors, I thank them for their invaluable advice and input as we build on our existing operations and start a new rail business. I deeply appreciate my Deputy Chairman, Mr Kua Hong Pak, for putting in considerable efforts in guiding the management team despite his own heavy duties and responsibilities as the Managing Director/Group CEO of the restructured merged entity, ComfortDelGro Corporation Limited.

Equally important, I wish to express my gratitude to the shareholders for their continual trust and confidence in us.

Lim Jit Poh

Chairman

12 April 2004



Operations Review

Our Bus Fleet

At the end of 2003, SBS Transit operated a scheduled fleet of 2,475 buses on 183 service routes following the rationalisation of bus services along the north-east corridor with the opening of the North East Line (NEL). Of these, 92% of our fleet were air-conditioned buses - a direct consequence of our long-term plan to fully air-condition our services.

Service Development

In tandem with the towns' development and growth, the bus network was further expanded in Sengkang and Punggol New Towns. Network coverage in Sengkang was enhanced with the extension of two bus Services 62 and 163.

To better serve the increasing number of residents in Punggol, the bus network in Punggol was also expanded with the enhancement of five bus services, namely Services 3, 62, 82, 84 and 136. With these improvements, the number of services serving Punggol doubled from three at the start of 2003 to six by the end of the year.

With the opening of the NEL in June 2003, services along the north-east corridor were rationalised to avoid a duplication in coverage and to optimise the use of resources. Nine services were brought closer to the NEL stations to enhance inter-modal connectivity. Another eight services were amended and six services withdrawn to reduce duplication with the NEL. Following the feedback

from grassroots leaders, some changes were further fine-tuned and a new Service 119 was introduced to improve local connections between Sengkang and Hougang.

Connection to the NEL was also further enhanced with the amendment of Services 124 and 174 to serve Telok Blangah Heights in November 2003 and Chin Swee Road in December 2003 respectively.

Besides the extension of Service 3 from Pasir Ris to Punggol, a new inter-town bus Service 39 was introduced in August 2003 to provide direct bus connections between Tampines, Pasir Ris and Yishun.

The service coverage and neighbourhood connections in Tampines were improved with enhancements made to Townlink Service 291, as well as trunk Services 28 and 29.

The total network coverage as at 31 January 2004 was 5,346 kilometres.

Weekend Service 401 was extended to link the leisure and recreation areas of East Coast Park and Orchard Road. The number of special services operated on Christmas, New Year and Lunar New Year Eves were also increased significantly from eight in 2002 to 12 in 2003. These services provided the link from selected MRT stations to neighbourhoods in the housing estates.

Operations Review (cont'd)



"NEL provided commuters with a greater source of reliability, comfort and most importantly, travelling by NEL also translated into time savings for most commuters."

Two new interchanges were opened in 2003. The second air-conditioned bus interchange commenced operations on 18 January 2003 in Sengkang. The opening of Sengkang Bus Interchange and commencement of Sengkang LRT was officiated by Minister for Transport, Mr Yeo Cheow Tong. SBS Transit opened Singapore's first air-conditioned bus interchange in Toa Payoh in May 2002. The Punggol Bus Interchange was opened by Minister for Defence and MP for Pasir Ris-Punggol GRC, RAdm Teo Chee Hean and witnessed by Mr Charles Chong, Dr Ahmad Magad and Ms Penny Low, MPs for Pasir Ris-Punggol GRC, on 30 November 2003.

Service Enhancements

The Sengkang LRT commenced operations on the East Loop on 18 January 2003 and the much-awaited NEL started passenger service on 20 June 2003. Both Sengkang LRT and NEL marked our transition into becoming a bi-modal public transport operator.

Since June 2003, NEL has fast become the backbone of travel along the north-east corridor. NEL provides commuters with a greater source of reliability, comfort and most importantly, savings in travelling time. The rationalisation of bus services was essential to complement the NEL. The rationalisation exercise will help keep the transport cost low for commuters over the longer term.

In a bid to lessen the impact of service changes on our passengers, we fine-tuned the system. This helped minimise the adverse impact of the changes on our passengers.

In line with our continuing efforts to provide maximum convenience to our customers, we extended the existing customer service hotline to encompass the rail business. The integrated call centre provides customers with a one-stop integrated service for bus and rail information.

Rail Business

Being the pioneer in operating one of the world's first fully automated mass rapid transit trains, our staff prepared themselves well and it was a great tribute to them that the start of revenue service went smoothly. Prior to the commencement of NEL passenger service, extensive reliability demonstration tests were conducted to ensure that the system performance would be smooth. The NEL has set new engineering and technological benchmarks in mass transit systems. Built at a cost of \$4.5 billion, the NEL is 20-kilometres long and comprises 16 stations.

During the year, our NEL staff were very involved in the thorough validation of all critical operating rules and procedures. All NEL operations staff completed the competence assessment emphasising quick and safe



Operations Review (cont'd)

response to degraded operation, as well as any potential operational disruptions. Our staff have also been fully trained and undergone more than 52,000 training man-days in preparation for passenger service.

NEL staff also participated extensively in the various exercises with Singapore Civil Defence Force (SCDF) to ensure that the response of both Rail and SCDF personnel to major incidents was effectively coordinated. We also successfully conducted a series of simulated emergency evacuation exercises with school children and members of the public.

Although this is the first time we are running trains, we believe we have operated it just as well as we have been doing for buses all these years.

Following the commencement of passenger service on both the Sengkang LRT and NEL, our main priority has been identifying and implementing initiatives to improve customer satisfaction. A series of drills and exercises were introduced to maintain the competence of NEL staff to manage degraded operations effectively. Work has commenced to ensure that the requirements of the safety management system have been effectively integrated into our daily activities.

Advertisement Business

The most significant development for Advertising in year 2003 was the launch of NEL advertising. With the inclusion of poster advertising, we have further enhanced our position as the market leader in outdoor advertising. We are also able to provide a one-stop outdoor media solution that encompasses media production. The NEL has increased the choices for advertisers using outdoor media, a definite plus to us as well as our clients. In 2003, the contribution from bus and rail advertisement was \$17.1 million.



Our People

In 2003, we provided 10,899 learning places, or 1.4 learning places per staff. On average, each employee clocked 43.7 hours of training. The staff strength as at 31 December 2003 was 7,206.

In recognition of the outstanding achievements in quality service delivery, 79 SBS Transit employees were presented with the 2003 Excellent Service Award (EXSA). The winners included Bus Captains, Traffic Inspectors, Route Masters, Administrative staff and Technical staff.

34 of our staff won the coveted Transport Gold Award 2003. The award was given out based on public commendations. This is a testimony to SBS Transit's commitment in delivering quality customer service to all its customers.



Operations Review (cont'd)

"In 2003, SBS Transit continued to support the President's Challenge through the Heart Bus. Corporate donations, coupled with public donations solicited at designated Interchanges and NEL stations, amounting to some \$0.7 million were raised."



Our Staff Quality Improvement (SQI) teams participated and won five Gold awards at the 2003 National IQC (Innovation & Quality Circles) Carnival.

Staff Welfare

A total of 465 keep-fit and game sessions were organised in 2003 under the Workplace Health Promotion (WHP) Programme for staff. To encourage our staff to exercise regularly, the Play-a-Game scheme was introduced in 2003, wherein staff could participate in games such as badminton, basketball, bowling, sepak takraw, soccer, squash, table tennis and tennis. In support of the Health Promotion Board's initiative, various games and activities were organised for staff on A.C.T.I.V.E. Day on 12 September 2003.

In 2003, 12 deserving children of our staff were awarded the SBS Transit Scholarship Awards for their education in local universities and polytechnics. Long Service Awards were presented to 364 staff who had served the Company for 15, 20, 25 or 30 years. Retirement ceremonies were also held for the first time in 2003 for the 81 staff who retired during the year.

Caring for the Environment

SBS Transit has initiated and incorporated many environmentally friendly features in our buses.

We have also introduced buses with engines that comply with the latest emission standard, the Euro 2 standard even before it was made mandatory by the Ministry of Environment (ENV). The Euro 2 engine has even lesser and cleaner emissions than the Euro 1 engine. We also currently have on trial two of our buses which are operated using compressed natural gas.

All SBS Transit buses are fitted with asbestos-free brake linings. In addition, all our buses use only ozone-friendly refrigerant. Our steel bus body was replaced with lighter weight aluminum body to improve fuel efficiency.

Inspections conducted every six months at the approved inspection centres showed that SBS Transit buses have a 100% pass rate for smoke-free emissions, and a 100% pass rate for noise pollution standards. These further testify to the environmental consciousness and maintenance standards achieved by SBS Transit buses.



Operations Review (cont'd)

Our Community Service

It is always SBS Transit's firm belief to actively contribute to the society in which we serve.

In 2003, SBS Transit continued to support the President's Challenge through the Heart Bus. Corporate donations, coupled with public donations solicited at designated interchanges and NEL stations, amounting to some \$700,000 were raised. Over 40 Heart Buses, each decked with 2,000 colourful hearts plied the roads in Singapore, spreading the spirit of care and concern of the well-wishers.

SBS Transit contributed \$1 million towards the worthy Transport Vouchers Scheme initiated by the National Trades Union Congress (NTUC) and Community Development Council (CDC) to help needy families cope with transport cost.

As part of the Sengkang community, we donated \$25,000 being the fare collection from the first week's LRT operations to the Sengkang Town Centre Community Club Building Fund.

In our bid to do something for the residents living along the north-east corridor, we donated our first Sunday's fare collection on NEL to the 24 Citizens' Consultative Committees (CCC) along NEL. A total of \$165,000 was collected and distributed equally to the CCCs to help them fund community events for their residents.

To play a part in nurturing the younger generation, SBS Transit sponsored a bus for the National Heritage Board's project called the "Heritage-on-the-Move". Refurbished into a mobile classroom, the bus started making its rounds to schools and community centres early this year. The classroom-on-wheels allowed school children to board the bus to view interactive exhibits, animations and big storybooks, making history lessons come alive.

Board of Directors



From Left to Right (Backrow)

David Wong Chin Huat

Cheong Yip Seng

Tan Kong Eng

Chin Harn Tong

From Left to Right (Front Row)

Wee Siew Kim

Kua Hong Pak (Deputy Chairman)

Lim Jit Poh (Chairman)

John De Payva

Corporate Information

AUDIT COMMITTEE

Chairman - Wee Siew Kim
 Members - Cheong Yip Seng
 - Chin Harn Tong
 - Kua Hong Pak

NOMINATING COMMITTEE

Chairman - John De Payva
 Members - Chin Harn Tong
 - David Wong Chin Huat

REMUNERATION COMMITTEE

Chairman - Cheong Yip Seng
 Members - John De Payva
 - Lim Jit Poh

CORPORATE DIRECTORY

Company Secretary - Bobby Tan Cher Chong

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 63 Cantonment Road
 Singapore 089758

Auditors - Deloitte & Touche
 6 Shenton Way #32-00
 DBS Building Tower Two
 Singapore 068809

Partner - Philip Yuen Ewe Jin
 (Appointed on 24 May 2002)



Board of Directors (cont'd)

Mr Lim Jit Poh

Chairman

Mr Lim Jit Poh was appointed non-executive Chairman and Director of SBS Transit Ltd in 2003. He is a member of the Remuneration Committee. Mr Lim is also the Chairman of ComfortDelGro Corporation Limited and VICOM Ltd as well as a Director of The Ascott Group Limited, Inchem Holdings International Limited, SHC Capital Limited and International Factors (Singapore) Ltd. All these are public companies listed on the Singapore Exchange Securities Trading Limited.

Mr Lim was a former top civil servant and a Fulbright scholar. He was awarded the Public Administration Medal by the Government of Singapore in 1972 and three awards by the National Trades Union Congress, namely, Friend of Labour Award in 1986, Meritorious Service Award in 1990 and Distinguished Service Award in 2000. Mr Lim is a member of the Council of the National University of Singapore and a trustee of the Singapore National Employers Federation.

Mr Lim holds a Bachelor of Science (Hons) from the University of Singapore and a Masters of Education from the University of Oregon, USA. Mr Lim was last re-elected a Director of the Company pursuant to Article 91 of the Company's Articles of Association at the Annual General Meeting held on 29 May 2003. He is a non-independent Director of the Company.

Mr Kua Hong Pak

Deputy Chairman

Mr Kua Hong Pak was appointed Executive Director of SBS Transit Ltd in 2002. In January 2003, he relinquished his executive position and assumed the non-executive position of Deputy Chairman of the Company. Mr Kua is presently the Managing Director/Group Chief Executive Officer of ComfortDelGro Corporation Limited. Prior to this, he was the President/Chief Executive Officer of Times Publishing Limited from 1989 to 2001.

Mr Kua also serves on the boards of Temasek Holdings (Private) Limited, Overseas Union Enterprise Limited, PSA Corporation Limited, PSA International Pte Ltd, StarHub Pte Ltd and Ringier Print (HK) Limited. He is also an Honorary Citizen of Shenyang City, People's Republic of China and serves on various community and charitable organisations. In recognition of his contributions to community service, he was awarded the Public Service Medal in 1991 and Public Service Star in 1996 by the President of the Republic of Singapore and made a Justice of the Peace in 2000.

Mr Kua holds a Bachelor of Accountancy degree from the University of Singapore and is a Fellow of the United Nations Asian Institute. He also attended the Advanced Management Programme at Harvard Business School.

Pursuant to Article 97 of the Company's Articles of Association, Mr Kua will be due for re-election at the forthcoming Annual General Meeting of the Company to be held on 29 April 2004. He is a non-independent Director of the Company.

Mr Cheong Yip Seng

Director

Mr Cheong Yip Seng has been a non-executive Director of SBS Transit Ltd since 1997. He is the Chairman of the Company's Remuneration Committee and member of the Audit Committee. Mr Cheong is the Editor-in-Chief of the English/Malay Newspapers Division of Singapore Press Holdings Limited since January 1987.

Mr Cheong is also a Director of Singapore Press Holdings (Overseas) Limited, The Times Press Foundation (Singapore) Private Limited and The Straits Times Press (1975) Limited. In 1997, Mr Cheong was awarded the ASEAN Award for Information.

Mr Cheong left the Teachers Training College after a year. He has also attended the Executive Programme at Stanford Business School and Advanced Management Programme at Harvard Business School.



Board of Directors (cont'd)

Mr Cheong was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 29 May 2003. He is an independent Director of the Company.

Mr Chin Harn Tong Director

Mr Chin Harn Tong has been a non-executive Director of SBS Transit Ltd since 1993. He is a member of the Company's Audit Committee and Nominating Committee. He is currently a Director of DelGro Engineering Pte Ltd, CityCab Pte Ltd and SBS Taxi (Pte) Ltd.

Mr Chin is the Advisor to the North-East Community Development Council and the Singapore Stevedores' Union. He was the Member of Parliament for Aljunied from 1972 to 1996. He was also appointed a Political Secretary, Parliamentary Secretary and Senior Parliamentary Secretary between 1976 and 1988.

Mr Chin was awarded the Public Administration Medal by the Government of Singapore in 1971, the Friend of Labour in 1971 and the Meritorious Service Award by the National Trades Union Congress in 2000. He was also appointed a Justice of the Peace since 1998.

Mr Chin holds a Bachelor of Arts from Nanyang University (1963).

Mr Chin was last re-elected a Director of the Company pursuant to Article 97 of the Company's Articles of Association at the Annual General Meeting held on 29 May 2003. He is an independent Director of the Company.

Mr David Wong Chin Huat Director

Mr David Wong Chin Huat has been a non-executive Director of SBS Transit Ltd since 1997. He is a member of the Nominating Committee.

Mr Wong is currently the Senior Partner of Ramdas and Wong, a position he held since June 1974.

Mr Wong is also a Director of ComfortDelGro Corporation Limited and several other listed companies. He is currently a member of the Public Service Commission, the Singapore Labour Foundation as well as the Chairman of Bedok Citizens' Consultative Committee.

Mr Wong was awarded the Friend of Labour in 1989, the Meritorious Service Award in 1995 and the Distinguished Service Award in 2001 by the National Trades Union Congress. In 1991, he was awarded the Public Service Star by the President of the Republic of Singapore for community and social services rendered. Mr Wong also received a Certificate of Appreciation by the Singapore Labour Foundation for services rendered as a Director of Pasir Ris Resort Services Pte Ltd in 1989.

Mr Wong holds a LL.B (Hons) from the University of Singapore and a LL.M from the Centre for Commercial Law, Queen Mary College, University of London.

Pursuant to Article 97 of the Company's Articles of Association, Mr Wong will be due for re-election at the forthcoming Annual General Meeting of the Company to be held on 29 April 2004. He is a non-independent Director of the Company.



Board of Directors (cont'd)

Mr John De Payva **Director**

Mr John De Payva has been a non-executive Director of SBS Transit Ltd since 1999. He is the Chairman of the Company's Nominating Committee and member of the Remuneration Committee.

Mr De Payva is the President of the National Trades Union Congress. He is also a Director and Secretary General of the Singapore Manual and Mercantile Workers' Union since January 1988 and a Director of NTUC Thrift & Loan Cooperative Ltd.

Mr De Payva holds a Diploma in Industrial Relations from the Singapore Institute of Labour Studies.

In 1998, Mr De Payva was awarded the Public Star Medal by the President of the Republic of Singapore.

Pursuant to Article 97 of the Company's Articles of Association, Mr De Payva will be due for re-election at the forthcoming Annual General Meeting of the Company to be held on 29 April 2004. He is an independent Director of the Company.

Mr Tan Kong Eng **Director**

Mr Tan Kong Eng has been a non-executive Director of SBS Transit Ltd since 1992. He was the Managing Director of DelGro Corporation Limited from 1973 to 1994. He retired in 1994. He is currently a Director of Glory & Company Private Limited and Changi Bus Company (Private) Limited.

Pursuant to Section 153(6) of the Companies Act, Mr Tan will be subject to re-appointment as a Director at the forthcoming Annual General Meeting to be held on 29 April 2004 and will hold office until the next Annual General Meeting. He is an independent Director of the Company.

Mr Wee Siew Kim **Director**

Mr Wee Siew Kim was appointed a non-executive Director of SBS Transit Ltd since 2003. He is the Chairman of the Company's Audit Committee.

Mr Wee is the President of Defence Business of Singapore Technologies Engineering Ltd since May 2002 and previously assumed the position of President, Europe in July 2001. Prior to this, Mr Wee held several positions with Singapore Technologies Aerospace Ltd from September 1984 to December 1997, the last being the President.

Mr Wee is also the Member of Parliament, Ang Mo Kio GRC, Jalan Kayu Division. He is presently a Director of Singapore British Engineering Pte Ltd, Asian Aerospace Pte Ltd, Singapore Technologies Kinetics Ltd, Singapore Technologies Electronics Limited, Singapore Technologies Aerospace Ltd, Singapore Technologies Marine Ltd and Singapore Technologies Dynamics Pte Ltd.

Mr Wee holds a Bachelor of Science (Aeronautical Engineering) (Hons) from the Imperial College of Science and Technology and Masters in Business Administration from Graduate School of Business, Stanford University. He was awarded the Charles Griffith Book Prize for best final year results from the Imperial College of Science and Technology in 1984.

Mr Wee was last re-elected a Director of the Company pursuant to Article 103 of the Company's Articles of Association at the Annual General Meeting held on 29 May 2003. He is an independent Director of the Company.



List of Directorships

LIM JIT POH

Beijing Jin Jian Taxi Services Company Limited	Inchem Holdings International Limited
Braddell plc	International Factors (Singapore) Ltd
Cabcharge Asia Pte Ltd	Jilin Comfort Transportation Co Ltd
Cheng Meng Holdings Pte Ltd	Metroline plc
CityCab Pte Ltd	Nanning Comfort Transportation Co Ltd
CityCab (Shenyang) Ltd	Pasir Ris Resort Pte Ltd
CityFleet (UK) Pte Ltd	SBS Taxi (Pte) Ltd
Comfort (China) Pte Ltd	SBS Transit Ltd
Comfort Bus Pte Ltd	Setsco Services Pte Ltd
Comfort Group Ltd	Shanghai City Qi Ai Taxi Services Company Limited
Comfort Transportation Pte Ltd	Shanghai Shen Xin Bus Services Ltd
ComfortDelGro (China) Pte. Ltd.	SHC Capital Limited
ComfortDelGro Corporation Limited	Shenyang ComfortDelGro Taxi Pte Ltd
ComfortDelGro Engineering Pte. Ltd.	SLF Leisure Enterprises (Pte) Ltd
ComfortDelGro Insurance Brokers Pte. Ltd.	Tecobest Investment Limited
Computer Cab plc	The Ascott Group Limited
DelGro Corporation Limited	VICOM Inspection Centre Pte Ltd
DelGro (Guangzhou) Pte. Ltd.	VICOM Ltd
DelGro Investments Pte Ltd	VICOM Nominee Investment Pte Ltd
General Automotive Services Pte Ltd	Vietnam Taxi Company Limited
Guangzhou Xin Tian Wei Transportation Development Company Ltd	Waterbank Properties (S) Pte Ltd
	Yellow-Top Cab Pte Ltd

KUA HONG PAK

Beijing CityLimo Yin Jian Auto Services Company Limited	Jilin Comfort Transportation Co Ltd
Beijing Jin Jian Taxi Services Company Limited	Metroline plc
Braddell plc	Nanning Comfort Transportation Co Ltd
Cabcharge Asia Pte Ltd	Overseas Union Enterprise Limited
CityCab Pte Ltd	Pantas Rent-A-Car Holdings Sdn. Bhd.
CityCab (Shenyang) Ltd	PSA Corporation Limited
CityFleet (UK) Pte Ltd	PSA International Pte Ltd
CityLimo Leasing Pte Ltd	Ringier Print (HK) Limited
CityLimo Rent-A-Car Pte Ltd	SBS Taxi (Pte) Ltd
Comfort (China) Pte Ltd	SBS Transit Ltd
Comfort Ads Pte. Ltd.	Setsco Services Pte Ltd
Comfort Bus Pte Ltd	Shanghai City Qi Ai Taxi Services Company Limited
Comfort Driving Centre Pte Ltd	Shanghai Shen Xin Bus Services Ltd
Comfort Group Investments Pte Ltd	Shenyang ComfortDelGro Taxi Pte Ltd
Comfort Group Ltd	Singapore Airport Bus Services Ltd
Comfort Nominees Pte Ltd	StarHub Pte Ltd
Comfort Transportation Pte Ltd	Suzhou Comfort Taxi Co Ltd
ComfortDelGro (China) Pte. Ltd.	Tecobest Investment Limited
ComfortDelGro Corporation Limited	Temasek Holdings (Private) Limited
ComfortDelGro Engineering Pte. Ltd.	VICOM Assessment Centre Pte Ltd
ComfortDelGro Insurance Brokers Pte. Ltd.	VICOM Inspection Centre Pte Ltd
Computer Cab plc	VICOM Ltd
DelGro Corporation Limited	VICOM Nominee Investment Pte Ltd
DelGro (Guangzhou) Pte. Ltd.	VICOM-Unichamps Pte. Ltd.
DelGro Investments Pte Ltd	Vietnam Taxi Company Limited
General Automotive Services Pte Ltd	Waterbank Properties (S) Pte Ltd
Guangzhou Xin Tian Wei Transportation Development Company Ltd	Xiamen Comfort Taxi Co Ltd
	Yellow-Top Cab Pte Ltd



List of Directorships (cont'd)

CHEONG YIP SENG

SBS Transit Ltd
Singapore Press Holdings (Overseas) Limited
STP (London) Ltd
The Straits Times Press (1975) Limited
The Times Press Foundation (Singapore)
Private Limited

CHIN HARN TONG

DelGro Engineering Pte Ltd
SBS Taxi (Pte) Ltd
SBS Transit Ltd
CityCab Pte Ltd

DAVID WONG CHIN HUAT

ComfortDelGro Corporation Limited
CapitaMall Trust Management Limited
Foodfare Catering Pte Ltd
Ingenuo Pte Ltd
Leisure Challenge Pte Ltd
SBS Transit Ltd
Singapore Labour Foundation
Speedy-Tech Electronics Ltd
Suerio Pte Ltd
The Ascott Group Limited
Unit 8 Pte Ltd
Zanddrift Investments International Pte Ltd

JOHN DE PAYVA

SBS Transit Ltd
NTUC Thrift & Loan Cooperative Ltd

TAN KONG ENG

Changi Bus Company (Private) Limited
Glory & Company Private Limited
SBS Transit Ltd

WEE SIEW KIM

SBS Transit Ltd
Singapore British Engineering Pte Ltd
Asian Aerospace Pte Ltd
Singapore Technologies Kinetics Ltd
Singapore Technologies Electronics Limited
Singapore Technologies Aerospace Ltd
Singapore Technologies Marine Ltd
Singapore Technologies Dynamics Pte Ltd



Key Management

ONG BOON LEONG

Mr Ong Boon Leong first joined DelGro Corporation Limited on 1 December 1994 as Senior Manager, Corporate Development where he was responsible for business development, corporate planning and corporate communications. From 1 August 1998, he was concurrently appointed Group Chief Financial Officer.

On his promotion to Executive Vice President on 1 August 2000, Mr Ong assumed the position of Chief Executive Officer (CEO), Europe Business, a position which oversees the Group's operations in United Kingdom and Ireland. Subsequently, on 1 August 2001, he was concurrently appointed as Deputy CEO of SBS Transit. On 16 February 2003, Mr Ong assumed the position of Chief Operating Officer of SBS Transit. He oversees the day-to-day operations of both the bus and rail businesses.

Prior to joining ComfortDelGro, Mr Ong served in the Administrative Service with stints in the Ministry of Communications and Ministry of Home Affairs. He also worked as an Investment Analyst at Standard Chartered Securities Pte Ltd.

Mr Ong was a Monbusho scholar and holds a degree in Economics from Hitotsubashi University, Japan.

SIMON BENEDICT LANE

Mr Simon Benedict Lane was appointed Chief Operating Officer (Rail) with the corporate rank of Executive Vice President on 1 August 2001. He is responsible for ensuring high levels of service delivery in the areas of operations, maintenance and safety. In addition, he is responsible for developing and monitoring the key business risks and performance for the rail business.

Mr Lane brings with him more than 20 years' experience in rail operations, having worked with British Railways in ScotRail in the United Kingdom before moving to Australia. From May 1994 to November 1997, he was Managing Director of Met Trains in Melbourne, a business unit of the Public Transport Corporation, Victoria. Prior to joining SBS Transit, he was the CEO of State Rail Authority, New South Wales.

Mr Lane holds a Bachelor of Arts (Hons) degree in Economics from the University of Wales.

WOON CHIO CHONG

Mr Woon Chio Chong joined SBS Transit as Planning Officer on 16 August 1976 and rose through the ranks with stints in Planning and Operations. He was appointed Senior Vice President of Service Development on 1 July 1995 and on 1 July 2000 he assumed his current position of Executive Vice President (Bus Operations). In this position, Mr Woon is responsible for the bus service development and the overall performance of the service delivery.

Mr Woon holds a Bachelor of Science (Hons) degree in Information Science from the Victoria University of Wellington, New Zealand.

LIM GIM HONG

Mr Lim Gim Hong first joined SBS Transit as Engineer on 1 January 1974. Over the years, he was promoted to assume managerial positions in Engineering and Supplies. He assumed the position of Senior Vice President (Engineering) on 30 December 1995 and headed bus operations as Senior Vice President (Operations) from 1 July 1996 to 30 June 2000. He was appointed to his current position as Executive Vice President (Bus Engineering) on 1 July 2000 and is responsible for bus engineering operations as well as quality assurance and safety.

Mr Lim holds a Bachelor of Engineering (Hons) degree from the University of Singapore and Master of Science (Industrial Engineering) degree from the National University of Singapore.



Financial Highlights

Five-Year Summary

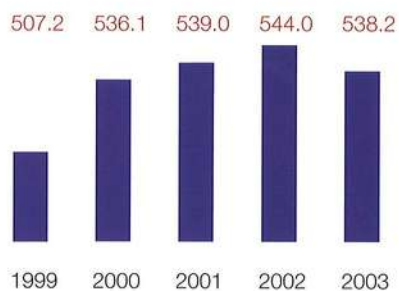
	1999	2000	2001	2002	2003
Turnover (\$m)	507.2	536.1	539.0	544.0	538.2
Operating expenses (\$m)	452.8	471.7	497.2	507.8	570.7
Profit after tax (\$m)	42.6	50.9	39.6	34.6	19.0
Issued capital (\$m)	74.4	74.4	74.4	74.4	74.4
Capital & reserves (\$m)	150.4	206.4	221.9	239.7	244.8
Capital disbursement (\$m)	48.4	36.8	52.5	110.7	25.5
Internal funds generated (\$m)	114.4	115.7	97.7	92.9	125.0
Earnings per ordinary share (cents)	14.3	17.1	13.3	11.6	6.4
Net asset per ordinary share (cents)	50.5	69.4	74.6	80.5	82.3
Return on shareholders' equity (%)	28.3	24.7	17.9	14.4	7.8
Dividend per ordinary share (cents)	3.8	10.8	8.5	6.3	3.8
Dividend cover (number of times)	5.2	2.1	2.0	2.4	2.2

Value-Added for the Group

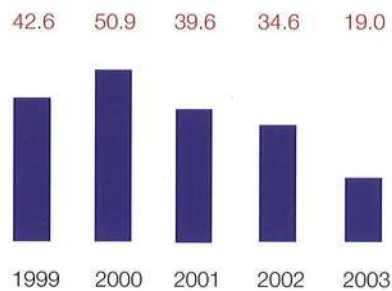
	2003		2002	
	\$'000	%	\$'000	%
Suppliers of Capital - Dividends and				
Term Loan Interest	12,096	3.5	20,387	5.4
Taxation to the Government	15,859	4.5	17,003	4.5
Retained Earnings	53,705	15.4	64,170	17.1
Employees - Salaries and other staff cost	267,008	76.6	273,415	73.0
Total Value-Added	348,668	100.0	374,975	100.0
Value-Added Per Employee (\$ thousand)	45.5		45.8	

Financial Highlights (cont'd)

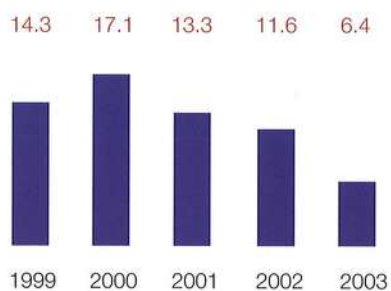
Turnover (\$m)



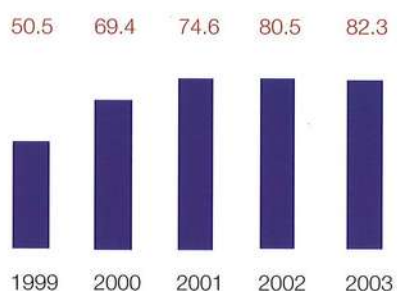
Profit After Tax (\$m)



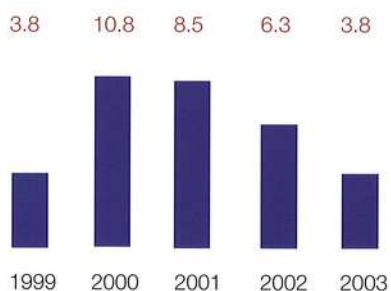
Earnings per Ordinary Share (cents)



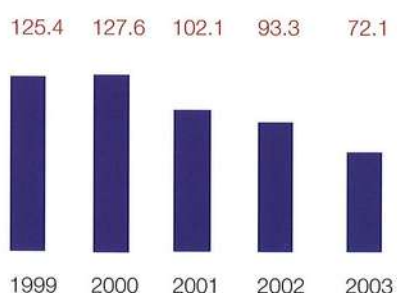
Net Asset per Ordinary Share (cents)



Dividend per Ordinary Share (cents)



Earnings before Interest, Tax & Depreciation (\$m)





we steer

Steering our business structure beyond bus into rail, we aim at enhancing the travelling experience of customers by having them feel that their entire journey across all modes is just one seamless trip.

SBS Transit

Significant Events

A January 18

Opening of Sengkang Bus Interchange and commencement of Sengkang Light Rapid Transit by Minister for Transport, Mr Yeo Cheow Tong.

A new lime green uniform was also launched to project SBS Transit's bi-modal image and to enhance the visibility of the rail and bus frontline staff.



B February 15 and 16

Launch of Civil Defence Open House at Hougang, Serangoon, Farrer Park and Chinatown NEL Stations by Minister for Home Affairs, Mr Wong Kan Seng.

C March 4

Visit to NEL and SKLRT by international delegates from the Rapid Transit Conference 2003.



D March 23

Minister for National Development and MP for Tampines GRC, Mr Mah Bow Tan launched the enhanced Services 28 & 29 in Tampines New Town.



E April 23

Press conference for Channel U dramedy "She drives me crazy", which featured Kym Ng as a Bus Captain, held at Toa Payoh Interchange.

F May 22

SBS Transit commenced series of NEL previews for school children.

G May 24 & 25

Preview of NEL for Senior Citizens.

H May 29

Annual General Meeting



I June 3

SBS Transit kicked off series of NEL previews for students with disabilities and special needs.

J June 5

Launch Customer Service Standards Handbook for Bus Captains. The handbook covered various areas of customer service crucial in delivering good customer service.



K June 6

Emergency safety drill for students from North Spring Primary School at NEL station.

L June 10 & 11

Familisation tours of the barrier-free facilities in the NEL stations were conducted for some 350 persons with disabilities and special needs.

M June 18

Emergency safety drill for students from St Margaret's Primary and Secondary Schools conducted at NEL station.

N June 20

The North East Line, one of the world's first driverless mass rapid transit train commenced passenger service.



On that day, 60 goodwill ambassadors were deployed at NEL stations to assist commuters. These Ambassadors were in

Phase 1 bus rationalisation exercise implemented. A total of nine bus services were affected namely, Services 21, 22, 53, 70, 72, 83, 125, 130 and 139.

O June 24

Visit to NEL by the then Senior Minister of State for Transport, Mr Khaw Boon Wan.

P June 28

Visit to NEL by Prime Minister Goh Chok Tong, Minister for Transport, Mr Yeo Cheow Tong and the then Senior Minister of State for Transport, Mr Khaw Boon Wan. PM Goh gave NEL a rating of between 8 and 10.

Q July 27

Visit to NEL and Sengkang LRT by Minister of State for Transport, Dr Balaji Sadasivan.

Phase 2 bus rationalisation exercise implemented. The changes affected a total of eight bus services. These included Services 81, 85, 97 and 111, and Express 501, 502, 511 and 512.

R August 28

Official Opening of the North East Line and Sengkang LRT by Deputy Prime Minister Lee Hsien Loong.

S September 14

MP for Pasir Ris-Punggol GRC, Ms Penny Low, took a ride on enhanced Service 136 and new Service 84.

T September 19

Received the Singapore Corporate Governance Award (Merit).

U October 19

Symbolic launch of the extension of Service 3 to Punggol by Minister for Defence and MP for Pasir Ris-Punggol GRC, RAdm Teo Chee Hean. The event was witnessed by Mr Charles Chong and Ms Penny Low, MPs for Pasir Ris-Punggol GRC.

V November 5 & 6

Visit to NEL and Sengkang LRT by Chinese government officials from Guangzhou.

W November 14

Visit to NEL by Minister for Transport of Haryana, India H.E. Ashok Kumar Arora.

X November 30

Official Opening of Punggol Bus Interchange by Minister for Defence and MP for Pasir Ris-Punggol GRC, RAdm Teo Chee Hean. The event was witnessed by Mr Charles Chong, Dr Ahmad Magad and Ms Penny Low, MPs for Pasir Ris-Punggol GRC.

Y December 3

SBS Transit Bus Captains, Traffic Inspectors, Rail station staff won total of 34 awards at the Transport Gold 2003 Award Ceremony.

Z December 7

Phase 3 of bus rationalisation exercise implemented. A total of six bus services (Services 62, 82, 103, 107, 378 and 379) were affected.



we foster

Fostering strong ties with our customers is our primary way of staying closely connected to them. Our constant challenge lies in providing a safe, reliable, efficient and user-friendly public transport.





SBS Transit's Journey into Rail Operations

The transformation of SBS Transit from a successful bus company to a bi-modal public transport operator began on 19 May 1999, when the Land Transport Authority (LTA) awarded the company a licence to operate and maintain the North East MRT line and the new Sengkang and Punggol LRT systems.

The building of the transit systems in the north-east corridor and the strategy to use leading-edge technology gave further credence to Singapore's international reputation for leadership in public transport.

The challenge for SBS Transit, as manager and operator of this state-of-the-art system, was to ensure that public confidence remained high with the introduction of driverless operations on both the LRT and MRT systems.

1999 : Establishing the Senior Leadership Team

During the second half of 1999, a small team of senior executives was established to oversee the development of the capability for SBS in its new venture. A key figure was Mr Lim Leong Geok who joined as Principal Consultant in July 1999 bringing with him a wealth of experience. He had played a significant role in the successful planning, designing, construction and operations of Singapore's first mass rapid transit system, SMRT. Other key personnel were Mr Ian McPherson, a Senior Director of Rail Engineering who had 20 highly successful years in Hong Kong and Mr Wilfred Lau, Senior Director of Operations, also from Hong Kong.

The team was further strengthened by the appointment of Mr Yip Seck Weng as the Director of Training, who brought with him a wealth of local and international experience, and Mr Wong Woh Sung who was recruited to head the Rail Business Safety and Quality unit.

Mr Simon Lane was appointed as Chief Operating Officer for the Rail Business subsequently, bringing with him 20 years experience from railway management in the United Kingdom and Australia.

Other senior figures included Mr Alex Goei as Director of Rail Operations who came from SBS Transit's planning group and Mr Wong Wai Keong as Director of Engineering who was recruited from LTA, bringing with him his significant technical engineering experience.

2000 : Refining the Plan and Building Capability

The brief was simple: Get a strong engineering and operations team in place to ensure the smooth delivery of service to commuters.

The task was slightly more difficult. Staff without prior experience in working on a rail system, much less a driverless one, had to be trained from scratch.

A Works Train team was established from future rail operations personnel to assist LTA and their contractors with the fit out of the systems and the early stages of system testing.

SBS Transit's Journey into Rail Operations (cont'd)



NEL Train Carbody Shell fabricated from aluminium with extrusion technique at Alstom Manufacturing Plant in Valenciennes, France on 13 September 2000.



Assembly of Detrainment Door onto Electric Train End Mask at Alstom Manufacturing Plant in Valenciennes, France on 14 September 2000.



Attended Overseas Training of NEL Train Auxiliary Power Supply at Alstom Belgium Plant on 26 September 2000.

Recognising the significant recruitment programme ahead during the year, a specialist team of trainers was recruited who were given opportunities to gain experience both from established rail operators before going through the process of designing all the necessary training materials for the in-house programmes, including the appropriate assessment documentation, so that there could be a high degree of confidence that at the completion of training, personnel will be competent to carry out their duties.

During the year, the Safety and Quality Assurance (SQA) team focused on identifying hazards and formulating the appropriate control measures to ensure the highest possible standard of safety.

In Operations, the principles which underpinned the Operating Rules & Procedures were finalised, enabling more detailed work to be completed during 2001.

By the end of the year, a total of 150 people were employed in the Rail team.



NEL Train undergone Static Test at Alstom Manufacturer Plant in Valenciennes, France on 2 October 2000.



NEL Train Dynamic Testing at Valenciennes Test Track in France on 3 October 2000.



Group of Senior Staff from SBS Transit and Land Transport Authority attended Overseas Rolling Stock Training at Alstom Manufacturing Plant at Valenciennes, France from 11 September 2000 to 24 November 2000.



SBS Transit's Journey into Rail Operations (cont'd)



A group of Operations Trainers undergoing overseas training at Hong Kong MTRC from 2 Jan 2001 to 5 Feb 2001.



First NEL train delivered to Sengkang Depot Cripple Siding on 2 February 2001.



Handing over of NEL Train Re-railment Truck from Land Transport Authority to SBS Transit at NEL Work Train Siding on 1 June 2001.

2001 : Training for Start Up

The next year was focused on staff recruitment and the roll-out of training within Operations and Engineering. Much of the engineering first-level training was conducted overseas with SBS Transit engineers spending time on attachments with overseas suppliers, where they received hands-on training on equipment which was going through its final stages of testing prior to shipment to Singapore.

Our staff participated in the integration test and training with contractors in France, Italy, United Kingdom and Germany. About 70 staff from the Rolling Stock Department were attached to Alstom, the manufacturer of the trains, to assist in testing, commissioning and modification of the trains in Singapore. SBS Transit also developed comprehensive and intensive in-house training programmes on the operation and maintenance of systems and equipment.

During the year, the final draft of the Operations and Maintenance Rules & Procedures was completed. It was subsequently checked to ensure that it was compatible with the engineering designs and the requirements of the safety analysis – resulting in the highest level of safety and reliability.

By the end of May, five six-car trains were delivered. By August, most of the North East Line (NEL) civil works were completed. System-wide contractors commenced installing and testing equipment in the various equipment rooms. The Sengkang Light Rapid Transit (LRT) viaducts were nearing completion and stations were being fitted out. The first light rapid transit vehicle was delivered to the LRT Depot where the testing and commissioning programme got underway.

By the end of 2001, the number of people in the Rail team had increased to 570.

SBS Transit's Journey into Rail Operations (cont'd)

2002 : Trial Running Commences

By the middle of 2002, almost everything was in place to enable the transition for both the LRT and NEL to begin, moving the new transit systems from their project phase towards the operation phase.

The level of activity was intense in all areas - the classroom-based training was almost complete, the hands-on practical training and assessment was underway, the Operating Rules & Procedures had been finalised and were going through a process of validation. The Operating Systems were going through a process of final integration testing led by LTA and their contractors and a series of reliability demonstration tests which were necessary for the smooth and safe launch.

The LTA handed the Sengkang LRT system to SBS Transit on 1 September 2002 and the NEL on 16 December 2002 for trials to commence.

In developing our capability to operate and maintain the new transit systems, a total of 485 separate training modules were developed. NEL Operations clocked up 11,493 man-days of training and NEL Engineering 12,707 man-days. LRT staff clocked up a further 4,167 man-days – a huge effort.

During the trial running period, the emphasis was on testing and validating the Operating Rules & Procedures which required the operating systems to be completely tested and all staff to complete their training. To be doubly sure and safe, a series of emergency exercises were conducted to ensure that the operational responses would be smooth and that SBS Transit and Singapore Civil Defence Force (SCDF), could work well together.

By the end of 2002, the number of people in the Rail team had increased to 640 – we were nearly ready to start passenger service.



Operations Trainer demonstrating the correct steps to install a Short Circuit Device at Sengkang Depot Training Track.



Many NEL railway training courses were designed, developed and implemented in-house in order to meet the specialised operations and maintenance training needs of rail personnel. The training process started as early as June 2000.



Overhead Catenary System (OCS) maintenance staff on-the-job training on Section Insulator Installation at Depot OCS Training Track.

SBS Transit's Journey into Rail Operations (cont'd)

In an article in the Straits Times dated 3 June 2002 entitled "Staff train hard for opening of N-E Line", it was reported:

No doubt SBS Transit is doing what it can to prevent disruptions to its MRT system.

By the time the new line opens, 52,000 training days would have been invested.

When the trains hit the tracks, each of the 260 operations staff would have completed 11 courses comprising 80 modules, and sat for several tests.

The 3,000 questions cover both the hardware – the mechanics of the system and how it works – and the software – dealing with customer complaints.

2003 : From a System to a Service

The Sengkang LRT began passenger service on 18 January 2003, following a period of community engagement in which all the grassroots leaders from Sengkang and Punggol new towns were given a system preview, and an opportunity to ask questions and to go behind the scenes.

The NEL commenced passenger service six months later, on Friday, 20 June 2003 after an extended period of trial running, during which the LTA and their contractors continued to debug the operating systems to ensure that the operational performance would be high.

During those early weeks and months, the public flocked from all parts of Singapore to enjoy their first rides on one of the world's first fully automated heavy rail systems. Many people also came from overseas to study the system.

One of the biggest accolades was given on 28 June 2003, when Prime Minister Mr Goh Chok Tong, who after travelling on the NEL, said: "It is a good experience – I put it right at the top".



Overhead Catenary System (OCS) high level inspection along tunnel with aid of A-Frame Trolley.



Overhead Catenary System (OCS) dewirement assessment conducted by MTRC HK consultant at Depot Training Track.



Operation trainees discussing a case study during Rules and Procedures Training at Sengkang Depot Training Centre.

SBS Transit's Journey into Rail Operations (cont'd)

2003 : The Official Opening

28 August 2003 marked yet another milestone in Singapore's dynamic public transport landscape with the official opening of the second major Mass Rapid Transit (MRT) line - the North East Line (NEL).

Some 800 invited guests packed the huge open space above Dhoby Ghaut NEL Station at the Atrium@Orchard to witness the official opening of the NEL and Sengkang LRT by Deputy Prime Minister Lee Hsien Loong. Prior to his arrival at Dhoby Ghaut Station, DPM Lee was at the Sengkang Transport Hub where he officially opened the Sengkang LRT, Singapore's first and only LRT system that is custom-built to integrate with the area's residential and commercial development plans. Sengkang LRT is fully integrated with the NEL and the Sengkang air-conditioned bus interchange to form a transport hub comprising all major modes of public transport.

In his speech, DPM Lee highlighted the benefits that the NEL brings to residents along the north-east corridor and to the Singapore economy as a whole. He cited the time savings by commuters as an example of the value and convenience that NEL brings. Businesses along the Line, most significantly at Chinatown, Little India and Dhoby Ghaut, have also seen considerable impact from the NEL, with customer traffic in Plaza Singapura increasing by 45% on weekdays and 60% in weekends, just one week after NEL started operations on 20 June 2003. This was a timely boost for the retail sector that was recovering from the effects of the Severe Acute Respiratory Syndrome (SARS) outbreak.

In terms of Singapore's economy as a whole, NEL helps to increase productivity, makes transportation of goods more efficient by easing congestion on the roads, and allows more intensive use of land along the north-east corridor.

DPM Lee stressed the importance of developing critical infrastructure such as the airport, seaport, IT network and MRT network, to give Singapore an advantage in the global fight for economic survival.



Deputy Prime Minister Lee Hsien Loong officiating the Opening of the Sengkang LRT System on 28 August 2003.



Deputy Prime Minister Lee Hsien Loong officiating the Grand Opening of the North East Line on 28 August 2003.



Deputy Prime Minister Lee Hsien Loong receiving a token of appreciation from Chairman of SBS Transit, Mr Lim Jit Poh.



Corporate Governance

SBS Transit Ltd (the "Company") is committed to and will continue to maintain high standards of corporate governance to enhance and safeguard the best interest of its shareholders.

The Company has adopted a corporate governance policy framework, which embodies the spirit of the principles and recommendations of the Code of Corporate Governance (the "Code").

This report outlines the main Corporate Governance that was in place during the year with specific reference to the Code.

BOARD OF DIRECTORS

Principle 1 – The Board's Conduct of its Affairs

The Board is responsible for setting the overall strategic direction and objectives of the Company and assuming stewardship of the Company with the primary aim of safeguarding the best interest of the Shareholders. At the same time, the Board is also responsible for ensuring that the Company is managed efficiently and effectively. The Board delegates the day-to-day operations of the Company to the Management while reserving certain key issues for its approval. The Board upholds the principle of fairness and transparency in the discharge of its duties and seeks to avoid any form of conflict or potential conflict of interest.

In addition, the Board is also responsible for inter alia the following:

- (i) overseeing and monitoring managerial and organisational performance of the Company to achieve the strategic goals and objectives;
- (ii) putting in place appropriate and adequate systems of internal control, risk management processes and policies, and financial authority limits;
- (iii) approving the annual budget, major capital and operating expenditures, and acquisition and disposal of major investments; and
- (iv) assuming responsibilities for good corporate governance.

To assist the Board in the detailed consideration of the various issues in the discharge of its fiduciary duties, three committees were formed namely, the Audit Committee ("AC"), the Nominating Committee (the "NC"), and the Remuneration Committee (the "RC"). Each of the committees has its own terms of reference setting out (i) the scope of its duties and responsibilities; and (ii) the rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

The composition of the Board and Board Committees including the detailed write-up of each Director is set out on pages 14 to 19 in the Annual Report.



Corporate Governance (cont'd)

The attendance of the Directors at Board meetings and Committee meetings as well as the frequency of such meetings are set out below:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Lim Jit Poh	6	6	NA	NA	2	1**	3	3*
Kua Hong Pak	6	6	4	4+	2	2++	3	3++
Cheong Yip Seng	6	5	4	3	NA	NA	3	3
Chin Harn Tong	6	6	4	4	2	2	NA	NA
David Wong Chin Huat#	6	6	4	1	2	2	3	1
John De Payva	6	4	NA	NA	2	2	3	2
Tan Kong Eng	6	6	NA	NA	NA	NA	NA	NA
Wee Siew Kim@	6	4	4	3	NA	NA	NA	NA

* Appointed a member of the Remuneration Committee on 30 April 2003. Prior to appointment, attended one meeting in his capacity as Chairman of the Company.

** Attended meetings in his capacity as Chairman of the Company.

+ Appointed a member of the Audit Committee on 30 April 2003. Prior to appointment, attended one meeting in his capacity as Deputy Chairman of the Company.

++ Attended meetings in his capacity as Deputy Chairman of the Company.

Resigned as Chairman and member of Audit Committee and member of Remuneration Committee on 30 April 2003. Relinquished Chairmanship of Nominating Committee on 30 April 2003 but remained as a member.

@ Appointed a Director and Chairman of the Audit Committee on 30 April 2003.

At least four Board meetings are scheduled in advance each year with additional Board meetings convened as and when the circumstances necessitate. The scheduling of Board meetings in advance assists Directors in planning for their attendance at these meetings. During financial year 2003, the Board met a total of six times.

For expediency, Board meetings are also supplemented by Directors' Circular Resolutions accompanied by Board papers. Board members are free to seek further clarifications and explanations from management on the Board papers circulated.

To facilitate the convening of ad-hoc Board meetings as and when the need arises, the Articles of Association of the Company provides for the convening of Board meetings via teleconferencing or videoconferencing.

Regular presentations and orientation programmes on the Company's existing and new businesses are held to enable Directors to familiarise themselves with the entire operations and processes of the Company. Directors are also furnished, from time to time, with information and updates relating to the Company's corporate governance and regular articles, journals, write-ups relating to changes in law and regulations relevant to the Company's businesses and operating environment.

Directors are free to request sponsorship from the Company to attend courses to update their knowledge in a rapidly changing business and regulatory environment and to better equip themselves to discharge their duties as Directors.

The Board reviews from time to time the internal guidelines and financial authority limits for management to carry out the day-to-day operations of the Company. The scope of the financial authority limits cover capital expenditures, operating expenses, treasury matters, direct investments, tender participations, disposal and write-off of assets.

The Board, being the ultimate approving authority, will approve all major capital and operating expenditures as well as major investments exceeding the authority limits set forth for management.



Corporate Governance (cont'd)

Principle 2 – Board Composition and Balance

The Board presently comprises eight Directors, of whom all are non-executive. Of the eight non-executive Directors, five of them are considered by the NC to be independent.

The NC, having reviewed the number of Directors on the Board, is of the view that the present size is sufficient for effective decision making, taking into account the scope and nature of the operations of the Company.

The NC is also satisfied that the Board comprises Directors with a variety of skills, expertise and working experiences from various industries. These variety of skills and expertise of the Directors complement each other and provide the necessary core competencies in the discharge of their duties and responsibilities.

Principle 3 – Chairman and Managing Director/Chief Executive Officer

Mr Lim Jit Poh is presently the non-executive Chairman of the Company while Mr Kua Hong Pak is the non-executive Deputy Chairman. Mr Ong Boon Leong is the Company's Chief Operating Officer ("COO"). He is not a Director of the Company.

The COO is responsible for the day-to-day operations of the Company and reports to the Deputy Chairman. The Chairman is responsible for the effective functioning of the Board. This separation of roles ensures that there is an effective check and balance on management and independence in the decision making process of the Board.

The Chairman, Deputy Chairman and the COO are not related to each other.

The proceedings of the Board are conducted by the Chairman who ensures that sufficient time is allocated for consideration and deliberation of each item on the agenda, and equal opportunities are given to each Director to express his views and provide inputs, and also to share his concerns. The Chairman also ensures that no individual or a small group of individuals dominate the decision making process of the Board.

Principle 4 – Board Membership

The NC comprises three non-executive Directors, of whom two, including the Chairman are independent. The Company Secretary is the Secretary to the NC and during financial year 2003, the NC met twice.

The NC is responsible for inter alia the following:

- develop and maintain a formal and transparent process for the nomination of new Directors to the Board after evaluating the capabilities of each nominated Director and how this new Director will complement the overall competency of the Board;
- develop and maintain a formal assessment process to evaluate the effectiveness of the Board as a whole and the contributions of each Director to the effectiveness of the Board;
- identify the skills, expertise and capabilities the Board requires to function competently and efficiently;
- determine a suitable size of the Board which facilitates effective decision-making, after taking into consideration the scope and nature of the operations of the Company;
- be responsible for the re-nomination of existing Directors for re-election/re-appointment at the Annual General Meeting after assessing the Director's contributions and performance; and
- determine annually whether or not a Director is independent.

In addition, appointment and re-appointment of Directors to the Board of the Company are subject to the approval of the Land Transport Authority and the Public Transport Council.



Corporate Governance (cont'd)

Presently, the Articles of Association of the Company provides that all Directors (except the Managing Director) are subject to retirement by rotation at least once every three years. The Company does not have a Director assuming the Managing Director position. Accordingly, all Directors have been or will be subjected to retirement by rotation once every three years. In addition, Directors appointed during the year will be subjected to re-election at the Annual General Meeting immediately following his appointment. For the forthcoming Annual General Meeting, Mr Kua Hong Pak, Mr David Wong Chin Huat and Mr John De Payva will be due for re-election pursuant to Article 97 of the Company's Articles of Association while Mr Tan Kong Eng will be due for re-appointment pursuant to Section 153(6) of the Companies Act, Cap. 50.

The NC subscribes to the view that whilst it is important for Directors to devote sufficient time and attention to the affairs of the Company, the issue relating to multiple board representations should be left to the judgement and discretion of each Director. To focus on Directors' attendance at Board meetings per se may not be an adequate evaluation of the contributions of the Directors. The Directors' ability to provide strategic networking to enhance the business of the Company, accessibility for guidance and advice outside the scope of a formal Board meeting and contributions in specialised areas are also factors relevant in assessing the contributions of a Director.

While the NC will not stipulate the number of boards each non-executive Director is to be involved, the NC will continue to monitor the contributions and performance of each Director and whether each Director has devoted sufficient time and attention to the affairs of the Company. It is also the policy of the Company that if there is any executive Director appointed in the future, the executive Director will have to seek the approval of the Chairman before accepting any new directorships of other companies outside the ComfortDelGro Corporation Limited ("ComfortDelGro") Group. In deciding whether or not to grant the approval, the Chairman will consider the time commitment of the executive Director, and whether the new external directorship will provide a strategic fit and networking to the businesses of the Company. The Chairman also ensures that executive Directors do not accept appointments on the board of competitors.

Principle 5 – Board Performance

The NC evaluates the effectiveness of the Board annually in terms of monitoring overall performance, achieving an adequate return for shareholders, preventing conflict of interest and balancing the competing demands of the Company.

The performance and contributions of each Director are evaluated to determine the contributions of each Director in enhancing the effectiveness of the Board. Factors taken into consideration include, inter alia, attendance at Board meetings and activities, contributions in own specialist relevant areas at Board meetings and maintenance of independence.

In evaluating the performance of the Board, the NC also considered the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times index and a benchmark index of its industry peers. The NC also considered other official indicators, including growth in earnings and net tangible assets per share, return on shareholders' equity, return on capital employed, return on assets, dividend per ordinary share and dividend yield in its evaluation.

Principle 6 – Access to Information

In addition to annual budget that is submitted to the Board for approval, comprehensive quarterly financial reports of the Company are also submitted to the Board for approval prior to release to the public via MASNET.

The Board has full access to the Management and Company Secretary. The Company Secretary has defined roles and responsibilities, which are constantly monitored and reviewed to ensure that these are sufficient and adequate to discharge the responsibilities laid down by the Board. The roles and responsibilities of the Company Secretary include, inter alia, ensuring compliance by the Company with all applicable laws and regulations, ensuring Board procedures are followed and adhered to, and also maintaining and updating all statutory books and records.

The Company Secretary is in attendance at all Board meetings of the Company. In addition, the Company Secretary attends the committee meetings where he has been appointed the Secretary of the Committee.



Corporate Governance (cont'd)

Should the need arise to obtain independent professional advice on matters relating to the business of the Company or issues affecting their duties as Directors, whether as a Company or individually, the Company will arrange for the appointment of a professional adviser selected by the Company or individual. The cost of appointing such a professional adviser will be borne by the Company.

REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies

The RC was formed to provide the Board with an independent assessment over executive remuneration, and proposing an appropriate and meaningful strategy for compensation.

The RC comprises three non-executive Directors including the Chairman. They are independent of management and free from any business or other relationships which may materially interfere with the exercise of their independent judgement. The Director of Human Resource is the Secretary to the RC. During the financial year 2003, the RC had three meetings.

The terms of reference of the RC include, inter alia, the following:

- adopt a remuneration framework for compensation and to ensure that the level of remuneration offered will be appropriate to the level of contribution, and after taking into account factors such as pay and employment conditions within the industry and in comparable companies, the Company's relative performance and the performance and responsibilities of the executive;
- review from time to time the procedures for fixing remuneration packages and the appropriateness of the remuneration packages to attract, retain and motivate the key executives;
- recommend a formal and transparent process for determining the Directors' fees of the Company's non-executive Directors; and
- approve the participants and determine the quantum of options to be granted to the non-executive Directors and executives under the SBS Transit Employees' Share Option Scheme as well as administering the Scheme.

The review of executive remuneration covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, share options and benefits in kind.

Principle 8 – Level and Mix of Remuneration

The RC conducts a review of the executive remuneration to ensure that the remuneration packages of the executives of the Company are comparable with the pay packages and employment conditions of companies within the same industry and in comparable companies.

The remuneration packages of key executives comprise fixed and variable components. The variable component in the form of performance bonuses and stock options forms a significant proportion of the remuneration packages and is dependent on the performance and profitability of the Company and individual performance. A high proportion of performance related component will ensure a greater alignment of the interests of the executives with those of the shareholders.

The remuneration framework for key executives has also been approved by the RC. Directors' fees are set in accordance with a framework comprising basic fees and additional fees for serving on Board Committees. These fees are subject to approval by shareholders at the respective Annual General Meetings.



Corporate Governance (cont'd)

The non-executive Directors are appointed pursuant to, and hold office under and in accordance with, the Articles of Association. They are eligible to participate and have been granted options under the SBS Transit Employees' Share Options Scheme.

Principle 9 – Disclosure on Remuneration

The remuneration of the Directors and the top five key executives (who are not also Directors) of the Company for financial year 2003 is as follows:

Directors

The remuneration of all the Directors of the Company falls below \$250,000 and comprised 100% Director's fees. However, no Director's fees were paid to the Deputy Chairman.

Key Executives

The remuneration of the top five key executives falls within the band of \$250,000 to \$499,999.

Further information on the SBS Transit Employees' Share Option Scheme can be found on pages 44 and 46 of the Annual Report.

During the financial year 2003, no executive was an immediate family member (as defined in the Listing Manual of the SGX-ST) of any Director of the Company.

ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability

For financial year 2003, the Company released its quarterly results no later than 60 days from the end of each quarter. With effect from financial year 2004, the Company will release its quarterly results within 45 days from the end of each quarter.

Quarterly management accounts of the Company are also submitted to the Board. The management accounts enable the Board to assess the Company's performance, position and prospects on a quarterly basis and for the next 12 months.

Principle 11 – Audit Committee

The Company's present AC comprises four non-executive Directors, of whom three including the Chairman, are independent. The Board is of the view that the present members of the AC are appropriately qualified to discharge their responsibilities. The Board reviews the composition and effectiveness of the AC from time to time.

The primary role of the AC is to ensure that the Company has effective and adequate financial, operational and internal accounting controls and that the Company is operating in accordance with its prescribed procedures, rules and regulations. In addition, the AC serves as an independent and objective committee to the Board in the review of the financial information presented by management for distribution to Shareholders and the investing public.

The terms of reference of the AC include, inter alia, the following:

- evaluate the business risks of the Company and assess the appropriateness of the processes and mechanisms in place to identify, prevent and minimise these risks;
- review the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management;
- review significant accounting and reporting issues, including professional and regulatory pronouncements, and their impact on financial statements;
- consider, together with the internal and external auditors, any fraud, illegal acts, deficiency in internal controls or other similar issues;



Corporate Governance (cont'd)

- review the quarterly and annual financial statements and determine whether they are complete and consistent with the information known to the AC and assess whether the financial statements reflect the appropriate accounting principles;
- provide direction and maintain effective working relationships with the Board, management, and internal and external auditors;
- review the scope and results of the audit undertaken by the external auditors. In ensuring that there is a balance between the maintenance of objectivity and cost effectiveness, the AC also monitors the scope of non-audit services rendered by the external auditors;
- review interested person transactions;
- meet with the external and internal auditors without the presence of management on a regular basis; and
- recommend the re-appointment of the external auditors at the Annual General Meeting and review the fees due to them.

During the financial year 2003, the AC held four meetings and met with management, the internal and external auditors to perform the functions as set out in its terms of reference.

In the performance of its duties, the AC has the explicit authority to investigate into the affairs falling within its terms of reference, full access to and cooperation from management, full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its duties properly. The external and internal auditors are free to request for meetings with the AC without the presence of management on any issues falling within the scope of the duties of the AC.

During the financial year 2003, the AC has reviewed the independence of the external auditors, including the scope of the non-audit services performed, and has formed the view that the external auditors are independent.

Principle 12 – Internal Controls

The Company has well established internal audit and compliance functions. The Board is satisfied that the Company's system of internal control is functioning satisfactorily. The external auditors had noted no material weaknesses in internal controls during the course of their audit.

In addition, the Company has also put in place appropriate risk management policies and processes to evaluate the operating and financial risks of the Company. These play an important role in the management of risks that are significant to the fulfilment of the Company's business objectives.

The Company has organised its management structure to ensure that operational risks are continually identified, managed and mitigated. The management of each business area is responsible for identifying and managing the operating risks in their respective business areas. The internal and external auditors also conduct reviews in accordance with their audit plans to assess the effectiveness of the internal controls and risks management. Non-compliance or recommendations for improvement are reported to the AC which reviews the effectiveness of the actions taken by the management to mitigate the risks.

A key operating risk is the safety of our passengers, our staff, our suppliers and the public. Managing this risk is the cornerstone of the Company's safety plan. Safety awareness programmes are promoted to instill a safety culture in our staff at all levels. Safety audits are conducted regularly as part of our management and review programme in ensuring that safety standards are maintained at a high level.

Other significant operating risks include that of fares, service standards and licences to operate. Being in a regulated industry, these are stipulated by the relevant regulatory authorities. These risks relate to the inability to raise fares when necessary, a higher service standard required than necessary compared to the demand available and the cancellation of licences.



Corporate Governance (cont'd)

Where fares are concerned, there is a mechanism in place for applications to be made to the authorities for increases. So long as these are fully justified, fare increases are favourably considered. As for service standards, we manage our operations effectively to ensure that these are met. This also eliminates the risk of licences being withdrawn as there is no reason for the authorities to do so as long as the service standards are met.

The Company works closely with the authorities as part of its risks management.

The main areas of financial risk faced by the Company are foreign exchange risk, credit risk, interest rate risk, liquidity and funding risk and commodity risk. The Company recognises that management of financial risk is an important aspect in its drive towards creating Shareholders' value. Management oversees financial risk management and regularly reviews its policy governing risk management practices.

Further details of the financial risks and how the Company manages them are set out on page 56 of the Annual Report

Principle 13 – Internal Audit

The internal audit function of the Company is performed by a team from the Internal Audit Department of its holding company, ComfortDelGro. The team, comprising a total of 11 staff is headed by the Vice President (Internal Audit). The Vice President (Internal Audit) is also the Secretary to the AC and reports directly to the Chairman of the AC.

The team is responsible for reviewing the effectiveness of the Company's internal control systems, and carries out its work in accordance with the audit plan approved by the AC.

The activities and organisational structure of the internal audit function are monitored and reviewed by the AC periodically to ensure that the Internal Audit Department has the necessary resources to adequately perform its functions and there are no unjustified restrictions or limitations placed on the performance of its duties.

The Internal Audit Department has adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

COMMUNICATIONS WITH SHAREHOLDERS

Principle 14 – Regular, Effective and Fair Communication with Shareholders

The Company has in place a communication framework which regularly conveys pertinent and important information to Shareholders, gathering views and addressing Shareholders' concerns. Regular communications with Shareholders are achieved through:

- announcement of material information through the MASNET, press and media briefings after trading hours to ensure proper dissemination of information;
- release of quarterly and full-year financial results through the MASNET and separate press release, and analyst briefings; and
- posting of financial results as well as other news releases and announcements on the Company's website;

The Company does not practise selective disclosure in the communication of material information. Communications with the SGX-ST are handled by the Company Secretary, while communications with Shareholders, analysts and fund managers are handled centrally by the Group Corporate Communications Officer. Specific guidelines have been laid down for compliance in respect of public communication. In addition, the Company has also put in place operational procedures to enable it to respond promptly to queries from the SGX-ST on any unusual trading activities in its securities.



Corporate Governance (cont'd)

Principle 15 – Shareholders Participation at General Meetings

As part of a programme of investors relations, the Group's Investors' Relations team met major institutional investors on a regular basis.

Presently, the Articles of Association provides for voting in person at Annual General Meetings of the Company, whether by Shareholders themselves or their duly appointed proxies. The Chairmen of the various Board Committees are required to be present and available to address questions at all Annual General Meetings of the Company. The external auditors, represented by the Audit Partner in charge, are also required to be present to address any queries by Shareholders.

DEALINGS IN SECURITIES

The Company has adopted an internal code based on the SGX-ST's Best Practices Guide to provide guidance to the Directors and officers of the Company in relation to dealings in the securities of the Company, ComfortDelGro and VICOM Ltd ("VICOM"). Directors and officers of the Company are to refrain from dealing in the securities of the Company, ComfortDelGro and/or VICOM during the period commencing two weeks before the announcement of the Company's, ComfortDelGro's and/or VICOM's first, second and third quarter results, and one month before the announcement of the full-year results, and ending on the date of the announcement of the relevant results.

All employees of the Company are also reminded that they should not deal in (i) the securities of the Company, ComfortDelGro and/or VICOM on short-term considerations and/or while in possession of unpublished material price sensitive information relating to the relevant securities; and (ii) in the securities of other listed companies while in possession of unpublished material price sensitive information relating to those securities.

INTERESTED PERSON TRANSACTIONS LISTING MANUAL - RULE 907

Name of Interested Person	Aggregate value of all interested person transactions during the financial year review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	\$'000	\$'000
DelGro Corporation Limited	8,791	3,600
Comfort Bus Pte Ltd	1,160	-
DelGro Engineering Pte Ltd	206	-
ComfortDelGro Engineering Pte Ltd	276	-

The aggregate value of the above transactions does not include the aggregate value of \$13.7m arising from the renewal of the Licence Agreements disclosed in the Introductory Document of the Company dated 3 December 1997. These transactions relate to leasing charges paid to DelGro Corporation Limited for the use of premises.



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Report of the Directors

The directors present their report together with the audited financial statements of the Company and the consolidated financial statements of the Group for the financial year ended December 31, 2003.

1 DIRECTORS

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

Lim Jit Poh
 Kua Hong Pak
 Cheong Yip Seng
 Chin Harn Tong
 David Wong Chin Huat
 John De Payva
 Tan Kong Eng
 Wee Siew Kim

(Appointed on April 30, 2003)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the Company's SBS Transit Share Option Scheme and the ultimate holding company's ComfortDelGro Executives' Share Option rights mentioned below.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50, except as follows:

	Held in the name of director			Deemed interest		
	At January 1, 2003 or date of appointment, if later	At December 31, 2003	At January 21, 2004	At January 1, 2003 or date of appointment, if later	At December 31, 2003	At January 21, 2004
Interest in the Company, SBS Transit Ltd						
(a) Ordinary shares of \$0.25 each						
Tan Kong Eng	4,800	4,800	4,800	691,548	691,548	691,548
(b) Options to subscribe for ordinary shares of \$0.25 each						
Lim Jit Poh	-	180,000	180,000	-	-	-
Kua Hong Pak	-	150,000	150,000	-	-	-
Cheong Yip Seng	-	120,000	120,000	-	-	-
Chin Harn Tong	-	100,000	100,000	-	-	-
David Wong Chin Huat	-	120,000	120,000	-	-	-
John De Payva	-	100,000	100,000	-	-	-
Tan Kong Eng	-	100,000	100,000	-	-	-
Wee Siew Kim	-	120,000	120,000	-	-	-
(appointed on April 30, 2003)						



Report of the Directors (cont'd)

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

	Held in the name of director			Deemed interest		
	At January 1, 2003 or date of appointment, if later	At December 31, 2003	At January 21, 2004	At January 1, 2003 or date of appointment, if later	At December 31, 2003	At January 21, 2004
Interest in ultimate holding company, ComfortDelGro Corporation Limited (Note i)						
(a) Ordinary shares of \$0.25 each						
Lim Jit Poh	-	270,848	270,848	-	-	-
Kua Hong Pak	-	124,530	124,530	-	-	-
Tan Kong Eng	-	64,162	64,162	-	9,277,513	9,277,513
(b) Options to subscribe for ordinary shares of \$0.25 each						
Lim Jit Poh	-	573,577	773,577	-	-	-
Kua Hong Pak	-	750,000	1,500,000	-	-	-
David Wong Chin Huat	-	100,000	200,000	-	-	-
Interest in the immediate holding company, DelGro Corporation Limited (Note i)						
Ordinary shares of \$1 each						
Tan Kong Eng	19,200	-	-	2,776,192	-	-
Interest in related company, Comfort Group Ltd (Note i)						
(a) Ordinary shares of \$0.25 each						
Lim Jit Poh	217,500	-	-	-	-	-
Kua Hong Pak	100,000	-	-	-	-	-
(b) Options to subscribe for ordinary shares of \$0.25 each						
Lim Jit Poh	300,000	-	-	-	-	-
Interest in related company, Vicom Ltd						
(a) Ordinary shares of \$0.25 each						
Lim Jit Poh	30,000	30,000	30,000	-	-	-
Cheong Yip Seng	10,000	10,000	10,000	-	-	-
(b) Options to subscribe for ordinary shares of \$0.25 each						
Lim Jit Poh	100,000	140,000	140,000	-	-	-
Kua Hong Pak	-	36,000	36,000	-	-	-
Cheong Yip Seng	53,000	53,000	53,000	-	-	-

Note:

- (i) On March 29, 2003, resulting from the merger of DelGro Corporation Limited and Comfort Group Ltd, the options and ordinary shares in DelGro Corporation Limited and Comfort Group Ltd were exchanged for options and ordinary shares of \$0.25 each in the share capital of ComfortDelGro Corporation Limited.



Report of the Directors (cont'd)

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, 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 except as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

a) SBS Transit Share Option Scheme

- i) The SBS Transit Share Option Scheme ("SSOS") is administered by the Remuneration Committee comprising Messrs Cheong Yip Seng, John De Payva and Lim Jit Poh.
- ii) The SSOS was approved by the shareholders of the Company at an Extraordinary General Meeting held on June 9, 2000. The SSOS provides the Company with a means whereby (a) employees of the Company and its subsidiary of the rank of Executive and above, and (b) certain categories of persons who are not employees but who work closely with the Company and its subsidiary, are given an opportunity to participate in the equity of the Company. A person who is a substantial shareholder of the Company or an associate of a substantial shareholder of the Company is not eligible to participate in the SSOS.
- iii) Under the SSOS, an option entitles the option holder to subscribe for a specific number of ordinary shares of \$0.25 each in the capital of the Company comprised in the option at a subscription price determined with reference to the market price of the shares at the time of the grant of the option. The subscription price and/or number of shares comprised in an option may be adjusted in certain events under the rules of the SSOS. Additionally, in the case of incentive options, depending on the extent to which set performance targets are met, the subscription price of such options may be adjusted by a discount of up to 20% at the end of an incentive period. Such options may also be cancelled if the targets are not met. A participant has to pay \$1.00 as consideration for the grant of an option. Provided that an option has not lapsed or terminated under the rules of the SSOS, options are exercisable (subject to any vesting conditions that may be imposed on the particular options), in whole or in part, at any time after the first anniversary from the date of grant but before the tenth anniversary (fifth anniversary for options granted to non-executive directors) of the date of the grant or such shorter period determined by the committee. The shares under option may be exercised in whole or in part on payment of the relevant subscription price. Incentive options are not exercisable before the second anniversary of their date of grant.
- iv) Participants of the SSOS are not restricted from participating in other share option or share incentive schemes, whether implemented by the Company or its subsidiary or otherwise.
- v) Particulars of unissued shares under options granted pursuant to the SSOS, options exercised and lapsed during the financial year, and options outstanding as at December 31, 2003 are as follows:

Number of Shares Under Options

Date of Grant	Options outstanding at January 1, 2003	Granted	Exercised	Cancelled/ Lapsed	Options outstanding at December 31, 2003	Subscription price per share	Expiry Date
September 26, 2000	1,148,000	-	-	53,000	1,095,000	\$1.59	September 26 2010
September 6, 2001	1,313,000	-	-	63,000	1,250,000	\$1.60	September 6, 2011



Report of the Directors (cont'd)

5 SHARE OPTIONS (cont'd)

Number of Shares Under Options

Date of Grant	Options outstanding at January 1, 2003	Granted	Exercised	Cancelled/ Lapsed	Options outstanding at December 31, 2003	Subscription price per share	Expiry Date
August 22, 2003	-	1,600,000	-	-	1,600,000	\$1.29	August 22, 2013
August 22, 2003	-	495,000	-	-	495,000	\$1.29	August 22, 2008
December 10, 2003	-	1,520,000	-	-	1,520,000	\$1.22	December 10, 2013
December 10, 2003	-	495,000	-	-	495,000	\$1.22	December 10, 2008
	2,461,000	4,110,000	-	116,000	6,455,000		

The options outstanding as at December 31, 2003 include 319,000 options granted to former employees of the Group, who have been granted an extension of time from their respective dates of cessation of employment, by the Remuneration Committee to exercise their outstanding options.

vi) Details of the options granted to directors:

Director	No. of Shares Under Option			
	Granted during the financial year ended December 31, 2003	Granted since the commencement of the Share Option Scheme to December 31, 2003	Exercised since the commencement of the Share Option Scheme to December 31, 2003	Outstanding as at December 31, 2003
Lim Jit Poh	180,000	180,000	-	180,000
Kua Hong Pak	150,000	150,000	-	150,000
Cheong Yip Seng	120,000	120,000	-	120,000
Chin Harn Tong	100,000	100,000	-	100,000
David Wong Chin Huat	120,000	120,000	-	120,000
John De Payva	100,000	100,000	-	100,000
Tan Kong Eng	100,000	100,000	-	100,000
Wee Siew Kim (appointed on April 30, 2003)	120,000	120,000	-	120,000

The terms of the options granted to the directors during the financial year are disclosed in paragraph 5(a)(iii) above.

- vii) None of the options granted under the SSOS included a discount feature to the market price of the shares at the time of grant. None of the options granted were incentive option. No participants to the SSOS are controlling shareholders of the Company and their associates.
- viii) None of the directors or employees of the Company and its subsidiary received 5% or more of the total number of options available to all directors and employees of the Company and its subsidiary under the SSOS for the financial year ended December 31, 2003.



Report of the Directors (cont'd)

5 SHARE OPTIONS (cont'd)

b) Except as disclosed in paragraph 5(a) above:

- i) during the financial year, there were no other options granted to any person to take up unissued shares in the Company or any corporation in the Group and there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.
- ii) at the end of the financial year, there were no other unissued shares of the Company and any corporation in the Group under option.

6 AUDIT COMMITTEE

The audit committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

7 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Lim Jit Poh
Chairman

Kua Hong Pak
Deputy Chairman

Singapore
February 26, 2004



Auditors' Report

To the Members of SBS Transit Ltd

We have audited the accompanying financial statements of SBS Transit Ltd as set out on pages 48 to 70 for the year ended December 31, 2003. 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 statements 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, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2003 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- b) the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

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

Our report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment made under Section 207 (3) of the Act.

Deloitte & Touche
Certified Public Accountants

Philip Yuen Ewe Jin
Partner

Singapore
February 26, 2004



Balance Sheets

December 31, 2003

	Note	The Company		The Group	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
ASSETS					
Current assets:					
Cash and bank balances		4,385	3,714	4,385	3,714
Fixed deposits		80,253	41,236	80,253	41,236
Short-term investments	5	158,148	175,877	158,148	175,877
Trade debtors	6	3,680	3,942	3,680	3,942
Other debtors, deposits and prepayments	7	59,594	14,186	59,578	14,172
Inventories	8	9,898	11,038	9,898	11,038
Total current assets		315,958	249,993	315,942	249,979
Non-current assets:					
Investment in subsidiary	9	-	-	-	-
Investment in associates	10	1,026	1,026	2,174	2,000
Long-term investment	11	5,000	-	5,000	-
Vehicles, premises and equipment	12	187,569	262,644	187,569	262,644
Other investment	13	-	126	-	126
Total non-current assets		193,595	263,796	194,743	264,770
Total assets		509,553	513,789	510,685	514,749
LIABILITIES AND EQUITY					
Current liabilities:					
Trade creditors and accrued expenses	14	96,653	94,978	96,653	94,980
Fuel price equalisation account	15	34,075	34,075	34,075	34,075
Provision for claims	16	8,020	9,088	8,020	9,088
Income tax payable		9,249	13,385	9,249	13,385
Total current liabilities		147,997	151,526	147,997	151,528
Non-current liabilities:					
Other payable	17	36,942	40,370	36,942	40,370
Long-term loans	18	50,000	50,000	50,000	50,000
Deferred tax	19	19,825	21,287	19,825	21,287
Provision for service benefits and long service awards	20	11,143	11,873	11,143	11,873
Total non-current liabilities		117,910	123,530	117,910	123,530
Capital and reserves:					
Share capital	21	74,404	74,404	74,404	74,404
Share premium		20	20	20	20
Capital redemption reserve		800	800	800	800
Accumulated profits		162,038	151,902	163,170	152,860
Dividend reserve		6,384	11,607	6,384	11,607
Total equity		243,646	238,733	244,778	239,691
Total liabilities and equity		509,553	513,789	510,685	514,749

See accompanying notes to the financial statements.



Consolidated Profit and Loss Statement

Year ended December 31, 2003

		The Group	
	Note	2003 \$'000	2002 \$'000
TURNOVER	22	538,211	544,029
Other operating income		10,104	6,032
		548,315	550,061
Staff costs	23	(267,008)	(273,415)
Repairs and maintenance		(72,503)	(65,782)
Depreciation expense		(47,064)	(50,868)
Fuel costs		(54,638)	(38,763)
Premises costs		(27,694)	(26,159)
Other operating expenses		(101,808)	(52,850)
		(570,715)	(507,837)
Exceptional item	28	47,257	-
Profit from operations		24,857	42,224
Finance costs	24	(3,392)	(5,432)
Net income from other investments	25	3,975	6,385
Share of profit in associate		223	223
Profit before income tax	26	25,663	43,400
Income tax expense	27	(6,648)	(8,846)
Profit attributable to shareholders of the Company		19,015	34,554
Earnings per share:			
Basic	29	\$0.06	\$0.12
Diluted	29	\$0.06	\$0.12

See accompanying notes to the financial statements.



Consolidated Statement of Changes in Equity

Year ended December 31, 2003

	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Accumulated profits \$'000	Dividend reserve \$'000	Total \$'000
Balance at December 31, 2001	74,400	-	-	134,061	13,481	221,942
Exercise of share options	4	20	-	-	-	24
Net profit for the year	-	-	-	34,554	-	34,554
Interim dividend of \$0.0125 per ordinary share less tax	-	-	-	(2,902)	2,902	-
Dividend adjustment	-	-	-	(446)	446	-
Transfer to capital redemption reserve arising from redemption of redeemable cumulative preference shares	-	-	800	(800)	-	-
Payment of dividends	-	-	-	-	(16,829)	(16,829)
Proposed final dividend of \$0.05 per ordinary share less tax	-	-	-	(11,607)	11,607	-
Balance at December 31, 2002	74,404	20	800	152,860	11,607	239,691
Net profit for the year	-	-	-	19,015	-	19,015
Interim dividend of \$0.01 per ordinary share less tax	-	-	-	(2,321)	2,321	-
Payment of dividends	-	-	-	-	(13,928)	(13,928)
Proposed final dividend of \$0.0275 per ordinary share less tax	-	-	-	(6,384)	6,384	-
Balance at December 31, 2003	74,404	20	800	163,170	6,384	244,778

See accompanying notes to the financial statements.



Consolidated Cash Flow Statement

Year ended December 31, 2003

	2003 \$'000	2002 \$'000
Cash flows from operating activities:		
Profit before income tax	25,663	43,400
Adjustments for:		
Allowance for impairment in value of other investment	-	69
Development costs written down	51,162	-
Depreciation expense	47,064	50,868
Gain on disposal of vehicles, premises and equipment	(508)	(115)
Interest expense	3,392	1,990
Interest income	(4,097)	(6,726)
Provision for claims	2,152	3,592
Provision for service benefits and long service awards	423	75
Share of profit in associate	(223)	(223)
Operating profit before working capital changes	125,028	92,930
Short-term investments	17,729	16,767
Trade debtors	262	4,140
Other debtors, deposits and prepayments	(45,758)	(1,979)
Inventories	1,140	2,350
Trade creditors and accrued expenses	(1,907)	(13,270)
Provision for claims	(3,220)	(3,618)
Provision for service benefits and long service awards	(1,153)	(1,017)
Cash generated from operations	92,121	96,303
Interest paid	(1,226)	-
Interest received	4,449	7,569
Income tax paid	(12,197)	(12,722)
Dividend paid	(13,928)	(16,829)
Net cash from operating activities	69,219	74,321
Cash flows from investing activities:		
Proceeds from disposal of vehicles, premises and equipment	610	290
Transfer of vehicles, premises and equipment to a related company	268	-
Purchase of vehicles, premises and equipment [Note (a)]	(25,535)	(68,114)
Purchase of long-term investment	(5,000)	-
Transfer of other investment to holding company	126	-
Purchase of other investment	-	(150)
Net cash used in investing activities	(29,531)	(67,974)
Cash flows from financing activities:		
Proceeds from exercise of share options	-	24
Redemption of preference shares	-	(80,000)
Proceeds from long-term loans	-	50,000
Net cash used in financing activities	-	(29,976)
Net increase (decrease) in cash and cash equivalents	39,688	(23,629)
Cash and cash equivalents at beginning of year	44,950	68,579
Cash and cash equivalents at end of year (Note 30)	84,638	44,950
Note (a):		
Purchase of vehicles, premises and equipment	25,535	110,736
Less: Vehicles, premises and equipment purchased under financing arrangement	-	(42,622)
Net	25,535	68,114

See accompanying notes to the financial statements.



Notes to the Financial Statements

December 31, 2003

1 GENERAL

The Company is incorporated in the Republic of Singapore with its principal place of business and registered office at 205 Braddell Road, Singapore 579701.

The principal activities of the Company are the provision of public transport services, namely bus and rail services.

The principal activity of the subsidiary is described in Note 9.

The financial statements are expressed in Singapore dollars.

The financial statements of the Company and the consolidated financial statements of the Group for the year ended December 31, 2003 were authorised for issue by the Board of Directors on February 26, 2004.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) **BASIS OF ACCOUNTING** - The financial statements are prepared in accordance with the historical cost convention and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS").

The Company and the Group have adopted all the applicable new/revised FRS and INT FRS which became effective during the financial year. The adoption of the new/revised FRS and INT FRS does not affect the results of the Company and of the Group for the current or prior periods.

- b) **BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and the enterprise controlled by the Company made up to December 31, each year. Control is achieved when the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the subsidiary are measured at their fair values at the date of acquisition. The results of subsidiary acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances between the Group enterprises are eliminated on consolidation.

Associates are entities over which the Group exercises significant influence, through participation in the financial and operating policy decisions of the investee. The equity method of accounting is used.

In the Company's financial statements, investments in subsidiary and associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

- c) **FINANCIAL ASSETS** - The Group's and the Company's principal financial assets include cash and bank balances, fixed deposits, investments and trade and other debtors. Trade and other debtors are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts.
- d) **FINANCIAL LIABILITIES AND EQUITY** - Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial liabilities include trade creditors and accrued expenses, interest-bearing loans and other payable.



Notes to the Financial Statements
December 31, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Interest-bearing loans are recorded at the proceeds received, net of direct costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade creditors and accrued expenses and other payable are stated at their nominal value.

Equity instruments are recorded at the fair value of consideration received, net of direct costs.

e) **SHARE OPTIONS** - Share options are not recorded as an expense. When exercised, the exercise price is allocated between issued capital and share premium accordingly.

f) **VEHICLES, PREMISES AND EQUIPMENT** - Vehicles, premises and equipment are carried at cost, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Capital project in progress and buses under assembly consist of related acquisition expenses, development and construction costs incurred during the period of construction.

Depreciation is charged so as to write off the cost of the assets over the estimated useful lives, on a straight-line basis of the assets concerned, as follows:

	Number of years
Leasehold land and building	28
Buses	8
Computers and automated equipment	1 to 6
Workshop machinery, tools and equipment	3 to 5
Furniture, fittings and equipment	7
Motor vehicles	5

Leasehold land and building are depreciated over the remaining lives of their leases.

No depreciation is provided on buses under assembly and capital project in progress until such assets are completed and put into operational use.

Vehicles, premises and equipment transfers within the ultimate holding company's group of companies are stated at cost less accumulated depreciation of those vehicles, premises and equipment transferred.

Fully depreciated vehicles, premises and equipment are retained in the financial statements until they are no longer in use.

g) **INVESTMENTS** - Investments are recorded on trade date. Long-term investments where the Company and the Group are not in position to exercise control or significant influence are stated at cost less allowance for impairment in value of the investments.

Quoted investments held on a short-term basis are stated at the lower of cost and market value on an aggregate portfolio basis.

Unquoted investments held on a short-term basis are stated at cost less allowance for any impairment in the value of the investments.



Notes to the Financial Statements
December 31, 2003

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- h) **INVENTORIES** - Inventories consisting mainly of parts, accessories and consumable stores required for the operation and maintenance of vehicles and certain equipment are measured at weighted average cost less allowance for stock obsolescence.
- i) **IMPAIRMENT OF ASSETS** - At each balance sheet date, the Company and the Group review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

- j) **FUEL PRICE EQUALISATION ACCOUNT** - At the direction of the Public Transport Council ("PTC"), the fuel price equalisation account has been set up to account for diesel price and electricity tariff adjustment charge. In accounting for diesel price and electricity tariff variation, reference is made to the diesel price and electricity tariff (hereafter referred to as "standard diesel price and electricity tariff") as determined by the PTC annually.

In the year when the actual diesel price and electricity tariff are below the standard diesel price and electricity tariff, a fuel price equalisation reserve is set up as a charge to that year's profit and loss statement to the extent that the outstanding balance in the fuel price equalisation account does not exceed that year's consumption amount calculated at the standard diesel price and electricity tariff.

In the year when the actual diesel price and electricity tariff is above the standard diesel price and electricity tariff, the fuel price equalisation account previously set up is released to that year's profit and loss statement to the extent that the balance outstanding in the fuel price equalisation account after draw down, is at or above that year's consumption using the standard diesel price and electricity tariff.

- k) **PROVISION FOR CLAIMS** - Claims for accidents, public liabilities and others are provided in the financial statements based on the claims outstanding and the estimated amounts payable.
- l) **PROVISIONS** - A provision is recognised when the Company and Group have a present obligation as a result of a past event where it is probable that such obligation will result in an outflow of economic benefits that can be reasonably estimated.
- m) **LEASES** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the profit and loss statement over the term of the relevant lease using the effective interest rate method.

Rental payable under operating leases are charged to profit and loss statement on a straight-line basis over the term of the relevant lease.



Notes to the Financial Statements
December 31, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) SERVICE BENEFITS:

These comprise the following:

- (i) Retirement Benefits - Under the Collective Agreement entered into by the Company with the Union, a retirement benefit of \$3,000 is payable to a retiring employee when such employee retires on or after attaining the age of sixty years and on completion of at least five years of service. Provision is made in the financial statements based on the number of years of services rendered by the qualifying employees.
- (ii) Long Service Awards - Staff serving more than 15 years are entitled to long service awards of \$250 for 15 years of service; \$350 for 20 years; \$500 for 25 years and \$700 for 30 years. Provision is made in the financial statements based on the number of years of services rendered by the qualifying employees.

The provision for retirement benefits and long service awards is discounted using the market yield of Singapore Government Bonds at balance sheet date.

Apart from the Retirement Benefits described above, the Group participates in the defined contribution retirement benefit plan managed by the Singapore Government.

Payments made to these plans are charged as an expense as they are incurred.

- o) FOREIGN CURRENCY TRANSACTIONS - Transactions in foreign currencies are recorded in Singapore dollars at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances carried at fair value that are denominated in foreign currencies are reported at rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statement. Exchange differences arising from monetary assets and liabilities denominated in foreign currencies at balance sheet date that are hedged against future commitments are dealt with in the same manner as the underlying hedged transactions.
- p) REVENUE RECOGNITION - Revenue from rendering of services that are of short duration is recognised when the services are completed.

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the interest rate applicable, on an effective yield basis.

Dividend income from investments is recognised when the right to receive payment has been established.

- q) INCOME TAX - Tax expense is determined on the basis of tax-effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the tax asset is realised or the tax liability is settled. Deferred tax is charged or credited to the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

- r) CASH AND CASH EQUIVALENTS - Cash and cash equivalents comprise cash and bank balances and fixed deposits.



Notes to the Financial Statements
December 31, 2003

3 FINANCIAL RISK MANAGEMENT

The main areas of financial risk faced by the Group are foreign exchange risk, interest rate risk, credit risk, liquidity and funding risk and commodity risk. The Group recognises that management of financial risk is an important aspect in its drive towards creating shareholders' value. Management oversees financial risk management and regularly reviews its policy governing risk management practices.

Foreign exchange risk

The Group is exposed to currency risk as a result of its purchase of buses, spare parts, fuel and any other purchases where the currency denomination differs from its measurement currency (Singapore Dollars). Its main exposures include US Dollars, Swedish Kroner, Euro and Sterling Pounds. The Group manages its foreign exchange exposure by active currency management using derivatives such as forward foreign exchange contracts and currency options where necessary.

Interest rate risk

The Group's primary interest rate risk relates to its investments in fixed income securities deposits and its borrowings. As at December 31, 2003, the Group has an outstanding issue of \$50 million Medium Term Notes ("MTN") which bears fixed interest rate till maturity.

Management of interest rate risk is done through a balance of fixed and floating rate assets and liabilities. The interest rate and period of contractual repricing or maturity dates of financial assets and liabilities are disclosed in Note 34.

Credit risk

The Group has minimal credit risk arising from its public transport operations. Majority of its commuters use the contactless smart card where cash is collected upfront. Credit risk from bus advertisements is controlled via upfront deposits, strict credit terms and regular monitoring of advertisers' financial standing. It enters into treasury transactions only with creditworthy institutions and seeks to invest in quality investee companies. Almost all of its fixed income investments are above investment grade of at least BBB rated.

There is no significant concentration of credit risk.

Liquidity and funding risk

The Group regularly reviews its liquidity reserves comprising free cashflows from its operations, credit lines from bank and facility from its Medium Term Note ("MTN") Programme to ensure its ability to access funding at any time with the best interest rates.

The Group remains in a net cash position as at December 31, 2003.

Commodity risk

Fuel is a significant operating cost of the Group. Besides diesel which is required for its bus operations, it also requires electricity for its rail operations. Both the diesel and electricity needs expose the Group to commodity risk. The Group seeks to hedge its fuel consumption and uses derivative instruments, where necessary, to achieve the desired hedge percentage at appropriate levels.

Fair values

The carrying amounts of financial assets and financial liabilities reported in the balance sheets approximate the fair values of these assets and liabilities. The aggregate value of forward foreign exchange contracts outstanding at end of the financial year is disclosed in Note 33 and the contracts generally expire within a year.



Notes to the Financial Statements
December 31, 2003

HOLDING COMPANY AND RELATED COMPANIES

The Company's immediate holding company is DelGro Corporation Limited, incorporated in the Republic of Singapore. During the financial year, DelGro Corporation Limited merged with Comfort Group Ltd and became a subsidiary of ComfortDelGro Corporation Limited, incorporated in the Republic of Singapore. Accordingly, the ultimate holding company is ComfortDelGro Corporation Limited. Members of the ultimate holding company's group of companies are referred to as related companies in these financial statements.

During the financial year, the Company had transactions with its immediate holding company and related companies and the effects of these on the bases determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, interest-free and without fixed repayment terms unless stated otherwise.

Significant intercompany transactions are as follows:

	2003 \$'000	2002 \$'000
Purchase of inventories from a related company	27,747	10,321
Rental expense from immediate holding company	13,734	17,425
Purchase of other goods and services from immediate holding company	1,641	7,269
Purchase of other goods and services from related companies	1,188	1,939
Purchase of vehicles, premises and equipment from immediate holding company	17	-
Sale of goods and services to related companies	(2,230)	(3,249)
Sale of vehicles, premises and equipment to immediate holding company	(262)	-
Sale of goods and services to immediate holding company	(74)	(83)
Sale of vehicles, premises and equipment to related company	(23)	-

SHORT-TERM INVESTMENTS

	The Company and Group	
	2003 \$'000	2002 \$'000
i) Quoted investments, at cost:		
Unsecured bonds in corporations (Market value of unsecured bonds \$32,163,000; 2002 : \$33,662,000)	30,648	31,531
Secured notes in corporations (Market value of notes \$10,000,000; 2002 : \$4,000,000)	10,000	4,000
Unsecured notes in corporation (Market value of unsecured notes \$Nil; 2002 : \$10,000,000)	-	10,000
ii) Unquoted investments, at cost:		
Secured bonds in corporations	8,500	18,497
Unsecured bonds in corporations	-	47,849
Secured notes in corporations	56,000	51,000
Unsecured notes in corporations	53,000	13,000
Total - at cost	158,148	175,877



Notes to the Financial Statements
December 31, 2003

6 TRADE DEBTORS

	The Company and Group	
	2003	2002
	\$'000	\$'000
Third parties	3,873	4,262
Allowance for doubtful trade debts	(193)	(320)
Net	3,680	3,942

7 OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	The Company		The Group	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Due from ultimate holding company	29	-	29	-
Due from immediate holding company	109	111	109	111
Due from subsidiary	16	14	-	-
Due from an associate	213	473	213	473
Due from related companies	397	1,186	397	1,186
Receivable from LTA (Note 28)	47,257	-	47,257	-
Prepayments	5,210	3,746	5,210	3,746
Interest receivable	852	1,204	852	1,204
Security deposits with:				
- immediate holding company	4,231	5,689	4,231	5,689
- third parties	132	141	132	141
Others	1,148	2,095	1,148	2,095
Total	59,594	14,659	59,578	14,645
Less allowance for doubtful debts				
from associate	-	(473)	-	(473)
Net	59,594	14,186	59,578	14,172

8 INVENTORIES

	The Company and Group	
	2003	2002
	\$'000	\$'000
At cost	10,299	11,990
Allowance for inventory obsolescence	(401)	(952)
Net	9,898	11,038
Inventories:		
At cost	9,898	11,038
At net realisable value	-	-
	9,898	11,038



Notes to the Financial Statements
December 31, 2003

9 INVESTMENT IN SUBSIDIARY

The Company and Group
2003 2002
\$'000 \$'000

Unquoted equity shares - at cost

- -

The Company has a 100% (2002 : 100%) equity interest in Monteria Pte Ltd, incorporated in the Republic of Singapore.

The subsidiary's role is to assume the rights and obligations under certain leases and related agreements previously entered into by a related company.

The cost of investment in the subsidiary is \$2.00. The subsidiary is audited by Deloitte & Touche, Singapore.

10 INVESTMENT IN ASSOCIATES

	The Company		The Group	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Unquoted equity shares - at cost	1,071	1,071	1,071	1,071
Share of post-acquisition reserves	-	-	1,103	929
Total	1,071	1,071	2,174	2,000
Allowance for impairment	(45)	(45)	-	-
Net	1,026	1,026	2,174	2,000

The Group's investments in associates are as follows:

Associate	Principal activity	Country of incorporation/ operations	Cost of Investments		Group's effective interest	
			2003 \$'000	2002 \$'000	2003 %	2002 %
TransitLink Pte Ltd ⁽¹⁾ ⁽²⁾	Provide support services to the transport operators in Singapore	Singapore	1,026	1,026	33 ¹ / ₃	33 ¹ / ₃
EzCard Pte Ltd ⁽²⁾	Provide support services to the transport operators in Singapore (in liquidation)	Singapore	45	45	45	45
Total			1,071	1,071		

(1) During the financial year, TransitLink Pte Ltd earned a service fee of \$13,261,000 (2002 : \$8,847,000) from the Company.

(2) Audited by PricewaterhouseCoopers, Singapore.

11 LONG-TERM INVESTMENT

The Company and Group
2003 2002
\$'000 \$'000

Quoted unsecured bonds in corporations - at cost

5,000 -

(Market value of unsecured bonds \$5,000,000; 2002: \$Nil)



Notes to the Financial Statements
December 31, 2003

12 VEHICLES, PREMISES AND EQUIPMENT

	Leasehold land and building \$'000	Buses \$'000	Computers and automated equipment \$'000	Workshop machinery, tools and equipment \$'000	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Buses under assembly \$'000	Capital project in progress \$'000	Total \$'000
The Company and Group									
Cost:									
At beginning of year	55,437	704,285	84,026	12,468	7,074	4,225	24,256	54,063	945,834
Reclassifications	(3,354)	22,256	260	3,025	3,720	198	(22,454)	(3,651)	-
Adjustment (Note b)	(2,014)	-	-	-	-	-	-	-	(2,014)
Additions	-	1	867	1,611	606	47	2,294	20,109	25,535
Transfer from related company	-	-	14	-	3	-	-	-	17
Transfer to related companies	-	-	(10,193)	(262)	(35)	(302)	-	-	(10,792)
Disposals	-	(37,796)	(1,850)	(516)	(637)	(118)	-	-	(40,917)
Write-down (Note c)	-	-	-	-	-	-	-	(51,162)	(51,162)
At end of year	50,069	688,746	73,124	16,326	10,731	4,050	4,096	19,359	866,501
Accumulated depreciation:									
At beginning of year	1,320	619,794	44,432	10,626	4,370	2,648	-	-	683,190
Reclassifications	(3)	(194)	-	1	2	194	-	-	-
Charges	1,814	33,095	8,755	1,601	1,337	462	-	-	47,064
Transfer to related companies	-	-	(10,184)	(248)	(35)	(40)	-	-	(10,507)
Disposals	-	(37,795)	(1,840)	(516)	(556)	(108)	-	-	(40,815)
At end of year	3,131	614,900	41,163	11,464	5,118	3,156	-	-	678,932
Depreciation for last year	1,320	40,621	6,829	730	770	598	-	-	50,868
Net book value:									
As at end of year	46,938	73,846	31,961	4,862	5,613	894	4,096	19,359	187,569
As at beginning of year	54,117	84,491	39,594	1,842	2,704	1,577	24,256	54,063	262,644

Note:

- a) Included under buses and buses under assembly are:
- i) Buses with a total cost of \$115,796,000 (2002 : \$115,796,000) and net book value of \$4,118,000 (2002 : \$14,142,000) under finance leases for which the lease obligations have been legally defeased.
 - ii) Buses with a total cost of \$105,516,000 (2002 : \$105,516,000) and net book value of \$42,930,000 (2002 : \$55,004,000) which is the subject of financing arrangements with a financial institution. The Group's legal obligations under the financing arrangements have been legally defeased (Note 32).
- b) Adjustment relates to an over-accrual of leasehold building construction cost in prior year.
- c) Write-down of rail development costs.

Details of the leasehold land are as follows:

Held by	Group's effective interest %	Location	Approximate land area	Tenure	Usage
The Company	100	Lot 3682 K Mukim 6 Soon Lee Road Singapore	26,670 sq m	30 years from April 1, 2000	Bus dep ^c



Notes to the Financial Statements
December 31, 2003

13 OTHER INVESTMENT

	The Company and Group	
	2003	2002
	\$'000	\$'000
Club membership:		
At cost	-	150
Allowance for impairment in value	-	(24)
Net	-	126

14 TRADE CREDITORS AND ACCRUED EXPENSES

	The Company		The Group	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Due to an associate	1,508	2,836	1,508	2,836
Due to related companies	3,400	3,346	3,400	3,346
Due to immediate holding company	1,253	639	1,253	639
Third parties	12,973	10,434	12,973	10,434
Accrued expenses	67,732	73,321	67,732	73,323
Others	9,787	4,402	9,787	4,402
Total	96,653	94,978	96,653	94,980

Included under balance due to third parties is an amount of \$1,981,000 (2002 : \$2,252,000) pertaining to the current portion of a balance due to the Land Transport Authority of Singapore ("LTA") as further elaborated in Note 17.

15 FUEL PRICE EQUALISATION ACCOUNT

	The Company and Group	
	2003	2002
	\$'000	\$'000
Balance at beginning and end of year	34,075	34,075

16 PROVISION FOR CLAIMS

This represents the net estimated amounts payable to third parties for accidents involving buses:

	The Company and Group	
	2003	2002
	\$'000	\$'000
Balance at beginning of year	9,088	9,114
Charge (Note 26)	2,152	3,592
Payments	(3,220)	(3,618)
Balance at end of year	8,020	9,088



Notes to the Financial Statements
December 31, 2003

17 OTHER PAYABLE

	The Company and Group	
	2003	2002
	\$'000	\$'000
Amounts due to LTA	38,923	42,622
Less:		
Due within 12 months (Note 14)	(1,981)	(2,252)
Due after 12 months	36,942	40,370
	36,942	40,370

The amounts due to LTA pertain to the Company's acquisition of bus equipment relating to the Enhanced Integrated Fare System. The balance is unsecured and bears interest at 5% - 6% (2002 : 5%) per annum.

The repayment amount for the first two years is based on a percentage of net revenue earned from bus operations adjusted for certain variables such as fare leakage savings. The financial arrangement for the ensuing years is currently under negotiation with LTA.

18 LONG-TERM LOANS

	The Company and Group	
	2003	2002
	\$'000	\$'000
Loan notes issued to third parties	50,000	50,000
	50,000	50,000

The 3-year fixed rate notes due in 2005 are unsecured and bear interest at 2.45% (2002 : 2.45%) per annum payable on a semi-annual basis.

19 DEFERRED TAX

	The Company and Group	
	2003	2002
	\$'000	\$'000
Balance at beginning of year	21,287	28,980
Change in tax rate (Note 27)	-	(1,349)
Transfer to income tax payable	(1,462)	(6,344)
Balance at end of year	19,825	21,287
	19,825	21,287

The balance in the financial statements comprises the tax effect of:

Excess of tax over book depreciation	32,848	30,316
Provision for fuel equalisation	(7,496)	(7,496)
Other provisions	(5,527)	(1,533)
Net	19,825	21,287
	19,825	21,287



Notes to the Financial Statements
December 31, 2003

24 FINANCE COSTS

	The Group	
	2003 \$'000	2002 \$'000
Interest expense to non-related companies	3,392	1,990
Redeemable cumulative preference shares dividend	-	3,442
Total	3,392	5,432

25 NET INCOME FROM OTHER INVESTMENTS

	The Group	
	2003 \$'000	2002 \$'000
Interest income:		
Bonds	2,639	4,955
Fixed deposits	211	341
Floating rate notes	1,247	1,430
Others	(122)	(341)
Total	3,975	6,385

26 PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the profit and loss statement, this item includes the following charges (credits):

	Note	The Group	
		2003 \$'000	2002 \$'000
Allowance for impairment in value of other investment		-	69
Allowance for inventory obsolescence		-	425
Allowance for inventory obsolescence written back		(203)	(713)
Development costs written down		51,162	-
Gain on disposal of short-term investments		-	(916)
Gain on disposal of vehicles, premises and equipment		(508)	(115)
Gross dividend from quoted equity shares in corporations		-	(99)
Loss on disposal of short-term investments		83	-
Loss on foreign exchange		177	463
Non-audit fees to auditors of the Company		175	73
Proposed directors' fee:			
Directors of Company		248	194
Provision for claims	16	2,152	3,592
Provision for service benefits and long service awards	20	423	75
Restructuring cost		9,283	2,048



Notes to the Financial Statements
December 31, 2003

27 INCOME TAX EXPENSE

	The Group	
	2003 \$'000	2002 \$'000
Taxation charge in respect of profit for the financial year:		
Current taxation	6,599	10,145
Share of tax expense of associate	49	50
	6,648	10,195
Change in tax rate (Note 19)	-	(1,349)
Net	6,648	8,846

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 22% (2002 : 22%) to profit before income tax as a result of the following differences:

	The Group	
	2003 \$'000	2002 \$'000
Income tax expense at statutory rate	5,646	9,548
Non-allowable items	2,093	647
Transfer from deferred tax	(1,462)	-
Change in tax rate	-	(1,349)
Others	371	-
Net	6,648	8,846

28 EXCEPTIONAL ITEM

This relates to a payment for assisting LTA in commissioning the North East MRT and the Sengkang LRT System.

29 EARNINGS PER SHARE

Earnings per share is calculated on the Group profit after income tax shown in the profit and loss statement divided by the weighted average number of ordinary shares in issue as follows:

	2003	2002
Net profit for the year (\$'000)	19,015	34,554
Weighted average number of ordinary shares in issue	297,615,016	297,607,315
Basic earnings per share	\$0.06	\$0.12

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares which are the share options granted to employees. A calculation is done to determine the number of shares that could have been acquired at market price (determined as the average share price of the Company's shares for the financial year) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the "unpurchased" shares to be added to the ordinary shares outstanding for the purpose of computing the dilution. For the share options calculation, no adjustment is made to net profit.



Notes to the Financial Statements
December 31, 2003

29 EARNINGS PER SHARE (cont'd)

	2003	2002
Net profit for the year (\$'000)	19,015	34,554
Weighted average number of ordinary shares for diluted earnings per share	297,615,016	297,607,315
Diluted earnings per share	\$0.06	\$0.12

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated cash flow statement comprises the following amounts:

	2003 \$'000	2002 \$'000
Cash and bank balances	4,385	3,714
Fixed deposits	80,253	41,236
Total	84,638	44,950

31 BUSINESS SEGMENT INFORMATION

The Group's operations comprise the following main business segments in Singapore:

- a) Transport : Income is generated through bus and rail fare collections.
- b) Advertisements : Income is generated through advertisements on the buses, trains and at MRT and LRT Stations.

	Transport \$'000	Advertisements \$'000	Total \$'000
2003			
TURNOVER	521,145	17,066	538,211
RESULTS			
Segment results	7,310	13,229	20,539
Unallocated interest expense to non-related companies			(1,225)
Net income from other investments			3,975
Other operating income			2,151
Share of profit in associate			223
Profit before income tax			25,663
Provision for income tax			(6,648)
Profit after income tax			19,015
OTHER INFORMATION			
Additions of vehicles, premises and equipment	25,535	-	25,535
Depreciation expense	46,978	86	47,064
Non-cash expenses other than depreciation	2,575	-	2,575
BALANCE SHEET			
ASSETS			
Segment assets	255,235	4,638	259,873
Investment in associates			2,174
Unallocated corporate assets			248,638
Consolidated total assets			510,685
LIABILITIES			
Segment liabilities	176,482	3,841	180,323
Unallocated corporate liabilities			85,584
Consolidated total liabilities			265,907



Notes to the Financial Statements
December 31, 2003

31 BUSINESS SEGMENT INFORMATION (cont'd)

	Transport \$'000	Advertisement \$'000	Total \$'000
2002			
TURNOVER	520,426	23,603	544,029
RESULTS			
Segment results	20,745	19,346	40,091
Unallocated interest expense to non-related companies			(510)
Redeemable cumulative preference share dividend			(3,442)
Net income from other investments			6,385
Other operating income			653
Share of profit in associate			223
Profit before income tax			43,400
Provision for income tax			(8,846)
Profit after income tax			34,554
OTHER INFORMATION			
Additions of vehicles, premises and equipment	110,736	-	110,736
Depreciation expense	50,791	77	50,868
Non-cash expenses other than depreciation	3,667	-	3,667
BALANCE SHEET			
ASSETS			
Segment assets	286,037	4,681	290,718
Investment in associates			2,000
Unallocated corporate assets			222,031
Consolidated total assets			514,749
LIABILITIES			
Segment liabilities	188,061	1,815	189,876
Unallocated corporate liabilities			85,182
Consolidated total liabilities			275,058

32 CONTINGENT LIABILITIES - UNSECURED

As at December 31, 2003, the Company has contingent liabilities totalling \$14,118,000 (2002 : \$12,508,000) in respect of cross border leasing transactions which it has legally defeased all its liabilities under the lease except for the risk of having to pay off this amount to counterparties should it causes the collapse of the leasing transactions. The management is not aware of any conditions that will cause the Company to initiate the collapse of the leasing transactions.

33 COMMITMENTS

As at December 31, 2003, the Company and the Group have the following commitments contracted but not provided for in the financial statements:

- (i) the purchase of two properties (bus depots) from its immediate holding company, DelGro Corporation Limited, amounting to \$7,100,000 (2002 : \$Nil).
- (ii) the purchase of an automated vehicle management system of \$13,700,000 (2002 : \$16,100,000).



Notes to the Financial Statements
December 31, 2003

33 COMMITMENTS (cont'd)

(iii) Derivative financial instruments:

	2003			2002		
	Notional amount '000	Fair value asset (liability) \$'000	Term to maturity	Notional amount '000	Fair value asset (liability) \$'000	Term to maturity
Forward foreign exchange contracts	US\$4,000	(73)	January to June 2004	US\$17,250	(169)	January to December 2003
Foreign exchange option contracts	US\$2,500	(10)	January to March 2004	US\$2,750	(31)	January to December 2003
Commodity swaps	US\$6,423	1,489	June and December 2004	-	-	-

The fair values of derivative financial instruments represent the unrealized gains or losses of open contracts of which a net profit of approximately \$1,406,000 (2002 : net loss of \$200,000) arising from the hedged assets and liabilities in the balance sheet has not been recognized in the profit and loss statement.

The forward foreign exchange contracts and foreign exchange option contracts were entered into by the Company to hedge US dollar requirements arising from the purchase of fuel.

The commodity swaps were entered into by the Company in 2003 to hedge commodity risk arising from its fuel usage.

34 ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND LIABILITIES

The table below summarises the Group's assets, liabilities, interest rates sensitive financial instruments, categorised by the earlier of contractual repricing or maturity dates and depicts the Group's exposure to interest rate risk at year end.

2003	Within 1 year \$'000	Within 2 to 5 years \$'000	Beyond 5 years \$'000	Total \$'000	Effective interest rate during the year
Financial Assets					
Fixed deposits:					
Singapore Dollar	80,253	-	-	80,253	0.45% - 0.6875%
Investments:					
Notes	119,000	-	-	119,000	0.89% - 5.76%
Bonds	-	39,148	5,000	44,148	5.08% - 9.28%
Total	119,000	39,148	5,000	163,148	
Financial Liabilities					
Long-term loans	-	50,000	-	50,000	2.45%
Other payable	1,981	36,942	-	38,923	5% - 6%
Total	1,981	86,942	-	88,923	



Notes to the Financial Statements
December 31, 2003

34 ADDITIONAL INFORMATION ON FINANCIAL ASSETS AND LIABILITIES (cont'd)

2002	Within 1 year \$'000	Within 2 to 5 years \$'000	Beyond 5 years \$'000	Total \$'000	Effective interest rate during the year
Financial Assets					
Fixed deposits:					
Singapore Dollar	38,870	-	-	38,870	0.65% - 1.1875%
Foreign Currency	2,366	-	-	2,366	1.1%
Total	41,236	-	-	41,236	
Investments:					
Notes	78,000	-	-	78,000	0.82% - 4.5%
Bonds	63,563	32,540	1,774	97,877	1.17% - 7.58%
Total	141,563	32,540	1,774	175,877	
Financial Liabilities					
Long-term loans	-	50,000	-	50,000	2.45%
Other payable	2,252	40,370	-	42,622	5.0%
Total	2,252	90,370	-	92,622	

35 DIVIDEND

During the financial year, the Company declared and paid an interim dividend of \$0.01 per ordinary share less tax on the ordinary shares of the Company totalling \$2,321,000 in respect of the financial year just ended.

Subsequent to the balance sheet date, the directors of the Company recommended that a final dividend be paid at \$0.0275 per ordinary share less tax totalling \$6,384,000 for the financial year just ended on the ordinary shares of the Company.

36 LICENCE CONDITION FOR RAIL SERVICES

A licence condition ("LC") dated January 15, 2003 was issued by LTA to the Company under which the Company is licensed to operate the North East MRT System, Punggol LRT System and the Sengkang LRT System (collectively referred to as the "Licensed Systems").

The LC sets out the conditions governing the operation of the licensed systems and includes, among others, the following:

- (a) The licence is for an initial period of 30 years commencing January 15, 2003. The Company may apply to LTA to renew the licence for a further 30 years or any other period and upon terms and conditions as LTA may impose.
- (b) An annual licence fee computed based on 0.5% of the total annual fare and non-fare revenue, net of goods and services tax, is payable to LTA for the first 10 years. LTA may retain or modify the basis for the purpose of calculating the licence fee thereafter.



Notes to the Financial Statements
December 31, 2003

36 LICENCE CONDITION FOR RAIL SERVICES (cont'd)

- (c) The Company and LTA shall jointly review the viability on the 5th anniversary of the date of the LC or such other period as may be agreed in writing between the Company and LTA. In such review, LTA shall determine the dates and time of the Company's purchase of the operating assets of the licensed system and the amount is based on the net book value as recorded in the latest audited accounts of LTA.
- (d) The Company may apply in writing to LTA for a grant to replace any eligible operating assets computed based on the difference between the purchase cost of the new assets and the purchase cost of the operating assets to be replaced ("Replacement Grant").

The main categories of eligible operating assets are trains, maintenance vehicles, power supply equipment, supervisory control system, escalators and lifts, platform screen doors, environmental control system, tunnel ventilation system, electrical service and fire protection system, signalling system, communication system, automatic fare collection system, depot workshop equipment, access management system and maintenance management system.

37 PRIOR YEAR'S COMPARATIVES

Certain prior year's comparatives have been restated to conform with current year's presentation.



Statement of Directors

In the opinion of the directors, the financial statements of the Company and the consolidated financial statements of the Group set out on pages 48 to 70 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2003, and the results, changes in equity and the cash flows of the Group for the financial year ended on that date and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

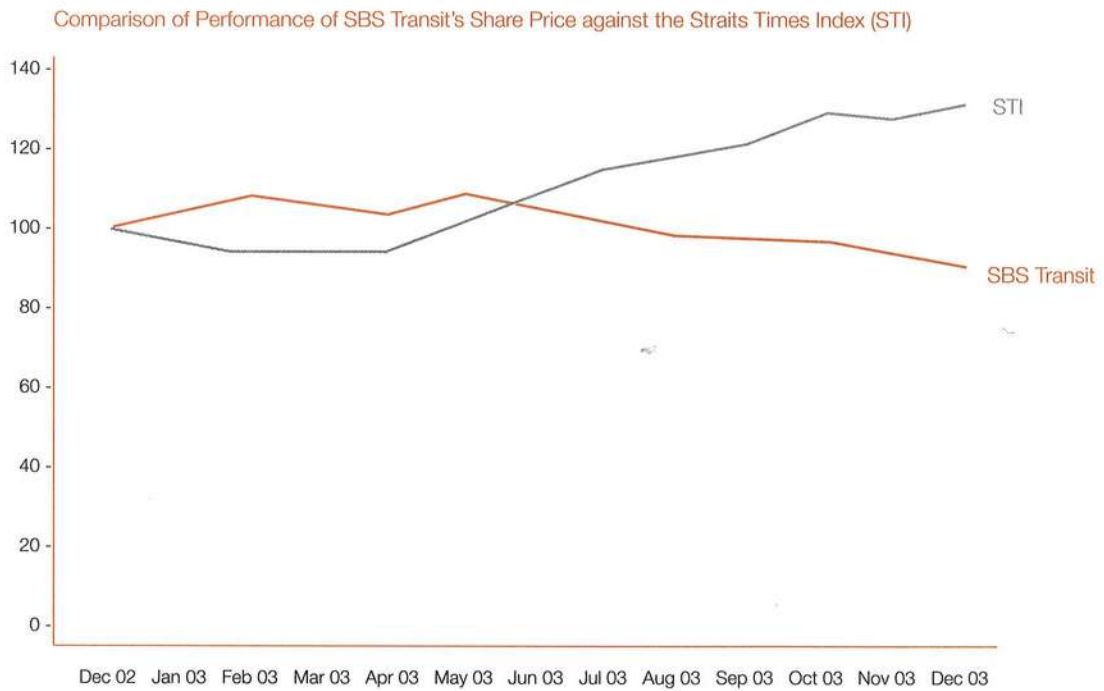
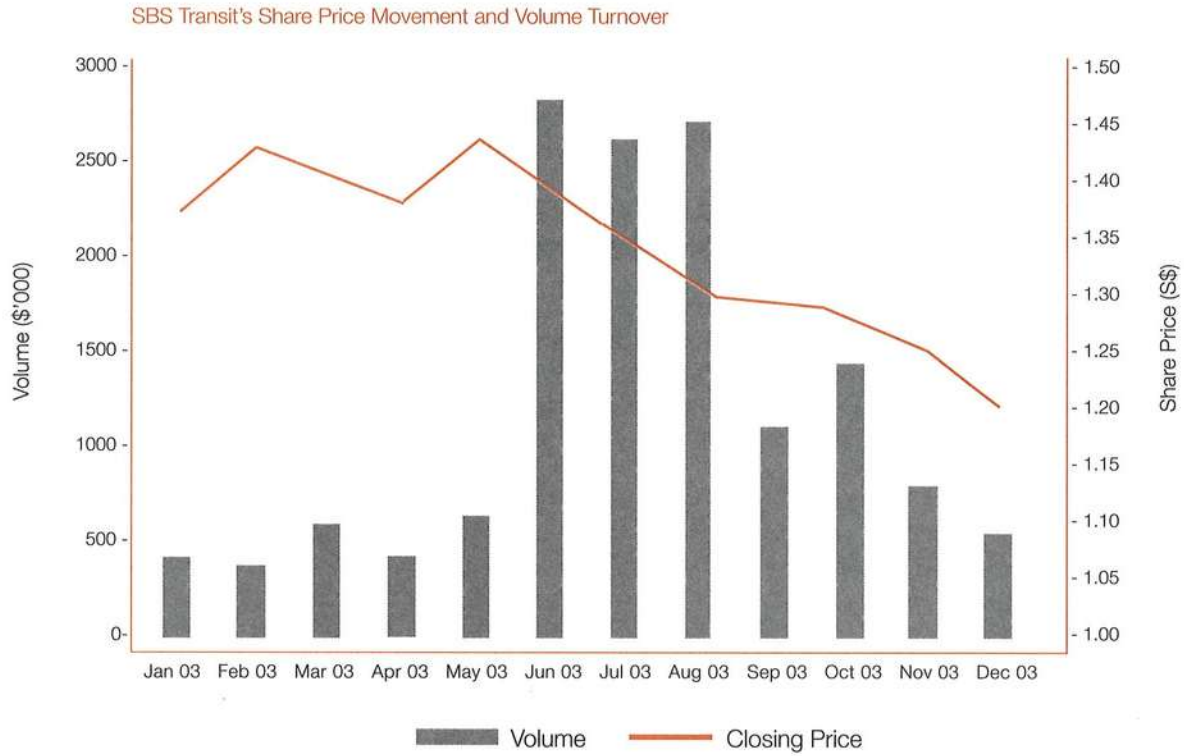
Lim Jit Poh
Chairman

Kua Hong Pak
Deputy Chairman

Singapore
February 26, 2004



Share Price Movement Chart





Shareholding Statistics as at 15 March 2004

Authorised Share Capital : S\$100,000,000
 Issued and Fully Paid Capital : S\$74,403,754
 Class of Shares : Ordinary shares of S\$0.25 each
 Voting Rights : 1 vote per ordinary share

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	1,793	8.62	585,355	0.20
1,000 - 10,000	18,659	89.70	29,103,909	9.78
10,001 - 1,000,000	342	1.65	13,699,460	4.60
1,000,001 & Above	7	0.03	254,226,292	85.42
Total	20,801	100.00	297,615,016	100.00

Top Twenty Shareholders	No. of Shares	%
DelGro Corporation Limited	223,220,012	75.00
DBS Nominees Pte Ltd	12,668,900	4.26
United Overseas Bank Nominees Pte Ltd	7,751,080	2.60
Raffles Nominees Pte Ltd	3,563,000	1.20
Overseas Chinese Bank Nominees Pte Ltd	3,169,600	1.07
Citibank Nominees S'pore Pte Ltd	2,380,200	0.80
The Asia Life Assurance Society Ltd-S'pore Life Fund	1,473,500	0.49
Changi Bus Company (Private) Limited	691,548	0.23
UOB Kay Hian Pte Ltd	670,700	0.23
Asia General Holdings Limited	370,000	0.12
Tan Kay Yeong	341,000	0.11
National University of Singapore	310,000	0.10
National University of Singapore (A/C) ASPF	257,000	0.09
Ang Hao Yao	214,000	0.07
Chen Siong Seng	211,000	0.07
DBS Vickers Securities (S) Pte Ltd	201,000	0.07
Loo Wai Hoong Mrs Ang Wai Hoong	201,000	0.07
Lam Lai Cheng	200,000	0.07
Royal Bank of Canada Nominees Pte Ltd	194,500	0.07
Sim Len-Leng	172,200	0.06
Total	258,260,240	86.78

As as 15 March 2004, approximately 25% of the issued ordinary shares of SBS Transit Ltd is in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

*Shareholding Statistics as at 15 March 2004 (cont'd)*

SUBSTANTIAL SHAREHOLDERS

	Shareholdings in which the substantial shareholder has a direct interest		Shareholdings in which the substantial shareholder has a deemed interest	
	No. of Shares	%	No. of Shares	%
1. DelGro Corporation Limited	223,220,012	75		
2. ComfortDelGro Corporation Limited			223,220,012	75



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the Company will be held at the Auditorium, ComfortDelGro Headquarters, 205 Braddell Road, Singapore 579701 on Thursday, 29 April 2004 at 9.00 a.m. for the purpose of transacting the following business:

Ordinary Business:

1. To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2003 together with the Auditors' Report thereon. (Resolution 1)
2. To declare a final dividend of 11% (2.75 cents) per share less income tax in respect of the financial year ended 31 December 2003. (Resolution 2)
3. To approve the payment of Directors' fees of S\$247,666 for the financial year ended 31 December 2003. (2002: S\$193,863) (Resolution 3)
4. To re-elect Mr Kua Hong Pak, a Director retiring pursuant to Article 97 of the Company's Articles of Association. (Resolution 4)
5. To re-elect Mr David Wong Chin Huat, a Director retiring pursuant to Article 97 of the Company's Articles of Association. (Resolution 5)
6. To re-elect Mr John De Payva, a Director retiring pursuant to Article 97 of the Company's Articles of Association. (Resolution 6)
7. To re-appoint Mr Tan Kong Eng as a Director pursuant to Section 153(6) of the Companies Act, Cap. 50 to hold office from the date of this Annual General Meeting until the next Annual General Meeting. (Resolution 7)
8. To re-appoint Messrs Deloitte & Touche as Auditors and authorise the Directors to fix their remuneration. (Resolution 8)
9. To transact any other ordinary business that may properly be transacted at an Annual General Meeting. (Resolution 9)

Special Business:

10. To consider and, if thought fit, to pass the following resolutions with or without modifications as Ordinary Resolutions:
 - A. "THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit, provided that:



Notice of Annual General Meeting (cont'd)

- (a) the aggregate number of shares to be issued pursuant to this resolution does not exceed 50% of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued share capital of the Company;
- (b) for the purpose of determining the aggregate number of shares that may be issued under paragraph (a) above, notwithstanding the provisions of Article 13(B) of the Articles of Association of the Company, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this Resolution is passed, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding at the time this Resolution is passed, and (ii) any subsequent consolidation or subdivision of shares; and
- (c) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or when it is required by law to be held, whichever is the earlier."

(Resolution 10)

- B. "THAT the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the rules and terms of the SBS Transit Share Option Scheme and to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options under the SBS Transit Share Option Scheme, provided that the aggregate number of shares to be issued pursuant to the SBS Transit Share Option Scheme shall not exceed 15% of the total issued share capital of the Company from time to time."

(Resolution 11)



Notice of Annual General Meeting (cont'd)

BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS ALSO HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed from 12 May 2004 to 13 May 2004 (both dates inclusive) for the purposes of determining shareholders' entitlements to the proposed final dividend of 11% (2.75 cents) per ordinary share less income tax for the financial year ended 31 December 2003.

Duly completed and stamped transfers received by the Company's Share Registrars, B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758 up to 5.00 p.m. on 11 May 2004 will be registered before shareholders' entitlements to the final dividend are determined. Shareholders (being depositors) whose securities account with The Central Depository (Pte) Limited are credited with ordinary shares as at 5.00 p.m. on 11 May 2004 will be entitled to the proposed final dividend.

The final dividend, if approved by the shareholders at the Eleventh Annual General Meeting of the Company, will be paid on 25 May 2004.

By Order of the Board

Bobby Tan Cher Chong
Company Secretary
Singapore, 12 April 2004

Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be lodged at the Company's registered office at 205 Braddell Road, Singapore 579701 not less than 48 hours before the time appointed for the Annual General Meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED

Resolution 10 is to empower the Directors (from the passing of Resolution 10 until the next Annual General Meeting) to issue shares in the capital of the Company up to an amount not exceeding in aggregate 50% of the issued share capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders does not exceed 20% of the issued share capital of the Company. 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 Company's issued share capital when Resolution 10 is passed, after adjusting for the conversion or exercise of any convertible securities and share options that have been issued or granted and which are outstanding when Resolution 10 is passed, and any subsequent consolidation or subdivision of shares.

Resolution 11 is to authorise the Directors to grant options and to allot and issue shares upon the exercise of such options in accordance with the SBS Transit Share Option Scheme approved by shareholders at the Extraordinary General Meeting held on 9 June 2000.

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SBS Transit Ltd
(Incorporated in the Republic of Singapore)

Proxy Form
Annual General Meeting

IMPORTANT

- 1 For investors who have used their CPF monies to buy SBS Transit Ltd's shares, this Annual 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 _____ (Name)

of _____ (Address)

being a member/members of SBS Transit Ltd hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

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as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held on Thursday, 29 April 2004 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 direction 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.

No.	Resolutions	For*	Against*
1.	Adoption of Directors' Report and Accounts		
2.	Declaration of Final Dividend		
3.	Approval of Directors' fees		
4.	Re-election of Mr Kua Hong Pak as Director		
5.	Re-election of Mr David Wong Chin Huat as Director		
6.	Re-election of Mr John De Payva as Director		
7.	Re-appointment of Mr Tan Kong Eng as Director under Section 153(6) of the Companies Act, Cap. 50		
8.	Re-appointment of Auditors and authorising Directors to fix their remuneration		
9.	Any other ordinary business		
10.	General authority to issue shares		
11.	Grant of options and issuance of shares pursuant to exercise of options		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided.

Dated this _____ day of _____ 2004

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. 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, Cap. 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 and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 205 Braddell Road, Singapore 579701 not less than 48 hours before the time set for the Annual General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument. In addition, in the case of shares entered in the Depository Register, the Company may reject the 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 Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Fold along this line

Affix
postage
stamp

**The Company Secretary
SBS Transit Ltd
205 Braddell Road
Singapore 579701**

Fold along this line

SBS Transit Ltd
205 Braddell Road Singapore 579701
Mainline: 65 6284 8866 Facsimile: 65 6287 0311

Website: www.sbstransit.com.sg