

**CHAIRMAN'S OPENING ADDRESS
AT SMRT CORPORATION'S 15th ANNUAL GENERAL MEETING**

Ladies and gentlemen,

1. Good afternoon. On behalf of the Board and the Company, I welcome you to the 15th Annual General Meeting of SMRT Corporation Ltd.

2. I had noted in the Annual Report that the public transport operating structure is at an inflection point. This means it is increasingly unsustainable for us as an operator, and things must change. In the last year, we have been actively engaging the authorities on this matter and have made proposals to them. In these engagements the Board has always been mindful of the interests of our shareholders. I believe we have gained some traction with the authorities. You would have noted that the Government will be implementing the contracting model for the bus business. This is a good development.

3. I am glad to note that in response to parliamentary questions on public transport recently, the Minister for Transport had noted that fares had not kept pace with cost increases in the past few years, and that regular fare adjustments are necessary for the financial sustainability of the public transport system. This is significant because our fare revenue growth has not been commensurate with cost increases in our regulated fare business for several years. We are one of the most efficient and effective public transport operators by international benchmarking standards. Yet, we have suffered an operating loss of \$25.0 m in our regulated fare business for the first time in the last Financial Year.

4. We will continue to actively engage the authorities to seek a new framework for our rail business and to arrive at a mutually acceptable outcome. We will bid for the bus routes that will be tendered under the new contracting model.

5. In the Financial Year covered in the Annual Report, despite a number of headwinds, our Group Revenue grew by 4%, from \$1.12B in the last FY to \$1.16B, with a Group Profit after Tax & Minority Interest (PATMI) of \$61.9M. Our PATMI was lower than last year primarily because of increasing operating costs and depreciation arising from capital expenditures to meet regulatory obligations in our fare businesses. On the other hand, the performance of our non-fare business continues to improve, and profits grew by 12.4%. The Group, I am pleased to report, continues to enjoy excellent financial flexibility with the maintenance of its S&P Triple-A (AAA) rating.

6. The Board has proposed a final dividend of 1.20 cents per ordinary share for your approval at this AGM. If approved, together with the interim dividend of 1.00 cent, the total dividend for FY2014 will be 2.20 cents. This will amount to \$33.5m, giving a dividend payout ratio of 54.1% of our Profits After Tax and Minority Interest (PATMI) compared with 45.6% in the previous FY. We will continue to evaluate our dividend payout in relation to the financial performance and operational commitments over the year as well as new investments to meet regulatory requirements and support business growth.

7. Looking forward, the government is doubling the existing rail network from 180 kilometres to 360 kilometres by 2030. SMRT looks forward to the expansion of the rail network with a sustainable financing framework. We will take advantage of the new opportunities for our core rail business. The move to a new bus contracting model will also present opportunities. We have taken steps to prepare SMRT organisationally, including the incorporation of Singapore Rail Engineering for the new environment in land transport. I am confident that SMRT is in a strong position to grow and further contribute in a meaningful way to Singapore's land transport system.

8. On Board matters, my consideration is the importance of striking a balance between Board renewal and stability and continuity of the Board at this time when we are actively engaging the authorities on major structural changes in public transport. I would like to bring your attention to the following changes in the composition and appointments on the Board Committees:

- Mr Bob Tan relinquished his role as Chairman of the Board Risk Committee and assumed the chairmanship of the Audit Committee in July 2013 following Mr Paul Ma's retirement.
- Mr Tan Ek Kia replaced Bob as Chairman of the Board Risk Committee in the same month.
- Mr. Patrick Ang was also appointed as a member of the Board Risk Committee in October 2013.
- Mr Ong Ye Kung will be retiring at the conclusion of this Annual General Meeting at his own request. Ye Kung has been a board member for the past 7 years, and was Chairman of the Nominating Committee for 6 years.
- Mr Lee Seow Hiang will succeed Ye Kung as the Chairman of the Nominating Committee.
- We welcome **Mr Yap Chee Meng**, who joined the Board in October 2013. Chee Meng was formerly KPMG's Chief Operating Officer in Asia-Pacific and a member of its international leadership team.

9. Ladies and Gentlemen, we have a strong management team with committed employees at all levels. Our engineers and technical staff have deep rail engineering expertise. Together, they continually strive towards achieving excellence in operational performance, are mindful of efficient cost management, and understand the importance of earning public confidence and customer satisfaction in running a safe and reliable public transport system in Singapore. We are in a strong position to take advantage of the opportunities ahead and move SMRT forward.

10. Before our CEO, Mr Desmond Kuek, shares with you the progress made and how SMRT will move forward in the next phase of growth, I would like to thank all of you, our shareholders, for your continued support of SMRT and for coming to this AGM. After the CEO's presentation, the Board and Management will then go on the stage to continue with the Annual General Meeting.