

SMRT Corporation Ltd

(Incorporated in the Republic of Singapore)

(Registration Number: 200001855H)

Belford Investments Pte. Ltd.

(Incorporated in the Republic of Singapore)

(Registration Number: 201615823Z)

JOINT ANNOUNCEMENT

**PROPOSED ACQUISITION BY BELFORD INVESTMENTS PTE. LTD. OF ISSUED AND PAID-UP
ORDINARY SHARES IN THE CAPITAL OF SMRT CORPORATION LTD
BY WAY OF A SCHEME OF ARRANGEMENT**

1. INTRODUCTION

- 1.1 On 15 July 2016, SMRT Corporation Ltd (the “**Company**”) announced (the “**NRFF Announcement**”) the proposed sale (the “**Proposed NRFF Transaction**”) of its operating assets in connection with the contemplated transition by the Company from the current rail financing framework (the “**CRFF**”) to the new rail financing framework (the “**NRFF**”). A copy of the NRFF announcement, together with the Company’s Media Release (the “**NRFF Media Release**”) as well as its Briefing to Analysts and Media which were released together with the NRFF Announcement, (collectively, the “**NRFF Announcements**”) can be found on the SGXNET.
- 1.2 Following the release of the NRFF Announcements, the Company on 16 July 2016 received a proposal from Temasek Holdings (Private) Limited (“**Temasek**”) on the proposed acquisition (the “**Acquisition**”) by Belford Investments Pte. Ltd. (the “**Offeror**”) of all the issued and paid-up ordinary shares (the “**Shares**”) in the capital of the Company (other than those already held by the Offeror’s parent, Temasek) (the “**Scheme Shares**”) from the shareholders (“**Shareholders**”) of the Company other than Temasek (the “**Scheme Shareholders**”). The Acquisition will be effected by way of a scheme of arrangement (the “**Scheme**”) in accordance with Section 210 of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”) and the Singapore Code on Take-overs and Mergers (the “**Code**”).
- 1.3 The directors of the Company have appointed a financial adviser, Merrill Lynch (Singapore) Pte. Ltd. (“**BofA Merrill Lynch**”), to advise on the terms of the Acquisition from a financial perspective. Having considered the advice from BofA Merrill Lynch and subject to the advice of an independent financial adviser (“**IFA**”) to be appointed to advise on the terms of the Scheme, the directors of the Company view the Scheme favourably and are supportive of the Acquisition.
- 1.4 Accordingly, the board of directors of the Company has unanimously approved the entry by the Company with the Offeror into an implementation agreement (the “**Implementation Agreement**”) setting out the terms and conditions on which the Offeror and the Company (each, a “**Party**” and collectively, the “**Parties**”) will implement the Scheme.

- 1.5 The Parties would like to jointly announce that they have today entered into the Implementation Agreement.

2. INFORMATION ON THE PARTIES

2.1 The Company

- (a) The Company was incorporated on 6 March 2000 and was listed on the Mainboard of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 26 July 2000.
- (b) The Company is an investment holding company, and together with its subsidiaries (collectively, the “**Group**”) provides multi-modal land transport services in Singapore and internationally. Its core businesses are in rail operations, maintenance and engineering as well as in bus, taxi and automotive services. Complementing these are its integrated businesses in retail, media and marketing, as well as properties and retail management.
- (c) The board of directors of the Company comprises the following:

Koh Yong Guan (Chairman);

Desmond Kuek Bak Chye (President and Group Chief Executive Officer);

Patrick Ang Peng Koon (Independent Director);

Lee Seow Hiang (Independent Director);

Moliah Hashim (Independent Director);

Bob Tan Beng Hai (Independent Director);

Peter Tan Boon Heng (Independent Director);

Tan Ek Kia (Independent Director);

Yap Chee Meng (Independent Director); and

Yap Kim Wah (Independent Director).
- (d) As at the date of this Joint Announcement (the “**Joint Announcement Date**”), the Company has an issued and paid-up share capital of S\$174,757,765.828, comprising 1,526,516,090 Shares. As at the Joint Announcement Date, there are no treasury Shares.

2.2 The Offeror

- (a) The Offeror is an investment holding company incorporated in Singapore on 9 June 2016. The Offeror is a wholly-owned subsidiary of Temasek. The Offeror has not carried on any business since its incorporation, except to enter into certain arrangements in connection with the Acquisition and the Scheme.

- (b) As at the Joint Announcement Date, the board of directors of the Offeror comprises the following:

Chia Song Hwee;

Pek Siok Lan; and

Juliet Teo Juet Sim.

3. THE SCHEME

3.1 The Acquisition

Under the Scheme:

- (a) upon the Scheme becoming effective and binding in accordance with its terms, all the Scheme Shares held by the Scheme Shareholders, as at a books closure date to be announced (which announcement shall be before the Effective Date (as defined below)) by the Company on which the Transfer Books and the Register of Members of the Company will be closed in order to determine the entitlements of the Scheme Shareholders in respect of the Scheme (the “**Books Closure Date**”), will be transferred to the Offeror fully-paid, free from all Encumbrances¹ and together with all rights, benefits and entitlements attaching thereto as at the Joint Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights and other distributions (“**Distributions**”) (if any) declared, made or paid by the Company on or after the Joint Announcement Date except for the FY2016 Final Dividend (as defined below);
- (b) each of the Scheme Shareholders as at the Books Closure Date will be entitled to receive S\$1.68 in cash (the “**Scheme Price**”) for each Scheme Share held by such Scheme Shareholder as at the Books Closure Date in consideration for the transfer of the Scheme Shares to the Offeror; and
- (c) the Scheme will also be extended to all Scheme Shares unconditionally issued on or prior to the Books Closure Date pursuant to the valid vesting of any awards granted pursuant to the 2004 and 2014 Performance Share Plans and Restricted Share Plans of the Company.

3.2 Dividends

- (a) The Company approved the final (tax exempt one-tier) dividend of 2.5 cents per Share for the financial year ended 31 March 2016 (“**FY2016 Final Dividend**”) at its annual general meeting held on 5 July 2016, and which is to be paid by the Company to all entitled Shareholders on 4 August 2016. The Offeror will not be reducing the Scheme Price by the amount of the FY2016 Final Dividend.
- (b) Save for the FY2016 Final Dividend, the Company currently does not intend to declare any other Distributions pending the completion or termination of the Scheme

¹ “**Encumbrances**” means liens, equities, mortgages, charges, encumbrances, security interests, hypothecations, easements, pledges, title retentions, trust arrangements, hire purchases, judgments, preferential rights, rights of pre-emption and other rights or interests conferring security or similar rights in favour of a third party.

(as the case may be) but if it does so, the Offeror reserves the right to reduce the Scheme Price by the amount of such Distribution.

3.3 **Scheme Document**

Further information on the terms and conditions upon which the Scheme will be implemented by the Company and the Offeror will be set out in the document to be issued by the Company to the Scheme Shareholders containing, *inter alia*, details of the Scheme (the “**Scheme Document**”).

3.4 **Delisting**

On the date on which the Scheme becomes effective and binding in accordance with its terms (the “**Effective Date**”), the Company will become a wholly-owned subsidiary of Temasek, and will, subject to the approval of the SGX-ST, be delisted from the Official List of the SGX-ST shortly after the Effective Date.

4. **CONDITIONS PRECEDENT**

- 4.1 The Scheme is conditional upon the satisfaction or waiver (as the case may be) on or before 31 December 2016 (or such other date as the Company and the Offeror may agree in writing) of a number of conditions precedent (the “**Conditions**”) which are set out in Schedule 1 to this Joint Announcement, including the approvals set out in paragraph 8 of this Joint Announcement.
- 4.2 The Offeror alone may waive the Conditions in paragraphs (E), (F), (H) and (J) of Schedule 1. Any breach or non-fulfilment of any such Conditions may be relied upon only by the Offeror. The Offeror may at any time and from time to time at its sole and absolute discretion waive any such breach or non-fulfilment.
- 4.3 The Company alone may waive the Conditions in paragraphs (G) and (I) of Schedule 1. Any breach or non-fulfilment of any such Conditions may be relied upon only by the Company. The Company may at any time and from time to time at its sole and absolute discretion waive any such breach or non-fulfilment.
- 4.4 The Conditions in paragraphs (A), (B), (C) and (D) of Schedule 1 are not capable of being waived by either Party or both Parties.

5. **TERMINATION OF THE IMPLEMENTATION AGREEMENT**

5.1 **Termination**

The Implementation Agreement provides, *inter alia*, that the Implementation Agreement may be terminated at any time prior to the date (the “**Record Date**”) falling on the business day immediately preceding the Effective Date subject to prior consultation with, and approval of, the SIC:

- (a) **Regulatory Action:** by the Offeror or the Company, if any court of competent jurisdiction or governmental agency has issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Scheme, the Acquisition or any part thereof, or has refused to do anything necessary

to permit the Scheme, the Acquisition or any part thereof, and such order, decree, ruling, other action or refusal shall have become final and non-appealable;

(b) **Breach:** either:

- (i) by the Offeror, if the Company is in material breach of any provision of the Implementation Agreement (other than a provision which is qualified by a materiality test, in which case any breach shall suffice) or has failed to perform and comply in all material respects with any matters referred to in paragraph (H)(ii) of Schedule 1 on or prior to the Record Date; or
- (ii) by the Company, if the Offeror is in material breach of any provision of the Implementation Agreement (other than a provision which is qualified by a materiality test, in which case any breach shall suffice) or has failed to perform and comply in all material respects with any matters referred to in paragraph (I)(ii) of Schedule 1 on or prior to the Record Date,

provided that either the Offeror or the Company, as the case may be, has given written notice to the other Party of the alleged breach and stating its intention to terminate the Implementation Agreement and further that in the case where such a breach is capable of remedy, the Party in breach fails to remedy the same within 14 business days after receipt of such notice; and

(c) **Shareholders' Approvals:** by either the Offeror or the Company, if the resolutions in respect of the Scheme are not approved (without amendment) by the requisite majority of the Scheme Shareholders at the meeting of the Scheme Shareholders ("**Scheme Meeting**") to be convened pursuant to an order of the High Court of the Republic of Singapore ("**Court**") to approve the Scheme and any adjournment thereof.

5.2 **Non-fulfilment of Conditions**

Notwithstanding anything contained in the Implementation Agreement, the Implementation Agreement shall terminate if any of the Conditions has not been satisfied (or, where applicable, has not been waived), or if the Scheme has not become effective and binding in accordance with its terms, by 31 December 2016 (or such other date as the Company and the Offeror may agree in writing), except that:

- (a) in the event of any non-fulfilment of the Conditions in paragraphs (E), (F), (H) and/or (J) of Schedule 1, the Offeror may only rely on such non-fulfilment of any such Condition to terminate the Implementation Agreement subject to prior consultation with, and approval of, the SIC; and
- (b) in the event of any non-fulfilment of the Conditions in paragraphs (D)(i), (D)(ii), (G) and/or (I) of Schedule 1, the Company may only rely on such non-fulfilment of any such Condition to terminate the Implementation Agreement subject to prior consultation with, and approval, of the SIC.

5.3 **Effect of termination**

In the event of termination of the Implementation Agreement by either Party pursuant to the terms of the Implementation Agreement, the Implementation Agreement shall terminate

(except for certain surviving provisions such as those relating to confidentiality, costs and expenses and governing law) and there shall be no other liability on the part of either the Company or the Offeror. Any termination of the Implementation Agreement shall be without prejudice to any rights which a Party may have against the other Party for any breach by that other Party prior to the termination of the Implementation Agreement.

6. RATIONALE FOR THE SCHEME

Background: New Rail Financing Framework ("NRFF")

6.1 Based on the Company's NRFF Announcements:

- (a) under the CRFF, the Company is expected to fund all additions, renewals and replacements relating to operating assets, and bears all revenue and cost risks. The Company has estimated that aggregate capital expenditure obligations could reach up to S\$2.8 billion over the next 5 years;
- (b) the NRFF is a more sustainable model, as it:
 - (i) **relieves the Company of its heavy capital expenditure obligations** by transferring the responsibility for the addition, replacement and upgrading of operating assets for an expanded network to the Land Transport Authority of Singapore ("**LTA**"); and
 - (ii) **reduces the business risk of the Company** by offering some future protection in terms of fare revenue and risk mitigation;
- (c) under the NRFF, the license charge is structured to enable SMRT Trains Ltd ("**SMRT Trains**") to share with LTA the risks and rewards associated with uncertainties in relation to revenue from fare collection and fluctuations in operating costs. For example, the NRFF license charge structure provides for a profit sharing mechanism based on an Earnings (before interest and tax) ("**EBIT**") cap and collar set at 5% and 3.5% respectively;
- (d) however, **there is no certainty that SMRT Trains will earn a composite (fare and non-fare) EBIT margin of about 5%**. The eventual profitability of SMRT Trains will be dependent on several factors, many of which are outside the control of SMRT Trains and/or which SMRT Trains is unable to project or predict with any certainty. The Company has set out in its statement on the NRFF Announcement a sensitivity analysis of the impact of the fluctuations in fare revenue and operating expenses to the FY2016 EBIT margin of SMRT Trains under the NRFF licence for illustrative purposes. Extracts from the NRFF Announcement (including the Appendix to the NRFF Announcement) relating to the EBIT margin sensitivity analysis are set out in Schedule 3 hereto.
- (e) In addition, under the NRFF, LTA will introduce new Maintenance Performance Standards (MPS) to improve maintenance performance and reliability of the rail system. As a result, SMRT Trains will continue to employ or allocate at least 700 additional maintenance headcount (or equivalent to approximately 20 per cent increase), over the next three years. Over the last three years, SMRT Trains had already increased its technical workforce by 30%.

- (f) Total consideration payable to the Group under the Proposed NRFF Transaction is approximately S\$991 million. The Group will be required to pay the Inland Revenue Authority of Singapore approximately S\$159 million as a tax payable on the difference between the sales proceeds and the residual capital allowances relating to the operating assets. For prudence, the Company also intends to use a substantial amount of the remaining net proceeds to retire part of its existing debt (the debt is expected to be approximately \$762m as of 30 September 2016).

6.2 Temasek and SMRT accept the NRFF, as part of a regulatory transition. However, there remains several significant business risks for the Company even under the NRFF:

- (a) uncertainty over fare increases and ridership, two of the main drivers of the revenue in SMRT Trains. Historically, actual fares have not increased in accordance with the cumulative maximum fare allowable based on the prescribed fare adjustment formula. Fares will continue to be set by the Public Transport Council (“PTC”). Fare levels and revenue will continue to be dependent on a myriad of factors that are primarily beyond the control of SMRT Trains and/or which SMRT Trains is unable to project or predict with accuracy. These include, among others, what the PTC will decide in relation to future fare adjustments and the impact of ridership of new lines in the network; and
- (b) the profit cap and collar mechanism is asymmetrical as LTA will share the excess margin via a tiered structure, up to a maximum of 95% of the incremental composite (fare and non-fare) EBIT margin exceeding 5% while the LTA’s sharing of downside risks is limited to the quantum of the licence charge payable by SMRT Trains for the financial year. In addition, even though SMRT Trains has been relieved of its capital expenditure burden under the NRFF, a relatively high license charge is payable by SMRT Trains, which has been structured by the LTA to allow SMRT Trains to achieve a composite (fare and non-fare) EBIT margin of about 5%.

6.3 SMRT is expected to face challenges in the regulatory environment with costs and uncertainties associated with an ageing and expanded network. SMRT will also need to focus on delivering on existing and new multi-year programmes including the need to deliver a higher order of rail reliability and service in line with the heightened MPS to be determined by the LTA. The Company will need to:

- (a) reinforce its core engineering capabilities, by increasing maintenance headcount as set out in paragraph 6.1(e), deepening the skillset of its engineering personnel;
- (b) enhance commuter experience through further development and training of service staff to boost service quality;
- (c) implement additional condition monitoring tools to enhance rail reliability; and
- (d) continue to develop a best-in-class asset management system to recommend timely renewal of assets.

Rationale

6.4 Accordingly, Temasek believes that the privatisation of the Company will:

- (a) provide SMRT with greater flexibility to focus on its primary role of delivering safe and high quality rail service, without short term pressures of being a listed company, in the midst of its transition to a new regulatory framework under the NRFF;

- (b) better enable Temasek to closely support the Company as it retools and reinforces its core skillsets in operations, engineering and maintenance;
 - (c) allow minority shareholders to monetise their holdings through the Scheme and avoid the uncertainties of the transition; and
 - (d) remove all costs and distractions associated with the Company's listing requirements, including quarterly reporting requirements.
- 6.5 The Scheme will offer Shareholders the opportunity to realise their investment in the Company for a cash consideration upon the Scheme becoming effective and binding in accordance with its terms.
- 6.6 Temasek will support the Company in its primary role in delivering safe, high quality and reliable rail service in Singapore.

7. FINANCIAL EVALUATION OF THE SCHEME PRICE

- 7.1 The Scheme Price for each Share is S\$1.68 in cash.
- 7.2 This implies a Price Earnings Ratio ("PER") of 34.1x – 64.2x, based on illustrative FY2016 Profit After Tax and Minority Interests ("PATMI"). An illustrative range of SMRT Trains' composite (fare and non-fare) EBIT margins under NRFF as derived from the Company's sensitivity analysis in the Appendix of the NRFF Announcement, is reproduced in Table C of Schedule 4.

The range of implied PER (x) based on the Scheme Price is presented in Table 1 below.

Table 1: Illustrative range of implied FY2016 PER (x) based on the Scheme Price²

		Variation on Operating Expenses of SMRT Trains (Net Other Operating Income (OOI) of SMRT Trains)				
		-10%	-5%	0%	+5%	+10%
Variation on Fare Revenue of SMRT Trains	+5%	34.1	34.7	35.4	36.1	38.4
	+2%	34.8	35.5	36.2	36.9	46.8
	0%	35.4	36.0	36.7	37.8	51.8
	-2%	35.9	36.6	37.3	43.8	58.0
	-5%	38.7	38.7	38.7	47.8	64.2
Notes		The above range of implied PER (x) is calculated by dividing the Implied Equity Value (Scheme Price multiplied by total ordinary shares outstanding) over the illustrative resultant range of the Company's FY2016 PATMI under the NRFF assumptions, as presented in Table D of Schedule 4.				

² These are purely illustrative and do not nor are they intended to in any way constitute any form of profit guidance, forecast or estimate

7.3 The implied PER range of 34.1x – 64.2x, based on the Scheme Price, translates to a premium over the following relevant historical PERs of the Company:

- (a) 58.7% - 198.6% premia over the Last 12-Month (“**LTM**”) PER of the Company until 15 July 2016 (being the last day of trading prior to the Joint Announcement Date (the “**Last Trading Day**”)) of approximately 21.5x³; and
- (b) 52.3% - 186.6% premia over the average rolling LTM PER of the Company over the past one year prior to the Last Trading Day of approximately 22.4x⁴.

7.4 The Scheme Price represents the following premia over the below Reference Prices of the Company:

Description		Reference Price	Premium/(Discount) to Reference Price
		(S\$) ^{(1)/(2)}	(%)
(a)	Volume Weighted Average Price (“ VWAP ”) for the 12-month period prior to the Last Trading Day	1.454	15.5
(b)	VWAP for the six-month period prior to the Last Trading Day	1.545	8.7
(c)	VWAP for the three-month period prior to the Last Trading Day	1.517	10.7
(d)	VWAP for the one-month period prior to the Last Trading Day	1.516	10.8
(e)	Last transacted price per Share on the Last Trading Day	1.545	8.7
(f)	52-week high	1.675	0.3
(g)	52-week low	1.120	50.0
<u>Notes</u>			
(1)	The figures set out in this paragraph are based on data extracted from Bloomberg L.P. as at 15 July 2016, being the Last Trading Day immediately prior to the Joint Announcement Date.		
(2)	Rounded to the nearest three decimal places.		

8. APPROVALS REQUIRED

8.1 Scheme Meeting and Court sanction

³ The figures set out in this paragraph are based on data extracted from Bloomberg L.P. as at 15 July 2016

⁴ The figures set out in this paragraph are based on data extracted from Bloomberg L.P. as at 15 July 2016

The Scheme will require, *inter alia*, the following approvals:

- (a) the approval-in-principle from the SGX-ST for the Scheme Document and for the proposed delisting of the Company after the Scheme becomes effective and binding in accordance with its terms;
- (b) the approval of the Scheme by a majority in number of Scheme Shareholders present and voting, either in person or by proxy, at the Scheme Meeting, such majority holding not less than three-fourths in value of the Scheme Shares voted at the Scheme Meeting; and
- (c) the sanction of the Scheme by the Court.

In addition, the Scheme will only become effective and binding if all the Conditions have been satisfied or waived in accordance with the Implementation Agreement and a copy of the order of the Court sanctioning the Scheme has been lodged with the Accounting and Corporate Regulatory Authority of Singapore (“ACRA”).

8.2 Confirmations / Rulings from the SIC

An application was made by the Offeror to the SIC to seek certain rulings in relation to the Scheme. The SIC has confirmed on 20 July 2016, *inter alia*, that:

- (a) the Scheme is exempted from Rules 14, 15, 16, 17, 20.1, 21, 22, 28, 29, 33.2 and Note 1(b) on Rule 19 of the Code, subject to the following conditions:
 - (i) the common substantial shareholder of the Offeror and the Company abstain from voting on the Scheme;
 - (ii) the Offeror and its concert parties abstain from voting on the Scheme;
 - (iii) the directors of the Company who are also directors of the Offeror abstain from making a recommendation on the Scheme to the Scheme Shareholders;
 - (iv) the Company appoints an IFA to advise the Scheme Shareholders on the Scheme; and
 - (v) the Scheme Document discloses the names of the Offeror and its concert parties, their current voting rights in the Company as of the latest practicable date and their voting rights in the Company after the Scheme; and
- (b) it has no objections to the Conditions.

9. TEMASEK NOT ELIGIBLE TO VOTE

In accordance with the SIC’s rulings as set out in paragraph 8.2(a)(ii) above, the Offeror and its concert parties will abstain from voting on the Scheme in respect of their Scheme Shares (if any). As the Shares held by Temasek are not Scheme Shares, Temasek will in any case not be eligible to vote on the Scheme.

10. CONFIRMATION OF FINANCIAL RESOURCES

Credit Suisse (Singapore) Limited (the “**Financial Adviser**”), in its capacity as financial adviser to the Offeror, confirms that sufficient financial resources are available to the Offeror to satisfy in full the aggregate Scheme Price payable pursuant to the Scheme.

11. INDEPENDENT FINANCIAL ADVISER

The directors of the Company who are considered to be independent for the purposes of the Scheme (the “**Independent Directors**”) will be appointing an IFA to advise them for the purpose of making a recommendation to the Scheme Shareholders in connection with the Scheme. Full details of the Scheme, including the recommendation of the Independent Directors and the advice of the IFA (the “**IFA Letter**”), will be included in the Scheme Document.

12. SCHEME DOCUMENT

- 12.1 The Scheme Document containing full details of the Scheme (including the recommendation of the Independent Directors and the IFA Letter) and giving notice of the Scheme Meeting to approve the Scheme will be despatched to Scheme Shareholders in due course.
- 12.2 In the meantime, Scheme Shareholders are advised to refrain from taking any action in relation to their Shares which may be prejudicial to their interests until they or their advisers have considered the information, the recommendation of the Independent Directors on the Scheme and the IFA Letter to be set out in the Scheme Document.
- 12.3 **Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.**

13. PROPOSED NRFF TRANSACTION

- 13.1 The Company wishes to assure Shareholders that the Acquisition does not affect the implementation of the Proposed NRFF Transaction and, subject to the approval of Shareholders, it intends to proceed with the implementation of the Proposed NRFF Transaction.
- 13.2 The Company had in the NRFF Announcement stated that it will be convening an extraordinary general meeting (“**EGM**”) to seek the approval of Shareholders for the Proposed NRFF Transaction. The Company will despatch the circular containing, *inter alia*, further information on the Proposed NRFF Transaction to Shareholders in due course.
- 13.3 Temasek intends to vote in favour of the Proposed NRFF Transaction at the EGM to be convened.

14. DISCLOSURES

- 14.1 **Company**

As at the Joint Announcement Date, the interests in Shares held by the directors of the Company are set out below:

Directors	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Koh Yong Guan	82,700	0.005	20,000 ⁽²⁾	0.001
Desmond Kuek Bak Chye	543,010	0.036	657,670 ⁽³⁾	N.A. ⁽⁴⁾
Patrick Ang Peng Koon	11,400	0.000	-	-
Lee Seow Hiang	-	-	-	-
Moliah Hashim	-	-	-	-
Bob Tan Beng Hai	22,500	0.001	-	-
Peter Tan Boon Heng	18,300	0.001	-	-
Tan Ek Kia	20,500	0.001	-	-
Yap Kim Wah	18,300	0.001	-	-
Yap Chee Meng	18,200	0.001	-	-

Notes:

- (1) All references to percentage shareholding of the issued share capital of the Company in this paragraph 14.1 of this Joint Announcement are based on the total issued Shares (excluding treasury shares) as at the date of this Joint Announcement.
- (2) Held by spouse of Mr Koh Yong Guan.
- (3) Mr Desmond Kuek Bak Chye is deemed to have an interest in 657,670 Shares pursuant to the grant of contingent awards to him under The SMRT Corporation Restricted Share Plan and The SMRT Corporation Performance Share Plan.
- (4) "N.A." means not applicable.

Save as disclosed in this Joint Announcement, no director or controlling Shareholder of the Company has any interest in the Scheme (other than by reason only of being a director or Shareholder of the Company).

14.2 Offeror

- (a) Based on the information available to the Offeror as at the Joint Announcement Date, save as set out in this Joint Announcement and Schedule 2, none of (i) the Offeror, (ii) Temasek (iii) the directors of the Offeror and Temasek and (iv) the Financial Adviser, ((i) to (iv), collectively, the "**Relevant Persons**") own, control or have agreed to acquire any (A) Shares, (B) securities which carry voting rights in the Company or (C) convertible securities, warrants, options or derivatives in respect of such Shares or securities which carry voting rights in the Company (collectively, the "**Company Securities**").
- (b) Save as disclosed in this Joint Announcement, none of the Relevant Persons, as at the Joint Announcement Date, in respect of the Company Securities which it owns or controls:

- (i) has received any irrevocable commitment from any person to vote in favour of the Scheme;
 - (ii) has entered into any arrangement (by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company which might be material to the Scheme; and/or
 - (iii) has (A) granted any security interest in respect of any Company Securities to another person, whether through a charge, pledge or otherwise; (B) borrowed any Company Securities from another person (excluding borrowed Company Securities which have been on-lent or sold); or (C) lent any Company Securities to another person.
- (c) In the interests of confidentiality, save for the Relevant Persons, the Offeror has not made enquiries prior to this Joint Announcement in respect of certain other parties who are or may be deemed to be acting in concert with the Offeror in connection with the Scheme. Similarly, in the interests of confidentiality, the Financial Adviser has not made any enquiries in respect of other members of its group. Further enquiries will be made of such persons subsequent to this Joint Announcement and the relevant disclosures will be made in due course and in the Scheme Document.

14.3 Disclosure of dealings

In accordance with the Code, the associates (as defined under the Code, and which includes all substantial shareholders) of the Company and the Offeror are hereby reminded to disclose their dealings in any securities of the Company and the Offeror under Rule 12 of the Code.

15. OVERSEAS SHAREHOLDERS

- 15.1 The applicability of the Scheme to persons not resident in Singapore (as shown in the register of the Company or, as the case may be, in the records of The Central Depository (Pte) Limited) (collectively, the “**Overseas Shareholders**”) may be affected by the laws of the relevant overseas jurisdiction. Accordingly, all Overseas Shareholders should keep themselves informed of, and observe, any applicable legal requirements, restrictions or prohibitions in their own jurisdiction.
- 15.2 Where there are potential restrictions on sending the Scheme Document to any overseas jurisdiction, the Offeror and the Company reserve the right not to send such documents to the Shareholders in such overseas jurisdiction. For the avoidance of doubt, the Scheme is being proposed to all Scheme Shareholders (including the Overseas Shareholders), including those to whom the Scheme Document will not be, or may not be, sent, provided that the Scheme Document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful and the Scheme is not being proposed in any jurisdiction in which the introduction or implementation of the Scheme would not be in compliance with the laws of such jurisdiction.
- 15.3 **Overseas Shareholders who are in doubt about their positions should consult their own professional advisers in the relevant jurisdictions.**
- 15.4 Further details in relation to Overseas Shareholders will be contained in the Scheme Document.

16. DOCUMENTS FOR INSPECTION

A copy of the Implementation Agreement will be made available for inspection during normal business hours at the registered office of the Company from the Joint Announcement Date up to the Effective Date.

17. RESPONSIBILITY STATEMENTS

17.1 The Company

The directors of the Company (including those who may have delegated detailed supervision of the preparation of this Joint Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Joint Announcement (excluding any information relating to the Offeror and/or Temasek or any opinion expressed by the Offeror) are fair and accurate and no material facts have been omitted from this Joint Announcement, the omission of which would make any statement in this Joint Announcement misleading, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted from published, publicly available sources or obtained from the Offeror and/or Temasek, the sole responsibility of the directors of the Company has been to ensure that, through reasonable enquiries, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Joint Announcement. The directors of the Company do not accept any responsibility for any information relating to or opinions expressed by the Offeror and/or Temasek.

17.2 The Offeror

The directors of the Offeror (including those who may have delegated detailed supervision of the preparation of this Joint Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Joint Announcement (excluding information relating to the Company or any opinion expressed by the Company) are fair and accurate and no material facts have been omitted from this Joint Announcement, the omission of which would make any statement in this Joint Announcement misleading, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted from published, publicly available sources or obtained from the Company, the sole responsibility of the directors of the Offeror has been to ensure that, through reasonable enquiries, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Joint Announcement. The directors of the Offeror do not accept any responsibility for any information relating to or opinions expressed by the Company.

20 July 2016

By order of the Board

By order of the Board

SMRT CORPORATION LTD

BELFORD INVESTMENTS PTE. LTD.

Forward-looking statements

All statements other than statements of historical facts included in this Joint Announcement are or may be forward-looking statements. Forward-looking statements include, but are not limited to, those using words such as “aim”, “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “intend”, “plan”, “project”, “seek”, “strategy” and similar expressions or future conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Offeror’s and/or the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently-available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those expressed or implied in such forward-looking statements. Given the risks and uncertainties that may cause actual results or outcomes to differ materially from those expressed or implied in such forward-looking statements, Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Offeror nor the Company guarantees any future performance or event or undertakes any obligation to update publicly or revise any forward-looking statements.

Schedule 1

Conditions

The Acquisition is conditional upon the following:

- (A) **Shareholders' Approval:** the approval of the Scheme by the Scheme Shareholders at the Scheme Meeting in compliance with the requirements under Section 210(3AB) of the Companies Act;
- (B) **Court Order:** the grant of the order of the Court ("**Court Order**") sanctioning the Scheme under Section 210 of the Companies Act and such Court Order having become final;
- (C) **ACRA Lodgement:** the lodgement of the Court Order with ACRA pursuant to Section 210(5) of the Companies Act;
- (D) **Regulatory Approvals:** the receipt of regulatory approvals relating to the transactions contemplated by the Implementation Agreement, as the Parties may agree are necessary to implement the Scheme and/or the Acquisition or to give effect to the provisions of the Implementation Agreement, including the following, prior to the Record Date, and such approvals not having been revoked or withdrawn on or before the Record Date:
 - (i) confirmation from the SIC that Rules 14, 15, 16, 17, 20.1, 21, 22, 28, 29 and 33.2 and Note 1(b) to Rule 19 of the Code shall not apply to the proposed Scheme, subject to any conditions the SIC may deem fit to impose;
 - (ii) confirmation from the SIC that it has no objections to the Conditions set out in this Schedule 1; and
 - (iii) the approval-in-principle from the SGX-ST for the Scheme Document and for the proposed delisting of the Company after the Scheme becomes effective and binding in accordance with its terms;
- (E) **Authorisations:** the receipt of all authorisations, consents, clearances, permissions, approvals and waivers as are necessary or required by either the Offeror or the Company from all third parties under the contracts entered into by Group, for or in respect of the implementation of the Scheme, including without limitation consents and/or waivers from the creditors and suppliers of the Group and such authorisations, consents, clearances, permissions, approvals and waivers not having been revoked or withdrawn on or before the Record Date;
- (F) **No Prescribed Occurrence in relation to the Company:** between the date of the Implementation Agreement and the Record Date (both dates inclusive), no Prescribed Occurrence in relation to any company in the Group ("**Group Company**") occurring;
- (G) **No Prescribed Occurrence in relation to the Offeror:** between the date of the Implementation Agreement and the Record Date (both dates inclusive), no Prescribed Occurrence in relation to the Offeror occurring;
- (H) **Company's Warranties and Covenants:**

- (i) the Company's representations, warranties, covenants and undertakings set out in schedule 3 to the Implementation Agreement:

- (a) which are qualified as to materiality being true and correct; and

- (b) which are not qualified as to materiality being true and correct in all material respects,

in each case as at the date of the Implementation Agreement and as at the Record Date as though made on and as at that date except to the extent any such representation, warranty, covenant or undertaking expressly relates to an earlier date (in which case as at such earlier date); and

- (ii) the Company shall have, as at the Record Date, performed and complied in all material respects with all of its covenants, undertakings and agreements contained in the Implementation Agreement which the Company is required to perform or comply with, on or prior to the Record Date;

(I) Offeror's Warranties and Covenants:

- (i) the Offeror's representations, warranties, covenants and undertakings set out in schedule 2 to the Implementation Agreement being true and correct in all material respects in each case as at the date of the Implementation Agreement and as at the Record Date as though made on and as at that date except to the extent any such representation, warranty, covenant or undertaking expressly relates to an earlier date (in which case as at such earlier date); and

- (ii) the Offeror shall have, as at the Record Date, performed and complied in all material respects with all of its covenants, undertakings and agreements contained in the Implementation Agreement which the Offeror is required to perform or comply with, on or prior to the Record Date; and

- (J) No Material Adverse Change:** Between the date of the Implementation Agreement and the Record Date (both dates inclusive), there having been no event which has caused a diminution (i) in the consolidated net tangible asset value of the Group by more than 15% as compared to the value in the audited consolidated financial statements of the Group and the Company for the financial year ended 31 March 2016; or (ii) in the revenue of the Group by more than 25% as compared to the value in the audited consolidated financial statements of the Group and the Company for the financial year ended 31 March 2016, in each case as reflected in the latest publicly released consolidated unaudited financial statements of the Group prior to the Record Date or the consolidated unaudited management accounts (prepared in accordance with generally accepted accounting principles in Singapore) as at the calendar month-end at least 15 Business Days prior to the Record Date and provided further that any diminution in consolidated net tangible asset value arising from the implementation of the NRFF shall not be taken into account.

Prescribed Occurrences

A “**Prescribed Occurrence**” as referred to in this Joint Announcement and defined in the Implementation Agreement, means, in relation to any Group Company, the occurrences set out in

paragraphs (1) to (17) below, and in relation to the Offeror, the occurrences set out in paragraphs (7) to (17) below:

- (1) **Conversion of Shares:** any Group Company converting all or any of its shares into a larger or smaller number of shares;
- (2) **Share Buy-back:** any Group Company entering into a share buy-back agreement or resolving to approve the terms of a share buy-back agreement under the Companies Act or the equivalent companies or securities legislation;
- (3) **Reduction of Share Capital:** any Group Company resolving to reduce its share capital in any way;
- (4) **Allotment of Shares:** any Group Company making an allotment of, or granting an option to subscribe for, any shares or securities convertible into shares or agreeing to make such an allotment or to grant such an option or convertible security other than pursuant to the vesting of awards (granted under the Restricted Share Plans and Performance Share Plans of the Company) outstanding as at the date of the Implementation Agreement;
- (5) **Issuance of Debt Securities:** any Group Company issuing, or agreeing to issue, convertible notes or other debt securities;
- (6) **Dividends:** any Group Company declaring, making or paying any dividends or any other form of distribution to its shareholders other than the payment of the FY2016 Final Dividend;
- (7) **Injunctions:** an injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Scheme and/or the Acquisition or any part thereof by either the Company or the Offeror;
- (8) **Resolution for Winding Up:** any Group Company or the Offeror resolving that it be wound up;
- (9) **Appointment of Liquidator and Judicial Manager:** the appointment of a liquidator, provisional liquidator, judicial manager, provisional judicial manager and/or other similar officer of any Group Company or the Offeror;
- (10) **Order of Court for Winding Up:** the making of an order by a court of competent jurisdiction for the winding up of any Group Company or the Offeror;
- (11) **Composition:** any Group Company or the Offeror entering into any arrangement or general assignment or composition for the benefit of its creditors generally;
- (12) **Appointment of Receiver:** the appointment of a receiver or a receiver and manager, in relation to the property or assets of any Group Company or the Offeror;
- (13) **Insolvency:** any Group Company or the Offeror becoming or being deemed by law or a court of competent jurisdiction to be insolvent or stops or suspends or defaults on or threatens to stop or suspend or default on payment of its debts of a material amount as they fall due;
- (14) **Cessation of Business:** any Group Company or the Offeror ceases or threatens to cease for any reason to carry on business in the ordinary and usual course;

- (15) **Breach of the Implementation Agreement:** the Company or the Offeror being in material breach of any of the provisions of the Implementation Agreement;
- (16) **Investigations and Proceedings:** any Group Company or the Offeror or any of their respective directors is or will be the subject of any governmental, quasi-governmental, criminal, regulatory or stock exchange investigation and/or proceeding; or
- (17) **Analogous Event:** any event occurs which, under the laws of any jurisdiction, has an analogous or equivalent effect to any of the foregoing event(s).

Schedule 2

Disclosure of interests by the Relevant Persons

No.	Name	Type of Company Securities	Number of Company Securities	Percentage of total number of Company Securities (%) ⁽¹⁾
1.	Temasek Holdings (Private) Limited	Shares	824,400,030	54.01

Notes

(1) Rounded to the nearest two decimal places.

Schedule 3

Extracts from the Company's NRFF Announcement

Earnings (before interest and tax) ("EBIT") margin under the NRFF Licence

3.13 LTA has stated in its press release on 15 July 2016 entitled "SMRT Trains and SMRT Light Rail to Transit to New Rail Financing Framework: More Timely Capacity Expansion, Asset Replacement and Upgrade; New Maintenance Performance Standards to Improve Train Reliability" that the licence charge under the NRFF Licence, which comprises fixed and variable components, has been structured by LTA to allow SMRT Trains to achieve a composite (fare and non-fare) EBIT margin of about 5%, similar to the margins of comparable asset-light rail operators in other jurisdictions. However, **Shareholders should note that there is no certainty that SMRT Trains will earn an EBIT margin of about 5% under the NRFF Licence.** The licence charge structure provides a revenue shortfall sharing, and a profit sharing mechanism based on a tiered EBIT cap starting at 5% and an EBIT collar at 3.5%. Any EBIT deviations beyond the cap and collar would be shared with LTA, with LTA's sharing of downside risks limited to the licence charge payable for the financial year. The eventual profitability of SMRT Trains will be dependent on several factors. The circular to Shareholders referred to in paragraph 11 will highlight some of the key risk factors that are likely to, will or may affect the actual EBIT margin of SMRT Trains. Table B of the Appendix to this announcement sets out a sensitivity analysis of the impact of fluctuations in fare revenue and costs to the EBIT margin for FY2016 of SMRT Trains for illustrative purposes. As an illustration:

- assuming the total fare revenue of SMRT Trains remains the same as the total fare revenue of SMRT Trains for FY2016, and operating expenses (i.e. net of other operating income) of SMRT Trains were to vary between -10% and +10%, SMRT Trains' EBIT margin for FY2016 would range between 5.7% and 2.3% respectively;
- assuming that the operating expenses (i.e. net of other operating income) of SMRT Trains continues to grow at the historical compounded annual growth rate (CAGR) for the last five financial years (i.e. FY2012 to FY2016) of 8.1%, and total fare revenue of SMRT Trains were to vary between 0% and -2%, SMRT Trains' EBIT margin for FY2016 would range between 3.1% and 2.3% respectively.

In addition, to illustrate the impact on SMRT Trains if SMRT Trains were to remain under the CRFF and incur the additional depreciation charges for the capital expenditure obligations of about S\$2.8 billion (see paragraph 3.11) under the CRFF, Table A of the Appendix to this announcement sets out a sensitivity analysis of the impact of fluctuations in fare revenue and costs (including the depreciation charges) to the EBIT margin for FY2016 of SMRT Trains for illustrative purposes.

APPENDIX TO THE NRFF ANNOUNCEMENT

SENSITIVITY ANALYSIS ON EBIT MARGIN FOR FY2016 FOR ILLUSTRATIVE PURPOSES

The following sensitivity analyses are purely hypothetical and provided solely to **illustrate the EBIT margins that SMRT Trains would have achieved in FY2016, were it to continue under the CRFF and bear the depreciation charges for capital expenditure obligations of S\$2.8 billion** (see

paragraph 3.11) (Table A), and were it to have performed within the ordinary course of its business under the NRFF (Table B).

As mentioned in paragraph 3.13, the EBIT margin of SMRT Trains is dependent on several factors, many of which are outside the control of SMRT Trains and/or which SMRT Trains is unable to project or predict with any certainty. These include (among others) what the PTC will decide in relation to future fare adjustments and the impact on ridership of the new lines in the network.

It should be noted that the analyses performed in Table A and Table B below do not in any way constitute any form of profit guidance or forecast or forward statement by SMRT Trains of its future EBIT margin.

Shareholders should also note that the revenue share charge assumed in Table B below is not fixed for the term of the NRFF Licence.

TABLE A

Table A illustrates the impact on EBIT margins that SMRT Trains would have achieved based on its financial performance in FY2016 if SMRT Trains were to continue under the CRFF and had to incur the additional depreciation charges for capital expenditure obligations of S\$2.8 billion (see paragraph 3.11) under the CRFF. Assuming a useful life of 30 years for these assets, such capital expenditure could lead to additional depreciation charges of up to approximately S\$90 million per annum.

Table A illustrates that should total revenue remain at the level applicable in FY2016 and operating expenses fluctuate between -10% and +10%, SMRT Trains' EBIT margin would have varied between 8.0% and -6.6%.

		Variation on Operating Expenses of SMRT Trains (Net of Other Operating Income (OOI) of SMRT Trains)				
		-10%	-5%	0%	+5%	+10%
Variation On Fare Revenue of SMRT Trains	+5%	12.4%	8.9%	5.4%	1.9%	-1.6%
	+2%	9.8%	6.2%	2.7%	-0.9%	-4.5%
	0%	8.0%	4.4%	0.7%	-3.0%	-6.6%
	-2%	6.2%	2.4%	-1.3%	-5.1%	-8.8%
	-5%	3.2%	-0.7%	-4.5%	-8.4%	-12.2%

Key Assumptions:

- i. Actual FY2016 Revenue and Operating Expenses used for illustration purposes
- ii. Additional S\$90 million depreciation cost included in Operating Expenses, assuming that new assets of S\$2.8 billion in value have been acquired and they have useful lives of 30 years

TABLE B

Table B illustrates the EBIT margins that SMRT Trains would have achieved based on its financial performance in FY2016 under the terms of the NRFF Licence. Sensitivity analysis has also been performed to provide the theoretical impact on the EBIT margin if SMRT Trains were to have achieved higher or lower fare revenue or incurred higher or lower operating expenses in FY2016.

		Variation on Operating Expenses of SMRT Trains (Net of Other Operating Income (OOI) of SMRT Trains)				
		-10%	-5%	0%	+5%	+10%
Variation On Fare Revenue of SMRT Trains	+5%	5.9%	5.7%	5.5%	5.3%	4.7%
	+2%	5.8%	5.6%	5.4%	5.2%	3.0%
	0%	5.7%	5.5%	5.3%	5.0%	2.3%
	-2%	5.7%	5.4%	5.2%	3.7%	1.6%
	-5%	5.0%	5.0%	5.0%	3.0%	0.9%

Key Assumptions:

- i. Actual FY2016 Revenue and Operating Expenses adjusted for NRFF depreciation used for illustration purposes
- ii. NRFF revenue collar has been computed based on FY2016 Revenue as the Target Revenue stated in the NRFF Licence
- iii. NRFF revenue share charge of 10%

The ability to achieve an EBIT margin of about 5% is subject to the following factors: (a) SMRT Trains continuing to improve operational productivity to offset increases in operating expenses; (b) SMRT Trains meeting the KPIs, OPS and MPS prescribed under the NRFF Licence thereby not incurring any financial penalties for failure to do so; (c) LTA, while exercising its discretion, duly compensates SMRT Trains by way of grant(s) for the additional costs or reduced revenue that SMRT Trains will incur or suffer arising in the event of any changes made by LTA to the KPIs, OPS, MPS, codes of practice and other events; and (d) PTC adjusting fares in accordance with the fare adjustment formula (see paragraph 3.6).

Schedule 4

The illustrative range of SMRT Trains' composite (fare and non-fare) EBIT margins as derived from the Company's sensitivity analysis in the Appendix of the NRFF Announcement is reproduced in Table C below.

Table C: Illustrative range of SMRT Trains' composite (fare and non-fare) EBIT margins⁵

		Variation on Operating Expenses of SMRT Trains (Net Other Operating Income (OOI) of SMRT Trains)				
		-10%	-5%	0%	+5%	+10%
Variation on Fare Revenue of SMRT Trains	+5%	5.9%	5.7%	5.5%	5.3%	4.7%
	+2%	5.8%	5.6%	5.4%	5.2%	3.0%
	0%	5.7%	5.5%	5.3%	5.0%	2.3%
	-2%	5.7%	5.4%	5.2%	3.7%	1.6%
	-5%	5.0%	5.0%	5.0%	3.0%	0.9%

The illustrative range of the Company's FY2016 PATMI under the NRFF assumptions, based on the range of SMRT Trains' composite (fare and non-fare) EBIT margins, is presented in Table D below.

Table D: Illustrative range of the Company's FY2016 PATMI under the NRFF assumptions (in S\$ millions)⁶

		Variation on Operating Expenses of SMRT Trains (Net Other Operating Income (OOI) of SMRT Trains)				
		-10%	-5%	0%	+5%	+10%
Variation on Fare Revenue of SMRT Trains	+5%	75.2	73.8	72.4	71.1	66.8
	+2%	73.6	72.2	70.9	69.5	54.8
	0%	72.5	71.2	69.8	67.9	49.5
	-2%	71.5	70.1	68.7	58.6	44.2
	-5%	66.3	66.3	66.3	53.6	39.9
Notes The calculation of the illustrative resultant range of the Company's FY2016 PATMI under the NRFF assumptions also						

⁵ These are purely illustrative and do not nor are they intended to in any way constitute any form of profit guidance, forecast or estimate.

⁶ These are purely illustrative and do not nor are they intended to in any way constitute any form of profit guidance, forecast or estimate.

assumes:

- (i) Part of net proceeds from the sale of assets to LTA is used to retire part of the Company's existing debt, with a resultant reduction in interest expense;
- (ii) Tax expenses based on tax rate of 17%;
- (iii) Adjustment to exclude SMRT Trains Net Property Tax Refund of S\$19.0 million, relating to prior years' over assessment