

SMRT CORPORATION LTD

(Company Registration No: 200001855H)

Results for the First Quarter ended 30 June 2016

The Directors of SMRT Corporation Ltd wish to announce the unaudited results of the Group for the first quarter ended 30 June 2016 ("1Q FY2017").

1(a)(i) CONSOLIDATED INCOME STATEMENT

	The Group		
	Apr - Jun	Apr - Jun	Increase/
	2016	2015	(Decrease)
	\$'000	\$'000	%
Revenue	313,850	320,304	(2.0)
Other operating income	19,674	16,286	20.8
	333,524	336,590	(0.9)
Staff costs	(138,579)	(128,949)	7.5
Depreciation of property, plant and equipment	(52,093)	(53,535)	(2.7)
Amortisation of asset-related grants	1,843	2,453	(24.9)
Repairs and maintenance costs	(37,966)	(33,775)	12.4
Electricity and diesel costs	(29,834)	(34,571)	(13.7)
Other operating expenses	(54,825)	(60,531)	(9.4)
	(311,454)	(308,908)	0.8
Profit from operations	22,070	27,682	(20.3)
Finance costs	(3,160)	(3,134)	0.8
Interest and investment income	346	422	(18.0)
Share of results of associates and joint ventures (net of tax)	297	732	(59.4)
	19,553	25,702	(23.9)
Profit before income tax	(4,291)	(5,534)	(22.5)
Income tax expense			
Profit after taxation	15,262	20,168	(24.3)
Attributable to:			
Equity holders of SMRT	15,531	20,132	(22.9)
Non-controlling interest	(269)	36	(847.2)
Profit for the period	15,262	20,168	(24.3)

	The Group		
	Apr - Jun	Apr - Jun	Increase/
	2016	2015	(Decrease)
			%
EBITDA (\$'000)	72,320	78,764	(8.2)
EBITDA margin	23.0%	24.6%	(1.6)
EBIT margin	7.0%	8.6%	(1.6)
PAT margin	4.9%	6.3%	(1.4)
Interest coverage (x)	22.9	25.1	(8.9)
Earnings Per Share (EPS) (cents)			
- basic	1.02	1.32	(22.9)
- diluted	1.02	1.32	(22.7)
Economic Value Added (EVA) (\$'000)	(134)	5,427	(102.5)
Return On Equity (ROE)	6.7%	9.3%	(2.6)

1(a)(ii) Included in the determination of net profit are the following items:-

	The Group	
	Apr - Jun	Apr - Jun
	2016	2015
	\$'000	\$'000
<i>After Charging/(Crediting) :-</i>		
- Impairment losses made for receivables	422	285
- Allowance for obsolete inventories	161	119
- Inventory written off	3	137
- Foreign exchange (gain)/loss	(27)	788
- Loss/(Gain) on disposal of property, plant and equipment	456	(412)
- Property, plant and equipment (written back)/written off	(3)	635
- (Over)/Under provision of tax in respect of prior years	(1)	22

1(b) EARNINGS PER ORDINARY SHARE

	The Group		
	Apr - Jun	Apr - Jun	Increase/ (Decrease)
	2016	2015	
Earnings per ordinary share (cents)*:-			
(a) Basic	1.02	1.32	(22.9)
- Weighted average number of shares for basic EPS ('000)	1,523,852	1,522,138	
(b) Fully Diluted	1.02	1.32	(22.7)
- Weighted average number of shares for diluted EPS ('000)	1,529,502	1,526,315	

* To the nearest 0.01 cent

1(c)(i) BALANCE SHEETS

Notes	The Group		The Company	
	As at	As at	As at	As at
	30 Jun 2016	31 Mar 2016	30 Jun 2016	31 Mar 2016
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	2,108,435	2,130,729	22,136	21,174
Intangible asset	13,614	13,614	-	-
Investments in subsidiaries	-	-	331,823	325,823
Interests in associates and joint ventures	47,450	52,018	-	-
Other investments	18,576	19,152	-	-
	<u>2,188,075</u>	<u>2,215,513</u>	<u>353,959</u>	<u>346,997</u>
Current assets				
Inventories	79,965	80,081	-	-
Trade and other receivables	215,020	192,199	53,080	54,983
Fixed deposits with banks and financial institutions	37,375	81,338	-	-
Cash at banks and in hand	97,868	150,891	4,764	7,045
	<u>430,228</u>	<u>504,509</u>	<u>57,844</u>	<u>62,028</u>
Total assets	(a) <u>2,618,303</u>	<u>2,720,022</u>	<u>411,803</u>	<u>409,025</u>
Equity attributable to equity holders of SMRT				
Share capital	171,571	171,571	171,571	171,571
Reserves	2,592	3,282	5,493	4,420
Accumulated profits	756,582	741,051	174,129	173,755
	<u>930,745</u>	<u>915,904</u>	<u>351,193</u>	<u>349,746</u>
Non-controlling interest	(1,926)	(1,657)	-	-
Total equity	<u>928,819</u>	<u>914,247</u>	<u>351,193</u>	<u>349,746</u>
Non-current liabilities				
Interest-bearing borrowings	750,000	750,000	-	-
Provisions	25	30	-	-
Deferred tax liabilities	202,984	199,940	2,691	2,363
Fuel equalisation account	20,312	20,312	-	-
Deferred grants	33,455	34,616	-	-
	<u>1,006,776</u>	<u>1,004,898</u>	<u>2,691</u>	<u>2,363</u>
Current liabilities				
Interest-bearing borrowings	5,549	71,169	-	-
Trade and other payables	614,489	667,750	57,094	56,107
Provisions	61,692	61,958	825	809
Current tax payable	978	-	-	-
	<u>682,708</u>	<u>800,877</u>	<u>57,919</u>	<u>56,916</u>
Total liabilities	(b) <u>1,689,484</u>	<u>1,805,775</u>	<u>60,610</u>	<u>59,279</u>
Total equity and liabilities	<u>2,618,303</u>	<u>2,720,022</u>	<u>411,803</u>	<u>409,025</u>

Notes to Balance Sheets:

- (a) Total assets decreased by \$101.7 million (3.7%) due mainly to lower cash and cash equivalents (\$97.0 million) and property, plant and equipment (\$22.3 million), partially offset by higher trade and other receivables (\$22.8 million).

Property, plant and equipment decreased due mainly to the sale of 175 buses acquired under the Bus Service Enhancement Programme (“BSEP”) to the Land Transport Authority (“LTA”) partially offset by addition of rail operating assets, trains, buses and taxis.

Higher trade and other receivables was due mainly to higher prepayments and BSEP operating grant receivable from LTA.

- (b) Total liabilities decreased by \$116.3 million (6.4%) due mainly to lower borrowings (\$65.6 million) and trade and other payables (\$53.3 million), partially offset by higher tax liabilities (\$4.0 million).

Lower borrowings was due to repayment of secured fixed rate loan for the buses acquired under BSEP, in conjunction with the sale of the 175 buses.

Trade and other payables decreased due mainly to lower accruals for operating expenses.

As at 30 June 2016, the Group was in a net current liabilities position of \$252.5 million. Included in the current liabilities were provisions of \$61.7 million and deposits from commercial tenants of \$37.8 million. Given their nature, these two current liabilities items are not expected to result in significant cash outflow by the Group within the next 12 months. Also included under trade and other payables, were balances relating to 29 trains acquired to improve train services and meet new operating reliability standards. The Group has sufficient undrawn bank financing facilities as well as multicurrency medium term note programme to meet commitments as and when they fall due.

1(c)(ii) GROUP'S BORROWINGS

	As at 30 Jun 2016 \$'000	As at 31 Mar 2016 \$'000
<u>Amount repayable in one year or less, or on demand</u>		
Secured SGD fixed rate loan - at 6.0% per annum	1,499	67,119
Unsecured SGD fixed rate loan - at 4.0% per annum	4,050	4,050
	<u>5,549</u>	<u>71,169</u>
<u>Amount repayable after one year</u>		
Unsecured quoted SGD fixed rate notes - at 1.2% per annum due October 2017	350,000	350,000
Unsecured quoted SGD fixed rate notes - at 2.363% per annum due October 2022	100,000	100,000
Unsecured quoted SGD fixed rate notes - at 3.072% per annum due June 2024	100,000	100,000
Unsecured quoted SGD fixed rate notes - at 1.388% per annum due October 2017	200,000	200,000
Total unsecured borrowings	750,000	750,000
	<u>750,000</u>	<u>750,000</u>
Total	<u>755,549</u>	<u>821,169</u>

Details of any collaterals

The secured SGD fixed rate loan is secured (in favour of LTA) over the buses acquired under the BSEP.

Net Gearing

	The Group	
	As at 30 Jun 2016	As at 31 Mar 2016
Net gearing	0.67	0.64

1(c)(iii) NET ASSET VALUE AND NET TANGIBLE ASSET PER ORDINARY SHARE

	The Group		The Company	
	As at 30 Jun 2016	As at 31 Mar 2016	As at 30 Jun 2016	As at 31 Mar 2016
Net asset value per ordinary share (cents)	61.08	60.10	23.05	22.95
Net tangible asset per ordinary share ¹ (cents)	60.19	59.21	23.05	22.95
Number of shares at end of period (excluding treasury shares) ² ('000)	<u>1,523,852</u>	<u>1,523,852</u>	<u>1,523,852</u>	<u>1,523,852</u>

¹ *Net tangible asset = net assets less intangible asset.*

² *Treasury shares - nil.*

1(d) CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group	
	Apr - Jun	Apr - Jun
Notes	2016	2015
	\$'000	\$'000
Operating activities		
Profit before income tax	19,553	25,702
<i>Adjustments for:</i>		
Amortisation of asset-related grants	(1,843)	(2,453)
Depreciation of property, plant and equipment	52,093	53,535
Dividend income	-	(155)
Grant released upon disposal/write-off of property, plant and equipment	(9)	(203)
Interest expense	3,160	3,134
Interest income	(346)	(267)
Loss/(gain) on disposal of property, plant and equipment	456	(412)
Property, plant and equipment (written back)/written off	(3)	635
Provisions made	4,005	4,656
Share-based payment expenses	1,073	1,079
Share of results of associates and joint ventures (net of tax)	(297)	(732)
Grants	(13,024)	(10,024)
	<u>64,818</u>	<u>74,495</u>
<i>Changes in working capital:</i>		
Inventories	116	(2,347)
Trade and other receivables	(8,364)	6,180
Trade and other payables	(57,955)	(30,990)
Cash generated from operations	<u>(1,385)</u>	<u>47,338</u>
Income taxes paid	-	(562)
Interest paid	(6,223)	(6,188)
Cash flows from operating activities	(a) <u>(7,608)</u>	<u>40,588</u>
Investing activities		
Dividends received	-	4,899
Interest received	264	193
Loan to joint venture	-	(1,000)
Purchase of property, plant and equipment	(96,902)	(82,072)
Proceeds from disposal of:		
- property, plant and equipment	66,423	917
Cash flows from investing activities	(b) <u>(30,215)</u>	<u>(77,063)</u>
Financing activities		
Repayment of financial liabilities	(66,342)	-
Proceeds from borrowings	1,531	7,097
Grants received	5,655	4,503
Cash flows from financing activities	(c) <u>(59,156)</u>	<u>11,600</u>
Net change in cash and cash equivalents	(d) (96,979)	(24,875)
Cash and cash equivalents at beginning of the period	232,229	156,117
Effect of exchange rate fluctuations on cash held	(7)	(209)
Cash and cash equivalents at end of the period	<u>135,243</u>	<u>131,033</u>
<u>Cash and cash equivalents at end of the period comprise:</u>		
Fixed deposits with banks and financial institutions	37,375	9,158
Cash at banks and in hand	97,868	121,875
	<u>135,243</u>	<u>131,033</u>

Notes to Consolidated Statement of Cash Flows:

- (a) Net cash outflow from operating activities of \$7.6 million for 1Q FY2017 compared to net cash inflow of \$40.6 million for 1Q FY2016, due mainly to higher working capital cash outflow and lower profitability.
- (b) Net cash outflow from investing activities of \$30.2 million for 1Q FY2017 was lower compared to \$77.1 million for 1Q FY2016, due mainly to higher proceeds from disposal of property, plant and equipment partially offset by higher payment for purchase of property, plant and equipment and absence of dividends received.
- (c) Net cash outflow from financing activities of \$59.2 million for 1Q FY2017 compared to net cash inflow of \$11.6 million for 1Q FY2016, due mainly to repayment of financial liabilities and lower BSEP borrowings.
- (d) Net decrease in cash and cash equivalents of \$97.0 million in 1Q FY2017 was higher compared to 1Q FY2016, due to financing and operating cash outflow compared to inflows in previous corresponding period partially offset by lower investing cash outflow.

1(e) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	The Group	
	Apr - Jun	Apr - Jun
	2016	2015
	\$'000	\$'000
Profit for the period	15,262	20,168
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to the income statement:		
Change in fair value of available-for-sale financial assets, net of tax	(567)	(206)
Effective portion of changes in fair value of cash flow hedge, net of tax	518	1,191
Change in fair value of cash flow hedge transferred to the income statement, net of tax	(194)	(401)
Currency translation differences arising from consolidation	(1,520)	(1,773)
Other comprehensive income/(loss) for the period, net of tax	(1,763)	(1,189)
Total comprehensive income for the period	13,499	18,979
Attributable to:		
Equity holders of SMRT	13,768	18,943
Non-controlling interest	(269)	36
	13,499	18,979

1(f)(i) STATEMENTS OF CHANGES IN EQUITY

The Group

	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Fair Value Reserve \$'000	Hedge Reserve \$'000	Share-based Payment Reserve \$'000	Accumulated Profits \$'000	Total Attributable to Equity Holders of SMRT \$'000	Non-Controlling Interest \$'000	Total Equity \$'000
At 1 Apr 2016	171,571	(39)	(978)	(121)	4,420	741,051	915,904	(1,657)	914,247
Total comprehensive income/(loss) for the period									
Profit/(Loss) for the period	-	-	-	-	-	15,531	15,531	(269)	15,262
Other comprehensive income/(loss), net of tax *	-	(1,520)	(567)	324	-	-	(1,763)	-	(1,763)
Total comprehensive income/(loss)	-	(1,520)	(567)	324	-	15,531	13,768	(269)	13,499
Transactions with owners of the Company, recorded directly in equity									
Value of employee services received for share-based payment	-	-	-	-	1,073	-	1,073	-	1,073
Total transactions with owners	-	-	-	-	1,073	-	1,073	-	1,073
At 30 Jun 2016	171,571	(1,559)	(1,545)	203	5,493	756,582	930,745	(1,926)	928,819
	Share Capital \$'000	Foreign Currency Translation Reserve \$'000	Fair Value Reserve \$'000	Hedge Reserve \$'000	Share-based Payment Reserve \$'000	Accumulated Profits \$'000	Total Attributable to Equity Holders of SMRT \$'000	Non-Controlling Interest \$'000	Total Equity \$'000
At 1 Apr 2015	169,143	6,125	465	(630)	3,185	681,228	859,516	(638)	858,878
Total comprehensive income/(loss) for the period									
Profit/(Loss) for the period	-	-	-	-	-	20,132	20,132	36	20,168
Other comprehensive income/(loss), net of tax *	-	(1,773)	(206)	790	-	-	(1,189)	-	(1,189)
Total comprehensive income/(loss)	-	(1,773)	(206)	790	-	20,132	18,943	36	18,979
Transactions with owners of the Company, recorded directly in equity									
Value of employee services received for share-based payment	-	-	-	-	1,079	-	1,079	-	1,079
Total transactions with owners	-	-	-	-	1,079	-	1,079	-	1,079
At 30 Jun 2015	169,143	4,352	259	160	4,264	701,360	879,538	(602)	878,936

* Details of other comprehensive income/(loss) have been included in the Consolidated Statement of Comprehensive Income.

1(f)(i) STATEMENTS OF CHANGES IN EQUITY (cont'd)

The Company

	Share Capital \$'000	Share-based Payment Reserve \$'000	Accumulated Profits \$'000	Total Equity \$'000
At 1 Apr 2016	171,571	4,420	173,755	349,746
Total comprehensive income/(loss) for the period				
Profit for the period	-	-	374	374
Transactions with owners, recorded directly in equity				
Value of employee services received for share-based payment	-	1,073	-	1,073
Total transactions with owners	-	1,073	-	1,073
At 30 Jun 2016	171,571	5,493	174,129	351,193

	Share Capital \$'000	Share-based Payment Reserve \$'000	Accumulated Profits \$'000	Total Equity \$'000
At 1 Apr 2015	169,143	3,185	215,177	387,505
Total comprehensive income/(loss) for the period				
Profit for the period	-	-	677	677
Transactions with owners, recorded directly in equity				
Value of employee services received for share-based payment	-	1,079	-	1,079
Total transactions with owners	-	1,079	-	1,079
At 30 Jun 2015	169,143	4,264	215,854	389,261

- 1(f)(ii)** As at 30 June 2016, the total number of issued shares excluding treasury shares of the Company was 1,523,851,896 (31 March 2016: 1,523,851,896).

The Company did not hold any treasury shares in 1Q FY2017 and as at 30 June 2016 (30 June 2015: Nil).

As at 30 June 2016, the number of outstanding conditional shares awarded under the SMRT Corporation Restricted Share Plan (“SMRT RSP”) and SMRT Corporation Performance Share Plan (“SMRT PSP”) was 5,650,227 (30 June 2015: 4,177,392).

2. AUDIT

Certain of the financial information of the Group set out in this announcement has been extracted from the interim financial statement prepared in accordance with Singapore Financial Reporting Standard 34, Interim Financial Reporting, and reviewed in accordance with Singapore Standard on Review Engagements 2410, Review of Interim Financial Information Performance by the Independent Auditor of the Entity. Please refer to the attached Independent Auditor’s Report.

3. ACCOUNTING POLICIES

Except as disclosed below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current period compared with the audited financial statements as at 31 March 2016.

The Group has adopted the following new or revised Financial Reporting Standards (“FRS”) that are effective for the Group’s annual periods beginning on or after 1 April 2016. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

- FRS 114 Regulatory Deferral Accounts
- Amendments to:
 - FRS 27 Separate Financial Statements (Equity method in separate financial statements)
 - FRS 16 Property, Plant and Equipment and FRS 38 Intangible Assets (Clarification of acceptable methods of depreciation and amortisation)
 - FRS 16 Property, Plant and Equipment and FRS 41 (Agriculture: Bearer Plants)
 - FRS 111 Joint Arrangements (Accounting for acquisitions of interests in joint operations)
 - FRS 110 Consolidated Financial Statements and FRS 28 Investments in associates and joint ventures (Sale or contribution of assets between an investor and its associate or joint venture)
 - FRS 1 Presentation of Financial Statements (Disclosure initiative)
 - FRS 110 Consolidated Financial Statements and FRS 28 Investments in associates and joint ventures (Investment entities: Applying the consolidation exception)
- Annual improvements 2014 (effective for annual periods commencing on or after 1 January 2016)
 - FRS 105 Non-Current Assets Held For Sale and Discontinued Operations (Methods of Disposal)
 - FRS 34 Interim Financial Reporting (Information disclosed elsewhere in the interim financial statements)
 - FRS 107 Financial Instruments: Disclosures (Servicing contracts and interim financial statements)
 - FRS 19 Employee Benefits (Determining the discount rates for post-employment benefit obligations)

The adoption of the above FRSs does not have any significant impact on the financial statements of the Group.

4. **REVIEW OF GROUP PERFORMANCE (1Q FY2017 AGAINST PREVIOUS CORRESPONDING PERIOD)**

4.1 **Overview**

Group **revenue** decreased by \$6.5 million (2.0%) in 1Q FY2017 compared to 1Q FY2016.

The Group's **Rail** operations (Train and LRT) reported a higher operating loss of \$9.4 million in 1Q FY2017 compared to \$5.3 million recorded in 1Q FY2016.

The Group's **Non-Rail** business registered an operating profit of \$29.0 million in 1Q FY2017, \$4.1 million (12.3%) lower compared to 1Q FY2016 due largely to lower operating profits recorded in Bus and Taxi segments.

As a result, Group **operating profit** decreased by \$5.6 million (20.3%) in 1Q FY2017 compared to 1Q FY2016.

Group **profit attributable to equity holders of SMRT** was \$15.5 million in 1Q FY2017, which was \$4.6 million (22.9%) lower than that of 1Q FY2016.

4.2 **Explanatory notes to Consolidated Income Statement**

Other operating income increased by \$3.4 million (20.8%) in 1Q FY2017 due mainly to higher grants and maintenance income.

Staff costs increased by \$9.6 million (7.5%) in 1Q FY2017 due mainly to higher headcount engaged in Rail and Bus operations to support a larger train and bus fleet as well as to meet heightened operational requirements.

Depreciation was lower by \$1.4 million (2.7%) in 1Q FY2017 due mainly to fully depreciated assets in Train operations.

Repairs and maintenance costs increased by \$4.2 million (12.4%) in 1Q FY2017 due mainly to the rigorous maintenance regime in Train and LRT operations in view of the ageing systems and more trains undergoing scheduled overhaul, a larger bus fleet as well as maintenance work in line with the taxi life cycle.

Electricity and diesel costs decreased by \$4.7 million (13.7%) in 1Q FY2017 due mainly to lower diesel cost and electricity tariff, partially offset by higher consumption arising from a larger train and bus fleet, and increased train runs.

Other operating expenses decreased by \$5.7 million (9.4%) in 1Q FY2017 due mainly to absence of contribution to the Public Transport Fund ("PTF"), lower property tax expense and cost of diesel sold to taxi hirers.

Share of results of associates and joint ventures relate to the 49% share of results of Shenzhen Zona, and 50% share of results of joint venture companies, Hailo Singapore, Railise and Faiveley Rail Engineering Singapore. Contribution from associates and joint ventures was lower for 1QFY2017 due mainly to lower contribution from Shenzhen Zona.

5. **REVIEW OF SEGMENT PERFORMANCE (1Q FY2017 AGAINST PREVIOUS CORRESPONDING PERIOD)**

A segmental breakdown by business is provided under note 9.

	First Quarter		Increase / (Decrease) %
	1Q FY2017 \$'000	1Q FY2016 \$'000	
<u>Rail business</u>			
Revenue	166,827	170,208	(2.0)
Operating loss	(9,359)	(5,293)	(76.8)
<u>Train operations</u>			
Revenue	163,942	167,586	(2.2)
Operating loss	(7,744)	(3,686)	(110.1)
<u>LRT operations</u>			
Revenue	2,885	2,622	10.0
Operating loss	(1,615)	(1,607)	(0.5)
<u>Non-Rail business</u>			
Revenue	147,023	150,096	(2.0)
Operating profit	28,970	33,022	(12.3)
<u>Bus operations</u>			
Revenue	58,648	61,372	(4.4)
Operating profit	202	1,474	(86.3)
<u>Taxi operations</u>			
Revenue	35,183	37,842	(7.0)
Operating profit	4,513	5,496	(17.9)
<u>Rental</u> ³			
Revenue	32,449	32,886	(1.3)
- Rail	26,027	26,120	(0.4)
- Others	6,422	6,766	(5.1)
Operating profit	20,604	21,115	(2.4)
<u>Advertising</u> ⁴			
Revenue	8,826	8,769	0.7
Operating profit	4,907	4,893	0.3
<u>Engineering Services</u>			
Revenue	3,875	2,389	62.2
Operating loss	(2,688)	(498)	(439.8)
<u>Other Services</u>			
Revenue	8,042	6,838	17.6
Operating profit	1,432	542	164.2
<u>Investment holding & Support Services /</u>			
<u>Consolidation elimination & adjustments</u>			
Revenue	-	-	n.m.
Operating profit/(loss)	2,459	(47)	5,331.9
<u>Total</u>			
Revenue	313,850	320,304	(2.0)
Profit from operations	22,070	27,682	(20.3)

³ Rental – operating profit comprises EBIT attributed to Transit-oriented Rental business, and Other Property and Retail Management businesses.

⁴ Advertising – operating profit comprises EBIT attributed to Transit-oriented Advertising business, and Other Media and Advertising businesses.

Revenue from **Train operations** decreased by \$3.6 million (2.2%) in 1Q FY2017 due to lower average fare resulting from the 1.9% fare reduction effected in December 2015 and cannibalisation impact of Downtown Line 2 partially offset by higher ridership. Train operations recorded an operating loss of \$7.7 million in 1Q FY2017 compared to an operating loss of \$3.7 million in 1Q FY2016 due mainly to lower revenue, higher staff costs and repairs and maintenance related expenditure partially offset by absence of contribution to PTF, lower electricity, depreciation and property tax.

LRT operations recorded a higher revenue of \$0.3 million (10.0%) in 1Q FY2017 due to higher ridership partially offset by lower average fare. LRT operations registered an operating loss of \$1.6 million, flat compared to 1Q FY2016.

Revenue from **Bus operations** decreased by \$2.7 million (4.4%) in 1Q FY2017 due to lower average fare from the 1.9% fare reduction and cannibalisation impact of Downtown Line 2 operations partially offset by higher ridership. Bus operations posted a lower operating profit of \$1.3 million (86.3%) in 1Q FY2017 mainly attributable to higher staff costs and lower revenue, which were partially offset by higher training grants and lower diesel costs.

In 1Q FY2017, **Taxi** revenue decreased by \$2.7 million (7.0%) due mainly to a smaller hired-out fleet. Operating profit decreased by \$1.0 million (17.9%) due mainly to lower revenue, higher repairs and maintenance and depreciation, partially offset by lower accident claim expense and lower special tax on diesel vehicles arising from replacement of diesel taxis with hybrid taxis.

Engineering Services revenue increased by \$1.5 million (62.2%) in 1Q FY2017 due mainly to higher consultancy revenue. Higher operating loss of \$2.7 million was recorded in 1Q FY2017 due mainly to Singapore Rail Engineering's provision for costs associated with the suspension of works relating to the end-of-life refurbishment of trains pending decision by the authorities.

Revenue of **Other Services** increased by \$1.2 million (17.6%) in 1Q FY2017 primarily from higher charter revenue and external fleet maintenance. As a result, operating profit increased by \$0.9 million (164.2%) in 1Q FY2017.

6. REVIEW OF PROSPECTS STATEMENT

The results for 1Q FY2017 are consistent with the prospects statement issued during the announcement of the 4Q FY2016 results.

7. PROSPECTS

SMRT Corporation Ltd (“SMRT”) announced on 15 July 2016 that, subject to the satisfaction or waiver of conditions precedent including SMRT shareholders’ approval for the proposed asset sale, SMRT Trains will transit to the new rail financing framework (“NRFF”) on 1 October 2016. Under the NRFF, SMRT Trains will operate under an asset-light model, focusing on providing quality service to commuters and maintaining the trains to ensure smooth operation. During the 15-year licence period, SMRT Trains will pay a licence charge to LTA for the right to use the operating assets and operate the North-South, East-West and Circle Lines and Bukit Panjang Light Rail Transit. The licence charge has been structured by LTA to enable SMRT Trains to achieve a composite (fare and non-fare) Earnings before Interest and Tax (“EBIT”) margin of about 5%. While the NRFF will provide a measure of risk mitigation and earnings stability that SMRT Trains presently does not have under the Current Rail Financing Framework (“CRFF”), there is no certainty that SMRT Trains will earn an EBIT margin of 5% as the risks relating to fare adjustments, operating expenditure increases, timing of asset renewal and regulatory changes, all of which may impact SMRT Trains’ profitability remain significant. SMRT has dispatched a circular to shareholders on 1 August 2016 and will hold an Extraordinary General Meeting on 29 September 2016 to seek shareholders’ approval for the proposed asset sale as part of the transition to NRFF.

Subsequently, SMRT, together with Belford Investments Pte. Ltd. (“Belford”), a wholly-owned subsidiary of Temasek Holdings (Private) Limited (“Temasek”), jointly announced on 20 July 2016, the proposed acquisition by Belford of all the issued ordinary shares in SMRT (other than those already held by Temasek) by way of a scheme of arrangement (the “Scheme”) in accordance with the Company’s Act (Chapter 50 of Singapore) and the Singapore Code on Take-overs and Mergers. The proposed privatisation will better enable Temasek to closely support the Group as it retools and reinforces its core skillsets in operations, engineering and maintenance, and allow minority shareholders to monetise their holdings through this Scheme and avoid the uncertainties of the transition. A Scheme document will be sent to shareholders in due course. Subject to regulatory and court approvals, SMRT expects to convene a Scheme meeting by September/October 2016.

The Group remains committed to deliver higher service quality to meet the needs of our commuters and to deliver higher rail reliability in accordance with the Maintenance Performance Standards set out by LTA. The Group is expected to incur higher operating expenses, particularly in staff costs, to meet the network’s higher capacity needs and reliability requirements as well as additional headcount required for the commencement of the Tuas West Extension in FY2017.

SMRT Buses will transit to the new Government Contracting Model from 1 September 2016. The Group is finalising the contracting terms with the authorities. The new model is fee-based, and has safeguards against inflation, wage and energy cost increases. SMRT Buses will also participate in the competitive bid for the next tender package in Seletar.

The Group will continue to explore growth anchored on our core strengths in public transport operations and adjacent capabilities to develop our rail engineering expertise, expand our road and rail transport operational footprint, and extend our commercial out-of-network reach.

8. DIVIDENDS

No dividend will be declared for 1Q FY2017.

9. SEGMENT INFORMATION

	-----Rail-----		Bus	Taxi			Engineering	Other	Investment	Consolidation	
	Train	LRT	operations	operations	Rental ⁵	Advertising ⁶	Services	Services	holding and	elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	support services	& adjustments	\$'000
Revenue and expenses											
1Q FY2017											
Revenue											
- external customers	163,942	2,885	58,648	35,183	32,449	8,826	3,875	8,042	-	-	313,850
- inter-segment	-	-	84	-	-	436	7,433	207	13,840	(22,000)	-
Operating expenses (net of other income)	(146,497)	(3,978)	(50,611)	(19,012)	(8,468)	(3,770)	(13,945)	(6,699)	(12,336)	23,786	(241,530)
Depreciation and amortisation	(25,189)	(522)	(7,919)	(11,658)	(3,377)	(585)	(51)	(118)	(854)	23	(50,250)
Segment operating results	(7,744)	(1,615)	202	4,513	20,604	4,907	(2,688)	1,432	650	1,809	22,070
Finance costs											(3,160)
Interest income											346
Investment income											-
Share of results of associates and joint ventures (net of tax)											297
Income tax expense											(4,291)
Profit after taxation											15,262
Non-controlling interest											269
Profit for the period attributable to equity holders of SMRT											15,531
1Q FY2016											
Revenue											
- external customers	167,586	2,622	61,372	37,842	32,886	8,769	2,389	6,838	-	-	320,304
- inter-segment	-	-	233	-	-	167	2,301	270	15,034	(18,005)	-
Operating expenses (net of other income)	(144,850)	(3,971)	(52,224)	(20,977)	(8,376)	(3,361)	(5,170)	(6,509)	(13,689)	17,587	(241,540)
Depreciation and amortisation	(26,422)	(258)	(7,907)	(11,369)	(3,395)	(682)	(18)	(57)	(971)	(3)	(51,082)
Segment operating results	(3,686)	(1,607)	1,474	5,496	21,115	4,893	(498)	542	374	(421)	27,682
Finance costs											(3,134)
Interest income											267
Investment income											155
Share of results of associates and joint ventures (net of tax)											732
Income tax expense											(5,534)
Profit after taxation											20,168
Non-controlling interest											(36)
Profit for the period attributable to equity holders of SMRT											20,132

⁵ Rental – operating profit comprises EBIT attributed to Transit-oriented Rental business, and Other Property and Retail Management businesses.

⁶ Advertising – operating profit comprises EBIT attributed to Transit-oriented Advertising business, and Other Media and Advertising businesses.

10. INTERESTED PERSON TRANSACTIONS

The aggregate value of interested person transactions entered into during 1Q FY2017 is as follows:-

Name of Interested Person	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
	1Q FY2017 \$'000	1Q FY2017 \$'000
<u>Sale of Goods and Services</u> SIA Engineering Company Limited	100	-
<u>Purchases of Goods and Services</u> Trusted Source Pte Ltd	144	-
Total	244	-

11. **CONFIRMATION PURSUANT TO RULE 705(5) OF THE LISTING MANUAL**

We, Koh Yong Guan and Desmond Kuek, being two directors of SMRT Corporation Ltd (the "Company"), do hereby confirm on behalf of the directors of the Company, that to the best of our knowledge, nothing has come to our attention which may render the 1Q FY2017 unaudited financial results to be false or misleading in any material respect.

On behalf of the Board of Directors



Koh Yong Guan
Chairman



Desmond Kuek
President & Group CEO

12. **CONFIRMATION PURSUANT TO RULE 720(1) OF THE LISTING MANUAL**

The Company hereby confirms that it has procured undertakings from all its Directors and Executive Officers in accordance with Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Ms Jacquelin Tay Gek Poh
Company Secretary
SMRT Corporation Ltd

8 August 2016

INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF SMRT CORPORATION LTD AND ITS SUBSIDIARIES FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2016

The Board of Directors
SMRT Corporation Ltd
251 North Bridge Road
Singapore 179102

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of SMRT Corporation Ltd ("the Company") and its subsidiaries ("the Group") as of 30 June 2016 and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Financial Reporting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Financial Reporting Standard 34 *Interim Financial Reporting*.

Other matter

The comparative information for the condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows of the Group, and related explanatory notes, for the three-month period ended 30 June 2015 have not been audited or reviewed.

Restriction of Use

Our work was undertaken solely to assist the Company to meet the requirements of paragraph 3 of Appendix 7.2 of the Singapore Exchange Limited – ST Listing Manual and for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and is not to be used for any other purpose.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 8 August 2016

8 August 2016

The Board of Directors
SMRT Corporation Ltd
251 North Bridge Road
Singapore 179102



Dear Sirs,

PROPOSED ACQUISITION BY BELFORD INVESTMENTS PTE LTD OF ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF SMRT CORPORATION LTD (THE "COMPANY") BY WAY OF A SCHEME OF ARRANGEMENT, OTHER THAN THOSE ALREADY HELD BY THE OFFEROR'S PARENT, TEMASEK HOLDINGS (PRIVATE) LIMITED (THE "PROPOSED ACQUISITION")

This letter has been prepared pursuant to Rule 25 of the Singapore Code on Take-over and Mergers (the "**Code**") in connection with (i) the Proposed Acquisition; and (ii) the Company's unaudited financial statements for the 3 months ended 30 June 2016 (the "**1QFY17 Results**") of the Company and its subsidiaries (collectively, the "**Group**"), as announced by the Company on 8 August 2016.

We have examined and held discussions with the management and the Company's directors (the "**Directors**") on the 1QFY17 Results, which are solely the responsibility of the Directors. We have also considered the Independent Auditor's Report to the Directors dated 8 August 2016 issued by PricewaterhouseCoopers LLP ("**PwC**") in relation to its review of the 1QFY17 Results, where PwC had conducted its review of the 1QFY17 Results in accordance with the Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, and had therein expressed its conclusion on the 1QFY17 based on its review.

For the purposes of rendering our opinion on the 1QFY17 Results, we have relied upon and assumed the accuracy and completeness of all financial and other information provided to and/or discussed with us. Save as provided in this letter, we do not express any other opinion on the 1QFY17 Results.

Based on the foregoing, we are of the opinion that the 1QFY17 Results have been made by the Directors after due and careful enquiry.

This letter is provided to the Directors solely for the purpose of complying with Rule 25 of the Code and not for any other purpose. We do not accept any responsibility to any person (other than the Directors) in respect of, arising out of, or in connection with this letter.

Yours faithfully

For and on behalf of

ROTHSCHILD (SINGAPORE) LIMITED

OLIVER GOETZ
MANAGING DIRECTOR